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No. 26

House of Representatives

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. SHAW).

DESIGNATION OF THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
March 3, 2004.

I hereby appoint the Honorable E. CLAY SHAW, Jr., to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

PRAYER

The Chaplain, the Reverend Daniel P. Coughlin, offered the following prayer:

How blessed is the just one. Truly happy and free is the one who fears the Lord. All the demands of life and love are embraced with ease.

The dawn of a new day fills the just with energy to do what is right and to risk everything in the cause of justice. Wealth and power seem throwaway items to the generous heart concerned for others.

The details of a job well done are worth remembering for the one whose heart is steadfast. There is no fear of an evil report or the manipulation of others in the heart of the one committed to the Lord.

For the just, communion in the Lord is real every day and lasts forever. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Arkansas (Mr. BOOZMAN) come forward and lead the House in the Pledge of Allegiance.

Mr. BOOZMAN led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Monahan, one of its clerks, announced that the Senate has passed a bill of the following title in which the concurrence of the House is requested:

S. 2136. An act to extend the final report date and termination date of the National Commission on Terrorist Attacks Upon the United States, to provide additional funding for the Commission, and for other purposes.

The message also announced that pursuant to Public Law 93-642, the Chair, on behalf of the Vice President, appoints the Senator from Montana (Mr. BAUCUS) to be a member of the Harry S Truman Scholarship Foundation Board of Trustees, vice the Senator from Washington (Mrs. MURRAY).

The message also announced that pursuant to section 104(c)(1)(A), of Public Law 108-199, the Chair, on behalf of the Majority Leader, appoints the following individual to serve as a member of the Abraham Lincoln Study Abroad Fellowship Program:

Dr. Steven Trooboff of Portland, Maine.

DAVID KAY AND WEAPONS OF MASS DESTRUCTION

(Mr. STEARNS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STEARNS. Mr. Speaker, Dr. David Kay, former Iraqi weapons in-

spector, gave an interview on the Today Show on January 27. Let me quote from what he said:

"Iraq was a country that had the capabilities in weapons of mass destruction areas and in which terrorists, like ants to honey, were going after it. We found that the Iraqi government, particularly Saddam Hussein and his senior leadership, had an intention to continue to pursue their WMD activities; that they, in fact, had a large number of weapons of mass destruction program-related activities."

Some in this body must have a hearing problem. To say that the President and the administration have misled the American people in building the case for the war with Iraq is wrong. Dr. Kay, like many others, is confident that Iraq possessed weapons of mass destruction and the ability to produce weapons of mass destruction. In fact, Saddam Hussein even used these weapons of mass destruction on his own people.

I hope the American voters see through the false charges against the President of the United States.

URGING MEMBERS TO JOIN BIKE-PARTISAN BICYCLE CAUCUS

(Mr. BLUMENAUER asked and was given permission to address the House for 1 minute.)

Mr. BLUMENAUER. Mr. Speaker, the general election for President is basically starting this week. The Democrats have selected their nominee. The President is out campaigning. But I hope that we will be able this week to take a pause before the action gets too heated to deal with the hundreds of volunteers who are visiting Capitol Hill who are advocates for bicycling.

These are people from all over the country, small businesspeople, community activists, all here with a message of how activity dealing with cycling in

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



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America can make our communities healthier, cycling can be a dramatic opportunity for economic development for thousands of small businesses, and it is, after all, the most efficient form of urban transportation ever devised.

It is an opportunity for us, in a small but important way, to reduce our energy dependence on foreign oil from unstable regions, to improve air quality, and to reduce the traffic congestion that is costing American families dozens of extra hours that they cannot afford every month.

I urge my colleagues to join our bipartisan Bicycle Caucus; to support robust transportation funding that includes things like safe routes to school and enhancements; and integrate cycling into your life and your community. We will be healthier, happier and the country will be better off.

BROADCAST INDECENCY

(Mr. PITTS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PITTS. Mr. Speaker, families are tired of having to cover their children's eyes and ears every time they turn on the television. Many parents' standards of common decency are repeatedly offended and their parenting is undermined by the onslaught of indecent material on television and radio. Frankly they have been outraged recently by the examples of filth permitted on the airwaves by the FCC. Just as the majority leader said yesterday, if the industry cannot police itself, Congress must step in.

The FCC has been entrusted with enforcing our Federal decency laws and should be expected to do so. There are plenty of laws on the books regarding this matter and the FCC just needs to enforce them. Today the Committee on Energy and Commerce will mark up a bill which allows the FCC to enforce tougher penalties on broadcasters for violations of the law. The privilege of conducting business over the airwaves should always be conditional on their willingness to adhere to standards of common decency.

Broadcast airwaves belong to the American people, not to the networks. It is time for Congress to defend and protect America's parents and children and pass a tough bill to ensure decency on the airwaves.

THE PRESIDENT'S CREDIBILITY DEFICIT

(Mr. EMANUEL asked and was given permission to address the House for 1 minute.)

Mr. EMANUEL. Mr. Speaker, President Bush has decided to make credibility an election year issue. Yesterday the Vice President announced if the Democratic policies had been pursued over the last 2 or 3 years, we would not have had the kind of job growth that this economy experienced.

Really? What a fascinating take. In the last 3 years, \$3 trillion have been added to the Nation's debt and 3 million Americans have lost their jobs. And they want to make credibility an issue. Since 5 months when he announced the creation of a manufacturing czar, which has not been appointed, 250,000 additional manufacturing jobs have been lost. And they want to make credibility an issue.

They have an economic report that says outsourcing is good for American workers. And they want to make credibility an issue. It is a fascinating take on the economy. Today we have a jobless economy with a wage recession in America. In fact, flipping hamburgers is now a manufacturing job in America. And they want to make credibility an issue.

Mr. Speaker, the President and the Vice President think everything is just fine in America. What we need is a new direction to put American workers, American families and their values at the center of our agenda and for somebody to wake up every morning thinking about their jobs, their children and their future.

EXPRESSING OUTRAGE AT CALIFORNIA COURT RULING REQUIRING CATHOLIC CHARITY TO COVER BIRTH CONTROL IN EMPLOYEE HEALTH INSURANCE PLANS

(Mr. MURPHY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MURPHY. Mr. Speaker, I rise to express my outrage at a recent decision by the California Supreme Court. This decision requires a Catholic charity to cover birth control in its employees' health insurance plans despite the church's position on contraception. This decision infringes on the principles of any faith-based charity choosing to help all the needy and not just those of a similar faith. As a result of this decision, society as a whole suffers. Faith-affiliated charities frequently provide help and hope to the least among us without religious discrimination, but this decision is a step backward. We are left to wonder what effect it will have on the social ministry of these organizations. Some may be forced to choose between adhering to their beliefs and serving those in need.

This decision represents an intentional, purposeful intrusion into a religious organization's practice of its religious tenets and sense of mission and it could reach far beyond Catholic charities and affect other faith-based hospitals and charities throughout the country.

PRESIDENT BUSH'S POLICIES ARE CREATING JOBS AND SPURRING THE ECONOMY

(Mr. WILSON of South Carolina asked and was given permission to ad-

dress the House for 1 minute and to revise and extend his remarks.)

Mr. WILSON of South Carolina. Mr. Speaker, President Bush took office 3 years ago facing the challenge of managing a recession that began under the prior administration. Soon other factors bogged down our economy, including the attacks of September 11, corporate scandals and the ensuing stock market decline. Despite all of these negative events, President Bush and the Republican Congress have worked together to strengthen the economy in America. Due to the President's policies of tax relief, we have seen an increase of 366,000 jobs. And, according to the American Shareholders Association, the stock market is on pace to generate an astonishing \$6.3 trillion of new resources since October 2002 for America's families. Additionally, unemployment has fallen below the average of each of the last three decades.

However, more work is needed which the President has outlined. We must make tax relief for all taxpayers permanent, reduce regulation, ensure affordable health care for families and small businesses, and enact a sound national energy policy.

In conclusion, may God bless our troops and we will never forget September 11.

THE NOBLE MISSION OF THE 39TH BRIGADE COMBAT TEAM

(Mr. BOOZMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BOOZMAN. Mr. Speaker, I rise today to express my support for the brave men and women of the 39th Brigade combat team as they deploy to Iraq. The 39th Brigade includes National Guardsmen from 10 States but is mostly made up of Arkansas National Guardsmen, including the Russellville-based 206th Field Artillery Unit.

Last weekend I had an opportunity to visit with many of the soldiers of the 39th Brigade during their colors casing ceremony at Fort Polk. They are some of America's finest. They are a diverse group, including doctors, teachers, lawyers, people from all walks of life, men and women who are ready to put their Guard training and professional skills to work establishing democracy in a country where oppression was once the norm.

Mr. Speaker, their mission is noble and of great importance. I ask my colleagues to remember them and their families in their thoughts and prayers as we continue to support our troops and their efforts to fight terror and bring back democracy to Iraq.

THANKING THE PRESIDENT FOR IDENTIFYING AMERICA'S PRIORITIES IN HIS BUDGET

(Mr. BARRETT of South Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BARRETT of South Carolina. Mr. Speaker, I rise today to thank the President for clearly identifying America's priorities in his fiscal year 2005 budget. There is no doubt that we are in a time of war and I am pleased President Bush's budget sent a clear signal that our Nation's defense and homeland security must remain the top priority of the Federal Government. However, I believe we can and must do more.

That is why last week I introduced an updated version of legislation that I introduced last year, the Common Sense Spending Act. This legislation will continue to fund nondefense, non-homeland security and hold discretionary spending at fiscal year 2004 levels for the next year, then increase at the rate of inflation over the next 4 years. It is all common sense. The spending act will slow the growth of mandatory spending by 1 percent, holding Social Security harmless, and reauthorizes PAYGO requiring offsets for direct spending. It also tightens the definition of emergency spending. Again, it is all common sense.

Mr. Speaker, if Members are serious about getting control of Federal spending, then I ask them to join me in support of the Common Sense Spending Act. It is time to limit our spending to reflect the priorities we have set.

HONORING COLONEL JESSE THOMAS, COMMANDER, 167TH AIRLIFT WING, WEST VIRGINIA AIR NATIONAL GUARD, ON HIS RETIREMENT FROM THE MILITARY

(Mrs. CAPITO asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. CAPITO. Mr. Speaker, I rise today in honor of Colonel Jesse A. Thomas, the Commander of the 167th Airlift Wing of the West Virginia Air National Guard based in Martinsburg, West Virginia.

□ 1015

Colonel Thomas is retiring after 33 years in our Armed Forces. Colonel Thomas began his military service as a T-37 instructor pilot in 1971. He then joined the West Virginia Air National Guard when he became a C-130 aircraft commander. Colonel Thomas has logged approximately 11,000 flight hours as a command pilot, including 5,000 hours as an instructor.

During Operation Desert Shield, Thomas deployed to Europe as an aircrew member and unit commander. He also flew airdrop and air defense missions in Yugoslavia and Central America and Southwest Asia.

Mr. Speaker, in our current war on terror, the National Guard has been called upon to fight in Iraq and Afghanistan, and thousands of brave men and women have answered that call. I thank all of the men and women of the National Guard who give so much in service to our Nation. Colonel Jesse

Thomas, who has dedicated 34 years to the defense of freedom, deserves the respect of all of us in the House, and I thank him for his devoted service to the people of West Virginia and his country.

THE PROSPECT OF PEACE IN CYPRUS

(Mr. KIRK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KIRK. Mr. Speaker, after decades of intercommunal violence between Turkey and Greece, there is now hope for peace on Cyprus.

On February 3, President Bush met with U.N. Secretary-General Annan to restart the peace process. Following talks between the Greek and Turkish Cypriot leaders on February 13, Annan announced the resumption of negotiations, saying, "I really believe that, after 40 years, a settlement is at last in reach."

Since February 19, the two sides have been discussing a U.N. peace plan in Cyprus. Despite predictably difficult negotiations, the Annan blueprint is secure. If there is no agreement by the two parties by March 22, Turkey and Greece will join the negotiations to broker a deal. If there is still no agreement by March 29, Annan will "fill in the blanks," and Greek and Turkish Cypriots will then vote on this plan in separate referenda in April. If all goes well, a reunited Cyprus will enter the European Union on May 1.

Having long supported peace efforts in Cyprus, the United States must now extend a helping hand to the Cypriots as they confront the difficulties of implementing an agreement. In 1984, Congress authorized President Reagan's \$250 million Cyprus Peace and Reconstruction Fund. The money was not provided because we did not reach a settlement. Europe is home to the last "Berlin-style" wall in Cyprus. Let us make this the year that it comes down forever.

THE "H.L. HUNLEY"

(Mr. BROWN of South Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BROWN of South Carolina. Mr. Speaker, this year marks the 140th anniversary of the final voyage of the *H.L. Hunley*. On February 17, 1864, the *Hunley* embarked on a dangerous mission when Lieutenant George Dixon led his crew to do what no other submarine had ever done before, successfully sink another ship in combat. That night in Charleston Harbor, the *Hunley* rammed her spar torpedo into the hull of the USS *Housatonic*. The ship sunk shortly thereafter, forever securing the *Hunley's* place in history.

The crew, however, never returned and vanished into the harbor. The location of the crew and ship remained a

mystery for over 130 years until 1995 when the submarine was found. It was placed under the care of the Warren Lasch Conservation Center in North Charleston in my district. Through the efforts of the Hunley Commission and the Friends of the Hunley, the vessel will be preserved for generations to come. All eight crew members' bodies have been recovered and will receive a military burial on April 17, 2004, at Magnolia Cemetery in Charleston. I welcome all Americans to take the opportunity to marvel at this archeological wonder.

HAITI

(Ms. JACKSON-LEE of Texas asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, yesterday was Texas Independence Day, March 2. This Nation and our people value both independence and democracy. But it is sad to note that a small nation by the name of Haiti has not received the same amount of respect, collegiality, and assistance that this country could be called to do. It is shameful that we have in the dark of night the question of whether or not a duly elected democratic President, President Aristide, was taken away from his home without his free will.

People are dying in the streets of Haiti. The question becomes what happened to President Aristide and why he was removed against his will. The question becomes whether or not this Nation will engage with insurgents and thugs and drug dealers, as the opposition represents; whether or not we will tolerate the continued pillaging and the loss of life; whether or not we will grant temporary protective status for Haitians who are here in fear of their life; and whether or not we respect those who are fleeing from persecution by granting individual asylum hearings.

Mr. Speaker, this Nation can do better. We can do better with our allies and friends. Why are we not doing better for Haiti?

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. SHAW). Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 6 of rule XX.

Record votes on postponed questions will be taken later today.

CHARLES "PETE" CONRAD ASTRONOMY AWARDS ACT

Mr. ROHRBACHER. Mr. Speaker, I move to suspend the rules and pass the

bill (H.R. 912) to authorize the Administrator of the National Aeronautics and Space Administration to establish an awards program in honor of Charles "Pete" Conrad, astronaut and space scientist, for recognizing the discoveries made by amateur astronomers of asteroids with near-Earth orbit trajectories, as amended.

The Clerk read as follows:

H.R. 912

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Charles 'Pete' Conrad Astronomy Awards Act".

SEC. 2. DEFINITIONS.

For the purposes of this Act—

(1) the term "Administrator" means the Administrator of the National Aeronautics and Space Administration;

(2) the term "amateur astronomer" means an individual whose employer does not provide any funding, payment, or compensation to the individual for the observation of asteroids and other celestial bodies, and does not include any individual employed as a professional astronomer;

(3) the term "Minor Planet Center" means the Minor Planet Center of the Smithsonian Astrophysical Observatory;

(4) the term "near-Earth asteroid" means an asteroid with a perihelion distance of less than 1.3 Astronomical Units from the Sun; and

(5) the term "Program" means the Charles "Pete" Conrad Astronomy Awards Program established under section 3.

SEC. 3. PETE CONRAD ASTRONOMY AWARD PROGRAM.

(a) *IN GENERAL.*—The Administrator shall establish the Charles "Pete" Conrad Astronomy Awards Program.

(b) *AWARDS.*—The Administrator shall make awards under the Program based on the recommendations of the Minor Planet Center.

(c) *AWARD CATEGORIES.*—The Administrator shall make one annual award, unless there are no eligible discoveries or contributions, for each of the following categories:

(1) The amateur astronomer or group of amateur astronomers who in the preceding calendar year discovered the intrinsically brightest near-Earth asteroid among the near-Earth asteroids that were discovered during that year by amateur astronomers or groups of amateur astronomers.

(2) The amateur astronomer or group of amateur astronomers who made the greatest contribution to the Minor Planet Center's mission of cataloguing near-Earth asteroids during the preceding year.

(d) *AWARD AMOUNT.*—An award under the Program shall be in the amount of \$3,000.

(e) *GUIDELINES.*—(1) No individual who is not a citizen or permanent resident of the United States at the time of his discovery or contribution may receive an award under this Act.

(2) The decisions of the Administrator in making awards under this Act are final.

(f) *AUTHORIZATION OF APPROPRIATIONS.*—From sums otherwise authorized to be appropriated, there are authorized to be appropriated such sums as may be necessary to carry out this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from California (Mr. ROHRBACHER) and the gentleman from Tennessee (Mr. GORDON) each will control 20 minutes.

The Chair recognizes the gentleman from California (Mr. ROHRBACHER).

GENERAL LEAVE

Mr. ROHRBACHER. Mr. Speaker, I ask unanimous consent that all Mem-

bers may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 912, as amended, the bill now under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ROHRBACHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, as chairman of the Subcommittee on Space and Aeronautics of the Committee on Science, I have made the threat posed by near-Earth objects one of my top priorities. The hearings of our subcommittee have revealed that monitoring and tracking near-Earth objects, that is, NEOs, such as comets and asteroids, not only advance astronomy, but are critical in identifying the near-Earth objects that may threaten the Earth.

Mr. Speaker, recent press accounts of asteroids passing close to Earth have raised public awareness of the possibility that one day one of these objects could hit the Earth with potential catastrophic consequences. Given the vast number of asteroids and comets that inhabit the Earth's neighborhood, greater efforts for tracking and monitoring these objects are critical.

This is why I rise in support of the amendment to H.R. 912, the Charles "Pete" Conrad Astronomy Awards Act. This amendment does not alter the intent of the original bill, but clarifies what the awards program is and the role and responsibility of NASA and the Smithsonian's Minor Planet Center. We have worked with NASA, the Smithsonian Institution, and our colleagues across the aisle to make these improvements; and I thank them for all their help and support. H.R. 912 authorizes the NASA administrator to give one award each year to the amateur astronomer or to the group of amateur astronomers who discovered the intrinsically brightest near-Earth asteroid among the near-Earth asteroids discovered during that preceding year by amateur astronomers and another award to the amateur astronomer or group of amateur astronomers who made the greatest contribution during the preceding year to the Minor Planet Center's catalogue of known asteroids. The recipients of the awards in the amount of \$3,000 are limited to U.S. citizens and, yes, also permanent residents.

This bill is a tribute to Pete Conrad for his tremendous contributions to our country, to the world, and to the aerospace community over the last 4 decades. Pete Conrad was a pilot, an explorer, and an entrepreneur of the highest caliber. He commanded Apollo XII, and during that mission he became the third man to walk on the Moon. He saw space as a place to get to, to explore, and to do business. Space exploration and commercialization is what he did. It was his job to explore the Moon. He then worked to develop new

spacecraft and space transportation systems. An interesting aside, analysis of an orbiting object identified by an amateur astronomer suggests that it is the remains of a Saturn V rocket, third stage, which most likely came from Pete Conrad's Apollo mission.

So I find no better way to honor Pete Conrad than to establish an annual astronomers award for future asteroid discoveries in his name. He always wanted people to be looking up. He was a positive "can-do" American. He exemplified the American spirit, and he was often remembered, of course, for not only his own walk on the Moon but his historic description of the landing on the Moon.

Of course, the threat of an asteroid hitting the world is a serious matter, and the idea of a catastrophic asteroid or comet impacting on the Earth has, of course, gained the attention of the media and the popular culture in films like "Armageddon" and "Deep Impact" of a few years ago, but it is vital for all of us to realize this is not just for the movies. This is not science fiction. We all know that the Earth's moon and many other planetary bodies in our solar system are covered with impact craters. Most people have heard of the dinosaur extinction theory or perhaps seen pictures of the meteor crater in Arizona. However remote the possibility of a near-Earth object striking the Earth and causing a worldwide calamity, no matter how obscure or how remote that is, there is a threat, a calculable threat.

And while the asteroid that killed the dinosaurs is estimated to occur only once every 100 million years, smaller, yet still hazardous, asteroids impact the Earth much more frequently. For example, the destructive force of the 1908 asteroid strike in Siberia was roughly equal to a 10-megaton blast of TNT. The asteroid that hit South America in the 1930s was of similar magnitude. The asteroid that struck Central Asia in the 1940s was a large impact. In 1996, satellites detected a high-altitude burst over Greenland involving an asteroid which would have had the destructive force measuring 100 kilotons of TNT.

Ironically, if we look at asteroids from the perspective of our national goals in space, they also offer us not just a threat but also unique opportunities. In terms of pure science, asteroids are geological time capsules from the era when our solar system was formed. Even better, they are orbiting mines of metals, of minerals, and other resources that can be possibly used to build large structures in space without having to carry up the material to build those structures from Earth. So far NASA has surveyed 600 asteroids, but this is a fraction of the projected total population of asteroids and near-Earth objects. What needs to be done now is to fully understand near-Earth objects and the potential threat and, yes, the potential use that they could pose to the world.

In closing, asteroids deserve a lot more attention from the scientific community and from the American people. The first step is through tracking all sizable near-Earth objects, and H.R. 912 is a modest step toward this goal.

I urge my colleagues to vote for H.R. 912, which will encourage young people in particular to start looking into the stars and get involved personally in America's space program.

Mr. Speaker, I reserve the balance of my time.

□ 1030

Mr. GORDON. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to express my support for the bill presented by the gentleman from California (Chairman ROHRABACHER), H.R. 912.

I know that my good friend the gentleman from California (Mr. ROHRABACHER) has had a long interest in Near Earth Objects and the potential threat they could pose to our civilization at some point in the future. Moreover, the Committee on Science has been active on a bipartisan basis since at least the early 1990s in trying to draw attention to this issue. At that time, former Chairman George Brown, Jr., held a series of hearings and drafted legislation to establish a NEO detection and cataloging within NASA.

H.R. 912 recognizes that amateur astronomers also can play a significant role in the detection of Earth orbit crossing asteroids and comets and provides a constructive way to reward their efforts.

A previous version of the bill passed the House last Congress, so I do not believe this legislation should be at all controversial. I urge the adoption by the House, and look forward to its speedy enactment.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise in strong support of the Pete Conrad Astronomy Act, and commend the Chairman of the Space Subcommittee for his creativity and leadership in promoting space exploration.

This Act will reward individuals who through their hard work and dedication have made fundamental contributions to our knowledge of the universe. This Act will stimulate interest in space exploration—a field that helps keep this nation on the cutting edge of technology and captivates young minds. Discoveries made by amateur astronomers have helped with the enormous task of cataloging the many asteroids and small bodies that share the solar system with us. Those amateur astronomers deserve to be rewarded. It is a valuable service to this nation and to the world, and should be encouraged. This Act will do both.

I would like to thank Chairman ROHRABACHER for working with me to address one small concern that I had when this bill went through markup in the Science Committee. People come from around the world to study at our great colleges and universities. They are often some of the best and brightest from their home countries. They pay high tuitions as international students. They often bring money into our communities. But the most important reason they are invited is because

they bring diverse viewpoints and perspectives. They enrich the experience of our own students.

As the bill is written, only U.S. citizens and permanent residents are eligible for an award. This is fair, since we are trying to encourage Americans to get interested in space and science. However, these awards also offer an opportunity to foster collaborations and international partnerships that will be valuable for all parties in the future. We have therefore agreed on report language for this bill that will foster collaborative efforts.

If a group of amateur astronomers makes a great discovery, deemed worthy of a Pete Conrad Award, and if that group has international students in it—the Administrator of NASA will be able to give those foreign students a certificate or other token of appreciation. Although the monetary reward will be reserved for the Americans in the group, at least the foreign students will be recognized for their contributions. This seems only fair.

Again, I thank the Chairman for working with me on this issue. I support the bill and urge my colleagues to do the same.

Mr. GORDON. Mr. Speaker, I yield back the balance of my time.

Mr. ROHRABACHER. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. ROHRABACHER) that the House suspend the rules and pass the bill, H.R. 912, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. ROHRABACHER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

PERMITTING MALCOLM BALDRIGE NATIONAL QUALITY AWARDS TO NONPROFIT ORGANIZATIONS

Ms. HART. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3389) to amend the Stevenson-Wydler Technology Innovation Act of 1980 to permit the Malcolm Baldrige National Quality Awards to be made to nonprofit organizations.

The Clerk read as follows:

H.R. 3389

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AMENDMENT.

Section 17(c)(1) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3711a(c)(1)) is amended by adding at the end the following:

“(F) Nonprofit organizations.”.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Pennsylvania (Ms. HART) and the gentleman from North Carolina (Mr. MILLER) each will control 20 minutes.

The Chair recognizes the gentlewoman from Pennsylvania (Ms. HART).

GENERAL LEAVE

Ms. HART. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 3389.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Pennsylvania?

There was no objection.

Ms. HART. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the Malcolm Baldrige National Quality Award was established by Congress and signed into law in August of 1987. The first awards were presented in 1988.

This award was established because many industry and government leaders saw that a renewed emphasis was a necessity for doing business in an expanding, competitive world market. But many American businesses either did not believe quality mattered for them or did not know where to begin. The Baldrige Award was envisioned as a standard of excellence that would help United States organizations achieve world class quality.

Mr. Speaker, the award is named after Malcolm Baldrige, who was Secretary of Commerce to President Ronald Reagan from 1981 until his tragic death in July of 1987. Malcolm Baldrige thought the keys to this country's prosperity and long-term strength was quality management. He was involved with the creation of the act and his name was added after his death.

The Baldrige Award is given by the President of the United States to businesses, manufacturing and service businesses, both small and large, and to education and health care organizations. Applicants prepare detailed assessments of their management systems. The criteria are built upon a set of 11 interrelated core values and concepts. The seven criteria categories provide a system essential to achieving performance excellence, leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management and business results.

Baldrige applicants receive detailed written feedback about their strengths and opportunities for improvement from a team of independent Baldrige examiners. A panel of judges determines which organizations will be finalists for the award and those organizations receive site visits to verify and clarify their applications.

Two such businesses in my district have been recipients of the Malcolm Baldrige Award. This year's awardee, the 2003 manufacturing recipient, was Medrad, Inc., of Indianola, Pennsylvania. They are a leading provider of medical devices that enhance medical imaging procedures of the human body and also of injector systems.

The first manufacturing recipient in 1988 was also in my district, Westinghouse Electric Corporation's Commercial Nuclear Fuel Division.

Our amendment today will make one simple change to the Malcolm Baldrige Awards. It will add the words "non-profit organization" to those who are eligible to receive the award. Currently only manufacturers, service businesses, small businesses, education organizations and health care organizations are eligible for the Baldrige Award. Baldrige-based State award programs, however, have added additional categories that include nonprofits and government agencies.

However, there are three types of nonprofit organizations that are not eligible to apply for the Baldrige Award. These organizations account for a significant portion of the U.S. economy, and cannot benefit from the assessment and feedback process of the Baldrige Award. They are public agencies of the Federal, State and local government; independent, private not-for-profit organizations; for example, human service organizations, religious organizations, cultural or professional organizations; and also quasi-public organizations created by legislative authority are also not eligible; for example, public utilities, mutual insurance companies or credit unions.

In 1999, it was recognized that the Baldrige Award's performance standards can help stimulate improvement efforts in other sectors vital to the U.S. economy and the areas of education and health care were added to that criteria. Since then, a total of 66 applications have been submitted in the education category and 61 in the health care category, obviously giving these organizations an opportunity to improve their systems.

As it has for current eligible U.S. businesses, the Baldrige Award program can help nonprofit organizations improve their performance and also to foster communications, sharing of "best practices" and partnerships among schools, health care organizations and businesses.

Mr. Speaker, I reserve the balance of my time.

Mr. MILLER of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

(Mr. MILLER of North Carolina asked and was given permission to revise and extend his remarks.)

Mr. MILLER of North Carolina. Mr. Speaker, I also rise in support of H.R. 3389. Since 1987, the Malcolm Baldrige National Quality Awards have recognized excellence for quality in management. The Baldrige Awards quickly became America's highest honor for excellence and performance, and the benefits of the award exceeded any expectation.

To recognize excellence, the Department of Commerce first had to decide what excellence in management was and then how to achieve it. That required that businesses see their performance through the eyes of their customers and their employees. The criteria for excellence that developed as a result have transformed American

business and the businesses that have competed for the awards, including the businesses that have not won the award, have achieved higher productivity, greater customer satisfaction, better employee relations, increased market share and improved profitability. The awards have made quality a national priority and have disseminated nationally the best practices for achieving it.

A recent study of the Baldrige Awards by Professor Albert Link of the University of North Carolina at Greensboro, one of my district's outstanding academic institutions, and by Professor John Scott of Dartmouth College, a college in New England, estimated the benefits of the award and the competition for the award at \$24.65 billion. That is an astounding sum.

The Baldrige Awards now have five categories: Manufacturing, service, small business, and, since 1999, health care and education. But many other organizations cannot participate: Not-for-profit, service organizations, government agencies at the Federal, State and local level, independent sector organizations, such as human services, religious, cultural or trade and professional organizations, and private quasi-public organizations created by legislative authority, such as public utilities, cooperatives, mutual insurance companies and credit unions.

These organizations represent a significant part of the American economy, but they are now unable to benefit from the assessment and the feedback that are a vital part of the Baldrige Awards and the award process.

Let me say a special word about government agencies. The gentlewoman from Pennsylvania and I may disagree about what government should do, but there should be no disagreement about how government should do it. There should be no disagreement how government should be managed. Government agencies should be managed as well as the best managed private businesses. Managers in government must respect the people they serve and they must respect the taxpayers who pay for what they do. Managers in government should be consumed with achieving excellence in performance and in achieving efficiency.

I fervently hope that government agencies will focus on what constitutes excellence and how to achieve it, and that we will save billions as a result, just as private businesses have saved billions, as a result of competing for the Baldrige Awards.

In my district in North Carolina, there are many important organizations that are left out of the Baldrige experience. Let me tell you about just a couple of them.

Our State Treasurer's Office and Department of Revenue have made great strides in applying sound management quality practices by increasing accuracy and by cutting telephone hold times, freeing my State's citizens from voice mail jail.

Likewise, our crime control and public safety agencies are demonstrating the value of a systematic quality and performance excellence approach grounded in Baldrige criteria.

The North Carolina State Highway Patrol, a recipient of our State Quality Award, has achieved important improvements in all of its key performance effectiveness measures. The Commander of the Highway Patrol, Chief R. W. Holden, said that our State Baldrige-based award process allowed us to direct our self-improvement efforts to the most effective areas of our organization.

The Carolina Blood Services Region of the American Red Cross is another State Quality Award winner that has achieved stellar results.

These public agencies are demonstrating excellence in management every day. The keys to their continued improvement are the ability to be recognized for their good work and the ability to measure their performance against proven standards in order to become even better.

These worthy organizations affect our daily lives and our communities' well-being, and, like so many other not-for-profit service organizations, they cannot benefit from the Baldrige Award process today.

It is time to remedy this, and this bill proposes that the Baldrige Awards be opened up to allow participation by not-for-profit organizations, including government agencies. Support for this proposed expansion is widespread. The Foundation for the Malcolm Baldrige Award, the Baldrige Board of Overseers, the Secretary of Commerce and the President have endorsed expansion to include not-for-profit service organizations.

The Baldrige National Quality Program is a public-private partnership. It is managed by the National Institute for Standards and Technologies, NIST, an agency of the Commerce Department, and is supported by the private sector Baldrige Foundation. These organizations raise funds to support Baldrige's many activities so that the Federal investment in this program is leveraged many times over, not only by this private sector funding, but also by the efforts of hundreds of largely private sector volunteers and voluntary sector organizations, such as the American Red Cross.

I would be very proud to tell the folks in North Carolina, in the North Carolina Treasurer's Office, in the State Patrol and in the Blood Bank, that they too will be eligible to receive the recognition that goes with the Baldrige Awards, and to share their best practices with other organizations across the country.

Mr. Speaker, I reserve the balance of my time.

Ms. HART. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I also would like to commend the gentleman from North Carolina (Mr. MILLER) for his sponsorship of the legislation.

Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. EHLERS).

□ 1045

Mr. EHLERS. Mr. Speaker, today I rise in support of H.R. 3389, which amends the Malcolm Baldrige National Quality Awards to include a category for nonprofit organizations. On the Committee on Science I serve as chairman of the Subcommittee on Environment, Technology and Standards, with jurisdiction over the National Institute of Standards Technology, which administers the Baldrige Awards program. In that role I am most pleased to support this bill.

When the Baldrige award was first announced many years ago, my first thought was, well, what is another award? But this has turned out to be a very outstanding action on the part of the Congress and by the Department of Commerce. It has become one of the most important awards in America. It is highly sought after, and it is a tremendous honor to receive the Baldrige Award.

However, the Baldrige Award program is much more than an honor. The criteria of the award are used by companies and organizations nationwide to evaluate their own performance. Also, many State quality awards programs use a national Baldrige criteria. For example, in my district last year, the Michigan Quality Council using Baldrige criteria for evaluation recognized the Grand Rapids Community College for its vision and service to the community.

I am pleased to support this change to the Malcolm Baldrige National Quality Award. Including nonprofit organizations will open the competition to groups that have expressed strong support for the opportunity to be recognized for their efforts at the national level. Many States already include nonprofits as a category, and including them in the national program will help strengthen the Baldrige quality criteria.

I thank the gentlewoman from Pennsylvania (Ms. HART) and the gentleman from North Carolina (Mr. MILLER) for their work in bringing this bill to the floor today, and I urge all of my colleagues to support it.

Mr. MILLER of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I also want to acknowledge the gentlewoman from Pennsylvania's (Ms. HART) work and thank her for working so well on this and for her leadership on this issue. After hearing the strongly partisan 1-minute this morning, I am very glad we found some common ground between the parties.

Mr. Speaker, I yield 4 minutes to the gentleman from Tennessee (Mr. GORDON).

Mr. GORDON. Mr. Speaker, I thank the gentleman for yielding me time.

Beginning in 1987, the Baldrige Award process has defined what it

means to be a world-class manufacturing or service company, has honored companies that attained that status, and has helped other companies understand the most important steps they must take if they are to improve their quality.

The financial results, customer and supplier relations, and the labor relations of winning companies have been quite impressive.

In the late 1990s, Congress extended the Baldrige Award categories to include education and health care fields. I am very proud that Caterpillar Financial Services Corporation located in Nashville, Tennessee, won in the service category. I also want to congratulate Stoner Inc., located in Quarryville, Pennsylvania, for winning the small business category. This is a small manufacturer of more than 300 specialized cleaners, lubricants, and coatings. It has 45 full-time and five part-time employees. Stoner proves that small manufacturers can successfully compete in the face of world competition.

This year's Baldrige Award also shows the importance of the Department of Commerce MEP program. Stoner used services of the Mid-Pennsylvania Manufacturing Extension Partnership in this modernization effort. I mention this because up until the FY 2005 request, the administration has always proposed eliminating the MEP program. This year the administration has requested funding but at only a one-third level, which essentially guts this very important program. This is short-sighted and a wrong budget decision.

Companies all across the organization like Stoner show that small manufacturers can compete in the global marketplace. They also use MEP services to meet the competitive challenges and to be successful.

I want to use this example to remind my colleagues of the importance of MEP to our small- and medium-sized manufacturing community. I want to urge all Members in joining me in restoring funding for the Manufacturing Extension Partnership.

I also want to congratulate the gentlewoman from Pennsylvania (Ms. HART) for the work she has done on this excellent legislation. And I want to congratulate the gentleman from North Carolina (Mr. MILLER) on his effort to extend the Baldrige Award to the nonprofit sector including government. This is the last sector of our economy that is not currently covered by the Baldrige Award. The gentleman from North Carolina (Mr. MILLER) has become a leader on the Committee on Science on a variety of economic issues, including technology transfer and quality.

I also want to thank, finally, the gentleman from New York (Mr. BOEHLERT) for seeing that this bill moved quickly to the floor.

Ms. HART. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I also would like to thank the gentleman from New York

(Mr. BOEHLERT) for his involvement and support for the Baldrige Awards, as I understand he was involved with the Baldrige Awards at their inception. I also would like to thank former ranking member of the Committee on Science, the gentleman from Texas (Mr. HALL), for his support for this legislation and for the Baldrige Awards, and also our current ranking member, the gentleman from Tennessee (Mr. GORDON), for his hard work and bipartisanship in working to grow the Baldrige Awards and give others the opportunity to participate in that wonderful process.

Mr. Speaker, I reserve the balance of my time.

Mr. MILLER of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I also want to thank the gentleman from Tennessee (Mr. GORDON), who is now the ranking member of the Committee on Science for his work on this and for his support as well as his kind words just a few minutes ago.

Mr. BOEHLERT. Mr. Speaker, I rise today in support of H.R. 3389, and I want to thank Ms. HART and Mr. MILLER for bringing it before the Science Committee.

I'm especially pleased to be able to support this bill because I was co-author of the law that created the Baldrige National Quality Award, and that measure has succeeded beyond our wildest dreams.

The Baldrige National Quality Program is so much more than an award. It is an entire philosophy that has helped—and continues to help make our companies and our nation more productive and competitive.

The Baldrige Program has been described by CEOs as "the most important catalyst for transforming American business," and the publication containing the Baldrige criteria has been hailed as "probably the single most influential document in the modern history of American business."

Opening the Malcolm Baldrige Quality Award to non-profits will not only enable them to compete against for the coveted Quality Award, but it will allow non-profits to participate in the Baldrige Quality process. This will help all of the non-profits that compete for the award assess themselves scientifically, become more innovative, make the best use of their employees, serve their customers better, and hold their enterprises to a higher standard.

Non-profits play a significant role in American society. When they improve, we are all better off. I'm pleased to note that my own state of New York has already instituted a non-profit category in its Governor's Award for Excellence. The Empire State Advantage, which runs the state-level quality program, strongly supports this bill.

It gives me great pleasure to join with my colleagues Ms. HART and Mr. MILLER in opening up the competitive process to non-profits. I urge passage of this bill.

Mr. MILLER of North Carolina. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Ms. HART. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SHAW). The question is on the motion offered by the gentlewoman from Pennsylvania (Ms. HART) that the House suspend the rules and pass the bill, H.R. 3389.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Ms. HART. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

COPYRIGHT ROYALTY AND DISTRIBUTION REFORM ACT OF 2004

Mr. SENSENBRENNER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1417) to amend title 17, United States Code, to replace copyright arbitration royalty panels with a Copyright Royalty Judge, and for other purposes, as amended.

The Clerk read as follows:

H.R. 1417

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Copyright Royalty and Distribution Reform Act of 2004".

SEC. 2. REFERENCE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 17, United States Code.

SEC. 3. COPYRIGHT ROYALTY JUDGE AND STAFF.

(a) IN GENERAL.—Chapter 8 is amended to read as follows:

"CHAPTER 8—PROCEEDINGS BY COPYRIGHT ROYALTY JUDGES

"Sec.

"801. Copyright Royalty Judges; appointment and functions.

"802. Copyright Royalty Judgeships; staff.

"803. Proceedings of Copyright Royalty Judges.

"804. Institution of proceedings.

"805. General rule for voluntarily negotiated agreements.

"§ 801. Copyright Royalty Judges; appointment and functions

"(a) APPOINTMENT.—The Librarian of Congress shall appoint 3 full-time Copyright Royalty Judges, and shall appoint one of the three as the Chief Copyright Royalty Judge. In making such appointments, the Librarian shall consult with the Register of Copyrights.

"(b) FUNCTIONS.—Subject to the provisions of this chapter, the functions of the Copyright Royalty Judges shall be as follows:

"(1) To make determinations and adjustments of reasonable terms and rates of royalty payments as provided in sections 112(e), 114, 115, 116, 118, 119 and 1004. The rates applicable under sections 114(f)(1)(B), 115, and 116 shall be calculated to achieve the following objectives:

"(A) To maximize the availability of creative works to the public.

"(B) To afford the copyright owner a fair return for his or her creative work and the copyright user a fair income under existing economic conditions.

"(C) To reflect the relative roles of the copyright owner and the copyright user in the product made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, risk, and contribution to the opening of new markets for creative expression and media for their communication.

"(D) To minimize any disruptive impact on the structure of the industries involved and on generally prevailing industry practices.

"(2) To make determinations concerning the adjustment of the copyright royalty rates under section 111 solely in accordance with the following provisions:

"(A) The rates established by section 111(d)(1)(B) may be adjusted to reflect—

"(i) national monetary inflation or deflation; or

"(ii) changes in the average rates charged cable subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar level of the royalty fee per subscriber which existed as of the date of October 19, 1976,

except that—

"(I) if the average rates charged cable system subscribers for the basic service of providing secondary transmissions are changed so that the average rates exceed national monetary inflation, no change in the rates established by section 111(d)(1)(B) shall be permitted; and

"(II) no increase in the royalty fee shall be permitted based on any reduction in the average number of distant signal equivalents per subscriber.

The Copyright Royalty Judges may consider all factors relating to the maintenance of such level of payments, including, as an extenuating factor, whether the industry has been restrained by subscriber rate regulating authorities from increasing the rates for the basic service of providing secondary transmissions.

"(B) In the event that the rules and regulations of the Federal Communications Commission are amended at any time after April 8, 1976, to permit the carriage by cable systems of additional television broadcast signals beyond the local service area of the primary transmitters of such signals, the royalty rates established by section 111(d)(1)(B) may be adjusted to insure that the rates for the additional distant signal equivalents resulting from such carriage are reasonable in the light of the changes effected by the amendment to such rules and regulations. In determining the reasonableness of rates proposed following an amendment of Federal Communications Commission rules and regulations, the Copyright Royalty Judges shall consider, among other factors, the economic impact on copyright owners and users; except that no adjustment in royalty rates shall be made under this subparagraph with respect to any distant signal equivalent or fraction thereof represented by—

"(i) carriage of any signal permitted under the rules and regulations of the Federal Communications Commission in effect on April 15, 1976, or the carriage of a signal of the same type (that is, independent, network, or noncommercial educational) substituted for such permitted signal; or

"(ii) a television broadcast signal first carried after April 15, 1976, pursuant to an individual waiver of the rules and regulations of the Federal Communications Commission, as such rules and regulations were in effect on April 15, 1976.

"(C) In the event of any change in the rules and regulations of the Federal Communica-

tions Commission with respect to syndicated and sports program exclusivity after April 15, 1976, the rates established by section 111(d)(1)(B) may be adjusted to assure that such rates are reasonable in light of the changes to such rules and regulations, but any such adjustment shall apply only to the affected television broadcast signals carried on those systems affected by the change.

"(D) The gross receipts limitations established by section 111(d)(1)(C) and (D) shall be adjusted to reflect national monetary inflation or deflation or changes in the average rates charged cable system subscribers for the basic service of providing secondary transmissions to maintain the real constant dollar value of the exemption provided by such section, and the royalty rate specified therein shall not be subject to adjustment.

"(3)(A) To authorize the distribution, under sections 111, 119, and 1007, of those royalty fees collected under sections 111, 119, and 1005, as the case may be, to the extent that the Copyright Royalty Judges have found that the distribution of such fees is not subject to controversy.

"(B) In cases where the Copyright Royalty Judges determine that controversy exists, the Copyright Royalty Judges shall determine the distribution of such fees, including partial distributions, in accordance with section 111, 119, or 1007, as the case may be.

"(C) the Copyright Royalty Judges shall make a partial distribution of such fees during the pendency of the proceeding under subparagraph (B) if all participants under section 803(b)(2) in the proceeding that are entitled to receive those fees that are to be partially distributed—

"(i) agree to such partial distribution;

"(ii) sign an agreement obligating them to return any excess amounts to the extent necessary to comply with the final determination on the distribution of the fees made under subparagraph (B); and

"(iii) file the agreement with the Copyright Royalty Judges.

"(D) The Copyright Royalty Judges and any other officer or employee acting in good faith in distributing funds under subparagraph (C) shall not be held liable for the payment of any excess fees under subparagraph (C). The Copyright Royalty Judges shall, at the time the final determination is made, calculate any such excess amounts.

"(4) To accept or reject royalty claims filed under section 111, 119, and 1007, on the basis of timeliness or the failure to establish the basis for a claim.

"(5) To accept or reject rate adjustment petitions as provided in section 804 and petitions to participate as provided in section 803(b)(1) and (2).

"(6) To determine the status of a digital audio recording device or a digital audio interface device under sections 1002 and 1003, as provided in section 1010.

"(7)(A) To adopt as the basis for statutory terms and rates or as a basis for the distribution of statutory royalty payments, an agreement concerning such matters reached among some or all of the participants in a proceeding at any time during the proceeding, except that—

"(i) the Copyright Royalty Judges shall provide to the other participants in the proceeding under section 803(b)(2) that would be bound by the terms, rates, distribution, or other determination set by the agreement an opportunity to comment on the agreement and object to its adoption as the basis for statutory terms and rates or as a basis for the distribution of statutory royalty payments, as the case may be; and

"(ii) the Copyright Royalty Judges may decline to adopt the agreement as the basis for statutory terms and rates or as the basis

for the distribution of statutory royalty payments, as the case may be, if any other participant described in subparagraph (A) objects to the agreement and the Copyright Royalty Judges find, based on the record before them, that the agreement is not likely to meet the statutory standard for setting the terms and rates, or for distributing the royalty payments, as the case may be.

“(B) License agreements voluntarily negotiated pursuant to section 112(e)(5), 114(f)(3), 115(c)(3)(E)(i), 116(c), or 118(b)(2) that do not result in statutory terms and rates shall not be subject to clauses (i) and (ii) of subparagraph (A).

“(C) RULINGS.—The Copyright Royalty Judges may make any necessary procedural or evidentiary rulings in any proceeding under this chapter and may, before commencing a proceeding under this chapter, make any such rulings that would apply to the proceedings conducted by the Copyright Royalty Judges. The Copyright Royalty Judges may consult with the Register of Copyrights in making any rulings under section 802(f)(1).

“(d) ADMINISTRATIVE SUPPORT.—The Librarian of Congress shall provide the Copyright Royalty Judges with the necessary administrative services related to proceedings under this chapter.

“(e) LOCATION IN LIBRARY OF CONGRESS.—The offices of the Copyright Royalty Judges and staff shall be in the Library of Congress.

“§ 802. Copyright Royalty Judgeships; staff

“(a) QUALIFICATIONS OF COPYRIGHT ROYALTY JUDGES.—Each Copyright Royalty Judge shall be an attorney who has at least 7 years of legal experience. The Chief Copyright Royalty Judge shall have at least 5 years of experience in adjudications, arbitrations, or court trials. Of the other two Copyright Royalty Judges, one shall have significant knowledge of copyright law, and the other shall have significant knowledge of economics. An individual may serve as a Copyright Royalty Judge only if the individual is free of any financial conflict of interest under subsection (h). In this subsection, ‘adjudication’ has the meaning given that term in section 551 of title 5, but does not include mediation.

“(b) STAFF.—The Chief Copyright Royalty Judge shall hire 3 full-time staff members to assist the Copyright Royalty Judges in performing their functions.

“(c) TERMS.—The terms of the Copyright Royalty Judges shall each be 6 years, except of the individuals first appointed, the Chief Copyright Royalty Judge shall be appointed to a term of 6 years, and of the remaining Copyright Royalty Judges, one shall be appointed to a term of 2 years, and the other shall be appointed to a term of 4 years. An individual serving as a Copyright Royalty Judge may be reappointed to subsequent terms. The term of a Copyright Royalty Judge shall begin when the term of the predecessor of that Copyright Royalty Judge ends. When the term of office of a Copyright Royalty Judge ends, the individual serving that term may continue to serve until a successor is selected.

“(d) VACANCIES OR INCAPACITY.—

“(1) VACANCIES.—If a vacancy should occur in the position of Copyright Royalty Judge, the Librarian of Congress shall act expeditiously to fill the vacancy, and may appoint an interim Copyright Royalty Judge to serve until another Copyright Royalty Judge is appointed under this section. An individual appointed to fill the vacancy occurring before the expiration of the term for which the predecessor of that individual was appointed shall be appointed for the remainder of that term.

“(2) INCAPACITY.—In the case in which a Copyright Royalty Judge is temporarily un-

able to perform his or her duties, the Librarian of Congress may appoint an interim Copyright Royalty Judge to perform such duties during the period of such incapacity.

“(e) COMPENSATION.—

“(1) JUDGES.—The Chief Copyright Royalty Judge shall receive compensation at the rate of basic pay payable for level AL-1 for administrative law judges pursuant to section 5372(b) of title 5, and each of the other two Copyright Royalty Judges shall receive compensation at the rate of basic pay payable for level AL-2 for administrative law judges pursuant to such section. The compensation of the Copyright Royalty Judges shall not be subject to any regulations adopted by the Office of Personnel Management pursuant to its authority under section 5376(b)(1) of title 5.

“(2) STAFF MEMBERS.—Of the staff members appointed under subsection (b)—

“(A) the rate of pay of one staff member shall be not more than the basic rate of pay payable for GS-15 of the General Schedule;

“(B) the rate of pay of one staff member shall be not less than the basic rate of pay payable for GS-13 of the General Schedule and not more than the basic rate of pay payable for GS-14 of such Schedule; and

“(C) the rate of pay for the third staff member shall be not less than the basic rate of pay payable for GS-8 of the General Schedule and not more than the basic rate of pay payable for GS-11 of such Schedule.

“(f) INDEPENDENCE OF COPYRIGHT ROYALTY JUDGE.—

“(1) IN MAKING DETERMINATIONS.—

“(A) IN GENERAL.—Subject to subparagraph (B), the Copyright Royalty Judges shall have full independence in making determinations concerning adjustments and determinations of copyright royalty rates and terms, the distribution of copyright royalties, the acceptance or rejection of royalty claims, rate adjustment petitions, and petitions to participate, and in issuing other rulings under this title, except that the Copyright Royalty Judges may consult with the Register of Copyrights on any matter other than a question of fact. Any such consultations between the Copyright Royalty Judges and the Register of Copyrights on any question of law shall be in writing or on the record.

“(B) NOVEL QUESTIONS.—(i) Notwithstanding the provisions of subparagraph (A), in any case in which the Copyright Royalty Judges in a proceeding under this title are presented with a novel question of law concerning an interpretation of those provisions of this title that are the subject of the proceeding, the Copyright Royalty Judges shall request the Register of Copyrights, in writing, to submit a written opinion on the resolution of such novel question. The Register shall submit and make public that opinion within such time period as the Copyright Royalty Judges may prescribe. Any consultations under this subparagraph between the Copyright Royalty Judges and the Register of Copyrights shall be in writing or on the record. The opinion of the Register shall not be binding on the Copyright Royalty Judges, but the Copyright Royalty Judges shall take the opinion of the Register into account in making the judges’ determination on the question concerned.

“(ii) In clause (i), a ‘novel question of law’ is a question of law that has not been determined in prior decisions, determinations, and rulings described in section 803(a).

“(2) PERFORMANCE APPRAISALS.—

“(A) IN GENERAL.—Notwithstanding any other provision of law or any regulation of the Library of Congress, and subject to subparagraph (B), the Copyright Royalty Judges shall not receive performance appraisals.

“(B) RELATING TO SANCTION OR REMOVAL.—To the extent that the Librarian of Congress

adopts regulations under subsection (h) relating to the sanction or removal of a Copyright Royalty Judge and such regulations require documentation to establish the cause of such sanction or removal, the Copyright Royalty Judge may receive an appraisal related specifically to the cause of the sanction or removal.

“(g) INCONSISTENT DUTIES BARRED.—No Copyright Royalty Judge may undertake duties inconsistent with his or her duties and responsibilities as Copyright Royalty Judge.

“(h) STANDARDS OF CONDUCT.—The Librarian of Congress shall adopt regulations regarding the standards of conduct, including financial conflict of interest and restrictions against ex parte communications, which shall govern the Copyright Royalty Judges and the proceedings under this chapter.

“(i) REMOVAL OR SANCTION.—The Librarian of Congress may sanction or remove a Copyright Royalty Judge for violation of the standards of conduct adopted under subsection (h), misconduct, neglect of duty, or any disqualifying physical or mental disability. Any such sanction or removal may be made only after notice and opportunity for a hearing, but the Librarian of Congress may suspend the Copyright Royalty Judge during the pendency of such hearing. The Librarian shall appoint an interim Copyright Royalty Judge during the period of any such suspension.

“§ 803. Proceedings of Copyright Royalty Judges

“(a) PROCEEDINGS.—

“(1) IN GENERAL.—The Copyright Royalty Judges shall act in accordance with this title, and to the extent not inconsistent with this title, in accordance with subchapter II of chapter 5 of title 5, in carrying out the purposes set forth in section 801. The Copyright Royalty Judges shall act in accordance with regulations issued by the Copyright Royalty Judges and on the basis of a fully documented written record, prior decisions of the Copyright Royalty Tribunal, prior copyright arbitration royalty panel determinations, rulings by the Librarian of Congress before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, prior determinations of Copyright Royalty Judges under this chapter, and decisions of the court in appeals under this chapter before, on, or after such effective date. Any participant in a proceeding under subsection (b)(2) may submit relevant information and proposals to the Copyright Royalty Judges.

“(2) JUDGES ACTING AS PANEL AND INDIVIDUALLY.—The Copyright Royalty Judges shall preside over hearings in proceedings under this chapter en banc. The Chief Copyright Royalty Judge may designate a Copyright Royalty Judge to preside individually over such collateral and administrative proceedings, and over such proceedings under paragraphs (1) through (5) of subsection (b), as the Chief Judge considers appropriate.

“(3) DETERMINATIONS.—Final determinations of the Copyright Royalty Judges in proceedings under this chapter shall be made by majority vote. A Copyright Royalty Judge dissenting from the majority on any determination under this chapter may issue his or her dissenting opinion, which shall be included with the determination.

“(b) PROCEDURES.—

“(1) INITIATION.—

“(A) CALL FOR PETITIONS TO PARTICIPATE.—(i) Promptly upon the filing of a petition for a rate adjustment or determination under section 804(a) or 804(b)(8), or by no later than January 5 of a year specified in section 804 for the commencement of a proceeding if a petition has not been filed by that date, the Copyright Royalty Judges shall cause to be

published in the Federal Register notice of commencement of proceedings under this chapter calling for the filing of petitions to participate in a proceeding under this chapter for the purpose of making the relevant determination under section 111, 112, 114, 115, 116, 118, 119, 1004 or 1007, as the case may be.

“(ii) Petitions to participate shall be filed by no later than 30 days after publication of notice of commencement of a proceeding, under clause (i), except that the Copyright Royalty Judges may, for substantial good cause shown and if there is no prejudice to the participants that have already filed petitions, accept late petitions to participate at any time up to the date that is 90 days before the date on which participants in the proceeding are to file their written direct statements.

“(B) PETITIONS TO PARTICIPATE.—Each petition to participate in a proceeding shall describe the petitioner’s interest in the subject matter of the proceeding. Parties with similar interests may file a single petition to participate.

“(2) PARTICIPATION IN GENERAL.—Subject to paragraph (4), a person may participate in a proceeding under this chapter, including through the submission of briefs or other information, only if—

“(A) that person has filed a petition to participate in accordance with paragraph (1) (either individually or as a group under paragraph (1)(B)), together with a filing fee of \$150;

“(B) the Copyright Royalty Judges have not determined that the petition to participate is facially invalid; and

“(C) the Copyright Royalty Judges have not determined, *sua sponte* or on the motion of another participant in the proceeding, that the person lacks a significant interest in the proceeding.

“(3) VOLUNTARY NEGOTIATION PERIOD.—

“(A) IN GENERAL.—Promptly after the date for filing of petitions to participate in a proceeding, the Copyright Royalty Judges shall make available to all participants in the proceeding a list of such participants and shall initiate a voluntary negotiation period among the participants.

“(B) LENGTH OF PROCEEDINGS.—The voluntary negotiation period initiated under subparagraph (A) shall be 3 months.

“(C) DETERMINATION OF SUBSEQUENT PROCEEDINGS.—At the close of the voluntary negotiation proceedings, the Copyright Royalty Judges shall, if further proceedings under this chapter are necessary, determine whether and to what extent paragraphs (4) and (5) will apply to the parties.

“(4) SMALL CLAIMS PROCEDURE IN DISTRIBUTION PROCEEDINGS.—

“(A) IN GENERAL.—If, in a proceeding under this chapter to determine the distribution of royalties, a participant in the proceeding asserts that the contested amount of the claim is \$10,000 or less, the Copyright Royalty Judges shall decide the controversy on the basis of the filing in writing of the initial claim, the initial response by any opposing participant, and one additional response by each such party. The participant asserting the claim shall not be required to pay the filing fee under paragraph (2).

“(B) BAD FAITH INFLATION OF CLAIM.—If the Copyright Royalty Judges determine that a participant asserts in bad faith an amount in controversy in excess of \$10,000 for the purpose of avoiding a determination under the procedure set forth in subparagraph (A), the Copyright Royalty Judges shall impose a fine on that participant in an amount not to exceed the difference between the actual amount distributed and the amount asserted by the participant.

“(5) PAPER PROCEEDINGS IN RATEMAKING PROCEEDINGS.—The Copyright Royalty

Judges in proceedings under this chapter to determine royalty rates may decide, *sua sponte* or upon motion of a participant, to determine issues on the basis of initial filings in writing, initial responses by any opposing participant, and one additional response by each such participant. Prior to making such decision to proceed on such a paper record only, the Copyright Royalty Judges shall offer to all parties to the proceeding the opportunity to comment on the decision. The procedure under this paragraph—

“(A) shall be applied in cases in which there is no genuine issue of material fact, there is no need for evidentiary hearings, and all participants in the proceeding agree in writing to the procedure; and

“(B) may be applied under such other circumstances as the Copyright Royalty Judges consider appropriate.

“(6) REGULATIONS.—

“(A) IN GENERAL.—The Copyright Royalty Judges may issue regulations to carry out their functions under this title. Not later than 120 days after Copyright Royalty Judges or interim Copyright Royalty Judges, as the case may be, are first appointed after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, such judges shall issue regulations to govern proceedings under this chapter.

“(B) INTERIM REGULATIONS.—Until regulations are adopted under subparagraph (A), the Copyright Royalty Judges shall apply the regulations in effect under this chapter on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, to the extent such regulations are not inconsistent with this chapter, except that functions carried out under such regulations by the Librarian of Congress, the Register of Copyrights, or copyright arbitration royalty panels that, as of such date of enactment, are to be carried out by the Copyright Royalty Judges under this chapter, shall be carried out by the Copyright Royalty Judges under such regulations.

“(C) REQUIREMENTS.—Regulations issued under subparagraph (A) shall include the following:

“(i) The written direct statements of all participants in a proceeding under paragraph (2) shall be filed by a date specified by the Copyright Royalty Judges, which may be no earlier than four months, and no later than five months, after the end of the voluntary negotiation period under paragraph (3). Notwithstanding the preceding sentence, a participant in a proceeding may, within 15 days after the end of the discovery period specified in clause (iii), file an amended written direct statement based on new information received during the discovery process.

“(ii) (I) Following the submission to the Copyright Royalty Judges of written direct statements by the participants in a proceeding under paragraph (2), the judges shall meet with the participants for the purpose of setting a schedule for conducting and completing discovery. Such schedule shall be determined by the Copyright Royalty Judges.

“(II) In this chapter, the term ‘written direct statements’ means witness statements, testimony, and exhibits to be presented in the proceedings, and such other information that is necessary to establish terms and rates, or the distribution of royalty payments, as the case may be, as set forth in regulations issued by the Copyright Royalty Judges.

“(iii) Hearsay may be admitted in proceedings under this chapter to the extent deemed appropriate by the Copyright Royalty Judges.

“(iv) Discovery in such proceedings shall be permitted for a period of 60 days, except for discovery ordered by the Copyright Roy-

alty Judges in connection with the resolution of motions, orders and disputes pending at the end of such period.

“(v) Any participant under paragraph (2) in a proceeding under this chapter to determine royalty rates may, upon written notice, seek discovery of information and materials relevant and material to the proceeding. Any objection to any such discovery request shall be resolved by a motion or request to compel discovery made to the Copyright Royalty Judges. Each motion or request to compel discovery shall be determined by the Copyright Royalty Judges, or by a Copyright Royalty Judge when permitted under subsection (a)(2), who may approve the request only if the evidence that would be produced is relevant and material. A Copyright Royalty Judge may refuse a request to compel discovery of evidence that has been found to be relevant and material, only upon good cause shown. For purposes of the preceding sentence, the basis for ‘good cause’ may only be that—

“(I) the discovery sought is unreasonably cumulative or duplicative, or is obtainable from another source that is more convenient, less burdensome, or less expensive;

“(II) the participant seeking discovery has had ample opportunity by discovery in the action to obtain the information sought; or

“(III) the burden or expense of the proposed discovery outweighs its likely benefit, taking into account the needs and resources of the participants, the importance of the issues at stake, and the importance of the proposed discovery in resolving the issues.

“(vi) The rules in effect on the day before the effective date of the Copyright Royalty and Distribution Reform Act of 2004, relating to discovery in proceedings under this title to determine the distribution of royalty fees, shall continue to apply to such proceedings on and after such effective date.

“(vii) The Copyright Royalty Judges may issue subpoenas requiring the production of evidence or witnesses, but only if the evidence requested to be produced or that would be proffered by the witness is relevant and material.

“(viii) The Copyright Royalty Judges shall order a settlement conference among the participants in the proceeding to facilitate the presentation of offers of settlement among the participants. The settlement conference shall be held during a 21-day period following the end of the discovery period.

“(c) DETERMINATION OF COPYRIGHT ROYALTY JUDGES.—

“(1) TIMING.—The Copyright Royalty Judges shall issue their determination in a proceeding not later than 11 months after the conclusion of the 21-day settlement conference period under subsection (b)(3)(C)(vi), but, in the case of a proceeding to determine successors to rates or terms that expire on a specified date, in no event later than 15 days before the expiration of the then current statutory rates and terms.

“(2) REHEARINGS.—

“(A) IN GENERAL.—The Copyright Royalty Judges may, in exceptional cases, upon motion of a participant under subsection (b)(2), order a rehearing, after the determination in a proceeding is issued under paragraph (1), on such matters as the Copyright Royalty Judges determine to be appropriate.

“(B) TIMING FOR FILING MOTION.—Any motion for a rehearing under subparagraph (A) may only be filed within 15 days after the date on which the Copyright Royalty Judges deliver their initial determination concerning rates and terms to the participants in the proceeding.

“(C) PARTICIPATION BY OPPOSING PARTY NOT REQUIRED.—In any case in which a rehearing is ordered, any opposing party shall not be required to participate in the rehearing.

“(D) NO NEGATIVE INFERENCE.—No negative inference shall be drawn from lack of participation in a rehearing.

“(E) CONTINUITY OF RATES AND TERMS.—(i) If the decision of the Copyright Royalty Judges on any motion for a rehearing is not rendered before the expiration of the statutory rates and terms that were previously in effect, in the case of a proceeding to determine successors to rates and terms that expire on a specified date, then—

“(I) the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion shall be effective as of the day following the date on which the rates and terms that were previously in effect expire; and

“(II) in the case of a proceeding under section 114(f)(1)(C) or 114(f)(2)(C), royalty rates and terms shall, for purposes of section 114(f)(4)(B), be deemed to have been set at those rates and terms contained in the initial determination of the Copyright Royalty Judges that is the subject of the rehearing motion, as of the date of that determination.

“(ii) The pendency of a motion for a rehearing under this paragraph shall not relieve persons obligated to make royalty payments who would be affected by the determination on that motion from providing the statements of account and any reports of use, to the extent required, and paying the royalties required under the relevant determination or regulations.

“(iii) Notwithstanding clause (ii), whenever royalties described in clause (ii) are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the motion for rehearing is resolved or, if the motion is granted, within 60 days after the rehearing is concluded, return any excess amounts previously paid to the extent necessary to comply with the final determination of royalty rates by the Copyright Royalty Judges.

“(3) CONTENTS OF DETERMINATION.—A determination of the Copyright Royalty Judges shall be accompanied by the written record, and shall set forth the facts that the Copyright Royalty Judges found relevant to their determination. Among other terms adopted in a determination, the Copyright Royalty Judges may specify notice and recordkeeping requirements of users of the copyrights at issue that apply in lieu of those that would otherwise apply under regulations.

“(4) CONTINUING JURISDICTION.—The Copyright Royalty Judges may amend the determination or the regulations issued pursuant to the determination in order to correct any technical errors in the determination or to respond to unforeseen circumstances that preclude the proper effectuation of the determination.

“(5) PROTECTIVE ORDER.—The Copyright Royalty Judges may issue such orders as may be appropriate to protect confidential information, including orders excluding confidential information from the record of the determination that is published or made available to the public, except that any terms or rates of royalty payments or distributions may not be excluded.

“(6) PUBLICATION OF DETERMINATION.—The Librarian of Congress shall cause the determination, and any corrections thereto, to be published in the Federal Register. The Librarian of Congress shall also publicize the determination and corrections in such other manner as the Librarian considers appropriate, including, but not limited to, publication on the Internet. The Librarian of Congress shall also make the determination, corrections, and the accompanying record available for public inspection and copying.

“(d) JUDICIAL REVIEW.—

“(1) APPEAL.—Any determination of the Copyright Royalty Judges under subsection (c) may, within 30 days after the publication of the determination in the Federal Register, be appealed, to the United States Court of Appeals for the District of Columbia Circuit, by any aggrieved participant in the proceeding under subsection (b)(2) who fully participated in the proceeding and who would be bound by the determination. If no appeal is brought within that 30-day period, the determination of the Copyright Royalty Judges shall be final, and the royalty fee or determination with respect to the distribution of fees, as the case may be, shall take effect as set forth in paragraph (2).

“(2) EFFECT OF RATES.—

“(A) EXPIRATION ON SPECIFIED DATE.—When this title provides that the royalty rates and terms that were previously in effect are to expire on a specified date, any adjustment or determination by the Copyright Royalty Judges of successor rates and terms for an ensuing statutory license period shall be effective as of the day following the date of expiration of the rates and terms that were previously in effect, even if the determination of the Copyright Royalty Judges is rendered on a later date.

“(B) OTHER CASES.—In cases where rates and terms do not expire on a specified date or have not yet been established, successor or new rates or terms shall take effect on the first day of the second month that begins after the publication of the determination of the Copyright Royalty Judges in the Federal Register, except as otherwise provided in this title, and the rates and terms previously in effect, to the extent applicable, shall remain in effect until such successor rates and terms become effective.

“(C) OBLIGATION TO MAKE PAYMENTS.—(i) The pendency of an appeal under this subsection shall not relieve persons obligated to make royalty payments under section 111, 112, 114, 115, 116, 118, 119, or 1003, who would be affected by the determination on appeal, from providing the statements of account (and any report of use, to the extent required) and paying the royalties required under the relevant determination or regulations.

“(ii) Notwithstanding clause (i), whenever royalties described in clause (i) are paid to a person other than the Copyright Office, the entity designated by the Copyright Royalty Judges to which such royalties are paid by the copyright user (and any successor thereto) shall, within 60 days after the final resolution of the appeal, return any excess amounts previously paid (and interest thereon, if ordered pursuant to paragraph (3)) to the extent necessary to comply with the final determination of royalty rates on appeal.

“(3) JURISDICTION OF COURT.—If the court, pursuant to section 706 of title 5, modifies or vacates a determination of the Copyright Royalty Judges, the court may enter its own determination with respect to the amount or distribution of royalty fees and costs, and order the repayment of any excess fees, the payment of any underpaid fees, and the payment of interest pertaining respectively thereto, in accordance with its final judgment. The court may also vacate the determination of the Copyright Royalty Judges and remand the case to the Copyright Royalty Judges for further proceedings in accordance with subsection (a).

“(e) ADMINISTRATIVE MATTERS.—

“(1) DEDUCTION OF COSTS OF LIBRARY OF CONGRESS AND COPYRIGHT OFFICE FROM FILING FEES.—

“(A) DEDUCTION FROM FILING FEES.—The Librarian of Congress may, to the extent not otherwise provided under this title, deduct

from the filing fees collected under subsection (b) for a particular proceeding under this chapter the reasonable costs incurred by the Librarian of Congress, the Copyright Office, and the Copyright Royalty Judges in conducting that proceeding, other than the salaries of the Copyright Royalty Judges and the 3 staff members appointed under section 802(b).

“(B) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to pay the costs of proceedings under this chapter not covered by the filing fees collected under subsection (b). All funds made available pursuant to this subparagraph shall remain available until expended.

“(2) POSITIONS REQUIRED FOR ADMINISTRATION OF COMPULSORY LICENSING.—Section 307 of the Legislative Branch Appropriations Act, 1994, shall not apply to employee positions in the Library of Congress that are required to be filled in order to carry out section 111, 112, 114, 115, 116, 118, or 119 or chapter 10.

“§ 804. Institution of proceedings

“(a) FILING OF PETITION.—With respect to proceedings referred to in paragraphs (1) and (2) of section 801(b) concerning the determination or adjustment of royalty rates as provided in sections 111, 112, 114, 115, 116, 118, and 1004, during the calendar years specified in the schedule set forth in subsection (b), any owner or user of a copyrighted work whose royalty rates are specified by this title, or are established under this chapter before or after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, may file a petition with the Copyright Royalty Judges declaring that the petitioner requests a determination or adjustment of the rate. The Copyright Royalty Judges shall make a determination as to whether the petitioner has such a significant interest in the royalty rate in which a determination or adjustment is requested. If the Copyright Royalty Judges determine that the petitioner has such a significant interest, the Copyright Royalty Judges shall cause notice of this determination, with the reasons therefor, to be published in the Federal Register, together with the notice of commencement of proceedings under this chapter. With respect to proceedings under paragraph (1) of section 801(b) concerning the determination or adjustment of royalty rates as provided in sections 112 and 114, during the calendar years specified in the schedule set forth in subsection (b), the Copyright Royalty Judges shall cause notice of commencement of proceedings under this chapter to be published in the Federal Register as provided in section 803(b)(1)(A).

“(b) TIMING OF PROCEEDINGS.—

“(1) SECTION 111 PROCEEDINGS.—(A) A petition described in subsection (a) to initiate proceedings under section 801(b)(2) concerning the adjustment of royalty rates under section 111 to which subparagraph (A) or (D) of section 801(b)(2) applies may be filed during the year 2005 and in each subsequent fifth calendar year.

“(B) In order to initiate proceedings under section 801(b)(2) concerning the adjustment of royalty rates under section 111 to which subparagraph (B) or (C) of section 801(b)(2) applies, within 12 months after an event described in either of those subsections, any owner or user of a copyrighted work whose royalty rates are specified by section 111, or by a rate established under this chapter before or after the enactment of the Copyright Royalty and Distribution Reform Act of 2004, may file a petition with the Copyright Royalty Judges declaring that the petitioner requests an adjustment of the rate. The Copyright Royalty Judges shall then proceed as

set forth in subsection (a) of this section. Any change in royalty rates made under this chapter pursuant to this subparagraph may be reconsidered in the year 2005, and each fifth calendar year thereafter, in accordance with the provisions in section 801(b)(3)(B) or (C), as the case may be. A petition for adjustment of rates under section 11(d)(1)(B) as a result of a change in the rules and regulations of the Federal Communications Commission shall set forth the change on which the petition is based.

“(C) Any adjustment of royalty rates under section 111 shall take effect as of the first accounting period commencing after the publication of the determination of the Copyright Royalty Judges in the Federal Register, or on such other date as is specified in that determination.

“(2) CERTAIN SECTION 112 PROCEEDINGS.—Proceedings under this chapter shall be commenced in the year 2007 to determine reasonable terms and rates of royalty payments for the activities described in section 112(e)(1) relating to the limitation on exclusive rights specified by section 114(d)(1)(C)(iv), to become effective on January 1, 2009. Such proceedings shall be repeated in each subsequent fifth calendar year.

“(3) SECTION 114 AND CORRESPONDING 112 PROCEEDINGS.—

“(A) FOR ELIGIBLE NONSUBSCRIPTION SERVICES AND NEW SUBSCRIPTION SERVICES.—Proceedings under this chapter shall be commenced as soon as practicable after the effective date of the Copyright Royalty and Distribution Reform Act of 2004 to determine reasonable terms and rates of royalty payments under sections 114 and 112 for the activities of eligible nonsubscription transmission services and new subscription services, to be effective for the period beginning on January 1, 2006, and ending on December 31, 2010. Such proceedings shall next be commenced in January 2009 to determine reasonable terms and rates of royalty payments, to become effective on January 1, 2011. Thereafter, such proceedings shall be repeated in each subsequent fifth calendar year.

“(B) FOR PREEXISTING SUBSCRIPTION AND SATELLITE DIGITAL AUDIO RADIO SERVICES.—Proceedings under this chapter shall be commenced in January 2006 to determine reasonable terms and rates of royalty payments under sections 114 and 112 for the activities of preexisting subscription services, to be effective during the period beginning on January 1, 2008, and ending on December 31, 2012, and preexisting satellite digital audio radio services, to be effective during the period beginning on January 1, 2007, and ending on December 31, 2012. Such proceedings shall next be commenced in 2011 to determine reasonable terms and rates of royalty payments, to become effective on January 1, 2013. Thereafter, such proceedings shall be repeated in each subsequent fifth calendar year.

“(C)(i) Notwithstanding any other provision of this chapter, this subparagraph shall govern proceedings commenced pursuant to sections 114(f)(1)(C) and 114(f)(2)(C) concerning new types of services.

“(ii) Not later than 30 days after a petition to determine rates and terms for a new type of service that is filed by any copyright owner of sound recordings, or such new type of service, indicating that such new type of service is or is about to become operational, the Copyright Royalty Judges shall issue a notice for a proceeding to determine rates and terms for such service.

“(iii) The proceeding shall follow the schedule set forth in such subsections (b), (c), and (d) of section 803, except that—

“(l) the determination shall be issued by not later than 24 months after the publication of the notice under clause (ii); and

“(II) the decision shall take effect as provided in subsections (c)(2) and (d)(2) of section 803 and section 114(f)(4)(B)(ii) and (C).

“(iv) The rates and terms shall remain in effect for the period set forth in section 114(f)(1)(C) or 114(f)(2)(C), as the case may be.

“(4) SECTION 115 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the adjustment or determination of royalty rates as provided in section 115 may be filed in the year 2006 and in each subsequent fifth calendar year, or at such other times as the parties have agreed under section 115(c)(3)(B) and (C).

“(5) SECTION 116 PROCEEDINGS.—(A) A petition described in subsection (a) to initiate proceedings under section 801(b) concerning the determination of royalty rates and terms as provided in section 116 may be filed at any time within 1 year after negotiated licenses authorized by section 116 are terminated or expire and are not replaced by subsequent agreements.

“(B) If a negotiated license authorized by section 116 is terminated or expires and is not replaced by another such license agreement which provides permission to use a quantity of musical works not substantially smaller than the quantity of such works performed on coin-operated phonorecord players during the 1-year period ending March 1, 1989, the Copyright Royalty Judges shall, upon petition filed under paragraph (1) within 1 year after such termination or expiration, commence a proceeding to promptly establish an interim royalty rate or rates for the public performance by means of a coin-operated phonorecord player of nondramatic musical works embodied in phonorecords which had been subject to the terminated or expired negotiated license agreement. Such rate or rates shall be the same as the last such rate or rates and shall remain in force until the conclusion of proceedings by the Copyright Royalty Judges, in accordance with section 803, to adjust the royalty rates applicable to such works, or until superseded by a new negotiated license agreement, as provided in section 116(b).

“(6) SECTION 118 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the determination of reasonable terms and rates of royalty payments as provided in section 118 may be filed in the year 2006 and in each subsequent fifth calendar year.

“(7) SECTION 1004 PROCEEDINGS.—A petition described in subsection (a) to initiate proceedings under section 801(b)(1) concerning the adjustment of reasonable royalty rates under section 1004 may be filed as provided in section 1004(a)(3).

“(8) PROCEEDINGS CONCERNING DISTRIBUTION OF ROYALTY FEES.—With respect to proceedings under section 801(b)(3) concerning the distribution of royalty fees in certain circumstances under section 111, 116, 119, or 1007, the Copyright Royalty Judges shall, upon a determination that a controversy exists concerning such distribution, cause to be published in the Federal Register notice of commencement of proceedings under this chapter.

“§ 805. General rule for voluntarily negotiated agreements

“Any rates or terms under this title that—

“(1) are agreed to by participants to a proceeding under section 803(b)(2),

“(2) are adopted by the Copyright Royalty Judges as part of a determination under this chapter, and

“(3) are in effect for a period shorter than would otherwise apply under a determination pursuant to this chapter,

shall remain in effect for such period of time as would otherwise apply under such deter-

mination, except that the Copyright Royalty Judges shall adjust the rates pursuant to the voluntary negotiations to reflect national monetary inflation during the additional period the rates remain in effect.”

(b) CONFORMING AMENDMENT.—The table of chapters for title 17, United States Code, is amended by striking the item relating to chapter 8 and inserting the following:

“8. Proceedings by Copyright Royalty Judges 801”.

SEC. 4. DEFINITION.

Section 101 is amended by inserting after the definition of “copies” the following:

“A ‘Copyright Royalty Judge’ is a Copyright Royalty Judge appointed under section 802 of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.”

SEC. 5. TECHNICAL AMENDMENTS.

(a) CABLE RATES.—Section 111(d) is amended—

(1) in paragraph (2), in the second sentence, by striking “a copyright arbitration royalty panel” and inserting “the Copyright Royalty Judges.”; and

(2) in paragraph (4)—

(A) in subparagraph (A), by striking “Librarian of Congress” each place it appears and inserting “Copyright Royalty Judges”;

(B) in subparagraph (B)—

(i) in the first sentence, by striking “Librarian of Congress shall, upon the recommendation of the Register of Copyrights,” and inserting “Copyright Royalty Judges shall”;

(ii) in the second sentence, by striking “Librarian determines” and inserting “Copyright Royalty Judges determine”; and

(iii) in the third sentence—

(I) by striking “Librarian” each place it appears and inserting “Copyright Royalty Judges”; and

(II) by striking “convene a copyright arbitration royalty panel” and inserting “conduct a proceeding”; and

(C) in subparagraph (C), by striking “Librarian of Congress” and inserting “Copyright Royalty Judges”.

(b) EPHEMERAL RECORDINGS.—Section 112(e) is amended—

(1) in paragraph (3)—

(A) by amending the first sentence to read as follows: “Voluntary negotiation proceedings initiated pursuant to section 804(a) for the purpose of determining reasonable terms and rates of royalty payments for the activities specified by paragraph (1) shall cover the 5-year period beginning on January 1 of the second year following the year in which the proceedings are commenced, or such other period as the parties may agree.”; and

(B) in the third sentence, by striking “Librarian of Congress” and inserting “Copyright Royalty Judges”;

(2) in paragraph (4)—

(A) by amending the first sentence to read as follows: “In the absence of license agreements negotiated under paragraphs (2) and (3), the Copyright Royalty Judges shall commence a proceeding pursuant to chapter 8 to determine and publish in the Federal Register a schedule of reasonable rates and terms which, subject to paragraph (5), shall be binding on all copyright owners of sound recordings and transmitting organizations entitled to a statutory license under this subsection during the 5-year period specified in paragraph (3), or such other period as the parties may agree.”;

(B) by striking “copyright arbitration royalty panel” each subsequent place it appears and inserting “Copyright Royalty Judges”;

(C) in the fourth sentence, by striking “its decision” and inserting “their decision”; and

(D) in the last sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(3) in paragraph (5), by striking "or decision by the Librarian of Congress" and inserting ", decision by the Librarian of Congress, or determination by the Copyright Royalty Judges";

(4) by striking paragraph (6) and redesignating paragraphs (7), (8), and (9), as paragraphs (6), (7), and (8), respectively; and

(5) in paragraph (6)(A), as so redesignated, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges".

(c) SCOPE OF EXCLUSIVE RIGHTS IN SOUND RECORDINGS.—Section 114(f) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by amending the first sentence to read as follows: "Voluntary negotiation proceedings initiated pursuant to section 804(a) for the purpose of determining reasonable terms and rates of royalty payments for subscription transmissions by preexisting subscription services and transmissions by preexisting satellite digital audio radio services shall cover the 5-year period beginning on January 1 of the year following the second year in which the proceedings are commenced, except where differential transitional periods are provided in section 804(b)(3), or such other period as the parties may agree."; and

(ii) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(B) in subparagraph (B)—

(i) by amending the first sentence to read as follows: "In the absence of license agreements negotiated under subparagraph (A), the Copyright Royalty Judges shall commence a proceeding pursuant to chapter 8 to determine and publish in the Federal Register a schedule of rates and terms which, subject to paragraph (3), shall be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during the 5-year period specified in subparagraph (A), or such other date as the parties may agree."; and

(ii) in the second sentence, by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges"; and

(C) by amending subparagraph (C) to read as follows:

"(C) The procedures under subparagraphs (A) and (B) also shall be initiated pursuant to a petition filed by any copyright owners of sound recordings, any preexisting subscription services, or any preexisting satellite digital audio radio services indicating that a new type of subscription digital audio transmission service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of transmission service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for subscription digital audio transmission services most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.";

(2) in paragraph (2)—

(A) in subparagraph (A)—

(i) by amending the first sentence to read as follows: "Voluntary negotiation proceedings initiated pursuant to section 804(a) for the purpose of determining reasonable terms and rates of royalty payments for public performances of sound recordings by means of eligible nonsubscription transmissions and transmissions by new subscription services specified by subsection (d)(2) shall cover the 5-year period beginning on January 1 of the second year following the

year in which the proceedings are commenced, except where different transitional periods are provided in section 804(b)(3)(A), or such other period as the parties may agree."; and

(ii) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(B) in subparagraph (B)—

(i) by amending the first sentence to read as follows: "In the absence of license agreements negotiated under subparagraph (A), the Copyright Royalty Judges shall commence a proceeding pursuant to chapter 8 to determine and publish in the Federal Register a schedule of rates and terms which, subject to paragraph (3), shall be binding on all copyright owners of sound recordings and entities performing sound recordings affected by this paragraph during the period specified in subparagraph (A), or such other period as the parties may agree."; and

(ii) by striking "copyright arbitration royalty panel" each subsequent place it appears and inserting "Copyright Royalty Judges"; and

(C) by amending subparagraph (C) to read as follows:

"(C) The procedures under subparagraphs (A) and (B) shall also be initiated pursuant to a petition filed by any copyright owners of sound recordings or any eligible nonsubscription service or new subscription service indicating that a new type of eligible nonsubscription service or new subscription service on which sound recordings are performed is or is about to become operational, for the purpose of determining reasonable terms and rates of royalty payments with respect to such new type of service for the period beginning with the inception of such new type of service and ending on the date on which the royalty rates and terms for preexisting subscription digital audio transmission services or preexisting satellite digital audio services, as the case may be, most recently determined under subparagraph (A) or (B) and chapter 8 expire, or such other period as the parties may agree.";

(3) in paragraph (3), by striking "or decision by the Librarian of Congress" and inserting ", decision by the Librarian of Congress, or determination by the Copyright Royalty Judges"; and

(4) in paragraph (4), by striking "Librarian of Congress" each place it appears and inserting "Copyright Royalty Judges".

(d) PHONORECORDS OF NONDRAMATIC MUSICAL WORKS.—Section 115(c)(3) is amended—

(1) in subparagraph (A)(ii), by striking "(F)" and inserting "(E)";

(2) in subparagraph (B)—

(A) by striking "under this paragraph" and inserting "under this section"; and

(B) by striking "subparagraphs (B) through (F)" and inserting "this subparagraph and subparagraphs (B) through (E)";

(3) in subparagraph (C)—

(A) by amending the first sentence to read as follows: "Voluntary negotiation proceedings initiated pursuant to a petition filed under section 804(a) for the purpose of determining reasonable terms and rates of royalty payments for the activities specified by this section shall cover the period beginning with the effective date of such terms and rates, but not earlier than January 1 of the second year following the year in which the petition is filed, and ending on the effective date of successor terms and rates, or such other period as the parties may agree."; and

(B) in the third sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(4) in subparagraph (D)—

(A) by amending the first sentence to read as follows: "In the absence of license agree-

ments negotiated under subparagraphs (B) and (C), the Copyright Royalty Judges shall commence proceedings pursuant to chapter 8 to determine and publish in the Federal Register a schedule of rates and terms which, subject to subparagraph (E), shall be binding on all copyright owners of nondramatic musical works and persons entitled to obtain a compulsory license under subsection (a)(1) during the period specified in subparagraph (C) or such other period as may be determined pursuant to subparagraphs (B) and (C), or such other period as the parties may agree.";

(B) in the third sentence, by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges"; and

(C) in the last sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges";

(5) in subparagraph (E)—

(A) in clause (i)—

(i) in the first sentence, by striking "the Librarian of Congress" and inserting "a copyright arbitration royalty panel, the Librarian of Congress, or the Copyright Royalty Judges"; and

(ii) in the second sentence, by striking "(C), (D) or (F) shall be given effect" and inserting "(C) or (D) shall be given effect as to digital phonorecord deliveries"; and

(B) in clause (ii)(I), by striking "(C), (D) or (F)" each place it appears and inserting "(C) or (D)"; and

(6) by striking subparagraph (F) and redesignating subparagraphs (G) through (L) as subparagraphs (F) through (K), respectively.

(e) COIN-OPERATED PHONORECORD PLAYERS.—Section 116 is amended—

(1) in subsection (b), by amending paragraph (2) to read as follows:

"(2) CHAPTER 8 PROCEEDING.—Parties not subject to such a negotiation may have the terms and rates and the division of fees described in paragraph (1) determined in a proceeding in accordance with the provisions of chapter 8."; and

(2) in subsection (c)—

(A) in the subsection heading, by striking "COPYRIGHT ARBITRATION ROYALTY PANEL DETERMINATIONS" and inserting "DETERMINATIONS BY COPYRIGHT ROYALTY JUDGES"; and

(B) by striking "a copyright arbitration royalty panel" and inserting "the Copyright Royalty Judges".

(f) USE OF CERTAIN WORKS IN CONNECTION WITH NONCOMMERCIAL BROADCASTING.—Section 118 is amended—

(1) in subsection (b)—

(A) in paragraph (1)—

(i) in the first sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(ii) by striking the second and third sentences;

(B) in paragraph (2), by striking "the Librarian of Congress" and all that follows through the end of the sentence and inserting "a copyright arbitration royalty panel, the Librarian of Congress, or the Copyright Royalty Judge, if copies of such agreements are filed with the Copyright Royalty Judges within 30 days of execution in accordance with regulations that the Copyright Royalty Judges shall issue."; and

(C) in paragraph (3)—

(i) in the second sentence—

(I) by striking "copyright arbitration royalty panel" and inserting "Copyright Royalty Judges"; and

(II) by striking "paragraph (2)." and inserting "paragraph (2) or (3).";

(ii) in the last sentence, by striking "Librarian of Congress" and inserting "Copyright Royalty Judges"; and

(iii) by striking “(3) In” and all that follows through the end of the first sentence and inserting the following:

“(3) Voluntary negotiation proceedings initiated pursuant to a petition filed under section 804(a) for the purpose of determining a schedule of terms and rates of royalty payments by public broadcasting entities to copyright owners in works specified by this subsection and the proportionate division of fees paid among various copyright owners shall cover the 5-year period beginning on January 1 of the second year following the year in which the petition is filed. The parties to each negotiation proceeding shall bear their own costs.

“(4) In the absence of license agreements negotiated under paragraph (2) or (3), the Copyright Royalty Judges shall, pursuant to chapter 8, conduct a proceeding to determine and publish in the Federal Register a schedule of rates and terms which, subject to paragraph (2), shall be binding on all owners of copyright in works specified by this subsection and public broadcasting entities, regardless of whether such copyright owners have submitted proposals to the Copyright Royalty Judges.”;

(2) by striking subsection (c) and redesignating subsections (d) through (g) as subsections (c) through (f), respectively;

(3) in subsection (c), as so redesignated, in the matter preceding paragraph (1)—

(A) by striking “(b)(2)” and inserting “(b)(2) or (3)”;

(B) by striking “(b)(3)” and inserting “(b)(4)”;

(C) by striking “a copyright arbitration royalty panel” and inserting “the Copyright Royalty Judges”;

(4) in subsection (d), as so redesignated—

(A) by striking “in the Copyright Office” and inserting “with the Copyright Royalty Judges”;

(B) by striking “Register of Copyrights” and inserting “Copyright Royalty Judges”;

(5) in subsection (f), as so redesignated, by striking “(d)” and inserting “(c)”.

(g) SECONDARY TRANSMISSIONS BY SATELLITE CARRIERS.—Section 119(b) is amended—

(1) in paragraph (3), by striking “Librarian of Congress” and inserting “Copyright Royalty Judges”;

(2) in paragraph (4)—

(A) in subparagraph (A), by striking “Librarian of Congress” each place it appears and inserting “Copyright Royalty Judges”;

(B) by amending subparagraphs (B) and (C) to read as follows:

“(B) DETERMINATION OF CONTROVERSY; DISTRIBUTIONS.—After the first day of August of each year, the Copyright Royalty Judges shall determine whether there exists a controversy concerning the distribution of royalty fees. If the Copyright Royalty Judges determine that no such controversy exists, the Librarian of Congress shall, after deducting reasonable administrative costs under this paragraph, distribute such fees to the copyright owners entitled to receive them, or to their designated agents. If the Copyright Royalty Judges find the existence of a controversy, the Copyright Royalty Judges shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty fees.

“(C) WITHHOLDING OF FEES DURING CONTROVERSY.—During the pendency of any proceeding under this subsection, the Copyright Royalty Judges shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, subject to any distributions made under section 801(b)(3).”.

(h) DIGITAL AUDIO RECORDING DEVICES.—

(1) ROYALTY PAYMENTS.—Section 1004(a)(3) is amended by striking “Librarian of Congress” each place it appears and inserting “Copyright Royalty Judges”.

(2) ENTITLEMENT TO ROYALTY PAYMENTS.—Section 1006(c) is amended by striking “Librarian of Congress shall convene a copyright arbitration royalty panel which” and inserting “Copyright Royalty Judges”.

(3) PROCEDURES FOR DISTRIBUTING ROYALTY PAYMENTS.—Section 1007 is amended—

(A) in subsection (a), by amending paragraph (1) to read as follows:

“(1) FILING OF CLAIMS.—During the first 2 months of each calendar year, every interested copyright party seeking to receive royalty payments to which such party is entitled under section 1006 shall file with the Copyright Royalty Judges a claim for payments collected during the preceding year in such form and manner as the Copyright Royalty Judges shall prescribe by regulation.”;

(B) by amending subsections (b) and (c) to read as follows:

“(b) DISTRIBUTION OF PAYMENTS IN THE ABSENCE OF A DISPUTE.—After the period established for the filing of claims under subsection (a), in each year, the Copyright Royalty Judges shall determine whether there exists a controversy concerning the distribution of royalty payments under section 1006(c). If the Copyright Royalty Judges determine that no such controversy exists, the Librarian of Congress shall, within 30 days after such determination, authorize the distribution of the royalty payments as set forth in the agreements regarding the distribution of royalty payments entered into pursuant to subsection (a). The Librarian of Congress shall, before such royalty payments are distributed, deduct the reasonable administrative costs incurred by the Librarian under this section.

“(c) RESOLUTION OF DISPUTES.—If the Copyright Royalty Judges find the existence of a controversy, the Copyright Royalty Judges shall, pursuant to chapter 8 of this title, conduct a proceeding to determine the distribution of royalty payments. During the pendency of such a proceeding, the Copyright Royalty Judges shall withhold from distribution an amount sufficient to satisfy all claims with respect to which a controversy exists, but shall, to the extent feasible, authorize the distribution of any amounts that are not in controversy. The Librarian of Congress shall, before such royalty payments are distributed, deduct the reasonable administrative costs incurred by the Librarian under this section.”.

(4) DETERMINATION OF CERTAIN DISPUTES.—(A) Section 1010 is amended to read as follows:

“§ 1010. Determination of certain disputes

“(a) SCOPE OF DETERMINATION.—Before the date of first distribution in the United States of a digital audio recording device or a digital audio interface device, any party manufacturing, importing, or distributing such device, and any interested copyright party may mutually agree to petition the Copyright Royalty Judges to determine whether such device is subject to section 1002, or the basis on which royalty payments for such device are to be made under section 1003.

“(b) INITIATION OF PROCEEDINGS.—The parties under subsection (a) shall file the petition with the Copyright Royalty Judges requesting the commencement of a proceeding. Within 2 weeks after receiving such a petition, the Chief Copyright Royalty Judge shall cause notice to be published in the Federal Register of the initiation of the proceeding.

“(c) STAY OF JUDICIAL PROCEEDINGS.—Any civil action brought under section 1009

against a party to a proceeding under this section shall, on application of one of the parties to the proceeding, be stayed until completion of the proceeding.

“(d) PROCEEDING.—The Copyright Royalty Judges shall conduct a proceeding with respect to the matter concerned, in accordance with such procedures as the Copyright Royalty Judges may adopt. The Copyright Royalty Judges shall act on the basis of a fully documented written record. Any party to the proceeding may submit relevant information and proposals to the Copyright Royalty Judges. The parties to the proceeding shall each bear their respective costs of participation.

“(e) JUDICIAL REVIEW.—Any determination of the Copyright Royalty Judges under subsection (d) may be appealed, by a party to the proceeding, in accordance with section 803(d) of this title. The pendency of an appeal under this subsection shall not stay the determination of the Copyright Royalty Judges. If the court modifies the determination of the Copyright Royalty Judges, the court shall have jurisdiction to enter its own decision in accordance with its final judgment. The court may further vacate the determination of the Copyright Royalty Judges and remand the case for proceedings as provided in this section.”.

(B) The item relating to section 1010 in the table of sections for chapter 10 is amended to read as follows:

“1010. Determination of certain disputes.”.

SEC. 6. EFFECTIVE DATE AND TRANSITION PROVISIONS.

(a) EFFECTIVE DATE.—This Act and the amendments made by this Act shall take effect 6 months after the date of the enactment of this Act, except that the Librarian of Congress shall appoint interim Copyright Royalty Judges under section 802(d) of title 17, United States Code, as amended by this Act, within 90 days after such date of enactment to carry out the functions of the Copyright Royalty Judges under title 17, United States Code, to the extent that Copyright Royalty Judges provided for in section 801(a) of title 17, United States Code, as amended by this Act, have not been appointed before the end of that 90-day period.

(b) TRANSITION PROVISIONS.—

(1) IN GENERAL.—Subject to paragraph (2), the amendments made by this Act shall not affect any proceedings commenced, petitions filed, or voluntary agreements entered into before the enactment of this Act under the provisions of title 17, United States Code, amended by this Act, and pending on such date of enactment. Such proceedings shall continue, determinations made in such proceedings, and appeals taken therefrom, as if this Act had not been enacted, and shall continue in effect until modified under title 17, United States Code, as amended by this Act. Such petitions filed and voluntary agreements entered into shall remain in effect as if this Act had not been enacted.

(2) EFFECTIVE PERIODS FOR CERTAIN RATE-MAKING PROCEEDINGS.—Notwithstanding paragraph (1), terms and rates in effect under section 114(f)(2) or 112(e) of title 17, United States Code, for new subscription services, eligible nonsubscription services, and services exempt under section 114(d)(1)(C)(iv) of such title for the period 2003 through 2004, and any rates published in the Federal Register under the authority of the Small Webcaster Settlement Act of 2002 for the years 2003 through 2004, shall be effective until the first applicable effective date for successor terms and rates specified in section 804(b)(2) or (3)(A) of title 17, United States Code, or until such later date as the parties may agree. Any proceeding commenced before the enactment of this Act

pursuant to section 114(f)(2) and chapter 8 of title 17, United States Code, to adjust or determine such rates and terms for periods following 2004 shall be terminated upon the enactment of this Act and shall be null and void.

(c) EXISTING APPROPRIATIONS.—Any funds made available in an appropriations Act before the date of the enactment of this Act to carry out chapter 8 of title 17, United States Code, shall be available to the extent necessary to carry out this section.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from California (Mr. BERMAN) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

GENERAL LEAVE

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1417.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SENSENBRENNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of H.R. 1417, legislation to reform the rate-making and royalty distribution system for compulsory and statutory licenses.

Mr. Speaker, I would like to take this time to thank the ranking member of the Committee on the Judiciary, the gentleman from Michigan (Mr. CONYERS), as well as the gentleman from Texas (Mr. SMITH) and the gentleman from California (Mr. BERMAN), the chairman and ranking minority member of the Subcommittee on the Courts, the Internet and Intellectual Property, for their support in making CARP reform a priority.

By way of background, with the creation of three copyright compulsory licenses in 1976, Congress contemplated the need for an administrative body that would be responsible for adjusting the rates of the statutory licenses from time to time, as well as acting as the distributors of the royalties subject to these licenses.

The resulting entity was the Copyright Royalty Tribunal or the CRT. In 1993, in response to criticisms voiced against the CRT, Congress reassessed the rate-making and royalty distribution system and created the current system, the Copyright Royalty Arbitration Panel, otherwise known as CARPs.

Among other things, H.R. 1417 addresses the uniform complaints that the CARP decisions are unpredictable and inconsistent by changing the structure from ad hoc arbitration panels to three permanent copyright royalty judges. To justify the need for these full-time judges, as well as to alleviate the overwhelming workloads at given periods of time, the bill staggers the timing at which the three various statutory licenses can be heard.

The bill also addresses the complaint that the process is unnecessarily expensive by eliminating the costs of arbitration upon private parties. It does so by creating a specific process designed to give small claimants a more balanced ability to participate. The bill discourages persons or entities from disrupting the process at the 11th hour by requiring potential participants to show that they have a significant interest in the proceedings. In furtherance of marketplace negotiations, the measure establishes a cooling-off period during which time parties are to focus on reaching their own agreements.

Finally, Mr. Speaker, the substitute before us incorporates certain non-controversial amendments written to accommodate legitimate concerns that evolve after our committee reported the bill out.

Mr. Speaker, H.R. 1417 was painstakingly negotiated among the various congressional, executive, and industry stakeholders. We worked in a bipartisan manner and developed a consensus product that will effectively address an arcane, but important, manner. I urge its adoption.

Mr. Speaker, I reserve the balance of my time.

Mr. BERMAN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. BERMAN asked and was given permission to revise and extend his remarks.)

Mr. BERMAN. Mr. Speaker, I rise in strong support of H.R. 1417, and I ask all of my colleagues to support what I think is fundamentally noncontroversial legislation.

H.R. 1417 has been subjected to an exhaustive review process. It emerged from a hearing before the Subcommittee on the Courts, the Internet, and Intellectual Property during the 107th Congress and from a series of open roundtable discussions convened at the U.S. Copyright Office. Early drafts were shaped by several rounds of written comments from all affected stakeholders.

After introduction of H.R. 1417 early this Congress, the subcommittee held another hearing. The subcommittee then reported by voice vote a substantially refined amendment, and the full Committee on the Judiciary made further significant revisions before also reporting its amendment by voice vote. Thus, the version of H.R. 1417 before us today has been forged through an extensive and open process.

Both the chairman of the Committee on the Judiciary, the gentleman from Wisconsin (Mr. SENSENBRENNER), and the chairman of the Subcommittee on the Courts, the Internet, and Intellectual Property, the gentleman from Texas (Mr. SMITH), are to be commended for pushing H.R. 1417 forward. They have devoted significant time and energy to crafting both the substance of this bill and organizing the widespread support behind it. I thank both of them for working so closely with me

and my staff, Alec French, in drafting this bill and its various iterations.

The chairmen are also to be commended for ensuring that the bill remedies the procedural effects of the CARP process without straining into substantive copyright law issues that would surely doom its prospects for passage.

H.R. 1417 focuses on a narrow, but complex, goal. It significantly reforms the system for copyright arbitration royalty panels. The U.S. copyright law contains a half dozen statutory licenses that require copyright owners to make their works available to certain users under government-set rates and terms. For instance, the section 114 statutory license allows Webcasters to perform sound recordings under government-set rates and terms. The royalty rates and terms are established by CARPs, which also determine the appropriate distribution of royalties among copyright owners.

There is widespread agreement among copyright owners and users alike that the CARP process is broken. The costs involved are often so high that parties cannot either afford to participate or find that the costs outweigh any potential royalties or efficiencies. The decisions often take too long to issue and thus create uncertainty and confusion among licensors and licensees alike. Finally, even when decisions do issue, they are often overturned or modified, are inconsistent with precedents, and cannot be effectively implemented until corresponding rule-makings are completed.

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H.R. 1417 will go a long way to remedying the defects of the CARP process. While the changes are too copious to list in total, I would like to highlight a few of the improvements made by the bill.

The primary flaw of the CARPs is they are conducted by private arbitrators who often have no prior experience in conducting a statutory license rate-setting or distribution, much less any prior familiarity with the substantive law or industry economics involved. Because the CARP arbitrators have neither the experience nor authority to do so, the Copyright Office is often called on to issue regulations resolving substantive legal issues that arise during CARPs, and all too often, as we saw in the 2002 webcasting CARP, the Copyright Office is called upon to overturn a CARP decision.

H.R. 1417 replaces the part-time arbitrators with a panel of three full-time copyright royalty judges. These three CRJs will be appointed by the Librarian of Congress to serve staggered 6-year terms. Each panel will bring at least 6 years of experience to every rate-setting and distribution proceeding. Further, the Librarian is required to appoint CRJs with a breadth of experience in copyright law, economics and adjudications.

Mr. Speaker, rather than list a number of the key changes in this bill, I reserve the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas (Mr. SMITH), the chairman of the subcommittee.

Mr. SMITH of Texas. Mr. Speaker, I thank the gentleman from Wisconsin, the chairman of the Committee on the Judiciary, for yielding time.

Mr. Speaker, our country has long worked to support and protect copyright holders to ensure they receive fair compensation for their creative works.

Over the last 20 years, Congress has attempted to develop the appropriate mechanism to govern royalties; that is, how to distribute royalties to those who create and how to adjust royalties when necessary. In other words, we have tried to find a compromise that allows for the fair distribution of royalties when two parties cannot agree on the value of a creative work.

When I say "fair distribution of royalties" that could mean many things to different parties, particularly the creators of copyrighted works themselves. It is a major reason why this issue is again before Congress.

Congress established the first entity to deal with this in 1976. Ten years ago, that system was abolished to create the current Copyright Arbitration Royalty Panel, or CARP, system.

This legislation that I authored addresses the main problem: frivolous royalty claims, which is a growing trend, as well as decisions made by the copyright panel that are unpredictable and inconsistent.

Much like another intellectual property rights bill that reforms the Patent and Trademark Office, this legislation is critical to the entertainment industry and a growing economy. It is of great importance to artists, songwriters, music publishers and webcasters.

For example, take the case of a songwriter and a webcaster. If a songwriter cannot reach an agreement with a webcaster about the value of a song in the marketplace, the matter is brought to the copyright royalty and distribution system. The private parties involved, of course, pay for the process.

What happens now is the songwriter or the webcaster, or both, often are not left with much of a royalty payment because the process is too lengthy and too costly. If the songwriter cannot make enough on his creations to support himself, then he will no longer be able to create, and our economy and our society will be the loser.

This is the central reason why we are here today: to ensure that the songwriter has the incentive to create and the webcaster has the benefit of distributing enjoyable musical creations.

Unfortunately, American songwriters and webcasters today are caught up in a royalty system that is anything but fair. The current proceedings to estab-

lish royalty rates are long, laborious and costly. They harm our economy and take a tremendous toll on the businesses and persons involved. Congress must reform this broken system, which is exactly what this bill does.

I urge my colleagues to support a balanced and fair process that will, for example, help songwriters and bring a little more melody into the lives of the American people.

Mr. BERMAN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. BERMAN asked and was given permission to revise and extend his remarks.)

Mr. BERMAN. Mr. Speaker, I am not going to detail all the different provisions contained in this bill. There are many and they are important. They deal with a problem in the past of setting rates retroactively and how under these reforms rates will be set prospectively, and they deal with the integration of the Copyright Office and its role in providing advice and opinions on matters of law into the process.

They create mechanisms for small participants to participate at much less cost than they now participate through all paper rate-setting proceedings, make some changes in evidentiary rules and discovery rules, and at the same time, they enable the copyright owners to negotiate voluntary agreements rather than go through the whole full blown rate-setting and distribution proceedings.

I do want to call the attention of the body to one particular provision which I think is very important. We rationalize in this bill, H.R. 1417, the ability of the parties to engage in voluntary negotiations in the context of the Section 115 statutory license for reproductions of musical compositions. The Section 115 license currently provides copyright owners and users a limited antitrust exemption to collectively negotiate rates and terms for Digital Phonorecord Deliveries of musical compositions. With the acquiescence of the Justice Department, H.R. 1417 extends this narrow antitrust exemption to all of Section 115, so that it now covers similar negotiations for mechanical reproductions of musical compositions, as well as the digital deliveries.

Mr. Speaker, I rise in strong support of H.R. 1417. I ask all my colleagues to support this non-controversial legislation.

H.R. 1417 has received exhaustive process. It emerged from a hearing before the Intellectual Property Subcommittee during the 107th Congress, and from series of open roundtable discussions convened at the U.S. Copyright Office. Early drafts were shaped by several rounds of written comments from all affected stakeholders. After introduction of H.R. 1417 early this Congress, the subcommittee held another hearing. The subcommittee then reported by voice vote a substantially refined amendment, and the full Judiciary Committee made further significant revisions before also reporting its amendment by voice vote. Thus, the version of H.R. 1417 before us today has been forged through an extensive and open process.

Both the chairman of the Judiciary Committee and the chairman of the Intellectual Property Subcommittee are to be commended for pushing H.R. 1417 forward. They have devoted significant time and energy to crafting both the substance of this bill and the widespread support behind it. I thank them both for working so closely with me in drafting this bill and its various iterations.

The chairmen are also to be commended for ensuring that the bill remedies the procedural defects of the CARP process without straying into substantive copyright law issues that would surely doom its prospects for passage.

H.R. 1417 focuses on a narrow but complex goal: It significantly reforms the system for Copyright Arbitration Royalty Panels—or CARP.

U.S. copyright law contains a half-dozen statutory licenses that require copyright owners to make their works available to certain users under Government-set rates and terms. For instance, the section 114 statutory license allows webcasters to perform sound recordings under Government-set rates and terms. The royalty rates and terms are established by CARPs, which also determine the appropriate distribution of royalties among copyright owners.

There is widespread agreement among copyright owners and users alike that the CARP process is broken. The costs involved are often so high that parties either cannot afford to participate, or find that the costs outweigh any potential royalties or efficiencies. The decisions often take too long to issue, and thus create uncertainty and confusion among licensors and licensees alike. Finally, even when decisions do issue, they are often overturned or modified, are inconsistent with precedents, and cannot be effectively implemented until corresponding rule-makings are completed.

H.R. 1417 will go a long way to remedying the defects of the CARP process. While the changes are too copious to list in total, I would like to highlight a few of the improvements made by this bill.

The primary flaw with CARPs is that they are conducted by private arbitrators who often have no prior experience in conducting a statutory license rate-setting or distribution, much less any prior familiarity with the substantive law or industry economics involved. Because the CARP arbitrators have neither the expertise nor authority to do so, the Copyright Office is often called on to issue regulations resolving substantive legal issue that arise during CARPs. And all too often, as we saw in the 2002 webcasting CARP, the Copyright Office is called upon to overturn a CARP decision.

H.R. 1417 replaces the part-time arbitrators with a panel of three full-time Copyright Royalty Judges. These three CRJs will be appointed by the Librarian of Congress to serve staggered 6-year terms. Thus, each panel will bring at least 6 years of collective experience to every rate-setting and distribution proceeding. Further, the Librarian is required to appoint CRJs with a breadth of experience in copyright law, economics, and adjudications.

The bill contains a number of other provisions that further consolidate and strength the authority of the CRJs. For instance, the bill gives CRJs continuing jurisdiction to ensure

that they have the ability “to respond to unforeseen circumstances that preclude the proper effectuation of the determination.”

The continuity, experience, and enhanced authority of the CRJs should lead to decisions that are quicker, more consistent, more likely to withstand appeal, and in the long run, far less expensive to secure.

While the new CRJs will have requisite authority and expertise to make good decisions, H.R. 1417 ensures they will be able to draw on, and benefit from, from the substantial expertise of the Copyright Office in this area. H.R. 1417 requires that the Librarian consult with the Register of Copyrights when appointing CRJs. Furthermore, the bill requires the CRJs to solicit the written opinion of the Copyright Office on novel questions of law, and allows the CRJs to consult—on the record—with the Register of Copyrights on all matters other than questions of fact.

H.R. 1417 addresses another major flaw of the current CARP process—the fact that the rates for several statutory licenses are set retroactively. The webcasting CARP concluded in 2002 demonstrates the problems with retroactive rate-setting. When rates were set in 2002 for webcasting that occurred between 1998 and 2002, many small webcasters found their viability threatened because they had not set aside enough money to defray the royalty obligations they had already incurred.

H.R. 1417 addresses this problem through a series of interrelated changes to the various statutory licenses. H.R. 1417 ensures that all rates and terms for statutory licenses will be set prospectively, and eliminates the possibility that a time period covered by a statutory license will commence before the establishment of rates and terms.

H.R. 1417 also addresses a variety of concerns about how CARPs gather evidence, conduct hearings, determine participation, requires parties to present their cases, and treat negotiated settlements. In addressing these concerns, H.R. 1417 hews closely to the overall objective of promoting expeditious, well-reasoned, and widely-supported outcomes.

The bill substantially improves the CARP process from the perspective of small participants. H.R. 1417 allows CRJs to conduct an all-paper, rate-setting proceeding, which in many circumstances, should substantially reduce the barriers to participation for small copyright owners and users. H.R. 1417 also creates an expedited small-claims process to facilitate the distribution of royalties to small claimants.

The bill substantially alters some evidentiary rules, while retaining others used by previous CARPs. It allows admission of hearsay “to the extent deemed appropriate” by the CRJs, rather than according to the Federal Rules of Evidence, and allows CRJs to issue subpoenas for relevant and material information. It directs the CRJs to conduct discovery conferences for the purpose of setting a schedule for completing discovery.

The bill retains the discovery rules currently used in CARP distribution proceedings because distribution participants expressed general satisfaction with those rules. In rate-setting proceedings, the amendment limits discovery to relevant and material information, and allows the CRJs to deny discovery for good cause. The circumstances that constitute “good cause” include where the discovery requests are unreasonably cumulative or dupli-

cative, easily obtainable from another source, the burden or expense outweighs its likely benefit, and other circumstances.

H.R. 1417 clarifies the rules regarding participation on CARP proceedings. It also ensures that only parties who have fully participated in the proceeding, and are bound by its determination, will have the right to appeal that determination.

H.R. 1417 also retains the ability of copyright owners and users, under a number of statutory licenses, to negotiate voluntary agreements rather than suffer through full-blown rate-setting and distribution proceedings. While H.R. 1417 maintains the ability of various statutory licensors and licensees to agree to out-of-cycle rate determinations through voluntary agreements adopted by the CRJs, it allows the CRJs to reject such out-of-cycle determinations if workload concerns so merit.

H.R. 1417 also rationalizes the ability to engage in voluntary negotiations in the context of the section 115 statutory license for reproductions of musical compositions. The section 115 license currently provides copyright owners and users a limited antitrust exemption to collectively negotiate rates and terms for Digital Phonorecord Deliveries of musical compositions. With the acquiescence of the Justice Department, H.R. 1417 extends this narrow antitrust exemption to all of section 115, so that it now covers similar negotiations for mechanical reproductions of musical compositions.

A comprehensive description of this seventy-page bill would take more time than I am allotted, so I will leave off there. However, I will note that adoption of the CARP reform bill is not the end of the story for reforming the CARP system.

Unlike the current CARP system, the bill requires appropriated funds to pay for the new CRJ process. Since Congress has decided the public interest is served by the creation of compulsory licenses in certain instances, it is entirely appropriate that Congress should provide the funds necessary to make the licenses work. CARP costs should not dissipate the meager Government-set royalties received by copyright owners, nor make participation by licensees uneconomical. However, if adequate appropriations are not secured, this legislation will only create further chaos. In this time of record budget deficits, it will take a concerted effort by all interested parties to ensure sufficient appropriations are forthcoming.

In conclusion, Mr. Speaker, I think H.R. 1417 will substantially improve the CARP process, and I ask my colleagues to support it.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise in support of this legislation, H.R. 1417, the Copyright Royalty and Distribution Reform Act. In September 2003, I offered my support during a full Judiciary Committee markup hearing. Mr. SMITH, Mr. BERMAN, and Ranking Member CONYERS are to be commended for their hard work in crafting this legislation.

The bill would replace the existing administrative procedures within the U.S. Copyright Office that determine copyright royalty rates and the distribution of related royalties under various compulsory licenses.

Under the Copyright Royalty Tribunal Reform Act of 1993, the Librarian of Congress has the authority to convene Copyright Arbitration Royalty Panels, or “CARPs,” to resolve

failed private negotiations between parties that fail to establish rates or to distribute royalties regarding the commercial use of movies, music and other specified copyrighted works.

For years, the CARP system has been criticized for rendering unpredictable and inconsistent decisions, employing arbitrators lacking the expertise to render sound decisions, and for being unnecessarily expensive.

H.R. 1417 is a reasonable bill to cure these concerns and is based on the input and recommendations of Government and industry experts.

H.R. 1417 addresses the problem of lack of arbitrator expertise by appointing a “Copyright Judge” to preside over the new process. The Copyright Judge will be appointed by the Librarian of Congress, have full adjudicatory responsibility, and have the authority to make rulings on both the law and rates. The Copyright Judge will select two professional staff members with knowledge of economics, business, and finance. These staff qualifications will also improve the quality of the decisions rendered.

H.R. 1417 redefines the role of the Copyright Office. Presently, acts as an intake agency answering initial case intake questions, as well as an appellate court for CARP decisions by advising the Librarian on cases. This dual role forces the Copyright Office to often decline to answer threshold intake questions for fear of having to review its own decisions at the appellate stage. Under H.R. 1417, the Copyright Office’s appellate responsibilities will be removed and the Office will only act in an administrative and advisory capacity by counseling the Copyright Judge on substantive issues as requested.

For small claimants who participate in the CARP process, the substantial expenses are practically preclusive. H.R. 1417 contains provisions to make the process more accessible. First, claimants must declare an “amount in controversy” during a distribution determination phase of the proceedings. If the dollar figure is \$500 or less, the claimant will be assigned to the small claims process which is a less expensive, “all-paper” claim resolution method.

Another provision of H.R. 1417, that benefits both large and small claimants requires the filing of a “notice of intent to participate” in either a rate-making or distribution proceeding. This notice requirement will discourage entities from disrupting the process by participating at the last minute. If a party failure to file in a timely manner or fails to pay the required fee, they will be an exclusion of either written or oral participation in that determination. Those exempted as small claimants would not be affected by this requirement.

H.R. contains several procedural changes to make the claim resolution process more convenient for the parties. H.R. 1417 expands the duration of the discovery phase from 45 to 60 days to give parties more time to file their claims. Additionally, the 180-day time-frame for completing the CARP hearing process is amended to require parties complete the hearing phase of a rate-making or distribution determination in six months. The Copyright Judge, at their discretion, could extend this period up to a maximum of 6 additional months.

Mr. Speaker, H.R. 1417 will make changes to the CARP system that promise to benefit

the parties as well as the agents of the copyright adjudication system. I support H.R. 1417, and I urge my colleagues to do likewise.

Mr. CONYERS. Mr. Speaker, I rise in support of this legislation. In the past 2 years, the Committee has held two hearings on concerns with the CARP, the system that sets royalty rates for copyrighted content. People on both sides, the owners and buyers, agree that the current system needs changes. Based on that, subcommittee Chairman SMITH, subcommittee Ranking Member BERMAN, and I introduced legislation, H.R. 1417, that would make substantial procedural changes.

We heard the current system is costly because the copyright owners and users have to pay for the arbitrators. Because copyright law subjects copyright owners and users to a compulsory process, we believe the law should not place this additional financial burden on them. Our bill creates three Copyright Royalty Judges who would be paid from appropriated funds to set royalty rates and distribute royalty fees.

Another complaint was that the CARP does not have adequate rules on how to address hearsay evidence. This bill explicitly requires that the Judges treat hearsay evidence in the same manner that it is treated in Federal court. This will bring uniformity to the proceedings for parties on both sides of royalty disputes.

This bill also alters the terms for which certain royalty rates are in effect. Rates that are determined by the Judges will be in effect for 5 years. This should create some predictability and uniformity for those who rely on the Judges' determinations.

Finally, parties on both sides argued that the substantive standards that the CARP uses to set royalty rates should be changed somehow. In an effort to reach a compromise and pass a bill that does not alter any substantive rights, this bill changes only the procedure for rate settings and distributions.

There will be a substitute amendment to the bill that was worked out by the majority, minority, and all groups interested in the CARP process. I hope we can continue to work on resolving any outstanding issues and moving this bill through the other body.

I urge my colleagues to vote "yes" on this bill as amended.

Mr. BERMAN. Mr. Speaker, seeing no other speakers seeking recognition on my side of the aisle, I yield back the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time as well.

The SPEAKER pro tempore (Mr. SHAW). The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 1417, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. SENSENBRENNER. Mr. Speaker, on that I demand the yeas and nays. The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further

proceedings on this motion will be postponed.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Ms. Wanda Evans, one of his secretaries.

HONORING THE MEN AND WOMEN OF THE DRUG ENFORCEMENT ADMINISTRATION ON ITS 30TH ANNIVERSARY

Mr. SENSENBRENNER. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 412) honoring the men and women of the Drug Enforcement Administration on the occasion of its 30th anniversary.

The Clerk read as follows:

H. RES. 412

Whereas the Drug Enforcement Administration (DEA) was first created by executive order on July 6, 1973, merging the previously separate law enforcement and intelligence agencies responsible for narcotics control;

Whereas the first Administrator of the DEA, John R. Bartels, Jr., was confirmed by the Senate on October 4, 1973;

Whereas since 1973 the men and women of the DEA have served our Nation with courage, vision and determination, protecting all Americans from the scourge of drug trafficking, abuse, and related violence;

Whereas between 1986 and 2002 alone, DEA agents seized over 10,000 kilograms of heroin, 900,000 kilograms of cocaine, 4,600,000 kilograms of marijuana, 113,000,000 dosage units of hallucinogens, and 1,500,000,000 dosage units of methamphetamine, and made over 443,000 arrests of drug traffickers;

Whereas DEA agents continue to lead task forces of Federal, State, and local law enforcement officials throughout the Nation, in a cooperative effort to stop drug trafficking and put drug gangs behind bars;

Whereas throughout its history many DEA employees and members of DEA task forces have given their lives in the defense of our Nation, including: Emir Benitez, Gerald Sawyer, Leslie S. Grosso, Nickolas Fragos, Mary M. Keehan, Charles H. Mann, Anna Y. Mounger, Anna J. Pope, Martha D. Skeels, Mary P. Sullivan, Larry D. Wallace, Ralph N. Shaw, James T. Lunn, Octavio Gonzalez, Francis J. Miller, Robert C. Lightfoot, Thomas J. Devine, Larry N. Carwell, Marcellus Ward, Enrique S. Camarena, James A. Avant, Charles M. Bassing, Kevin L. Brosch, Susan M. Hoefler, William Ramos, Raymond J. Stastny, Arthur L. Cash, Terry W. McNett, George M. Montoya, Paul S. Seema, Everett E. Hatcher, Rickie C. Finley, Joseph T. Aversa, Wallie Howard, Jr., Eugene T. McCarthy, Alan H. Winn, George D. Althouse, Becky L. Dwojeski, Stephen J. Strehl, Richard E. Fass, Juan C. Vars, Jay W. Seale, Meredith Thompson, Frank S. Wallace, Jr., Frank Fernandez, Jr., Kenneth G. McCullough, Carrol June Fields, Rona L. Chafey, Shelly D. Bland, Carrie A. Lenz, Shaun E. Curl, Royce D. Tramel, Alice Faye Hall-Walton, and Elton Armstead;

Whereas many other employees and task force officers of the DEA have been wounded or injured in the line of duty; and

Whereas in its 173 domestic offices and 78 foreign offices worldwide the over 8,800 employees of the DEA continue to hunt down and bring to justice the drug trafficking cartels that seek to poison our citizens with dangerous narcotics: Now, therefore, be it

Resolved, That the House of Representatives—

(1) congratulates the DEA on the occasion of its 30th Anniversary;

(2) honors the heroic sacrifice of those of its employees who have given their lives or been wounded or injured in the service of our Nation; and

(3) thanks all the men and women of the DEA for their past and continued efforts to defend the American people from the scourge of illegal drugs.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from Virginia (Mr. SCOTT) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

Mr. PAUL. Mr. Speaker, I want to inquire on whether or not the gentleman on the other side is in opposition to the bill.

The SPEAKER pro tempore. The Chair asks the gentleman from Virginia (Mr. SCOTT), is he opposed to the motion?

Mr. SCOTT of Virginia. Mr. Speaker, I am not opposed to the motion.

Mr. PAUL. In that case, Mr. Speaker, I request the time in opposition.

The SPEAKER pro tempore. Under clause 1(c) of rule XV, the Chair recognizes the gentleman from Texas (Mr. PAUL) to control the time in opposition to the motion.

The Chair now recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

GENERAL LEAVE

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous materials on H. Res. 412, the resolution currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SENSENBRENNER. Mr. Speaker, I yield 10 minutes, half my time, to the gentleman from Virginia (Mr. SCOTT), and I ask unanimous consent that he be allowed to yield portions of that time as he sees fit.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SENSENBRENNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, on July 6, 1973, President Richard Nixon first created the Drug Enforcement Administration. The agency was created to address a growing drug problem in the United States. The DEA was the merger of separate law enforcement and intelligence agencies that shared responsibility for enforcing controlled substance laws. At the time, Congress and the administration recognized an increase in the use and the availability of illegal drugs in this country. According to DEA statistics in 1960, only 4 million Americans had ever tried drugs. That number is currently over 74 million.

The DEA continues to defend our Nation from the scourge of illegal drugs. It not only enforces the controlled substances laws and regulations of the United States, but the agency also recommends and supports nonenforcement programs aimed at reducing the availability of illicit controlled substances on the domestic and international markets.

This mission is as relevant today as it was 30 years ago when the DEA was created. The families and communities affected by drug abuse recognize the important work that the DEA performs. The DEA's steadfast commitment to bringing drug traffickers to justice is crucial to protecting our communities.

The DEA leads task forces of Federal, State and local law enforcement officials throughout the Nation in a cooperative effort to stop drug trafficking. However, these partnerships are not limited to our borders, as evidenced by the more than 70 field offices worldwide.

The efforts of the DEA domestically and abroad are vital to our national security. The war on terrorism is fought on many fronts, including drug trafficking. It is apparent that there have been connections between the drug trade and terrorist activities. The DEA will continue this fight in an effort to remove another avenue of financing for terrorism.

Today, this Congress recognizes the important work of this agency and thanks its employees, both past and present, for their continued efforts to block the flow of drugs into America's cities and towns. This resolution also acknowledges that the war on drugs is not without loss and gives special recognition to those who have lost their life or who have been injured in pursuit of this noble cause.

I urge my colleagues to support this resolution to honor the men and women who have served, and continue to serve, our country as a part of the Drug Enforcement Administration.

Mr. Speaker, I reserve the balance of my time.

Mr. PAUL. Mr. Speaker, I yield myself such time as I may consume.

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Mr. Speaker, I rise in opposition to the resolution but obviously not because we should not honor the men who were asked to do their duty and lost their lives. It is for another reason.

I would like to call attention to my colleagues and to the Congress the lack of success on the war on drugs. The war has been going on for 30 years. The success is not there, and I think we are deceiving ourselves if we think that everything is going well and that we have achieved something, because there is really no evidence for that. Not only that, there have been many unintended consequences that we fail to look at, and I want to take this time to make

that the point and try to get some of us to think that there may be another way to fight the war on drugs.

I do not know of anybody who likes drugs and advocates the use of drugs. I as a physician am strongly opposed to the use of drugs. It is just that the techniques make a big difference. We are talking about bad habits, and yet we are resorting to the use of force, literally an army of agents and hundreds of billions of dollars over a 30-year period, in an effort to bring about changes in people's habits. Someday we are going to have to decide how successful we have been. Was it a good investment? Have we really accomplished anything?

Another reason why I am taking this time to express an opposition is that the process has been flawed. After World War I, there was a movement in this country that believed that too many Americans had bad habits of drinking too much alcohol, and of course, if we really want to deal with a bad drug, alcohol is it. Many, many more die from alcoholism and drunken driving and all kinds of related illnesses, but the country knew it and they recognized how one dealt with those problems.

The one thing that this country recognized was that the Congress had no authority to march around the country and tell people not to drink beer, and what did they do? They resorted to amending the Constitution, a proper procedure, and of course, it turned out to be a failed experiment. After 12 years, they woke up and the American people changed it.

We have gone 30 years and we have not even reconsidered a new approach to the use of drugs and the problems that we face.

Another thing that is rather astounding to me, is that not only have we lost the respect for the Constitution to say that the Federal Government can be involved in teaching habits, but we literally did this not even through congressional legislation.

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The DEA was created by an executive order. Imagine the size of this program created merely by a President signing an executive order. Of course, the ultimate responsibility falls on the Congress because we acquiesce and we vote for all the funding. The DEA has received over \$24 billion in the past 30 years, but the real cost of law enforcement is well over \$240 billion when we add up all the costs.

And then if we look at the prison system, we have created a monstrosity. Eighty-four percent, according to one study, 84 percent of all Federal prisoners are nonviolent drug prisoners. They go in and they come out violent. We are still talking about a medical problem. We treat alcoholism as a medical problem, but anybody who smokes a marijuana cigarette or sells something, we want to put them in prison. I think it is time to stop and reevaluate this.

One other point is that as a physician I have come to the firm conclusion that the war on drugs has been very detrimental to the practice of medicine and the care of patients. The drug culture has literally handicapped physicians in caring for the ill and the pain that people suffer with terminal illnesses. I have seen doctors in tears coming to me and saying that all his wife had asked me for was to die not in pain; and even he, as a physician, could not get enough pain medication because they did not want to make her an addict. So we do have a lot of unintended consequences.

We have civil liberty consequences as well. We set the stage for gangsters and terrorists raising money by making weeds and wild plants and flowers illegal. If someone could say and show me all of a sudden that the American people use a lot less drugs and kids are never tempted, it would be a better case; but we do not have the evidence. We have no evidence to show that 30 years of this drug war has done very much good. Matter of fact, all studies of the DARE program show that the DARE program has not encouraged kids to use less illegal drugs. So there is quite a few reasons why we ought not to just glibly say to the DEA it's been a wonderful 30 years and encourage more of it.

The second part of the resolution talks about the sacrifice of these men. To me, it is a tragedy. Why should we ever have a policy where men have to sacrifice themselves? I do not believe it is necessary. We gave up on the prohibition of alcohol. I believe the drug war ought to be fought, but in a much different manner.

Mr. Speaker, I reserve the balance of my time.

Mr. SCOTT of Virginia. Mr. Speaker, I yield myself such time as I may consume, and I thank the gentleman from Wisconsin for the courtesy of yielding me this time.

Mr. Speaker, I rise in support of this resolution and urge my colleagues to support it. House Resolution 412 commemorates the 30th anniversary of the Federal Drug Enforcement Agency and recognizes the contributions and achievements of its current 8,800 employees working in 173 domestic offices and 78 foreign offices worldwide.

The resolution also specifically recognizes the sacrifices of those employees who have given their lives in the line of duty and those who have been wounded or injured.

So I am pleased to join my colleagues in recognizing the dedicated hard work and sacrifice of the men and women of the DEA on this occasion commemorating the 30th anniversary of this agency.

Mr. Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I yield 3 minutes to the gentleman from Indiana (Mr. SOUDER).

Mr. SCOTT of Virginia. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana (Mr. SOUDER).

(Mr. SOUDER asked and was given permission to revise and extend his remarks.)

Mr. SOUDER. Mr. Speaker, today we honor the men and women of the Drug Enforcement Administration on the occasion of its 30th anniversary. I would like to thank the House leadership and the chairman of the Committee on the Judiciary, the gentleman from Wisconsin (Mr. SENSENBRENNER), for bringing this resolution to the floor; and I would particularly like to thank all those who have cosponsored my resolution, especially the gentleman from Maryland (Mr. CUMMINGS), the ranking member of the Subcommittee on Criminal Justice, Drug Policy and Human Resources of the Committee on Government Reform, and the gentleman from Georgia (Mr. DEAL), the vice chairman of that subcommittee. I am pleased we were able to introduce this legislation on a bipartisan basis, emphasizing our shared goal of preventing drug abuse.

If I may just briefly comment on a few of the remarks of my friend, the gentleman from Texas (Mr. PAUL), our libertarian conscience in the House. He is an eloquent spokesman for limited Federal Government and votes against most resolutions here, and he works as our conscience. However, he is deeply wrong on this issue. We have, in fact, made progress on drug abuse this past year, 10 percent reduction. We have had a dramatic reduction. But it is hard to battle addiction across America, just as it is in child abuse, spousal abuse, and other things that the gentleman from Texas would oppose the Federal Government being involved in.

We have a philosophical difference, but the gentleman should not disparage the efforts of the DEA and the hard work so many people do in trying to prevent the 20,000 deaths per year that occur because of drug abuse in America.

Mr. Speaker, in the aftermath of September 11, we have often recognized and honored the men and women responsible for preventing and responding to terrorist attacks on our country, and rightly so; but we should never forget the terrible toll that drug abuse continues to take on America, nor those who bravely seek to stop it. According to the Center for Disease Control, every year 20,000 American lives are lost as a direct consequence of illegal drug use, and much more devastation beyond those 20,000 in indirect loss of life.

The Office of National Drug Control Policy estimates that the annual economic cost of drug abuse to the U.S. in lost productivity, health care costs, and wasted lives is now well over \$150 billion. Every year, drug traffickers seek further profit from this misery by importing, manufacturing, and selling these poisons on our streets and in our communities. It is a traffic in death as devastating as anything the more visible terrorists have done. The task of stopping this falls on our law enforce-

ment agencies, and no agency is more dedicated to that struggle than the DEA.

Thirty years ago, on July 6, 1973, President Nixon signed the executive order creating the DEA from several previously separate agencies, more efficient government, including the Justice Department's Bureau of Narcotics and Dangerous Drugs, the Office of Drug Abuse Law Enforcement, the Office of National Narcotics Intelligence, the White House's Narcotics Advanced Research Team, and the Drug Investigations branch of the U.S. Customs Service. On October 4, 1973, the Senate confirmed the first administrator of the DEA, John R. Bartels, Jr., inaugurating a new era in the Nation's fight against drug abuse.

The DEA has carried on that fight on every front: at the borders, in our cities and small towns and rural areas across the country. As the Federal Government's only single-mission agency dedicated to narcotics control, the DEA has taken the lead in breaking the international cartels that bring cocaine, heroin, ecstasy, methamphetamine precursors and marijuana into the U.S. In partnership with other Federal, State, and local law enforcement agencies, the DEA has organized task forces that investigate, penetrate, and bust the street gangs and other distribution networks selling drugs on the streets.

The numbers speak volumes about the DEA's success. But these numbers, impressive as they are, cannot fully convey what the DEA has done for our Nation. We are also here to remember the personal sacrifices of thousands of men and women who have served America as DEA agents and members of DEA task forces. I would like to highlight just a few of these agents.

Special Agent Benitez was shot. He was a Customs officer, and then he worked as one of the first Special Agents in DEA. In 1973, he was fatally shot during an undercover investigation of cocaine dealers. He was only 28 and is survived by his wife and daughter.

Special Agent Ward of Baltimore, Maryland, was assigned to DEA in Baltimore. He was the husband and father of two, and was a 13-year police department veteran who had earned numerous medals and commendations. On December 3, 1984, at the age of 36, he was shot and killed while working on an undercover assignment.

Special Agent Enrique Camarena was a Marine, a husband, and the father of three children. He received two Sustained Superior Performance Awards, a Special Achievement Award, and the Administrator's Award of Honor, the highest award granted by the DEA. On February 7, 1985, he was kidnapped, tortured, and eventually killed by Mexican drug traffickers while working in Mexico.

These people died trying to defend us and our children on the streets of the United States from the scourge of drugs.

This is Police Investigator Wallie Howard of the Syracuse, New York, Police Department. He was a 9-year veteran who worked for DEA's central office in New York and was shot during an undercover operation in Brooklyn when they attempted to rob him. He was only 31.

This is Special Agent Meredith Thompson, who joined DEA in 1985 and was a tireless worker. At the age of 33, she was one of five special agents killed in 1994 in a special reconnaissance mission in Peru.

These people died. And these are just five who have died trying to protect us, our children, and our families from the wreck of cocaine, of heroin, and of marijuana that does incredible damage. And were they not on the streets and were they not sacrificing their lives, so many more than the 20,000 would have died.

Mr. Speaker, today we honor the men and women of the Drug Enforcement Administration on the occasion of its 30th anniversary. I'd like to thank the House leadership and Chairman SENSENBRENNER of the Judiciary Committee for assisting us in bringing this resolution to the floor; and I'd particularly like to thank all those who co-sponsored the resolution, especially Mr. CUMMINGS, the ranking member of the Drug Policy Subcommittee that I chair, and Mr. DEAL, the vice-chairman. I am very pleased that we were able to introduce this resolution on a bipartisan basis, emphasizing our shared goal of preventing drug abuse.

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The task of stopping this falls on our law enforcement agencies, and no agency has been more dedicated to that struggle than the DEA. Thirty years ago, on July 6, 1973, President Nixon signed the executive order creating the DEA from several previously separated agencies, including the Justice Department's Bureau of Narcotics and Dangerous Drugs, the Office of Drug Abuse Law Enforcement, the Office of National Narcotics Intelligence, the White House's Narcotics Advance Research Team, and the Drug Investigations branch of the U.S. Customs Service. On October 4, 1973, the Senate confirmed the first Administrator of the DEA, John R. Bartels, Jr., inaugurating a new era in our nation's fight against drug abuse.

The DEA has carried on that fight on every front—at the borders, in our cities, and in

small towns and rural areas across the country. As the federal government's only single-mission agency dedicated to narcotics control, the DEA has taken the lead in breaking the international cartels that bring cocaine, heroin, ecstasy, methamphetamine precursors and marijuana into the U.S. In partnership with other federal, state and local law enforcement agencies, the DEA has organized task forces that investigate, penetrate and bust the street gangs and other distribution networks selling drugs on the streets. Through entities like the El Paso Intelligence Center (EPIC), DEA also gathers, analyzes and shares drug trafficking intelligence with its law enforcement partners. The numbers speak volumes about DEA's success: between 1986 and 2002 alone, DEA agents seized over 10,000 kilograms of heroin, 900,000 kilograms of cocaine, 4,600,000 kilograms of marijuana, 113,000,000 dosage units of hallucinogens, and 1,500,000,000 dosage units of methamphetamine, and made over 443,000 arrests of drug traffickers.

But these numbers, impressive as they are, cannot fully convey what the DEA has done for our nation. We are also here to remember the personal sacrifices of the thousands of men and women who have served America as DEA agents and members of DEA-led task forces. I'd like to talk about just a few of those men and women who made the ultimate sacrifice in the fight against illegal drug abuse.

Emir Benitez was one of the first Special Agents to serve at the DEA. As a Customs officer, he was so successful at finding marijuana that he received three awards for superior performance. On August 9, 1973, he was fatally shot during an undercover investigation of cocaine dealers in Ft. Lauderdale, Florida. He was only 28 when he died, survived by his wife and his daughter.

Detective Marcellus Ward of the Baltimore, Maryland, Police Department, was assigned to the Drug Enforcement Administration's Baltimore District Office Task Force. A husband and father of two, Detective Ward was a thirteen-year police department veteran, who earned numerous medals and commendations for his work. On December 3, 1984, at the age of 36, he was shot and killed while working on an undercover assignment.

Special Agent Enrigue S. Camarena joined DEA in June 1974. During his 11 years with DEA, this former Marine, husband and father of three children received two Sustained Superior Performance Awards, a Special Achievement Award and posthumously, the Administrator's Award of Honor, the highest award granted by DEA. On February 7, 1985, Camarena was kidnapped, tortured and eventually killed by Mexican drug traffickers while he was assigned to the DEA's Guadalajara, Mexico office. He was 37 years old.

Police Investigator Wallie Howard Jr., of the Syracuse, New York Police Department, was a nine-year veteran and the recipient of three bureau commendations for his work on several undercover drug investigations. A husband and father of two, Officer Howard was killed on October 30, 1990, while serving on the DEA's Central New York Drug Enforcement Task Force. Officer Howard was shot during an undercover operation when drug traffickers from Brooklyn, New York, attempted to rob him. He was 31 years old.

Special Agent Meredith Thompson joined DEA in 1985. She was characterized as a tireless worker—innovative, motivated and orga-

nized. Throughout her career, she received numerous letters of appreciation and commendation from both within and outside DEA. At the age of 33, she was one of five Special Agents killed on August 27, 1994, in a plane crash during a reconnaissance mission near Santa Lucia, Peru. This mission was being flown as part of Operation Snowcap, DEA's cocaine suppression program in Latin America.

Mr. Speaker, these are only five of the names that are listed on the DEA's memorial to its fallen agents and task force officers. They are a permanent reminder of the cost in human life imposed on us by the Drug traffickers and their collaborators. Today, as we thank the DEA and its employees for over 30 years of courage, service, and sacrifice, I hope that we will draw strength from their example and rededicate ourselves to their cause—the fight against drug abuse.

Mr. PAUL. Mr. Speaker, how much time do I have remaining?

The SPEAKER pro tempore (Mr. SHAW). The gentleman from Texas has 14 minutes remaining.

Mr. PAUL. Mr. Speaker, I yield myself such time as I may consume.

Regarding the loss of lives, whether it is 3,000 that some report, or 20,000, many of those would be preventable if we did not have the drug wars going on. The drug wars go on because people are fighting for turf and then the police have to go in and try to stop them because prices are artificially high. We have created the incentive for drug violence. We take something worthless and make it worth billions of dollars. We set the stage for terrorists.

Right now, because of the policies in Afghanistan, 80 percent of Afghanistan now has been returned to the drug lords. If the drugs were worthless, there would be no incentive to promote them. But they are worth a lot of money, so inadvertently our drug war pushes the prices up, and we create the incentive for the Taliban and others to raise the poppies and send the drugs over here. Then they finance the terrorists. So it is an unintended consequence that does not make any sense. It does not have to happen.

The big challenge is will anybody ever be willing to raise the questions and suggest another way. Could we have made a mistake, such as we did with the prohibition of alcohol? This does not mean that everybody has everything they want. Alcohol is legal, but kids get marijuana and other drugs easier on the street than they get their alcohol, because there is such a tremendous incentive.

During prohibition it was very well known that because alcohol was illegal, the more concentrated it is and the higher price it is because you can move it about and because it is contraband. So there is a tremendous incentive to do that. And then, when it is illegal, it becomes more dangerous. That is exactly what happens on drugs.

One hundred years ago, you could buy cocaine in a drugstore. Most Americans would be tremendously surprised to realize that for most of our history

drugs were not illegal. The first marijuana law was in 1938. And they got around that on the constitutional aspect by just putting a tax on it. So there is a lack of respect for how we solve our problems, a lack of wisdom on what we ought to do, and a lack of concern; and this is my deep concern as a physician, a lack of concern for seeing people dying and suffering.

Just think of the people who claim and are believable that they get some relief from marijuana, the paraplegics and those who have cancer and receiving chemotherapy. And in our arrogance, we, at the national level, write laws that send the DEA in to cancel out the States that have tried to change the law and show a little bit of compassion for people that are dying.

We are constitutionally wrong, we are medically wrong, we are economically wrong, and we are not achieving anything. We have no faith and confidence in our constitutional system. We have no faith and confidence that we change moral and personal habits through persuasion, not through armed might.

This is a choice. Nobody is for the use of drugs that I know of. But there is a big difference if you casually and carelessly resort to saying, oh, it is good that you do not do drugs, to let us create a drug army to prance around the country, and then lo and behold houses are invaded, mistakes are made, innocent people are killed, and it does not add up.

It is still astounding to me to find out that the DEA was not even created by congressional legislation. It was created by an executive order. We have gone a long way, colleagues, from where the respect for the Constitution existed and that at least the Congress should legislate. Even in the 1920s, when we attacked alcohol, we had enough respect for the Constitution to amend the Constitution.

□ 1130

Mr. Speaker, I think we are deceiving ourselves if we think the war on drugs is being won, and the failure to look at the unintended consequences, the real cost. As a matter of fact, this resolution brings up the real cost, this long list, this long tragic list of individuals who have been killed over this war.

So I am asking once again not so much to be in opposition to this resolution, but this resolution is to praise 30 years of the DEA and to praise an agency that really has no authority because it comes only from the executive branch, but for us to someday seriously think about the problems that have come from the war on drugs.

Let me tell Members, there is a politically popular position in this country that many are not aware of: The tragedy of so many families seeing their loved ones die and suffer without adequate care, 90-year-old people dying of cancer and nurses and doctors intimidated and saying we cannot make them a drug addict. This drug war culture that we live with has done a lot of

harm in the practice of medicine. Attacking the physicians who prescribe pain medicine and taking their licenses from them is reprehensible. I ask Members to please reconsider, not so much what we do today, but in the future, maybe we will wake up and decide there is a better way to teach good habits to American citizens.

Mr. SCOTT of Virginia. Mr. Speaker, I yield 4½ minutes to the gentleman from New Jersey (Mr. PASCRELL), a former mayor of Paterson, New Jersey, who worked very closely with the DEA.

Mr. PASCRELL. Mr. Speaker, I thank the gentleman from Virginia (Mr. SCOTT) for yielding me this time, and I want to also congratulate the gentleman from Indiana (Mr. SOUDER) and the gentleman from Wisconsin (Mr. SENSENBRENNER). I think this is an important resolution, and let us get back to the focus of what the resolution says. The Drug Enforcement Agency offers countless examples of heroic action and achievement. I am honored to offer my whole-hearted support and thanks to the men and women of this extraordinarily important Federal agency.

Our Nation is constantly under threat from the scourge of illegal drugs, and with every strata of our social structure victimized in some way by the hazards of narcotics, the work formed by the DEA is absolutely vital. It is many times a thankless, grueling work performed by public servants who oftentimes put themselves in harm's way for the public's good. Throughout its history the Drug Enforcement Agency employees have given their lives in defense of their Nation. Many other employees have been wounded or injured in the line of duty.

My mind flashes back to the late 1980s when an agent from North Jersey, Everett Hatcher, was assassinated in Staten Island in a horrendous, heinous crime defending his country addressing the terror. Talk about terror, let us talk about the terror of drugs. Every American owes these men and women a debt of extreme thanks, especially in light of the success DEA has accomplished.

Between 1986 and 2002 alone, DEA agents seized over 10,000 kilograms of heroin, 900 kilograms of cocaine, 4.6 million kilograms of marijuana, 113 million dosage units of hallucinogens, and 1.5 billion dosage units of methamphetamines, and made over 443,000 arrests of drug traffickers. Of course, where there is no market, there is no sale, I say to the gentleman from Texas. We know that. The war on drugs starts in our homes. The war on drugs starts in our own medicine cabinets and our own liquor cabinets. There is no denying that. It does not start in the offices of my Federal agency.

Law enforcement is only part of the answer. There is not a person in this Chamber who does not agree with that, but that is a given. Solutions are worthy for study of debate, and I salute the gentleman from Texas (Mr. PAUL)

for putting this on the floor. Perhaps this is not the time, but when is the time? I appreciate that.

Foreign policy does impact illicit drug use. We know it is coming out of Afghanistan, a lawless country. When the American people find out what is going on in Afghanistan, they are not going to be very happy, are they? We appreciate that. But this is not the time for the debate so much on policy or whether medical marijuana is something that we can consider as a Nation. This is a time that we focus on an agency who has done what we have asked them to do. They have done what we have asked them to do, and they have put themselves in harm's way.

We have heard the word "terror" used many times. We have heard it used in State of the Union addresses by many Presidents, but there is no greater terror than the terror of illicit drug use and sales in this country or any other country. It saps our energy and it saps our will, but it must begin in our homes. I salute the DEA. I wish I could say, Mr. Speaker, the same for many of our homes.

Mr. SCOTT of Virginia. Mr. Speaker, I yield 3 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE), a member of the Committee on the Judiciary.

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman from Virginia (Mr. SCOTT), the gentleman from Wisconsin (Chairman SENSENBRENNER) and the gentleman from Michigan (Mr. CONYERS), the ranking member.

Mr. Speaker, I rise enthusiastically to support and to honor the 30 years of service of the Drug Enforcement Agency, and particularly emphasize those who have worked with me and worked in the south Texas region. I applaud the achievements of 8,800 employees who work in 173 domestic offices and 78 foreign offices worldwide.

I join my colleagues and the gentleman from New Jersey (Mr. PASCRELL) to acknowledge the hard work and the depth of commitment of these men and women. And frankly, as an aside, I might say maybe if we had a few good DEA officers advising us in Haiti, we would not be negotiating with thugs, drug dealers and others who certainly do not have the good intentions of the Haitians in mind.

I particularly want to add my applause to the DEA agents who work in my community who have been monitoring the High Intensity Drug Trafficking Area. Designated in 1990, they have been working throughout Harris, Jefferson, Jim Wells, Kennedy and Liberty Counties, who have been working with the Governor's Office of Public Safety and Drug Policy and working on programs in schools. They have worked with Houston Crackdown, and we have seen a difference in the number of drug users in our area. They have helped Houston Crackdown run a 24-hour bi-

lingual drug information hotline. They have worked with the anti-gang office of the Houston Police Department Gang Task Force established in 1994. They have worked with the After School Achievement Program and Operation Renaissance, a collaborative effort by the police department, other city departments and the DEA in working in the inner city.

We have been gratified by the fact in late 2000 the Houston field division reported two seizures of suspected SA heroin. Nearly 2 kilograms were sized at a bus terminal in Houston from a Colombian female. In the other instance, four Venezuelans, in possession of 1.4 kilograms of heroin, were arrested at a local hotel. We have done well with the DEA in south Texas. We know the trials and tribulations that we are engaged in.

The good news of the DEA is they have put life into the phrase "Just say no." They put their lives on the front line. They are committed to making sure our children do not fall victim to the tribulations of drug, and in particular methamphetamines that are plaguing the rural South. That has been another area where we have seen the DEA working so diligently.

Mr. Speaker, I have more than one reason to come to the floor of the House to thank the DEA and all of its fine personnel across the Nation, its 173 divisions, but I am particularly proud to thank the Houston division for the grand work they have done, arming themselves with their commitment and their vision to protect the Nation's children and to make this Nation drug free.

Mr. Speaker, I rise in strong support of H. Res. 412, honoring the Men and Women of the Drug Enforcement Administration on the Occasion of Its 30th Anniversary. I also supported this bill when it was marked up before the full Judiciary Committee last month.

This resolution commemorates the 30th anniversary of the Federal Drug Enforcement Agency (DEA) and recognizes the contributions and achievements of its 8,800 employees who now work in 173 domestic offices and 78 foreign offices worldwide, and recognizes the sacrifices of those employees who have given their lives in the line of duty and those who have been wounded or injured in the line of duty.

In Houston, particularly, I would like to applaud the DEA on the stellar performance of its initiatives:

Monitoring of the High Intensity Drug Trafficking Area (HIDTA)—Designated in 1990, the Houston HIDTA encompasses the city of Houston and the surrounding areas of Aransas, Brooks, Galveston, Hardin, Harris, Jefferson, Jim Wells, Kennedy, Kleberg, Liberty, Nueces, Orange, Refugio, San Patricio and Victoria counties.

Governor's Office of Public Safety and Drug Policy—This office develops public policy and works to implement prevention, intervention, and suppression strategies to stop gang violence and assist crime victims. The office also coordinates and supports volunteer projects dealing with alcohol and drug abuse.

Examples of programs in Houston include:

Houston Crackdown, which coordinates and supports volunteer projects in the areas of drug prevention, treatment, and law enforcement. Houston Crackdown also runs a 24-hour bilingual Drug Information Hotline that provides access to treatment and recovery resources, drug information for youth and parents, a means to report illegal drug activity, and ideas for getting involved in community efforts.

The Anti Gang Office and the Houston Police Department Gang Task Force, both established in 1994. They provide a balanced approach, combining prevention and suppression tactics focused toward reduction of street gang growth and development.

The After School Achievement Program (ASAP), a community-based program offering youths constructive and positive activities between 3 p.m. and 6 p.m.

Operation Renaissance, a collaborative effort by the police department, other city departments, government agencies, and various community groups to revive the city's inner-city neighborhoods. Operation Renaissance employs a holistic approach and embraces the philosophy of Neighborhood Oriented Government and the Super Neighborhood concept. It is comprised of five pillars: narcotics interdiction, directed patrol, nuisance abatement, trash removal, and graffiti abatement. The community assists the police by reporting known drug dealers and locations while the police utilize a two-phase approach in targeting identified individuals and locations. Phase One calls for a highly visible police presence in areas of known "open-air" markets and Phase Two targets indoor locations.

Although the fruits of this office's impressive performance record are many, I highlight the fact that in late 2000, the DEA Houston Field Division reported two seizures of suspected SA heroin. Nearly 2 kilograms were seized at a bus terminal in Houston from a Colombian female who was traveling from San Antonio to New York City. In the other instance, four Venezuelans, in possession of 1.4 kilograms of heroin, were arrested at a local hotel.

On a per capita basis, the Texas South (Houston) district is one of the four districts with the largest number of DEA referrals in past fiscal years along with New Mexico (Albuquerque), Texas West (San Antonio), and New York South (Manhattan). In terms of the effectiveness and fairness of the government's overall enforcement effort against drugs, the work of the prosecutors and the courts often is as important as that of the investigators. One measure of this joint responsibility is the length of time required from when the DEA refers a matter for prosecution to when the matter is disposed of. Nationally, the median processing time was 272 days. Texas South (Houston) yielded 134 days which was significantly lower than the national median.

Mr. Speaker, therefore, I strongly support this bill. In the very near future this body should deal with this misdirected policy of mandatory sentencing so that the work of the DEA can be directed to the violent drug trafficking that hurts Americans most.

Mr. PAUL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me just close with a comment about the prison system and what has happened. As I mentioned before, 84 percent of Federal prisoners are

nonviolent drug offenders. Many go into prison, and they come out hardened criminals, and the problem is made much worse. Because of overcrowding, we have the release of violent prisoners because the prisons are too full. Also, the rules on mandatory sentencing of non-violent offenders have not been a good idea and have contributed to the problems that we face.

Another thing which I have not mentioned before but is worth thinking about is the inequity in the enforcement of laws. If one happens to be a wealthy, white-collar worker caught using cocaine, the odds of that individual serving time in prison is very reduced, compared to if you are caught in the inner city. It seems there is less justice for the inner city youth. This, of course, intensifies the problems of the inner city.

Once again, all I ask is that in the future we look at our drug policy because current policy is working so poorly, and also to reconsider the fact that we have gone 30 years with a program where there is no evidence of success, and astoundingly it was all done under an executive order.

Mr. Speaker, I yield back the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, while I respect the arguments of the gentleman from Texas (Mr. PAUL), even though I do not agree with them, I think it is important to look at what the resolved clause of this resolution says in deciding whether or not to support or oppose the resolution.

I will read it. "Resolved, That the House of Representatives: (1) congratulates the DEA on the occasion of its 30th Anniversary;

"(2) honors the heroic sacrifice of those of its employees who have given their lives or have been wounded or injured in the service of our Nation; and

"(3) thanks all the men and women of the DEA for their past and continued efforts to defend the American people from the scourge of illegal drugs."

This resolution has nothing to do with drug policy. It has nothing to do with whether the war on drugs has been successful or not. It has nothing to do with whether or not drugs should be legalized. What it does do is to tell the people who have worked for the DEA for the last 30 years that their service has not been in vain executing a policy in criminalizing certain drug activities and use of certain drugs that this Congress has passed.

It also commemorates the people who have given their lives or been wounded in the service of their country. The DEA is a law enforcement agency. We make the laws, they enforce the laws. This resolution gives them thanks for enforcing the laws and commemorating those who have made the ultimate sacrifice. I support the resolution, and I urge Members to support the resolution.

Mr. CASE. Mr. Speaker, I rise today in strong support of H. Res. 412, which honors the men and women of the Drug Enforcement Administration (DEA) on the occasion of its 30th Anniversary and recognizes the sacrifices of those who have given their lives in the line of duty.

In Hawaii, we are fortunate that such a cohesive law enforcement community exists, with the strong working relationship between the DEA, the United States Attorney's Office, the Federal Bureau of Investigation, our four county police departments, and the 14 Federal, State, and local agencies which support the Hawaii High Intensity Drug Trafficking Area. All work together to pursue and dismantle domestic and international criminal organizations that produce, transport, and distribute illegal substances.

Under the leadership of Briane M. Grey, Assistant Special Agent-in-Charge of the Honolulu District Office, the office advocates the same multi-pronged approach that I firmly believe is the solution to our drug abuse problem: combining strong enforcement, with education, prevention, and treatment efforts. For example, through its partnerships with the Counties of Kauai and Hawaii, the DEA's Demand Reduction Program educates many of our young people on the dangers of drugs.

In my home State, the unfortunate drug of choice today is crystal methamphetamine, also known as ice. High purity ice, ranging from 96 percent to 99 percent, is all too readily available, and commonly abused throughout our State. In Hawaii, ice users have been linked to violent crimes including child abuse, hostage situations, and homicides. The DEA has been a strong and valuable force in our fight against the scourge of ice.

In August 2003, the Honolulu DEA's Operation Jetway Task Force was notified of three parcels suspected of carrying ice. Pursuant to a search warrant, approximately 15.9 pounds of ice, worth more than \$1 million were seized from two of the parcels, and approximately \$65,000 in cash was seized from the third parcel. Later that same month, the task force seized approximately 674 grams of ice from the inside jacket pocket of an individual traveling from Los Angeles to Honolulu.

I would like to extend a very special mahalo (thank you) to the 15 Special Agents, 17 Task Force Officers, 2 Intelligence Analysts, 2 Diversion Investigators, and 2 Administrative Staff in our DEA Honolulu District Office. The district extends DEA's presence with personnel assigned to offices on the islands of Maui and the Big Island of Hawaii, as well as offices in Guam and Saipan. I know that the Honolulu District Office will continue to initiate drug investigations targeting the highest level traffickers, and for that we are all very grateful.

Again, congratulations to the DEA on its 30th anniversary.

Mr. SENSENBRENNER. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SHAW). The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and agree to the resolution, H. Res. 412.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. SENSENBRENNER. Mr. Speaker, on that I demand the yeas and nays. The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

□ 1145

SUPPORTING GOALS OF CERTAIN COMMUNITIES IN RECOGNIZING NATIONAL DAY OF REMEMBRANCE

Mr. SENSENBRENNER. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 56) supporting the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of the events surrounding the restriction, exclusion, and internment of individuals and families during World War II.

The Clerk read as follows:

H. RES. 56

Whereas President Franklin Delano Roosevelt signed Executive Order 9066 on February 19, 1942, which authorized the exclusion of 120,000 Japanese Americans and legal resident aliens from the west coast of the United States and the internment of United States citizens and legal permanent residents of Japanese ancestry in internment camps during World War II;

Whereas the freedom of Italian Americans and German Americans was also restricted during World War II by measures that branded them enemy aliens and included required identification cards, travel restrictions, seizure of personal property, and internment;

Whereas President Gerald Ford formally rescinded Executive Order 9066 on February 19, 1976, in his speech, "An American Promise";

Whereas Congress adopted legislation which was signed by President Jimmy Carter on July 31, 1980, establishing the Commission on Wartime Relocation and Internment of Civilians to investigate the claim that the incarceration of Japanese Americans and legal resident aliens during World War II was justified by military necessity;

Whereas the Commission held 20 days of hearings and heard from over 750 witnesses on this matter and published its findings in a report entitled "Personal Justice Denied";

Whereas the conclusion of the Commission was that the promulgation of Executive Order 9066 was not justified by military necessity, and that the decision to issue the order was shaped by "race prejudice, war hysteria, and a failure of political leadership";

Whereas Congress enacted the Civil Liberties Act of 1988, in which it apologized on behalf of the Nation for "fundamental violations of the basic civil liberties and constitutional rights of these individuals of Japanese ancestry";

Whereas President Ronald Reagan signed the Civil Liberties Act of 1988 into law on August 10, 1988, proclaiming that day to be a "great day for America";

Whereas the Civil Liberties Act of 1988 established the Civil Liberties Public Education Fund, the purpose of which is "to sponsor research and public educational activities and to publish and distribute the hearings, findings, and recommendations of the Commission on Wartime Relocation and

Internment of Civilians so that the events surrounding the exclusion, forced removal, and internment of civilians and permanent resident aliens of Japanese ancestry will be remembered, and so that the causes and circumstances of this and similar events may be illuminated and understood";

Whereas Congress adopted the Wartime Violation of Italian Americans Civil Liberties Act, which was signed by President Bill Clinton on November 7, 2000, which included provisions which resulted in a report containing detailed information on the types of violations that occurred, as well as lists of individuals of Italian ancestry that were arrested, detained, and interned;

Whereas the Japanese American community recognizes a National Day of Remembrance on February 19th of each year to educate the public about the lessons learned from the internment to ensure that it never happens again; and

Whereas the Day of Remembrance provides an opportunity for all people to reflect on the importance of justice and civil liberties during times of uncertainty and emergency: Now, therefore, be it

Resolved, That the House of Representatives—

(1) recognizes the historical significance of February 19, 1942, the date Executive Order 9066 was signed by President Roosevelt, restricting the freedom of Japanese Americans, German Americans, and Italian Americans, and legal resident aliens through required identification cards, travel restrictions, seizure of personal property, and internment; and

(2) supports the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of these events.

The SPEAKER pro tempore (Mr. SHAW). Pursuant to the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from New York (Mr. NADLER) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

GENERAL LEAVE

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on House Resolution 56 currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. SENSENBRENNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today I rise in favor of House Resolution 56. On February 19, 1942, President Roosevelt signed Executive Order 9066. Shortly afterwards, citizens of Japanese ancestry residing in the United States were prohibited from living, working or traveling on the West Coast of the United States. Executive Order 9066 ultimately led to the detention of 120,000 Japanese Americans and residents, most of whom did not see freedom until the closing days of World War II. Executive Order 9066 also resulted in restrictions upon the civil liberties of Italian and German Americans residing in the United

States, including government-imposed curfews, detentions, prohibitions on items considered to be contraband by military authorities, and seizures of personal property.

President Ford formally rescinded Executive Order 9066 in 1976. In his proclamation repealing this executive order, President Ford said:

"I call upon the American people to affirm with me this American promise, that we have learned from the tragedy of that long-ago experience forever to treasure liberty and justice for each individual American, and resolve that this kind of action shall never again be repeated."

Twelve years later, President Reagan signed the Civil Liberties Act of 1988 to formally acknowledge and apologize for "fundamental violations of the basic civil liberties and constitutional rights of individuals of Japanese ancestry." When signing the legislation, President Reagan said:

"Here we admit a wrong. Here we affirm our commitment as a Nation to equal justice under the law."

In the year 2000, President Clinton signed the Wartime Violation of Italian Americans Civil Liberties Act, which formally acknowledged civil liberties violations against Italian Americans committed during World War II. In November of 2001, the Committee on the Judiciary received a comprehensive report prepared by the Department of Justice detailing civil liberties violations committed against persons of Italian American ancestry during this period.

The Japanese American community presently recognizes a National Day of Remembrance on February 19 of each year to educate the public about the internment. House Resolution 56 reaffirms the importance of this day. The resolution also supports the goals of the Japanese American, German American and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of the events surrounding this difficult period of our Nation's history.

I urge my colleagues to support this resolution.

Mr. Speaker, I reserve the balance of my time.

Mr. NADLER. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, I rise in support of this resolution. The World War II internment of American citizens of Japanese, German and Italian ancestry for no reason other than their heritage is a disgraceful blot on the history of this Nation and on our commitment to freedom and equality. Sometimes, in times of panic and insecurity, we have forgotten what is best and most admired about our Nation and we have done things which in retrospect and with cooler heads we have come to realize were both unnecessary and unjust. This unfortunate history includes the Alien and Sedition Acts of 1798, the suspension of the writ of habeas corpus during

the Civil War, the Espionage Act of 1917, the Smith Act of 1940, the Japanese, German and Italian internments, the McCarthy depredations of the early Cold War years, the COINTELPRO operations of the FBI, and some of what is going on today.

We are regrettably going through another period of fear and insecurity due to the very real threat of terrorism. We must not give in to fear and we must not repeat the sin of trampling civil liberties in ways that purport to, but do not even, add to our own security. But I fear we are yet again doing just that.

There is no greater way to honor those many loyal Americans who suffered injustices during World War II than to rededicate ourselves to fighting for the principles that this history teaches, to remembering this history, to passing this resolution but to try to avoid repeating this history as I fear we are doing in some of the things that are going on in this time of insecurity today.

Mr. Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. COX)

Mr. COX. Mr. Speaker, I thank the gentleman for bringing this important resolution to the floor. I rise in strong support of House Resolution 56, which calls for a National Day of Remembrance to increase public awareness of the Japanese Americans, German Americans and Italian Americans whose civil rights were violated during World War II. Suffering by the Japanese-American community was particularly acute.

On February 19, 1942, President Franklin D. Roosevelt signed his infamous Executive Order 9066. It ordered the imprisonment of 120,000 Japanese Americans on the West Coast of the United States. For most of the war, these loyal Americans, who had done nothing to deserve such treatment, were forced to live under armed guard in isolated camps hundreds of miles from home. The Japanese Americans subject to Franklin Roosevelt's executive order had as little as 4 days to prepare for being rounded up. They were forced to sell or lease their property often at ruinous losses. They were deprived of income during their imprisonment. Many lost their businesses, their livelihoods and their life savings. So many hardworking Americans were rounded up into camps that the economies of entire States, California, Oregon and Washington, suffered severely.

FDR's wholesale denial of Americans' constitutional rights shamed America but all Americans can be proud of the Japanese Americans he imprisoned. Despite their shameful treatment by the Roosevelt administration, they never wavered in their patriotism and their support for the United States and for the war effort. In fact, the most

decorated combat unit of World War II, the 442nd Regimental Combat Team, was composed of Japanese Americans, many of whom themselves had been internees in these camps.

Mr. Speaker, Franklin Roosevelt's executive order was never formally rescinded until President Gerald Ford took action. On February 19, 1976, he rescinded Executive Order 9066 with a proclamation entitled "An American Promise." By President Ford's proclamation, America finally recognized the sacrifices made by Japanese Americans for the United States and called upon all Americans to resolve that such a tragedy would never happen again.

And then on August 10, 1988, President Ronald Reagan signed into law the Civil Liberties Act of 1988 by which the United States Government at long last apologized for, quote, the fundamental violations of the basic civil liberties and constitutional rights of persons of Japanese ancestry. One of my predecessors as policy chairman here in the House, then Representative Dick Cheney, now Vice President DICK CHENEY, cosponsored the bill. My predecessor from Orange County, California, Representative Robert Badham, was one of its strongest advocates. The Civil Liberties Act also established the Civil Liberties Public Education Fund to preserve in the national consciousness of our country the memory of the internment. At the signing ceremony, President Reagan quoted his own words honoring Japanese-American soldiers and all American soldiers who fought in World War II. Here is what President Reagan said:

"Blood that has soaked into the sands of a beach is all of one color. America stands unique in the world, the only country not founded on race but on a way, an ideal. Not in spite of but because of our polyglot background, we have had all the strength in the world. That is the American way."

Six decades later, as President Reagan would say, that is still the American way, and we do great honor to the Congress, to the country, to Japanese Americans and to people who come to America from all parts of the world by passing this resolution.

Mr. Speaker, I urge a "yes" vote on House Resolution 56.

Mr. NADLER. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from California (Mr. HONDA), the sponsor of the resolution.

Mr. HONDA. Mr. Speaker, I rise today in support of House Resolution 56, a resolution I introduced last year on behalf of the Japanese-, Italian- and German-American communities to establish a National Day of Remembrance for the restriction, exclusion and internment of individuals and families during World War II. I thank the House leadership as well as the gentleman from Wisconsin (Mr. SENSENBRENNER), the gentleman from Michigan (Mr. CONYERS) and the gentleman from New York (Mr. NADLER) for their leadership in steering this measure to

the floor today. While the resolution addresses events from our past, it does more than honor victims. It reminds us and our constituents that past national mistakes must not be repeated, even during times of great uncertainty.

To achieve these goals, we must first recognize the magnitude and severity of our Nation's injustices during World War II. In 1942, the U.S. Government rounded up and incarcerated approximately 120,000 Americans of Japanese descent, primarily from the West Coast, tearing families apart and forcing these hardworking people to sell their businesses and their personal properties for pennies on the dollar. Many literally lost the fruits of a lifetime of work due to Executive Order 9066 signed by President Roosevelt on February 19, 1942.

I know firsthand the pain inflicted on those families incarcerated because I spent part of my childhood at Amache internment camp in southeast Colorado. My family was uprooted from our home and community and sent hundreds of miles away from our homes and communities for no other reason than our ancestry. There can be no confusion. The decision by America's political leaders in 1942 to intern Japanese Americans was signed, sealed and delivered not out of concern for national security or for the safety and security of Japanese Americans. This executive order was based on neither reason nor evidence but on fear and panic. The U.S. Government acknowledged as much in 1982 under Carter when the Commission on Wartime Relocation and Internment of Civilians concluded that military necessity did not justify the exclusion and detention of these groups. Instead, the government's decision-making was driven by race prejudice, war hysteria and the failure of political leadership.

As the commission's report points out, "A grave personal injustice was done to the American citizens and resident aliens of Japanese ancestry who, without individual review or any probative evidence against them, were excluded, removed and detained by the United States during World War II."

In 1988, Congress finally redressed these wrongs by formally apologizing and providing compensation to those unjustly relocated during World War II. It is a true testament to our Nation's values and democratic process that our Nation has been able to look back and admit errors from its past. I can think of no greater evidence to demonstrate why the United States, with all its flaws, is still looked to worldwide as the nation with the strongest and fairest form of government.

But it is not enough to admit our wrong and compensate those persecuted. It is equally important that today we endeavor to educate the public about the internment of Americans to avert the execution of federally sanctioned discrimination and maltreatment in the future. It is critically important more than ever to speak up

against possible unjust policies that may come before this body. It is critical that we educate all Americans of the Japanese-American experience during World War II as well as the experience of other groups like the Japanese Latin Americans.

□ 1200

These people were extricated from Latin America, brought over here, and had their documents taken away from them, thus becoming individuals without a country to be used as pawns in exchange for POWs in the Pacific Theater. As this resolution does, we must also remember the experiences of the German and Italian Americans who were also victimized.

Having recognized this, many members of those communities have suddenly realized that they were wrong, that they were not criminals; and because of the recognition, this awful burden of guilt has been lifted from their shoulders and from the communities.

As a teacher, I feel this point is especially timely and pertinent. In today's war against terrorism, we must be especially cognizant of the adage that those who do not learn from their past mistakes are doomed to repeat them.

Since World War II, our civil liberties have not been as much at risk as they are today. Even while we prosecute the war against terrorism, we must protect all innocent Americans from prejudice and xenophobia.

Today, Mr. Speaker, a person with my face, my background, and being a third-generation American of Japanese descent, standing in the Halls of Congress under the dome of the greatest capitol of this Nation, of this world, I have learned one lesson. And bringing together all of our experiences from our various communities during that time of trauma, the lesson that was learned, and it is an American lesson, is that the Constitution is never tested in times of tranquility. Rather, our Constitution is sorely tested in times of national tension, trauma, tragedy, and terrorism; and that we as Americans, in order to address our future, must internalize the principles of the Constitution and the Bill of Rights.

So I would like to conclude my remarks by honoring all those Americans who suffered on the homefront during World War II, and I hope this resolution will provide additional healing for those of our Nation. It takes enormous maturity for our Nation to admit its wrongs.

Mr. NADLER. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Ms. LOFGREN).

Ms. LOFGREN. Mr. Speaker, as has been mentioned, on February of 1942, then-President Franklin Roosevelt issued an executive order which authorized the Secretary of War to define military areas in which "the right of any person to enter, remain in, or leave shall be subject to whatever restrictions" are deemed "necessary" or "desirable."

By the spring of 1942, California, Oregon, Washington, and Arizona were designated as military areas. And in May, Japanese Americans were ordered to "close their affairs promptly and make their own arrangements for disposal of personal and real property."

Official government fliers were posted around California instructing families to report to 12 assembly centers including the Tanforan Racetrack for San Francisco Japanese Americans to the Santa Anita Racetrack for Japanese Americans in the Santa Clara Valley. They could only bring the bare necessities, leaving behind homes, their lives, and most personal belongings. Santa Clara and San Francisco Japanese Americans were forced to live in horse stables for as long as 6 months until a permanent camp was built for them; 110,000 Japanese Americans were evacuated from their homes and incarcerated throughout the duration of the war.

By the fall of 1942, most of the Santa Clara Valley Japanese American internees were transported to a camp far away from home, the Heart Mountain Internment Camp Wyoming; and the San Francisco internees were sent to various camps, some as far away as Utah.

The horror did not end there. At the end of the war when Japanese Americans were finally released and went home, they found that they had no shelter, no food, money, much less a job. Some returned to find homes looted and destroyed. In my district, the San Jose Buddhist Church offered what it could, shelter and hot meals for most families. And a good piece of news, in Santa Clara County, the family of Bob Peckham, later to become Federal District Court Judge Bob Peckham, had taken title to the property of their Japanese American neighbors, and they were able to preserve much of the property and return it at the end of the internment.

All of this happened before I was born, but I remember hearing about it well before it hit the history books because my mother was a young woman in 1942, and she was building airplanes for Douglas Aircraft. My dad was in the Army. And I remember her telling me going past the Tanforan Racetrack and how guilty and ashamed she was and how helpless she felt. She knew that her neighbors had been wrongly locked up in these horse stables. She knew what her government had done was wrong; but as a young girl, she really did not know what to do and how to change that. She was a lifelong Democrat. She cast her first Presidential vote for FDR, but she never agreed with what he did to her neighbors.

What has happened since then? We have adopted legislation to rescind. We have the Civil Liberties Act. We have apologies. And that is important to my neighbors and my parents' neighbors who were incarcerated people like Ed Kawazoe and Jimi Yamaichi and Ted and Raiko and certainly the gentleman

from California (Mr. HONDA) and Norm Mineta and others; but this resolution is also important because it allows all of the Americans, not just those whose rights were violated but those who were on the outside, to reflect and to understand that an apology can be given, a country can improve, and we will never allow such a thing to happen again.

Mr. NADLER. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from New Jersey (Mr. PASCRELL).

Mr. PASCRELL. Mr. Speaker, I thank the gentleman from New York for yielding me this time.

Mr. Speaker, I rise today in strong support of the gentleman from California's (Mr. HONDA) resolution and thank the members of the Committee on the Judiciary for bringing it to the floor.

At sometime or another, we have all heard the words of Pastor Martin Niemöller. We know he was commenting on an unspeakable time when throughout Europe the Nazis were rounding up those they did not want in their model society. But do his words ring true for the United States as well?

He said, "First they came for the Jews, and I did not speak out because I was not a Jew. Then they came for the Communists, and I did not speak out because I was not a Communist. Then they came for the trade unionists, and I did not speak out because I was not a trade unionist. Then they came for me, and there was no one left to speak out for me."

Under the Roosevelt-signed Executive Order 9066, American citizens of Japanese descent and Japanese residents of the United States were prohibited from living, working, or traveling on the west coast of the United States. It sounds almost foreign to us in America. EO 9066 ultimately led to the detention of 120,000 Japanese Americans and residents, most of whom did not see freedom until the closing days of World War II. That executive order also resulted in restrictions upon the civil liberties of Italian Americans and German Americans residing in the United States during World War II, including government-imposed curfews, prohibition on items considered to be contraband by military authorities, and seizures of personal property.

In the Korematsu case that challenged Japanese internment camps, even our United States Supreme Court failed our right to freedom, despite those words "Equal Justice Under Law" engraved on the facade.

Thankfully, over the past 62 years, this order has been revoked and the Federal Government has tried to make amends. We owe a debt of gratitude to our Greatest Generation in protecting our freedom and democracy abroad; however, we cannot forget that in some respects democracy failed us at home in 1942. The freedom we fought for was not shared by many Americans during that time.

Today's resolution reaffirms the importance of the National Day of Remembrance on February 19 to educate the public about the internment. But let this resolution also remind us to never repeat the mistakes of the past. We must stand up for freedom for all Americans, regardless of skin color, ethnicity, or religion. It is vital now not only because it is right and the human thing to do, but for self-interest as well.

Mr. NADLER. Mr. Speaker, I yield 3 minutes to the distinguished gentlewoman from Guam (Ms. BORDALLO).

Ms. BORDALLO. Mr. Speaker, I thank the gentleman from New York (Mr. NADLER) for yielding me this time, and I am pleased to join my colleagues in support of House Resolution 56, which seeks to increase awareness and further public understanding of the mistreatment of American citizens during World War II.

I want to thank the gentleman from California (Mr. HONDA) for his compassionate leadership on these issues and in particular for his sponsorship of House Resolution 56.

In the aftermath of the attacks on Pearl Harbor, President Roosevelt signed Executive Order 9066, allowing for thousands of Japanese Americans and Japanese residents, primarily from the west coast, to be removed from their homes, interned, and prohibited from returning until December of 1944.

In addition, Mr. Speaker, many Italian Americans and German Americans were expelled from designated areas under the U.S. Government's Individual Exclusion Program and were subject to arbitrary arrest.

The actions of our government during this period was and remains a source of great pain. The internment of the Japanese Americans, German Americans, and Italian Americans was a grave injustice of their civil rights.

There are lessons to be learned from this experience, and these lessons cannot be learned without discussing and understanding the circumstances surrounding the enactment of Executive Order 9066. We must be cognizant of the fragile nature of our civil rights which have been won on the battlefield and in the Halls of Congress; and we must always be mindful of the threats to our freedom and security; and, likewise, we must be mindful of how our own perceptions of our fellow Americans and our own prejudices affect our freedom.

It is now more important than ever because of the many issues that have arisen concerning security in the aftermath of September 11. As we wage the war on terrorism, the need for awareness and education is especially important. We must ensure that we have an understanding of who among us is the threat, not based on race or color or religion but based on facts that will withstand the scrutiny of our history. As we fight for freedom and security, let us not cast aside our own humanity.

Mr. Speaker, as difficult as it is, we must come to terms with our national

mistakes just as we celebrate our national achievements. We must acknowledge our misgivings in the past if we are to strengthen our ability to avoid mistakes in the future. As President Ford said in 1976 when he formally rescinded Executive Order 9066, learning from our mistakes is not pleasant; but we must do so if we want to avoid repeating them.

Supporting the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance will help us learn the lessons, understand the historical significance of these actions, and honor the sacrifice.

Mr. Speaker, I am in support of House Resolution 56.

Mr. NADLER. Mr. Speaker, I yield 1 minute to the distinguished gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the distinguished gentleman for yielding me this time.

It is with a humble spirit the recognition that we have come this far. We have not yet done and completed our journey.

I rise to support H. Res. 56, supporting the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of the events surrounding the restriction, exclusion, and internment of individuals and families during World War II. I thank the gentleman from California (Mr. HONDA) for his persistence in cleaning the slate.

My emphasis is to suggest that no one can feel their pain. We cannot in any way speak to the pain that German Americans and Japanese Americans, Italian Americans felt as their young men were on the front lines in Europe fighting on behalf of our freedom.

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Yet their families at home were being mistreated and discriminated against, eliminated from jobs, abused and maybe somewhat violently treated. We know the Japanese Americans were interned. We know the German Americans were accused, and the Italian Americans as well.

This resolution is long overdue. I stand enthusiastically to support it so we as Americans can stand united in freedom without discrimination and with affectionate respect for the heroes in the Japanese American family, the Italian American family and the German American family.

Mr. NADLER. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Hawaii.

(Mr. CASE asked and was given permission to revise and extend his remarks.)

Mr. CASE. Mr. Speaker, I also rise in very strong support of this resolution, and commend my colleague, the gentleman from California (Mr. HONDA), for introducing it.

I rise as the representative of one of the two districts in our country that contains the largest number of Japanese Americans in our entire country. Some 20 percent of my constituents descended from the people that were directly impacted by the events of the Second World War and themselves impacted, the other district being the First Congressional District of Hawaii.

But in 1941 as the war broke out, 38 percent of Hawaii was composed of Americans of Japanese ancestry; 38 percent of people from Japan whose origins were in Japan, who had lived and worked successfully in Hawaii for almost a century at that point. By the end of the war, about 1,500 of them had been interned, an unconscionable figure, but nothing like what happened proportionately to the population of Japanese Americans on the mainland.

And there were some heroes to be recognized even today. So as we remember today what our country did to those citizens of our country and those of German and Italian descent, we also have to remember there were heroes then, people not from those racial groups, who stood up and were counted.

Robert Shivers, the former Director of the FBI's Honolulu office, who arrived in 1939 and took it upon himself to understand Japanese Americans in Hawaii, he had the power to say who would and would not be interned, and he recognized that most, if not all, of the Japanese American citizens of Honolulu and Hawaii were not to be interned. He was a hero. He remains a hero to my constituency today.

Dr. Charles Hemenway, former President of the U.H. Board of Regents, who took the time as well to work with Agent Shivers to get beyond the hysteria of the war and into the facts, who did have to be interned as a legitimate risk, but who was simply not a risk to their country; Colonel Kendall Fielder, former head of G-2 intelligence operations for the Army in the Pacific, decisions that he made on behalf of our military, for which he took an incredible amount of heat at the time from his national superiors, were vindicated after the war.

These were people that stood up and counted at the time, and as we remember what we did, we need to remember who helped them at that time. We also need to remember simply that our institutions are what prevent this from happening again.

Mr. Speaker, I commend this resolution, and support it fully.

Mr. NADLER. Mr. Speaker, I yield 1 minute to the distinguished gentleman from California (Mr. BECERRA).

Mr. BECERRA. Mr. Speaker, let me begin by thanking the gentleman from Wisconsin (Chairman SENSENBRENNER), the gentleman from New York (Mr. NADLER) and certainly the gentleman from California (Mr. HONDA) for their work in bringing this resolution to the floor.

H. Res. 56 deserves the support not just of the Members of this House, but

every single American who believes in democracy and freedom. We must remember, because the final chapter on those events back during World War II has not yet closed. That chapter has yet to be fully written, and before we are able to say we can turn the last page and put that book up on the shelf we have to make sure that we remember that there still are Japanese Americans as a result of technicalities who have not received any redress from the 1988 Civil Liberties Act.

We still have many communities, the German American community, the Italian American community, that have not yet had a chance to have their contributions to this country fully appreciated. So I think we have to all come together to agree that it was time for this resolution to come before us and to pass.

I also believe that at some point soon this Congress will be benevolent and the American people will understand that there are Japanese Latin Americans who deserve to be fully recognized and be conveyed some kind of apology, along with redress, to make sure all those who suffered have an opportunity to have redress fully fulfilled.

I thank the gentleman for yielding me time, and I appreciate the resolution that has come before us this evening.

Mr. NADLER. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, over 60 years ago, at a time of panic and insecurity, this country committed a great wrong against people of Japanese, Italian and German background. Several years ago, the United States apologized for this, voted monetary compensation, and today we are passing a resolution supporting the goal of recognizing a day of national remembrance to increase public awareness of these events.

It is right and fitting that we should do this, and we should pass this resolution. I hope and I pray that as we increase public awareness of these events, we will learn from it, so that we do not repeat the same kind of actions as we have done in the past at times of insecurity and panic.

Mr. Speaker, I yield back the balance of my time.

Mr. SENSENBRENNER. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, all of those who have spoken during this debate have pointed out very clearly that this resolution is a good resolution and is a necessary resolution. I think that probably the key part of this resolution is that it gives Congressional recognition to the remembrances that occur on February 19 of each year, because we should not forget about the egregious error that President Roosevelt committed against the civil liberties of the Japanese Americans when he signed the executive order that resulted in their internment.

The only way we will not forget is by having a remembrance that occurs, so

that from one generation to the next people will see that the United States of America made a bad mistake.

This resolution will come and go and maybe it will be forgotten and maybe it will not be forgotten, but the annual remembrances on February 19 will make sure that the violation of civil liberties will not be forgotten, and that is the preventive to make sure that this never happens again.

Mr. Speaker, I urge adoption of the resolution.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise in strong support of this bill, H. Res. 56, which came before the Committee on the Judiciary in January for markup. I supported this bill at that time as well.

It recognizes the historical significance of February 19, 1942, the day that President Roosevelt signed Executive Order 9066 to restrict the freedom of Japanese Americans, and supports efforts of the Japanese, German, and Italian American communities to increase public awareness of these events by way of a National Day of Remembrance. Every year, this day is recognized by the Japanese American community to educate the public about the internment and to prevent such restrictions of civil liberties from happening again.

Our colleague Mr. HONDA is to be commended for his work in drafting this important legislation, and I am pleased that it has 70 co-sponsors, 67 of whom are from this side of the aisle.

During World War II, President Roosevelt used his executive authority to authorize the exclusion of 120,000 Japanese Americans and Japanese legal permanent residents from the United States and their internment in camps on the grounds of national security and military necessity. The freedoms of Italian and German Americans were also restricted during this war. These individuals were classified as enemy aliens and were required to carry identification cards. Their property was seized, their travel was limited, and they were also interned in camps.

Fortunately, President Ford rescinded Executive Order 9066 on February 19, 1976. In 1980, Congress established a Commission on Wartime Relocation and Internment of Civilians that investigated the internment and restriction of civil liberties under Executive Order 9066. The Commission found that the Order was not justified by military necessity but resulted from "race prejudice, war hysteria, and a failure of political leadership." In 1988, Congress enacted the Civil Liberties Act of 1988 apologizing to people of Japanese ancestry for the denial of their civil liberties and for the violations perpetrated against them by the U.S. The Wartime Violation of Italian Americans Civil Liberties Act, which passed in 2000, chronicled violations of the rights of Italian Americans that occurred during that time.

H. Res. 56 had added significance in light of the Bush Administration's expensive detention of Arab and Muslim Americans and resident in the week of 9/11. The Bush Administration consistently uses "national security" and "war powers" to violate the civil liberties of citizens and deport, question, and harass immigrants.

Today, a similar situation is occurring with respect to Haiti and Iraq. In Haiti, hundreds of asylum-seeker are being denied due process in their asylum petition hearings. These people are being denied their civil liberties and the

right to live. They, in many cases, are summarily turned back to the shores of Haiti where they will likely suffer or die. In Iraq, under the name of "national security" and "war powers," this Administration has led us into a war and subsequent occupation that has cost us numerous lives and high costs. H. Res. 56 sets a precedent of recognizing that the notion of "national security" and the "war powers" need to be utilized with more foresight, respect, and adherence to the principles of international as well as domestic laws.

For the above reasons, Mr. Speaker, I support this legislation.

Mr. ENGEL. Mr. Speaker, I rise today in support of H. Res. 56 which seeks to recognize a National Day of Remembrance regarding the treatment of Japanese, German and Italian Americans during World War II.

Many Americans are not aware that on February 19th, 1942 Executive Order 9066 was signed by President Roosevelt authorizing restrictions and internment of "enemy aliens." While the intent of this order was to monitor and detain people from countries the United States was fighting in World War II, the result was that thousands of patriotic Americans of foreign descent had their civil liberties revoked—even though they had done nothing wrong.

I am troubled by the fact that the internment of Italian Americans is little known even today. For these reasons I authored H.R. 2442 in the 106th Congress, which called for the United States to acknowledge this terrible chapter in our history and required the Department of Justice to study and report back to Congress on the extent of the Italian American Internment, known in the Italian American Community as "Una Storia Segreta" (the Secret Story).

Mr. Speaker, the Justice Department report confirmed much of what I learned in the years leading up to the enactment of H.R. 2442. Thousands of loyal Italian American patriots, mothers and fathers of U.S. troops, even women and children were suspected of being dangerous and subversive. With this new enemy alien status, Italians were subjected to strict curfew regulations, forced to carry photo ID's, and could not travel further than a 5 mile radius from their homes without prior approval. Furthermore, many Italian fishermen were forbidden from using their boats in prohibited zones. Since fishing was the only means of income for many families, households were torn apart or completely relocated as alternative sources of income were sought.

It is difficult to believe that over 10,000 Italians deemed enemy aliens were forcibly evacuated from their homes and over 52,000 were subject to strict curfew regulations. Ironically, over 500,000 Italians were serving in the United States Armed Forces fighting to protect the liberties of all Americans, while many of their family members had their basic freedoms revoked.

When we first started researching the Italian American Internment we had vague accounts of mostly anonymous Italians who were subjected to these civil liberties abuses. However, throughout the process we came in contact with many Italians who experienced the internment ordeal first hand. Dominic DiMaggio testified at a Judiciary Committee hearing about his dismay when he returned home from the war to find that his mother and father were enemy aliens. Doris Pinza, wife of international opera star Ezio Pinza, also testified at

the hearing about her husband who was only weeks away from obtaining U.S. citizenship when he was classified as an enemy alien and detained at Ellis Island. It still saddens me to think that Ellis Island, the world renowned symbol of freedom and democracy, was used as a holding cell for Italians. There is even documented evidence of Italians being interned in camps at Missoula, Montana.

Mr. Speaker, we must ensure that these terrible events will never be perpetrated again. We must safeguard the individual rights of all Americans from arbitrary persecution or no American will ever be secure. While we cannot erase the mistakes of the past, we must learn from them in order to ensure that we never subject anyone to the same injustices. But most important of all, we can never forget what happened during this time or we run the risk of repeating this awful chapter in our history. That is why H. Res. 56 is important to this Congress and all Americans. A National Day of Remembrance will ensure that the treatment of Japanese, German, and Italian Americans will always be remembered, and hopefully, we will never allow the civil liberties of Americans to be jeopardized again.

Ms. PELOSI. Mr. Speaker, I rise today in strong support of House Resolution 56 recognizing the significance of February 19, 1942, the day that President Franklin Roosevelt signed Executive Order 9066, which led to the internment of 120,000 Japanese Americans and residents of Japanese descent and the deprivation of rights of German Americans and Italian Americans.

The Resolution supports the goals of the Japanese American, German American, and Italian American communities in recognizing a national day of remembrance to increase public awareness of the restrictions and internment of individuals during World War II.

I am proud to join my colleague Representative MIKE HONDA, who spent his early childhood in an internment camp, in cosponsoring this Resolution. I appreciate his leadership and diligence in bringing this Resolution.

The West Coast of our country was particularly affected by the forced relocations and unjust internment of thousands of American citizens and residents of Japanese descent during World War II. The failure of our political and judicial system to prevent this injustice still reverberates strongly across our nation.

Only belatedly did this Nation acknowledge and apologize for the bigotry and injustice spurred by Executive Order 9066. The "Civil Liberties Act of 1988" was enacted to formally acknowledge and apologize for fundamental violations of the basic civil liberties and constitutional rights of these individuals of Japanese ancestry." In 2000, President Clinton signed the "Wartime Violation of Italian Americans Civil Liberties Act," which formally acknowledged civil liberties violations against Italian Americans.

It is imperative that our generation and future generations recall the deprivations suffered by the Japanese American, German American and Italian American communities during World War II. The date of February 19, 1942 must serve as a constant reminder that we must never again violate individual rights on the basis of national origin.

The Resolution reaffirms the importance of February 19th, which is recognized as a National Day of Remembrance each year by the Japanese American community. The Japa-

nese American community and its supporters across the Nation have worked hard to educate the public about the internment.

The lessons of that dark chapter in our history are especially relevant today. As we protect and defend the American people against terrorism, we must protect and defend the Constitution and the civil liberties that define our democracy.

I commend the House of Representatives for considering this Resolution. I urge its passage.

Mr. MATSUI. Mr. Speaker, I rise today in support of H. Res. 56 and commend the Japanese American, German American and Italian American communities for their efforts to commemorate and promote a National Day of Remembrance. Although this is a regrettable time in American history, we cannot let this period be forgotten. It is only by increasing public awareness of the events surrounding the restriction, exclusion and internment of individuals and families during World War II that we can guard against such future violations.

Sixty-two years ago, the signing of Executive Order 9066 led to the forced internment of 120,000 Japanese Americans during World War II. They were held without cause and without recourse. These individuals and families suffered needlessly because of rampant fear, prejudice and a lack of political leadership.

These pervasive feelings also imposed limits on the freedoms of German Americans and Italian Americans. The government restricted their travel and seized their property, and the public branded them as the enemy.

In 1988, the Federal government acknowledged the tragic injustice of the internment. Due in large part to the efforts of the Japanese American community, the government issued a formal apology and offered redress to internees. We can never compensate for what was taken away from these families and individuals. But we can honor their struggle and their legacy by understanding the events that lead to their internment.

It takes a strong and confident Nation to look introspectively at its own actions and admit that it made a mistake. Today, it is accepted that the World War II Japanese internment was a grievous error. Not only did these actions disrupt lives and communities, it has left a stain on America's history of freedom, tolerance, and liberty for all of its citizens.

Marking the anniversary of the signing of Executive Order 9066 provides a time for political leaders to reflect on the lessons of the past and on the importance of principled leadership in the future. We must never again sacrifice the core values of our democracy and Constitution, especially in times of uncertainty and emergency.

The National Day of Remembrance honors those who suffered and reminds us to strive toward a better society where such prejudice does not exist. We all have a role in ensuring that such injustices do not happen again.

Once again, I want to join my colleagues in recognizing the very important work the Japanese American, German American and Italian American communities are doing in raising awareness of the National Day of Remembrance. I also want to commend Representative HONDA for his efforts to bring this resolution to the floor. To those personally affected by these events, I especially want to thank you for sharing your stories and for your ef-

forts in educating the American public. Your leadership inspires us all.

Mr. LARSON of Connecticut. Mr. Speaker, I rise today to express my support for House Resolution 56 which was introduced by Mr. Honda of California last month. This resolution would create a National Day of Remembrance in honor of the Japanese-Americans, Italian-Americans, and German-Americans who suffered injustices during the Second World War.

Before I begin, I would like to congratulate Mr. HONDA on his new role as the Chairman of the Caucus of Asian Pacific American Caucus. He has long been a champion of the concerns of Asian Pacific Americans and will undoubtedly serve them well in his new role.

In February of 1942, President Franklin D. Roosevelt signed Executive Order 9066 that paved the way for discriminatory action against American citizens of Japanese, German, and Italian descent. Across the West Coast, Japanese-Americans were evacuated en masse from their homes and relocated to internment camps. German-Americans and Italian-Americans were often the object of discriminatory policies, as well.

The residents in my home State of Connecticut were as deeply affected as the rest of the country by these political actions. A detention center for those considered to be 'alien enemies' was established in a community center in Hartford. Japanese, Italian, and German resident aliens were required to carry their immigration papers at all times and their movement was restricted. In addition, many of the Japanese-Americans who were interned on the West Coast moved to the East Coast, including Connecticut, after their release. The suffering that these communities endured has remained with them and must be addressed.

The apology offered by this government in 1988 is not sufficient. We must not allow the lessons learned from this chapter of our history to be lost, regardless of how painful they may be. It is this very pain that makes them so valuable. We cannot forget the suffering endured by our own citizens. Establishing a National Day of Remembrance is important in ensuring that this does not happen.

The National Day of Remembrance is not simply a matter of honoring the past. The treatment of Japanese-Americans, Italian-Americans, and German-Americans during World War II has significant implications for us today. This country is in a war against terror. Our relations with other nations should not make way for injustice and discrimination toward our own people. The National Day of Remembrance would serve as a reminder that questioning the loyalty of our citizens without just cause is a grave mistake.

I would like to commend Mr. HONDA on his introduction of this resolution and his dedication to this important cause. The Japanese-American, Italian-American, and German-American people have expressed the desire that the experiences of their communities during World War II be remembered to serve as a lesson for future generations. This resolution is a valuable reminder that it is the work of this country to preserve the civil liberties of its people.

It is often said that history tends to repeat itself. However, it does not have to. We have an opportunity to take action to prevent a similar threat to the civil liberties of innocent citizens as took place during World War II from occurring again. I hope that this is something

that members on both sides of the aisle will be able to agree to do and I would therefore like to urge all of my colleagues to support this important resolution.

Mr. WU. Mr. Speaker, I rise today in support of H. Res. 56, a resolution recognizing the historical significance of February 19, 1942 and supporting the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance.

On February 19, 1942, President Franklin Delano Roosevelt signed Executive Order 9066, under which authority approximately 120,000 Americans of Japanese ancestry were forcibly removed from their homes and incarcerated during World War II. The last of the detainees were released in October 1946, 4½ years after the signing of the Executive Order, and over a year after the end of the war. But this dark chapter in our American history did not end there.

Upon release from the internment camps, Japanese Americans could not return to the lives they had led before the tragic Executive Order. During the period of internment, they lost their homes, their businesses, their livelihoods.

Thirty years passed before the Executive Order was formally rescinded in 1976. And it took the government an additional 12 years before reparations and a Presidential apology were issued in 1988.

Mr. Speaker, it took over 40 years for the government to acknowledge the magnitude of the mistake it had made in interning Japanese Americans. We must now vow to remember the unspeakable injustice perpetrated upon our fellow Americans by our American government so that it may not be repeated. I thank Mr. HONDA for introducing this important resolution which reminds us not to forget the mistakes of our past.

We support the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance. This dark period in our history not only devastated the lives of Japanese Americans, but also restricted the freedoms of Italian Americans and German Americans during World War II.

Mr. Speaker, we must recognize that measures such as Executive Order 9066, which was found to be shaped by "race prejudice, war hysteria, and a failure of political leadership," violate not only the rights of those they target, but in fact, attack the basic freedoms of all Americans guaranteed by the Constitution. Let the lessons of the past teach us to be wary of the actions we as a Congress take hastily, based on fear. Let us remember.

Mr. LANTOS. Mr. Speaker, I am proud to join my good friend MIKE HONDA as a cosponsor of H. Res. 56, a bill that commemorates the suffering of the Japanese-American, German-American and Italian-American communities during World War II by recognizing February 19 as a National Day of Remembrance. It is my sincere hope and belief that establishing a National Day of Remembrance will increase public awareness about the loss of civil liberties that were suffered by individuals as well as entire families in this country during World War II.

I recently had the privilege to speak to the San Mateo Chapter of the Japanese American Citizens Leagues (JACL), whose mission is to secure and maintain the civil rights of Ameri-

cans of Japanese ancestry and others who have been victimized by injustice. Several of the members attending the talk were, in fact, children of parents who had been interned in camps, and some had even been interned themselves. Mr. Speaker, I would like to thank the JACL, and also Former Representative Norm Mineta, whose leadership has been instrumental to ensuring that the American public is educated about this tragedy.

As we are all well aware, following the issuance of Presidential Executive Order No. 9066 on February 19, 1942, tens of thousands of Americans were evicted from their homes, rounded up, and sent to internment camps across the western United States. In San Francisco, this program began in earnest on April 1, 1942, when all persons of Japanese ancestry—whether they were American citizens or not—were notified to report for "relocation." In my own Congressional district, 7,800 people were assembled against their will at the San Bruno Tanforan Racetrack, which was recently portrayed in the movie "Sea Biscuit."

Mr. Speaker, I submit that it is not only in retrospect that the internment of the Japanese appears absurd and unacceptable. As early as 1946 Harold Ickes, President Roosevelt's own secretary of the Interior, characterized the mass detention of Japanese Americans as a "mass hysteria over the Japanese," he noted, "we gave the fancy name of 'relocation centers' to these dust bowls, but they were concentration camps." Mr. Speaker, ultimately the way we treated Japanese Americans was inexcusable. Moreover, the enormous human suffering and violation of civil liberties that this policy caused vastly outweighed any purported national security benefit derived from the government's internment policy.

Mr. Speaker, the internment of Japanese Americans during World War II is one of the most ignominious and repugnant acts that our Nation has committed. Americans of Japanese descent, some of whom had been in our nation for generations, were herded into internment camps, and denied the basic human rights afforded to all other Americans. Although we have taken the first steps toward recognizing the insidiousness of the internment policy, apologies and reparations are not enough by themselves. Indeed, we ought to be reminded on a regular basis of the dangers of fanaticism. Today, as we face a new set of challenges to civil liberties in our Nation, it is imperative that we work together to preserve our basic freedoms. After the September 11th tragedy, Arab, South Asian, Muslim and Sikh Americans faced real threats to their safety. Many immigrant communities were concerned that America's legitimate anger towards the foreign terrorist who masterminded and carried-out September 11th would be turned towards them. We must constantly be vigilant that his does not occur, and establishing a national day of remembrance is a laudable step toward this necessary goal.

As the only Member of this body to have survived the Holocaust I bring a unique perspective to today's debate. As an oft quoted saying goes, "Those who forget history are doomed to repeat it," and this legislation is the first step to ensuring that all Americans learn from the mistakes of our Nation's past mistreatment of Japanese-, German-, and Italian-Americans. I applaud Congressman HONDA for introducing it, the Japanese American Citizens' League for endorsing it, and urge all of my colleagues to vote for it.

Mr. SENSENBRENNER. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. CULBERSON). The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and agree to the resolution, H. Res. 56.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. SENSENBRENNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

CONTINUATION OF NATIONAL EMERGENCY BLOCKING PROPERTY OF PERSONS UNDERMINING DEMOCRATIC PROCESSES OR INSTITUTIONS IN ZIMBABWE—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 108-168)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on International Relations and ordered to be printed:

To the Congress of the United States:

Section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)) provides for the automatic termination of a national emergency unless, prior to the anniversary date of its declaration, the President publishes in the Federal Register and transmits to the Congress a notice stating that the emergency is to continue in effect beyond the anniversary date. In accordance with this provision, I have sent the enclosed notice to the Federal Register for publication. It states that the national emergency blocking the property of persons undermining democratic processes or institutions in Zimbabwe is to continue in effect beyond March 6, 2004.

The crisis caused by the actions and policies of certain members of the Government of Zimbabwe and other persons to undermine Zimbabwe's democratic processes or institutions has not been resolved. These actions and policies pose a continuing, unusual, and extraordinary threat to the foreign policy of the United States. For these reasons, I have determined that it is necessary to continue the national emergency declared on March 6, 2003, blocking the property of persons undermining democratic processes or institutions in Zimbabwe and to maintain in force the sanctions to respond to this threat.

GEORGE W. BUSH.
THE WHITE HOUSE, March 2, 2004.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 12 o'clock and 25 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 1333

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. SIMPSON) at 1 o'clock and 33 minutes p.m.

EXTENSION OF NATIONAL COMMISSION ON TERRORIST ATTACKS UPON THE UNITED STATES

Mr. GOSS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 2136) to extend the final report date and termination date of the National Commission on Terrorist Attacks Upon the United States, to provide additional funding for the Commission, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 2136

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXTENSION OF NATIONAL COMMISSION ON TERRORIST ATTACKS UPON THE UNITED STATES.

(a) FINAL REPORT DATE.—Subsection (b) of section 610 of the Intelligence Authorization Act for Fiscal Year 2003 (Public Law 107-306; 6 U.S.C. 101 note; 116 Stat. 2413) is amended by striking "18 months" and inserting "20 months".

(b) TERMINATION DATE.—Subsection (c) of that section is amended—

(1) in paragraph (1), by striking "60 days" and inserting "30 days"; and

(2) in paragraph (2), by striking "60-day period" and inserting "30-day period".

(c) ADDITIONAL FUNDING.—Section 611 of that Act (6 U.S.C. 101 note; 116 Stat. 2413) is amended—

(1) by redesignating subsection (b) as subsection (c);

(2) by inserting after subsection (a) the following new subsection (b):

"(b) ADDITIONAL FUNDING.—In addition to the amounts made available to the Commission under subsection (a) and under chapter 2 of title II of the Emergency Wartime Supplemental Appropriations Act, 2003 (Public Law 108-11; 117 Stat. 591), of the amounts appropriated for the programs and activities of the Federal Government for fiscal year 2004 that remain available for obligation, not more than \$1,000,000 shall be available for transfer to the Commission for purposes of the activities of the Commission under this title."; and

(3) in subsection (c), as so redesignated, by striking "subsection (a)" and inserting "this section".

Mrs. MALONEY. Mr. Speaker, I fully support this extension for the 9/11 commission. In fact, I would support giving it any and all time and cooperation it needs to get to the bottom of 9/11.

Sixty days is but a bare minimum—but it is absolutely necessary. This extension is nice, White House cooperation would be better. A thorough final report would bolster our national security and bring a measure of understanding and closure to Americans, New Yorkers, and, most importantly, the victims' loved ones. Unfortunately, that effort has been hampered by an uncooperative White House.

The latest manifestation, as reported in today's New York Times, is severe restrictions on interviews with key 9/11 players.

I ask unanimous consent to put this in the RECORD.

Mr. Speaker we need White House cooperation now. And if they continue to refuse to give it, we should demand to know why.

Mr. Speaker, it's too important for this country, for my city and its people not to get this report done right. This is too important an issue for the White House to play hid and seek with. I hope this extension will trigger full cooperation.

[From the New York Times, Mar. 3, 2004]

9/11 PANEL REJECTS WHITE HOUSE LIMITS ON INTERVIEWS

(By Philip Shenon)

WASHINGTON, Mar. 2.—The independent commission investigating the Sept. 11 attacks is refusing to accept strict conditions from the White House for interviews with President Bush and Vice President Dick Cheney and is renewing its request that Mr. Bush's national security adviser testify in public, commission members said Tuesday.

The panel members, interviewed after a private meeting on Tuesday, said the commission had decided for now to reject a White House request that the interview with Mr. Bush be limited to one hour and that the questioners be only the panel's chairman and vice chairman.

The members said the commission had also decided to continue to press the national security adviser, Condoleezza Rice, to reconsider her refusal to testify at a public hearing. Mr. Bush and Mr. Cheney are expected to be asked about how they had reacted to intelligence reports before Sept. 11, 2001, suggesting that Al Qaeda might be planning a large attack. Panel members want to ask Ms. Rice the same questions in public.

"We have held firm in saying that the conditions set by the president and vice president and Dr. Rice are not good enough," said Timothy J. Roemer, a former Indiana congressman who is one of five Democrats on the 10-member commission.

Mr. Roemer said that former President Bill Clinton and former Vice President Al Gore had agreed to meet privately with the full bipartisan commission, and that Samuel R. Berger, Ms. Rice's predecessor, would testify in public.

"It's very important that we treat both the Bush and the Clinton administration the same," he said.

The White House has declined to discuss details of the limitations it has sought on the interviews with Mr. Bush and Mr. Cheney but has said the administration wants to cooperate fully with the commission, known formally as the National Commission on Terrorist Attacks Upon the United States.

A spokesman for the National Security Council, Sean McCormack, said Tuesday that the White House believed it would be inappropriate for Ms. Rice to appear at a pub-

lic hearing as a matter of legal precedent. "White House staff have not testified before legislative bodies," Mr. McCormack said. "This is not a matter of Dr. Rice's preferences."

Even as panel members warned of a possible confrontation with the White House, there was fresh evidence that the commission had averted a showdown on Capitol Hill. Speaker J. Dennis Hastert, Republican of Illinois, said Tuesday that he planned to shepherd a bill granting the panel a 60-day extension for its final report. Mr. Hastert had vowed to block the extension.

Mr. Hastert met Tuesday with the commission's chairman, Thomas H. Kean, a Republican and a former governor of New Jersey, and the vice chairman, Lee H. Hamilton, another former Democratic congressman from Indiana, and said at a news conference later that he would try to secure House approval of the extension, a proposal already accepted in the Senate.

With the extension, the commission would have until July 26 for its final report. The panel had warned that if it was held to its original deadline of May 27, as mandated by Congress, it would be unable to complete a full investigation and would have to curtail public hearings.

Mr. Hastert denied suggestions from Congressional Democrats that he had tried to block the extension as a favor to the White House, given Republican fears that the report might embarrass President Bush during his re-election campaign. Mr. Hastert said he had no direction from the White House.

"I didn't want it to become a political football," Mr. Hastert said of his initial opposition to the extension, adding that he had been chagrined when the White House said in February that it would back the extension.

Referring to the commission, Mr. Hastert said he had changed his mind last week "after it became apparent that they couldn't get their work done."

Commission officials said that if the White House continued to insist on limitations on the interviews with Mr. Bush and Mr. Cheney, there might be little that the panel could do to force the issue and that the commission might have to accept the White House's terms.

And they said that despite internal conversation about the possibility of issuing a subpoena for Ms. Rice's public testimony, that move was unlikely. Ms. Rice provided several hours of private testimony last month and has suggested that she is willing to answer additional questions behind closed doors.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PROVIDING FOR CONSIDERATION OF H.R. 3752, COMMERCIAL SPACE LAUNCH AMENDMENTS ACT OF 2004

Mr. REYNOLDS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 546 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 546

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 3752) to promote the development of the emerging commercial human space flight industry, to extend the liability indemnification regime for

the commercial space transportation industry, to authorize appropriations for the Office of the Associate Administrator for Commercial Space Transportation, and for other purposes. The first reading of the bill shall be dispensed with. Points of order against consideration of the bill for failure to comply with clause 4(a) of rule XIII are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on Science. After general debate the bill shall be considered for amendment under the five-minute rule. The bill shall be considered as read. No amendment to the bill shall be in order except those printed in the portion of the Congressional Record designated for that purpose in clause 8 of rule XVIII and except pro forma amendments for the purpose of debate. Each amendment so printed may be offered only by the Member who caused it to be printed or his designee and shall be considered as read. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommend with or without instructions.

The SPEAKER pro tempore. The gentleman from New York (Mr. REYNOLDS) is recognized for 1 hour.

Mr. REYNOLDS. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Massachusetts (Mr. MCGOVERN), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

(Mr. REYNOLDS asked and was given permission to revise and extend his remarks.)

Mr. REYNOLDS. Mr. Speaker, House Resolution 546 is a modified open rule that provides for consideration of H.R. 3752, the Commercial Space Launch Amendments Act of 2004. The rule provides 1 hour of general debate and makes in order under the 5-minute rule any amendments preprinted in the CONGRESSIONAL RECORD. The rule also provides one motion to recommit with or without instructions.

Mr. Speaker, recent discoveries in the space program have reinvigorated our Nation's enthusiasm for space travel and discovery and, while in its infancy, commercial human space flight is becoming a new and exciting industry. As this concept continues to mature, there is hope of regular and safe round trips into space for paying customers. Eventually these trips will also serve as an important tool for investigation into commercial remote sensing and microgravity and atmospheric research. Currently there is no clear, defined structure to preside over this emerging new concept. Failing to provide a precise and consistent form of management will negatively affect the industry's ability to plan for its future, compete with international providers and attract financing from investors.

The underlying bill creates a process for all commercial space flight and grants authority over commercial

human space flight to the FAA's Office of the Associate Administrator for Commercial Space Transportation. This will clearly define the structure to allow flights of suborbital rockets carrying human beings. Centrally locating this within the Administrator's office will also expedite the issuance of permits and licenses for commercial space travel. The Administrator will also be charged with drafting a policy for crews relating to training and medical condition prior to space travel.

Mr. Speaker, H.R. 3752 is a non-controversial bill that moved easily through the committee process and is necessary to support this emerging space industry. I urge my colleagues to support this rule and the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. MCGOVERN. Mr. Speaker, I thank the gentleman from New York for yielding me the customary 30 minutes and I yield myself such time as I may consume.

Mr. Speaker, I want to recognize Chairman BOEHLERT, Ranking Member GORDON and the entire Science Committee's hard work in crafting this legislation. While I am disappointed that the Committee on Rules did not grant an open rule today, it is refreshing to actually consider a truly bipartisan bill in this body.

Mr. Speaker, H.R. 3752 will promote the development of the emerging commercial human space flight, extend the government indemnification until 2007, and allow the FAA to issue experimental launch permits. Mr. Speaker, the idea of space travel is extremely exciting and it holds a special place in the heart of Massachusetts' Third Congressional District. My hometown of Worcester, Massachusetts, is the birthplace of Dr. Robert Goddard, the father of modern rocketry. At the age of 17, Dr. Goddard had a vision of space travel while in his family's backyard that would remain with him the rest of his life. In his autobiography, Goddard wrote:

"On the afternoon of October 19, 1899, I climbed a tall cherry tree. It was one of the quiet, colorful afternoons of sheer beauty which we have in October in New England, and as I looked towards the fields at the east, I imagined how wonderful it would be to make some device which had even the possibility of ascending to Mars. I was a different boy when I descended from the tree from when I ascended for existence at last seemed very purposive."

Mr. Speaker, in 1926 Dr. Goddard, as Director of the physical laboratories at Clark University, went on to launch the first liquid propellant rocket at Auburn, Massachusetts, which was the catalyst for our modern space industry. Throughout his lifetime, Dr. Goddard was at the forefront of science and space research. As a Professor at Clark University and Princeton University, Dr. Goddard devoted his life to the growth of rockets and his research has

had lasting effects on our space industry.

During World War II, Dr. Goddard was Director of Research for the Navy Department's Bureau of Aeronautics. In that position he developed jet-assisted takeoff and variable-thrust liquid propellant rockets at Annapolis, Maryland and Roswell, New Mexico. Following his service as a researcher to our Nation in World War II, Dr. Goddard served a year as Director of the American Rocket Society before passing away on August 10, 1945 in Baltimore, Maryland.

As is the case with innovation, many people did not see the potential that Dr. Goddard's research would have on future space travel. Indeed, a New York Times editorial in January 1920 stated that Dr. Goddard's assertions of future space travel lacked the knowledge laddled out daily in high schools. Dr. Goddard countered by saying that every vision is a joke until the first man accomplishes it. Once realized, it becomes commonplace. Of course, 49 years later on the eve of man's first walk on the Moon in 1969, the New York Times printed a correction to their editorial by stating that it is now definitely established that a rocket can function in a vacuum as well as in an atmosphere. The Times regrets the error. That was in their editorial.

Since the start of the space program, we have seen Americans walk on the Moon, we have started to construct an international space station, and we currently have unmanned rovers exploring the surface of Mars. And now, with the passage of this legislation, commercial space travel is one step closer to reality.

Mr. Speaker, while I am disappointed that the Committee on Rules would refer a restrictive rule for this bipartisan bill, I keep hoping that one of these days the rhetoric of my friends on the majority side will be actually matched by their actions, but I guess we are going to have to wait for that day. But having said that, I will not oppose the rule and I support the underlying legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, proceedings will resume on four motions to suspend the rules previously postponed. Votes will be taken in the following order:

H. Res. 530, by the yeas and nays;

H.R. 912, by the yeas and nays;

H.R. 3389, by the yeas and nays;

H.R. 1417, by the yeas and nays.

The first electronic vote will be conducted as a 15-minute vote. Remaining electronic votes will be conducted as 5-minute votes.

URGING INTRODUCTION OF RESOLUTION CALLING ON CHINA TO END ITS HUMAN RIGHTS VIOLATIONS

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and agreeing to the resolution, H. Res. 530, as amended.

The Clerk read the title of the resolution.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. SMITH) that the House suspend the rules and agree to the resolution, H. Res. 530, as amended, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 402, nays 2, not voting 29, as follows:

[Roll No. 34]
YEAS—402

Abercrombie	Case	Franks (AZ)
Ackerman	Chabot	Frelinghuysen
Alexander	Chandler	Frost
Allen	Clay	Gallegly
Andrews	Clyburn	Garrett (NJ)
Bachus	Coble	Gephardt
Baird	Cole	Gerlach
Baker	Collins	Gibbons
Baldwin	Conyers	Gilchrest
Ballance	Cooper	Gillmor
Ballenger	Costello	Gingrey
Barrett (SC)	Cox	Gonzalez
Bartlett (MD)	Cramer	Goode
Barton (TX)	Crane	Goodlatte
Bass	Crenshaw	Gordon
Beauprez	Crowley	Goss
Becerra	Cubin	Granger
Bell	Culberson	Graves
Bereuter	Cummings	Green (TX)
Berkley	Cunningham	Green (WI)
Berman	Davis (AL)	Greenwood
Biggart	Davis (FL)	Grijalva
Bilirakis	Davis (IL)	Gutierrez
Bishop (GA)	Davis (TN)	Gutknecht
Bishop (NY)	Davis, Jo Ann	Hall
Bishop (UT)	Davis, Tom	Harman
Blackburn	Deal (GA)	Harris
Blumenauer	DeFazio	Hart
Blunt	DeGette	Hastings (FL)
Boehlert	Delahunt	Hastings (WA)
Boehner	DeLauro	Hayes
Bonilla	DeLay	Hayworth
Bonner	DeMint	Hefley
Bono	Deutsch	Hensarling
Boozman	Diaz-Balart, L.	Herger
Boswell	Diaz-Balart, M.	Hill
Boucher	Dicks	Hinchey
Boyd	Dingell	Hobson
Bradley (NH)	Doolittle	Hoefel
Brady (PA)	Doyle	Hoekstra
Brady (TX)	Dreier	Holden
Brown (OH)	Duncan	Holt
Brown (SC)	Dunn	Honda
Brown, Corrine	Edwards	Hostettler
Brown-Waite,	Ehlers	Houghton
Ginny	Emanuel	Hoyer
Burgess	Emerson	Hulshof
Burns	Engel	Hunter
Burr	English	Hyde
Burton (IN)	Eshoo	Insee
Buyer	Etheridge	Isakson
Camp	Evans	Israel
Cannon	Everett	Issa
Cantor	Farr	Istook
Capito	Fattah	Jackson (IL)
Capps	Feeney	Jackson-Lee
Capuano	Ferguson	(TX)
Cardin	Flake	Jefferson
Cardoza	Foley	Jenkins
Carson (IN)	Forbes	John
Carson (OK)	Ford	Johnson (CT)
Carter	Fossella	Johnson (IL)

Johnson, E. B.	Moore	Scott (GA)
Johnson, Sam	Moran (KS)	Scott (VA)
Jones (NC)	Moran (VA)	Sensenbrenner
Jones (OH)	Murphy	Serrano
Kanjorski	Murtha	Sessions
Kaptur	Musgrave	Shadegg
Keller	Myrick	Shaw
Kelly	Nadler	Shays
Kennedy (MN)	Napolitano	Sherman
Kennedy (RI)	Neal (MA)	Sherwood
Kildee	Nethercutt	Shimkus
Kilpatrick	Neugebauer	Shuster
Kind	Ney	Simmons
King (IA)	Northup	Simpson
King (NY)	Norwood	Skelton
Kingston	Nunes	Slaughter
Kirk	Nussle	Smith (NJ)
Kleczka	Oberstar	Smith (TX)
Kline	Obey	Smith (WA)
Knollenberg	Olver	Snyder
Kolbe	Osborne	Solis
LaHood	Ose	Souder
Lampson	Otter	Spratt
Langevin	Owens	Stark
Larsen (WA)	Oxley	Stenholm
Larson (CT)	Pallone	Strickland
Latham	Pascrell	Stupak
LaTourette	Pastor	Sullivan
Leach	Payne	Sweeney
Lee	Pearce	Tancredo
Levin	Pelosi	Tanner
Lewis (CA)	Peterson (MN)	Tauscher
Lewis (GA)	Peterson (PA)	Tauzin
Lewis (KY)	Petri	Taylor (MS)
Linder	Pickering	Taylor (NC)
Lipinski	Pitts	Terry
LoBiondo	Platts	Thomas
Lofgren	Pombo	Thompson (CA)
Lowey	Pomeroy	Thompson (MS)
Lucas (KY)	Porter	Thornberry
Lucas (OK)	Portman	Tiahrt
Lynch	Price (NC)	Tiberi
Majette	Pryce (OH)	Tierney
Maloney	Putnam	Towns
Manzullo	Quinn	Turner (OH)
Markey	Radanovich	Turner (TX)
Marshall	Rahall	Udall (CO)
Matheson	Ramstad	Udall (NM)
Matsui	Rangel	Upton
McCarthy (MO)	Regula	Van Hollen
McCarthy (NY)	Rehberg	Velázquez
McCollum	Renzi	Visclosky
McCreery	Reynolds	Vitter
McGovern	Rogers (AL)	Walden (OR)
McHugh	Rogers (KY)	Walsh
McInnis	Rogers (MI)	Wamp
McIntyre	Rohrabacher	Waters
McKeon	Ros-Lehtinen	Watson
McNulty	Ross	Watt
Meehan	Rothman	Waxman
Meek (FL)	Roybal-Allard	Weiner
Meeks (NY)	Ruppersberger	Weldon (FL)
Menendez	Rush	Weller
Mica	Ryan (OH)	Wexler
Michaud	Ryan (WI)	Whitfield
Millender-	Ryun (KS)	Wicker
McDonald	Sabo	Wilson (NM)
Miller (FL)	Sanchez, Loretta	Wilson (SC)
Miller (MI)	Sanders	Wolf
Miller (NC)	Sandlin	Wu
Miller, Gary	Saxton	Wynn
Miller, George	Shakowsky	Young (AK)
Mollohan	Schrock	Young (FL)

NAYS—2

McDermott	Paul	
Aderholt	Filner	Rodriguez
Akin	Frank (MA)	Royce
Baca	Hinojosa	Sánchez, Linda
Berry	Hooley (OR)	T.
Calvert	Kucinich	Schiff
Castle	Lantos	Smith (MI)
Chocola	McCotter	Stearns
Davis (CA)	Ortiz	Toomey
Doggett	Pence	Weldon (PA)
Dooley (CA)	Reyes	Woolsey

NOT VOTING—29

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE
The SPEAKER pro tempore (Mr. SIMPSON) (during the vote). Members are advised 2 minutes remain in this vote.

□ 1408

So (two-thirds having voted in favor thereof) the rules were suspended and

the resolution, as amended, was agreed to.

The result of the vote was announced as above recorded.

The title of the resolution was amended so as to read: "Resolution urging the appropriate representative of the United States to the 60th Session of the United Nations Commission on Human Rights to introduce a resolution calling upon the Government of the People's Republic of China to end its human rights violations in China, and for other purposes."

A motion to reconsider was laid on the table.

Stated for:

Mr. STEARNS: Mr. Speaker, on rollcall No. 34 I was unavoidably detained. Had I been present, I would have voted "yea."

Mr. FILNER: Mr. Speaker, on rollcall No. 34, due to urgent constituent support commitments in my congressional district, I missed the vote. Had I been present, I would have voted "yea."

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8, rule XX, the remainder of this series will be conducted as 5-minute votes.

CHARLES "PETE" CONRAD ASTRONOMY AWARDS ACT

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 912, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. ROHRABACHER) that the House suspend the rules and pass the bill, H.R. 912, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 404, nays 1, not voting 28, as follows:

[Roll No. 35]
YEAS—404

Abercrombie	Blackburn	Cantor
Ackerman	Blumenauer	Capito
Akin	Blunt	Capps
Alexander	Boehlert	Capuano
Allen	Boehner	Cardin
Andrews	Bonilla	Cardoza
Bachus	Bonner	Carson (IN)
Baird	Bono	Carson (OK)
Baker	Boozman	Carter
Baldwin	Boswell	Case
Ballance	Boucher	Chabot
Ballenger	Boyd	Chandler
Barrett (SC)	Bradley (NH)	Clay
Bartlett (MD)	Brady (PA)	Clyburn
Barton (TX)	Brady (TX)	Coble
Bass	Brown (OH)	Cole
Beauprez	Brown (SC)	Collins
Becerra	Brown, Corrine	Conyers
Bell	Brown-Waite,	Cooper
Bereuter	Ginny	Costello
Berkley	Burgess	Cox
Berman	Burns	Cramer
Biggart	Burr	Crane
Bilirakis	Burton (IN)	Crenshaw
Bishop (GA)	Buyer	Crowley
Bishop (NY)	Camp	Cubin
Bishop (UT)	Cannon	Culberson

Cummings	Jackson (IL)	Obey	Tierney	Vitter	Wexler	Burns	Grijalva	McKeon
Cunningham	Jackson-Lee	Olver	Towns	Walden (OR)	Whitfield	Burr	Gutierrez	McNulty
Davis (AL)	(TX)	Osborne	Turner (OH)	Walsh	Wicker	Burton (IN)	Gutknecht	Meehan
Davis (FL)	Jefferson	Ose	Turner (TX)	Wamp	Wilson (NM)	Buyer	Hall	Meek (FL)
Davis (IL)	Jenkins	Otter	Udall (CO)	Waters	Wilson (SC)	Camp	Harman	Meeks (NY)
Davis (TN)	John	Owens	Udall (NM)	Watson	Wolf	Cannon	Harris	Menendez
Davis, Jo Ann	Johnson (CT)	Oxley	Upton	Watt	Wu	Cantor	Hart	Mica
Davis, Tom	Johnson (IL)	Pallone	Van Hollen	Waxman	Wynn	Capito	Hastings (FL)	Michaud
Deal (GA)	Johnson, E. B.	Pascarell	Velázquez	Weiner	Young (AK)	Capps	Hastings (WA)	Millender-
DeFazio	Johnson, Sam	Pastor	Viscosky	Weller	Young (FL)	Capuano	Hayes	Hayes
DeGette	Jones (NC)	Payne				Cardin	Hayworth	Miller (FL)
Delahunt	Jones (OH)	Pearce				Cardoza	Hefley	Miller (MI)
DeLauro	Kanjorski	Pelosi				Carson (IN)	Hensarling	Miller (NC)
DeLay	Kaptur	Peterson (MN)				Carson (OK)	Herger	Miller, Gary
DeMint	Keller	Petri				Carter	Hill	Miller, George
Deutsch	Kelly	Pickering				Case	Hinchey	Mollohan
Diaz-Balart, L.	Kennedy (MN)	Pitts	Aderholt	Hinojosa	Rodriguez	Chabot	Hobson	Moore
Diaz-Balart, M.	Kennedy (RI)	Platts	Baca	Hooley (OR)	Royce	Chandler	Hoefel	Moran (KS)
Dicks	Kildee	Pombo	Berry	King (IA)	Schiff	Clay	Hoekstra	Moran (VA)
Dingell	Kilpatrick	Pomeroy	Calvert	Kucinich	Smith (MI)	Clyburn	Holden	Murphy
Doolittle	Kind	Porter	Dingell	Lantos	Toomey	Coble	Holt	Murtha
Doyle	King (NY)	Portman	Doyle	Chocola	McCotter	Cole	Honda	Musgrave
Dreier	Kingston	Price (NC)	Dreier	Davis (CA)	Ortiz	Collins	Hostettler	Myrick
Duncan	Kirk	Pryce (OH)	Duncan	Doggett	Pence	Conyers	Houghton	Nadler
Dunn	Kleczka	Putnam	Dunn	Dooley (CA)	Peterson (PA)	Cooper	Hoyer	Napolitano
Edwards	Kline	Quinn	Edwards	Filner	Reyes	Costello	Hulshof	Neal (MA)
Ehlers	Knollenberg	Radanovich	Ehlers			Cox	Hunter	Nethercutt
Emanuel	Kolbe	Rahall	Emanuel			Cramer	Hyde	Neugebauer
Emerson	LaHood	Ramstad	Emerson			Crane	Inslee	Ney
Engel	Lampson	Rangel	Engel			Crenshaw	Isakson	Northup
English	Langevin	Regula	English			Cubin	Israel	Norwood
Eshoo	Larsen (WA)	Rehberg	Eshoo			Culberson	Issa	Nunes
Etheridge	Larson (CT)	Renzi	Etheridge			Cummings	Istook	Nussle
Evans	Latham	Reynolds	Evans			Cunningham	Jackson (IL)	Oberstar
Everett	LaTourette	Rogers (AL)	Everett			Davis (AL)	Jackson-Lee	Obey
Farr	Leach	Rogers (KY)	Farr			Davis (FL)	(TX)	Olver
Fattah	Lee	Rogers (MI)	Fattah			Davis (IL)	Jefferson	Osborne
Feeney	Levin	Rohrabacher	Feeney			Davis (TN)	Jenkins	Ose
Ferguson	Lewis (CA)	Ros-Lehtinen	Ferguson			Davis, Jo Ann	John	Otter
Flake	Lewis (GA)	Ross	Flake			Davis, Tom	Johnson (CT)	Owens
Foley	Lewis (KY)	Rothman	Foley			Deal (GA)	Johnson (IL)	Oxley
Forbes	Linder	Roybal-Allard	Forbes			DeFazio	Johnson, E. B.	Pallone
Ford	Lipinski	Ruppersberger	Ford			DeGette	Johnson, Sam	Pascarell
Fossella	LoBiondo	Rush	Fossella			Delahunt	Jones (NC)	Pastor
Frank (MA)	Lofgren	Ryan (OH)	Frank (MA)			DeLauro	Jones (OH)	Paul
Franks (AZ)	Lowey	Ryan (WI)	Franks (AZ)			DeLay	Kanjorski	Payne
Frelinghuysen	Lucas (KY)	Ryun (KS)	Frelinghuysen			DeMint	Kaptur	Pearce
Frost	Lucas (OK)	Sabo	Frost			Deutsch	Keller	Pelosi
Gallely	Lynch	Sánchez, Linda	Gallely			Diaz-Balart, L.	Kelly	Peterson (MN)
Garrett (NJ)	Majette	T.	Garrett (NJ)			Diaz-Balart, M.	Kennedy (MN)	Peterson (PA)
Gephardt	Maloney	Sanchez, Loretta	Gephardt			Dicks	Kennedy (RI)	Petri
Gerlach	Manzullo	Sanders	Gerlach			Dingell	Kildee	Pickering
Gibbons	Markey	Sandlin	Gibbons			Doolittle	Kilpatrick	Pitts
Gilchrest	Marshall	Saxton	Gilchrest			Doyle	Kind	Platts
Gillmor	Matheson	Schakowsky	Gillmor			Doyle	King (IA)	Pombo
Gingrey	Matsui	Schrock	Gingrey			Dreier	King (NY)	Pomeroy
Gonzalez	McCarthy (MO)	Scott (GA)	Gonzalez			Duncan	Kingston	Porter
Goode	McCarthy (NY)	Scott (VA)	Goode			Dunn	Kirk	Portman
Goodlatte	McCollum	Sensenbrenner	Goodlatte			Edwards	Kleczka	Price (NC)
Gordon	McCrery	Serrano	Gordon			Ehlers	Kline	Pryce (OH)
Goss	McDermott	Sessions	Goss			Emanuel	Knollenberg	Putnam
Granger	McGovern	Shadegg	Granger			Emerson	Kolbe	Quinn
Graves	McHugh	Shaw	Graves			Engel	LaHood	Radanovich
Green (TX)	McInnis	Shays	Green (TX)			Engel	Lampson	Rahall
Green (WI)	McIntyre	Sherman	Green (WI)			English	Langevin	Ramstad
Greenwood	McKeon	Sherwood	Greenwood			Eshoo	Larsen (WA)	Rangel
Grijalva	McNulty	Shimkus	Grijalva			Etheridge	Larson (CT)	Regula
Gutierrez	Meehan	Shuster	Gutierrez			Evans	Latham	Rehberg
Gutknecht	Meek (FL)	Simmons	Gutknecht			Everett	Latham	Rehberg
Hall	Meeks (NY)	Simpson	Hall			Farr	LaTourette	Renzi
Harman	Menendez	Skelton	Harman			Fattah	Leach	Reynolds
Harris	Mica	Slaughter	Harris			Feeney	Lee	Rogers (AL)
Hart	Michaud	Smith (NJ)	Hart			Ferguson	Levin	Rogers (KY)
Hastings (FL)	Millender-	Smith (TX)	Hastings (FL)			Flake	Lewis (CA)	Rogers (MI)
Hastings (WA)	McDonald	Smith (WA)	Hastings (WA)			Foley	Lewis (GA)	Rohrabacher
Hayes	Miller (FL)	Snyder	Hayes			Forbes	Lewis (KY)	Ros-Lehtinen
Hayworth	Miller (MI)	Solis	Hayworth			Ford	Linder	Ross
Hefley	Miller (NC)	Souder	Hefley			Fossella	Lipinski	Rothman
Hensarling	Miller, Gary	Spratt	Hensarling			Frank (MA)	LoBiondo	Roybal-Allard
Herger	Miller, George	Stark	Herger			Franks (AZ)	Lofgren	Ruppersberger
Hill	Mollohan	Stearns	Hill			Frelinghuysen	Lowey	Rush
Hinchey	Moore	Stenholm	Hinchey			Frost	Lucas (KY)	Ryan (OH)
Hobson	Moran (KS)	Strickland	Hobson			Gallely	Lucas (OK)	Ryan (WI)
Hoefel	Moran (VA)	Stupak	Hoefel			Garrett (NJ)	Lynch	Ryun (KS)
Hoekstra	Murphy	Sullivan	Hoekstra			Gephardt	Majette	Sabo
Holden	Murtha	Sweeney	Holden			Gephardt	Maloney	Sánchez, Linda
Holt	Murphy	Tancredo	Holt			Gerlach	Manzullo	T.
Honda	Musgrave	Tanner	Honda			Gibbons	Markey	Sanchez, Loretta
Hostettler	Myrick	Tauscher	Hostettler			Gilchrest	Marshall	Sanders
Houghton	Nadler	Tauzin	Houghton			Gillmor	Matheson	Sandlin
Hoyer	Napolitano	Taylor (MS)	Hoyer			Gingrey	Matsui	Saxton
Hulshof	Neal (MA)	Taylor (NC)	Hulshof			Gonzalez	McCarthy (MO)	Schakowsky
Hunter	Nethercutt	Terry	Hunter			Goode	McCarthy (NY)	Schrock
Hyde	Neugebauer	Thomas	Hyde			Goodlatte	McCollum	Scott (GA)
Inslee	Ney	Thompson (CA)	Inslee			Gordon	McCrery	Scott (VA)
Isakson	Northup	Thompson (MS)	Isakson			Goss	McDermott	Sensenbrenner
Israel	Norwood	Thornberry	Israel			Granger	McGovern	Serrano
Issa	Nunes	Tiahrt	Issa			Graves	McHugh	Sessions
Issa	Nussle	Tiberi	Issa			Green (TX)	McInnis	Shadegg
Istook	Oberstar		Istook			Green (WI)	McIntyre	Shaw
						Greenwood		

NAYS—1

Paul

NOT VOTING—28

Aderholt Hinojosa Rodriguez
 Baca Hooley (OR) Royce
 Berry King (IA) Schiff
 Calvert Kucinich Smith (MI)
 Castle Lantos Toomey
 Chocola McCotter Weldon (FL)
 Davis (CA) Ortiz Weldon (PA)
 Doggett Pence Woolsey
 Dooley (CA) Peterson (PA)
 Filner Reyes

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. BASS) (during the vote). Members are advised 2 minutes remain in this vote.

□ 1416

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. FILNER. Mr. Speaker, on rollcall No. 35, due to urgent constituent support commitments in my Congressional District, I missed the vote. Had I been present, I would have voted "yea."

Mr. WELDON of Florida. Mr. Speaker, on rollcall No. 35, I was unavoidably detained. Had I been present, I would have voted "yea."

PERMITTING MALCOLM BALDRIGE NATIONAL QUALITY AWARDS TO NONPROFIT ORGANIZATIONS

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 3389.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Pennsylvania (Ms. HART) that the House suspend the rules and pass the bill, H.R. 3389, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 408, nays 0, not voting 25, as follows:

[Roll No. 36]

YEAS—408

Abercrombie Beauprez Bonilla
 Ackerman Becerra Bonner
 Akin Bell Bono
 Alexander Bereuter Boozman
 Allen Berkeley Boswell
 Andrews Berman Boucher
 Bachus Biggert Boyd
 Baird Bilirakis Bradley (NH)
 Baker Bishop (GA) Brady (PA)
 Baldwin Bishop (NY) Brady (TX)
 Ballance Bishop (UT) Brown (OH)
 Ballenger Blackburn Brown (SC)
 Barrett (SC) Blumenauer Brown, Corrine
 Bartlett (MD) Blunt Brown-Waite,
 Barton (TX) Boehlert Ginny
 Bass Boehner Burgess

Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spratt
Stark
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney

Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Tierney
Towns
Turner (OH)
Turner (TX)
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velazquez
Visclosky

Vitter
Walsh (OR)
Walden
Wamp
Waters
Watson
Watt
Waxman
Weiner
Weldon (FL)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Wu
Wynn
Young (AK)
Young (FL)

Boehkert
Boehner
Bonilla
Bonner
Bono
Boozman
Boswell
Boucher
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (SC)
Brown, Corrine
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Camp
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Case
Chabot
Chandler
Clay
Clyburn
Coble
Cole
Collins
Conyers
Cooper
Costello
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (AL)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeFazio
DeGette
DeLahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Feeney
Ferguson

Garrett (NJ)
Gephardt
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hill
Hinchey
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (IA)
King (NY)
Kingston
Kirk
Kleczka
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)

Ryun (KS)
Sabo
Sánchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Saxton
Schakowsky
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (NJ)
Smith (TX)

Smith (WA)
Snyder
Solis
Souder
Spratt
Stark
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Tierney
Towns
Turner (OH)

Turner (TX)
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velazquez
Vitter
Visclosky
Walden (OR)
Walsh
Wamp
Waters
Watson
Watt
Waxman
Weiner
Weldon (FL)
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Wu
Wynn
Young (AK)
Young (FL)

NOT VOTING—25

Aderholt
Baca
Berry
Calvert
Castle
Chocola
Davis (CA)
Doggett
Dooley (CA)

Filner
Hinojosa
Hooley (OR)
Kucinich
Lantos
McCotter
Ortiz
Pence
Reyes

Rodriguez
Royce
Schiff
Smith (MI)
Toomey
Weldon (PA)
Woolsey

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. BASS) (during the vote). Members are reminded that there are 2 minutes remaining in this vote.

□ 1426

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. FILNER. Mr. Speaker, on rollcall No. 36, due to urgent constituent support commitments in my Congressional District, I missed the vote. Had I been present, I would have voted "yea".

COPYRIGHT ROYALTY AND DISTRIBUTION REFORM ACT OF 2004

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 1417, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 1417, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 406, nays 0, not voting 27, as follows:

[Roll No. 37]

YEAS—406

Abercrombie
Ackerman
Akin
Alexander
Allen
Andrews
Bachus
Baird
Baker
Baldwin

Ballance
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Becerra
Bell
Bereuter

Berkley
Berman
Biggart
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt

Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Case
Chabot
Chandler
Clay
Clyburn
Coble
Cole
Collins
Conyers
Cooper
Costello
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (AL)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeFazio
DeGette
DeLahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Feeney
Ferguson
Flake
Foley
Forbes
Ford
Fossella
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly

Garrett (NJ)
Gephardt
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hill
Hinchey
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (IA)
King (NY)
Kingston
Kirk
Kleczka
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)

Lynch
Majette
Maloney
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-Donald
Miller (FL)
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Nadler
Napolitano
Neal (MA)
Nethercutt
Neugebauer
Ney
Northup
Norwood
Nunes
Nussle
Oberstar
Obey
Olver
Osborne
Ose
Otter
Owens
Oxley
Pallone
Pascrell
Pastor
Paul
Payne
Pearce
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Ryan (WI)

NOT VOTING—27

Aderholt
Baca
Berry
Brown (OH)
Calvert
Castle
Chocola
Davis (CA)
Doggett

Dooley (CA)
Filner
Hinojosa
Hooley (OR)
Kucinich
Lantos
McCotter
Ortiz
Pence

Reyes
Rodriguez
Royce
Schiff
Smith (MI)
Toomey
Weldon (PA)
Weller
Woolsey

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). Members are advised that 2 minutes remain in this vote.

□ 1434

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

The title of the bill was amended so as to read: "A bill to amend title 17, United States Code, to replace copyright arbitration royalty panels with Copyright Royalty Judges, and for other purposes."

A motion to reconsider was laid on the table.

Stated for:

Mr. FILNER. Mr. Speaker, on rollcall No. 37, due to urgent constituent support commitments in my Congressional District, I missed the vote. Had I been present, I would have voted "yea."

PERSONAL EXPLANATION

Mr. BACA. Mr. Speaker, on rollcall Nos. 34, 35, 36, and 37, for personal reasons, I was unable to be in the chamber when the time elapsed on the vote.

Had I been able to vote, I would have voted "aye" for all four votes.

RECESS

The SPEAKER pro tempore (Mr. BASS). Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 2 o'clock and 32 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 1608

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. LAHOOD) at 4 o'clock and 8 minutes p.m.

GENERAL LEAVE

Mr. LINDER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on S. 2136.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

MAKING IN ORDER AMENDMENT IN LIEU OF AMENDMENT PRINTED IN HOUSE REPORT 108-431 DURING CONSIDERATION OF H.R. 1561, UNITED STATES PATENT AND TRADEMARK FEE MODERNIZATION ACT OF 2003

Mr. LINDER. Mr. Speaker, I ask unanimous consent that the amendment that I have placed at the desk be considered as the amendment printed in House Report 108-431 and numbered 1 and that the amendment be considered as read for purposes of this unanimous consent request.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The text of the amendment is as follows:

AMENDMENT TO H.R. 1561, AS REPORTED, OFFERED BY MR. SENSENBRENNER OF WISCONSIN

Strike section 5 and insert the following:

SEC. 5. PATENT AND TRADEMARK FUNDING.

Section 42(c) of title 35, United States Code, is amended—

(1) by striking “(c)” and inserting “(c)(1)”; and

(2) by adding at the end the following new paragraph:

“(2) There is established in the Treasury a Patent and Trademark Fee Reserve Fund. If fee collections by the Patent and Trademark Office for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. After the end of each fiscal year, the Director shall make a finding as to whether the fees collected for that fiscal year exceed the amount appropriated to the Patent and Trademark Office for that fiscal year. If the amount collected exceeds the amount appropriated, the Director shall, if the Director determines that there are sufficient funds in the Reserve Fund, make payments from the Reserve Fund to persons who paid patent or trademark fees during that fiscal year. The Director shall by regulation determine which persons receive such payments and the amount of such payments, except that such payments in the aggregate shall equal the amount of funds deposited in the Reserve Fund during that fiscal year, less the cost of administering the provisions of this paragraph.”.

In section 6(a), strike “Except as” and all that follows through the end of the sentence and insert “Except as otherwise provided in this Act and this section, this Act and the amendments made by this Act shall take effect on October 1, 2004, or on the date of the enactment of this Act, whichever occurs later.”.

Page 12, strike lines 17 through 20 and insert the following:

(d) ADJUSTMENTS.—

(1) IN GENERAL.—Section 41(f) of title 35, United States Code, shall apply to the fees established under the amendments made by this section, beginning in fiscal year 2005.

(2) CONFORMING AMENDMENT.—Effective October 1, 2004, section 41(f) of title 35, United States Code, is amended by striking “(a) and (b)” and inserting “(a), (b), and (d)”.

Page 11, add the following after line 24:

“(F) The Director shall require that any search by a qualified search authority that is a commercial entity is conducted in the United States by persons that—

“(i) if individuals, are United States citizens; and

“(ii) if business concerns, are organized under the laws of the United States or any State and employ United States citizens to perform the searches.

“(G) A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may only be conducted by Office personnel.

“(H) A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed in the Patent and Trademark Office.

Page 12, insert the following after line 20 and redesignate the succeeding subsection accordingly:

(e) FEES FOR SMALL ENTITIES.—Section 41(h) of title 35, United States Code, is amended—

(1) in paragraph (1), by striking “Fees charged under subsection (a) or (b)” and inserting “Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1)”; and

(2) by adding at the end the following new paragraph:

“(3) The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.”.

(f) SIZE STANDARDS FOR SMALL ENTITIES.—

(1) STUDY.—The Director, in conjunction with the Administrator of the Small Business Administration and the Chief Counsel for Advocacy of the Small Business Administration, shall conduct a study on the effect of patent fees on the ability of small entity inventors to file patent applications. Such study shall examine whether a separate category of reduced patent fees is necessary to ensure adequate development of new technology by small entity inventors.

(2) REPORT.—The Director shall, not later than 6 months after the date of the enactment of this Act, submit a report on the results of the study under paragraph (1) to the Committee on the Judiciary and the Committee on Small Business of the House of Representatives and the Committee on the Judiciary and the Committee on Small Business and Entrepreneurship of the Senate.

Page 8, line 3, add the following after the period: “For the 3-year period beginning on October 1, 2004, the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed \$500, of a patent application described in clause (ii) of

subparagraph (B) may not exceed \$100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed \$300. The Director may not increase any such fee by more than 20 percent in each of the next 3 1-year periods, and the Director may not increase any such fee thereafter.”.

PROVIDING FOR CONSIDERATION OF H.R. 1561, UNITED STATES PATENT AND TRADEMARK FEE MODERNIZATION ACT OF 2003

Mr. LINDER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 547 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 547

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 1561) to amend title 35, United States Code, with respect to patent fees, and for other purposes. The first reading of the bill shall be dispensed with. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary. After general debate the bill shall be considered for amendment under the five-minute rule. It shall be in order to consider as an original bill for the purpose of amendment under the five-minute rule the amendment in the nature of a substitute recommended by the Committee on the Judiciary now printed in the bill. The committee amendment in the nature of a substitute shall be considered as read. All points of order against the committee amendment in the nature of a substitute are waived. No amendment to the committee amendment in the nature of a substitute shall be in order except those printed in the report of the Committee on Rules accompanying this resolution. Each such amendment may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. All points of order against such amendments are waived. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. Any Member may demand a separate vote in the House on any amendment adopted in the Committee of the Whole to the bill or to the committee amendment in the nature of a substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from Georgia (Mr. LINDER) is recognized for 1 hour.

Mr. LINDER. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Florida (Mr. HASTINGS), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, H. Res. 547 is a fair, structured rule that provides for the consideration of H.R. 1561, the U.S. Patent and Trademark Fee Modernization Act. This rule provides for 1 hour of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary.

H. Res. 547 provides that the amendment in the nature of a substitute recommended by the Committee on the Judiciary now printed in the bill shall be considered as an original bill for the purpose of amendment, and shall be considered as read. The rule waives all points of order against the Committee amendment in the nature of a substitute.

H. Res. 547 makes in order only those amendments to the Committee amendment in the nature of a substitute which are printed in the Committee on Rules report accompanying the resolution.

The rule provides that the amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole.

H. Res. 547 waives all points of order against the amendments printed in the report and provides one motion to recommit with or without instructions.

With respect to the underlying legislation, H.R. 1561, the U.S. Patent and Trademark Fee Modernization Act, represents the beginning of the implementation of the revised Strategic Business Plan to transform the Patent and Trademark Office's operations by improving patent and trademark quality and reducing application backlogs and delays. The bill incorporates a revised fee schedule previously submitted by the PTO that would generate an additional \$201 million in revenue. Specifically, H.R. 1561 amends Federal patent law to lower patent filing and basic national fees; increase appeal, excess claims, disclaimer, extension, revival, and maintenance fees; and add new fees for application examination, patent search, and patent issuance.

As our former colleague and former director of the PTO, Jim Rogan, noted, the implementation of the revised Strategic Plan hinges on the passage of H.R. 1561. He stated, "Without the ability to hire and train new examiners and also improve infrastructure, our hands will be tied . . . The consequences of failing to enact the fee bill and giving the (PTO) access to those fees will mean quality and pendency will continue to suffer. We will be unable to hire needed examiners, and over 140,000 patents will not issue over the next 5 years. The inventory of unexamined patent applications will

skyrocket to a backlog of over 1 million applications by 2008, more than double the current amount, and pendency (as measured from the time of filing) will jump to over 40 months average in the next few years. This would represent the highest pendency rates in decades."

I agree with former Director Rogan's account, and I believe that H.R. 1561 will benefit our Nation in the processing of patent and trademark applications. I have always supported the rights of independent inventors to seek protections under Federal patent laws.

Undoubtedly, some of the world's greatest innovations have come from America's great independent inventors, including Thomas Edison and Alexander Graham Bell.

□ 1615

Nevertheless, it is also necessary to expedite patent applications to help protect small independent inventors.

Mr. Speaker, this rule was approved by the Committee on Rules last night. I urge my colleagues to support the rule and the underlying bill.

Mr. Speaker, I reserve the balance of my time.

Mr. HASTINGS of Florida. Mr. Speaker, I yield myself such time as I may consume, and I thank the gentleman from Georgia (Mr. LINDER) for yielding me the time.

Mr. Speaker, I rise today in opposition to the U.S. Patent and Trademark Fee Modernization Act of 2003, as well as the rule providing for its consideration.

As the majority member of the committee previously mentioned, I agree that the premise of our patent system lies in its mutual benefit to both the inventor and our country. With the constant evolution of science and technology, spurred by the monetary incentive the U.S. patent system offers to inventors, new inventions have led to new technologies, job creation and improvements to our quality of life. Indeed, Congress should be creating legislation that fosters and nurtures the relationship between the United States Patent Office and the entrepreneur and business communities.

The underlying legislation, however, does nothing of the sort, and the rule which the majority is asking us to approve today stifles debate and limits our ability to improve this legislation.

I really find it outrageous that the bill in its current state hurts aspiring small businesses by inflicting additional fees on their patent and trademark applications. It should be our mission to build an enterprise society in which small firms of all kinds thrive and achieve their potential. We should not allow small businesses to fail before they even get started.

An amendment will be offered later today by our colleague the gentlewoman from Texas (Ms. JACKSON-LEE) that I strongly support. This amendment will aid in the promotion of enterprise across society, particularly in

underrepresented and disadvantaged groups. I urge my colleagues to support this amendment.

In examining the underlying legislation, it is becoming increasingly clear that we should not call this bill the U.S. Patent and Trademark Fee Modernization Act. Instead, we should call it what it really is, the Increased Fees on Small Businesses Act of Fiscal Year 2003.

To make a bad bill worse, the majority is once again seeking to outsource the jobs of Federal employees. Simply put, the patent examining and processing are core governmental functions and should be performed by Federal employees. Yet, my friends in the majority are using the bill as another opportunity to fail Federal employees by outsourcing their jobs.

Mr. Speaker, Congress must protect the jobs of Federal employees. Like any workforce, the primary interests of Federal employees lie in opportunities for reward, professional development and job satisfaction. The United States Government trails behind the private sector when it comes to investing in its employees. When I see bills such as the underlying legislation, it seems unrealistic to think that change will occur under this leadership. Perhaps it will take their jobs to be on the line before we institute change.

Mr. Speaker, this bill has many glaring problems, and as I previously mentioned, I oppose the underlying legislation, and I will oppose the rule, and I urge my colleagues to do the same.

Mr. Speaker, I reserve the balance of my time.

Mr. LINDER. Mr. Speaker, I am pleased to yield 4 minutes to the gentleman from North Carolina (Mr. COBLE).

Mr. COBLE. Mr. Speaker, I thank the gentleman from Georgia for yielding me the time. I appreciate that.

Mr. Speaker, this bill implements the revised Strategic Business Plan proposed by Director Rogan when he was at the Patent and Trademark Office to update the services and structure of the office. The Strategic Business Plan will enhance the quality of the patent and trademark examining operations, accelerating the application pendency period, making it more consumer friendly and efficient.

The manager's amendment to the bill addresses the fee diversion problem and prevents the PTO funds from being used to fund general revenue programs throughout the Federal Government.

Under the agreement reached between the gentleman from Wisconsin (Chairman SENSENBRENNER) and the Committee on Appropriations, PTO fees collected in a given fiscal year that exceed the appropriation to PTO for that year would be placed in what will be known as a PTO reserve fund. At the end of that fiscal year, the Director of the Patent and Trademark Office may determine if, and how, these funds should be allocated back to the eligible applicants.

Mr. Speaker, I have been a proponent of modernizing the patent and trademark fee structure and have fought on this floor year after year to protect these dollars from being used to fund non-PTO programs, as have my chairman the gentleman from Wisconsin and other Members of the Committee on the Judiciary. They have fought equally diligently to this end.

A fully funded United States Patent and Trademark Office is vital to sustaining the strength and growth of United States companies, inventors and innovations, and this legislation is integral to preserving the United States' worldwide leadership in the intellectual property industry.

I say to my friend from Georgia, who yielded to me, I was at the PTO office about 5 years ago for an event. I was invited to take part in an event there, and I said to those people, from the Director to all the patent examiners who were there and trademark examiners, I said I want to send a message to Capitol Hill and I want to tell everybody up there to keep their grubby paws out of the PTO coffers. Now that may have been an indelicate way of saying it, but I wanted to make clear to everyone up here that these funds should not be removed from PTO custody and control.

The opponents of such a proposal indicate that some sort of unjust enrichment will ensue if the PTO gets to keep these funds. That is poppycock. That is nonsense. These funds belong to the PTO, and I am confident that with the passage of this legislation, the diversion anathema that has plagued us for so long hopefully will finally be resolved.

I again thank the gentleman from Georgia for yielding me time.

Mr. HASTINGS of Florida. Mr. Speaker, I yield 7 minutes to the gentlewoman from Ohio (Ms. KAPTUR).

Ms. KAPTUR. Mr. Speaker, I thank the gentleman from Florida for yielding me time.

Mr. Speaker, I would like to strongly oppose this bill, H.R. 1561, and I do so because it is based on our good old Constitution, which says the Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries, and from the very founding of the republic that knowledge has been housed in the U.S. Patent Office where inventors around our country had confidence that those inventions belonged to them, protected by the Constitution of our Nation. So important patents are listed, patents inventors, congressional protection.

Today, we have a bill before us, H.R. 1561, that really is another episode in the outsourcing of American jobs. Yes, the outsourcing craze continues. It is like a virus that cannot be stopped. The American people cannot understand why their officials in Washington do not step in and put an end to this nonsense, but guess what, now the Fed-

eral Government is getting into the act and the outsourcing of jobs from our government, in this case the U.S. Patent Office, has infected the heart of American ingenuity.

Mr. Speaker, the bill before us authorizes the Patent and Trademark Office to outsource work. There is some palliative, feel-good language about companies being organized under the laws of the United States in the bill, but under U.S. law Honda is a U.S. company, Toshiba is a U.S. company. Saudi companies, if they operate on U.S. soils, are U.S. companies. That does not give me a lot of comfort. This is an insult to the entrepreneurs and inventors of this country.

As someone who comes from the State of Ohio, home of Thomas Edison and Charles Kettering, the thought of outsourcing patent application reviews from the U.S. Patent and Trademark Office is inconceivable. One might think that with this outsourcing, well, the price is going to go down to inventors. Are they going to get anything out of this? That is the way the free trade fundamentalists try to tell the story, send the work overseas if it can be done, send it out of the government, but guess what. They are going to raise the cost to patent holders. So the same old bankrupt theory is at work.

Patent application reviews will be outsourced, but the price to the small inventor or the small entrepreneur would not decrease. In fact, they put an additional fee, an additional tax on them. Currently, a small entity pays \$385. The proposed fee would be \$675 with an e-file and \$750 without an e-file. Total fees for the life of a patent currently are \$4,160, which is a lot of money for a small inventor. The proposed fee with an e-file would raise it to \$4,875.

Call it what you want, fee increase, user fee adjustment, search fee. I will tell my colleagues what it really is. It is another tax, and a tough one, on the very people who are trying to invent America's future, the very people on whom we are counting for the intellectual moxie to fuel the information-based economy or knowledge-based economy that the experts say are supposed to lead us out of the doldrums that this economy is in.

The people in this country who tinker with objects and machines and ideas, why should they be taxed and why should we want to outsource anything from the U.S. Patent and Trademark Office?

If my colleagues vote for this bill, they are voting for a tax increase, and a rather large increase at that, on the best and brightest minds of our country. It is bad enough they want to outsource such an important function such as patent application search and examination. This is so important that it still remains right here in the Constitution of our country, and now we are talking about outsourcing constitutional responsibility. That in itself is an outrage, but to raise taxes

on our inventors and our bright minds actually, in this environment, verges on insanity.

Where does it stop? Where does it stop? I urge my colleagues to vote against H.R. 1561.

Mr. BERMAN. Mr. Speaker, will the gentlewoman yield?

Ms. KAPTUR. I yield to the gentleman from California.

Mr. BERMAN. Mr. Speaker, I thank the gentlewoman for yielding and appreciate her comments.

At this time I will not get into the issue of the restricted nature under which outsourcing is permitted, but I think the gentlewoman accurately described the base bill. The chairman of the Committee on the Judiciary will be offering an amendment with respect to outsourcing outside the United States that restricts even the limited outsourcing that is allowed under this bill to companies organized under the laws of the United States. As the gentlewoman mentioned, that in and of itself does not protect against international outsourcing, or any State, and employ U.S. citizens to perform the searches.

So there will be an amendment to the base bill at the time that once the rule is adopted, if it is adopted, that will deal with that specific issue very specifically and prohibit that kind of outsourcing that the gentlewoman was concerned about.

Ms. KAPTUR. Mr. Speaker, this is a very important point, and I respect my dear colleague from California (Mr. BERMAN), but the facts are we are outsourcing patent review procedures from the U.S. Patent and Trademark Office. In other words, it is going to go to private companies, not the government of the United States, protected by what the Constitution demands. It is going to be outsourced to companies.

The question is what is a U.S. company? If we look into the law, a U.S. company operating within the boundaries of the United States, even if it is Honda Motor Corporation, is a U.S. company. Foreign corporations operating within the United States are defined as U.S. corporations because they operate within our soil.

□ 1630

But they are not U.S. corporations, because their profits are booked back to their home country. So I have a real problem with this.

Number one, we should not be outsourcing the jobs from the Patent Office. That is the most important line that we are breaching here. Never before in the history of this country has this been done. It has never been done. And then we are saying, well, you know, it will be a U.S. company. But then look to the law. How do we define what a U.S. company is? Any company operating within the boundaries of the United States? It could be Honda, it could be Toshiba, it could be Daemler, it could be any company.

Mr. BERMAN. Mr. Speaker, will the gentlewoman yield?

Ms. KAPTUR. I yield to the gentleman from California.

Mr. BERMAN. Mr. Speaker, I take the gentleman's point about U.S. companies and who might be called a U.S. company. I simply wanted to point out that the chairman of the Committee on the Judiciary has a manager's amendment that will not simply limit this to U.S. companies, but limit it to searches only by companies employing U.S. citizens to perform the searches. So there is that as an additional element.

Ms. KAPTUR. Mr. Speaker, reclaiming my time, and I thank the gentleman from California for those comments, but it is interesting because our submarine technology happened to end up in the hands of the former Soviet Union through a subsidiary of a company operating here and also in Europe. It does not matter if U.S. citizens are in those jobs; what matters is who owns the company. And beyond that, why should we be outsourcing anything from the Patent and Trademark Office?

I totally oppose this bill. At least I want on the record that there was one Member standing to say that the constitutional protections to America's patent holders and inventors should not be breached. It has been working. Why change it?

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would appreciate Members' abiding by the time limits.

Mr. HASTINGS of Florida. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. LINDER. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. All time has expired. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the bill H.R. 1561, soon to be considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

UNITED STATES PATENT AND TRADEMARK FEE MODERNIZATION ACT OF 2003

The SPEAKER pro tempore (Mr. LINDER). Pursuant to House Resolution 547 and rule XVIII, the Chair declares the House in the Committee of the Whole

House on the State of the Union for the consideration of the bill, H.R. 1561.

□ 1633

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1561) to amend title 35, United States Code, with respect to patent fees, and for other purposes, with Mr. LAHOOD in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from California (Mr. BERMAN) each will control 30 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

Mr. SENSENBRENNER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, H.R. 1561 will help implement the Patent and Trademark Office's Strategic Business Plan to transform the agency's operations. The bill incorporates a revised fee schedule previously submitted by the PTO that will generate much-needed additional revenue. The plan also includes a true structural reform of the office, which demonstrates that the PTO is not simply saying give us more money and we will solve the problem. The implementation of the strategic plan is the first step forward toward improving patent and trademark quality while reducing application backlogs and pendency at the agency.

These goals are critical to the health of cutting-edge industries in particular and our economy in general. Americans lead the world in the production and export of intellectual property and related goods and services. Time is money in the intellectual property world. If the PTO cannot issue quality patents and trademarks in a timely manner, then inventors and trademark filers are the losers.

By granting patents and registering trademarks, the PTO affects the vitality of businesses and entrepreneurs, paving the way for investment in research and development. Industries based on intellectual property, like biotechnology and motion pictures, represent the largest single sector of the United States economy. Approximately 50 percent of American exports depend upon some form of IP protection.

While intellectual property protection is increasing in importance, the PTO is collapsing under an increasingly complex and massive workload. Patent pendency, the amount of time of patent application is pending before a patent is issued, now averages over 2 years. Without fundamental changes in the way the PTO operates, average pendency in these areas will likely more than double to 6 to 8 years in the next few years.

I would point out that the patent term is 20 years from the date of filing. So if it takes 6 to 8 years before the PTO can decide whether or not an application is indeed patentable and grants a patent, that will be that much less time that the patent is actually good, and, thus, that much less valuable to the person who has successfully invented a new technology or product and patented it.

Moreover, the backlog of applications awaiting a first review by an examiner will grow from the current level of 475,000 to over a million. These delays pose a grave threat to American businesses and entrepreneurs. The nature of technology and the nature of the marketplace make these delays unacceptable and unsustainable.

And what I would point out to the gentleman from Ohio and others who complain about this bill and the fee increases that are contained to modernize the system is that if our competitors in an increasingly globalized economy, in Europe and in Japan and elsewhere, are able to obtain more prompt decisions from their patent offices, that will put American inventors at a disadvantage considerably.

To fund the initiatives set forth in the strategic plan, the administration has proposed in H.R. 1561 an increase in patent and trademark fees. The proposed fee changes accurately reflect the PTO's cost of doing business. They will benefit the PTO's customers by reducing application filing fees and allowing applicants to evaluate the commercial value of their inventions and recover the cost of search and examination as the situation warrants. Most importantly, the new fee structure will enable the PTO to reduce pendency time, improve quality and customer service through electronic processing, and pursue greater enforcement of intellectual property rights abroad.

For example, the additional revenue provided by the fee bill will allow the PTO to hire an additional 2,900 patent examiners, these are Federal employees, not outsourced employees, and move to full electronic processing of patent and trademark applications.

The Committee on the Judiciary unanimously approved this bill on July 9, 2003. The administration and private sector strongly advocated the adoption of the fee bill as a necessary means to address the workload crisis at the PTO. Failure to pass the restructuring contained in H.R. 1561 will result in further degrading of PTO operations and increasing the already unacceptable delays to patent and trademark applicants.

Mr. Chairman, I will soon offer a bipartisan compromise amendment on section 5 of this bill. This portion of the bill, as reported, would essentially have taken the PTO off budget, a result that our friends at the Committee on Appropriations strongly opposed. My amendment, developed with their input, as well as that of the majority leader's office, the Congressional Budget Office, and the Committee on the

Budget, would deposit any fees collected in a given fiscal year in excess of that actually appropriated in a Fee Reserve Fund. At the end of the fiscal year, the director would then be empowered to rebate the reserve-fund revenue to users of the agency.

I understand that the CBO and the Committee on the Budget believe this compromise accomplishes the twin goals set forth by the majority leader's office in backing these discussions; that we will have eliminated the incentive to use PTO revenue for non-agency purposes without compromising the ability of the Committee on Appropriations to exercise their oversight prerogatives in providing appropriations for the agency. The mainstream user groups have signaled their intent to support the amendment based on this interpretation.

I appreciate very much the cooperation of the appropriators in working out this compromise, and I would call on them to take this opportunity to fully fund the strategic plan. Full funding will be crucial to achieving the changes that we all want to see at the PTO.

Now, let me say a couple of words of what the consequence will be if this bill is voted down. First, if this bill is voted down, the current fee diversion that occurs, where up to 30 percent of the fees that are collected by the PTO are not spent on PTO activities but instead are diverted into other areas under the jurisdiction of the Subcommittee on Commerce, Justice, State, Judiciary and Related Agencies of the Committee on Appropriations, will continue.

Patent and trademark applicants should no longer be required to fund functions of the Federal Government that have no relationship whatsoever to Patent and Trademark Office operations. This bill, and the amendment that I will be proposing at the conclusion of the general debate, will end the fee diversion and will mean that fees that are collected by the PTO will either be used by the PTO or refunded to the applicants and other users.

Second, if this bill gets voted down, instead of having a 2-year delay between the time of the application and the time that the application is acted upon, within the next several years that will expand to 6 or 8 years. And if it is 8 years, that means that the patent will only be good and effective for 12 years, because the patent term is 20 years from the date of application. That puts our successful patent applicants at a considerable disadvantage over those competitors who choose to patent their inventions overseas, where patent and trademark offices will work in a more expeditious manner.

I would point out that the small- and medium-sized enterprises who apply for patents under the compromise that is worked out will get a significant fee reduction from a large corporation that is applying for a patent. So there still is a break for small inventors. But

there are fee increases; and we need these fee increases to be able to prevent unacceptably long backlogs from occurring, because it is anticipated that the business of the PTO will double in the next few years.

If we do not give them more money and we do not make this into a user fee, then the constitutional protection that the gentlewoman from Ohio and others are referring to will end up becoming very much debased in terms of their worth. I do not think that we want to see this happen, and that is why this legislation is essential to maintain the competitiveness of American intellectual property inventions and the inventiveness that has marked American society since the beginning days of our Republic.

The amendment that I offer in this bill is necessary for the improved performance of the PTO, and failure to enact this legislation will truly be a disaster for American innovation. I urge Members to support this bill.

Mr. Chairman, I reserve the balance of my time.

Mr. BERMAN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, H.R. 1561 is a wonderful illustration of the principle that something does not have to be interesting to be important.

□ 1645

This bill is of critical importance to the health of our information economy. Intangible property, such as patents, trademarks and copyrights, now constitute well over 50 percent of the assets of U.S. corporations, both large and small. Most of the great advances in pharmaceuticals, telecommunications, biotechnology, and Internet fields began as patented inventions. Patent protection played a critical role in the creation and dissemination of inventions from the telephone to fiberoptics, from injectable insulin to laser eye surgery.

The Patent and Trademark Office, which issues both patents and trademarks, has a critical role to play in creating and securing these assets. By facilitating many needed reforms, H.R. 1561 ensures that the PTO plays a positive role in stimulating our information economy, rather than becoming an obstacle to it.

Furthermore, H.R. 1561 does not saddle the U.S. taxpayer with the cost of these reforms. The PTO is fully funded by fees from the patent and trademark applicants, and this bill raises some of those fees to enable those reforms. H.R. 1561 pays for other reforms by ending the innovation tax. Throughout the last decade, over \$650 million in fees paid to PTO by American inventors and small businesses have been diverted to unrelated agencies. H.R. 1561 stops this tax on innovators by ending diversion once and for all.

The PTO is in a crisis that threatens the stability and usefulness of our patent and trademark systems. At congressional urging, the PTO has crafted

a 21st-century strategic plan to address this crisis, but it needs this legislation to implement that plan.

H.R. 1561 is necessary because the patent system is coming apart at the seams. A perfect storm of sorts has hit the PTO, which administers the patent system. This storm threatens to make the patent system dysfunctional. This perfect storm involves a tremendous growth in the amount and complexity of PTO workload, matched by a decreasing ability to handle that workload. The number of patent applications received annually by the PTO doubled between 1992 and 2003 to a figure of over 350,000 last year. What is more, the number of applications continued to grow throughout our recent recession and is expected to increase another 5 percent this year. This growth is fed in part by the expanding scope of patentability. Due to a string of court opinions, patentable inventions now include software, business methods, and anything else made under the sun by man.

The technology boom in the United States has also resulted in applications for patents on inventions in areas of technology that did not exist just a few years ago. On a daily basis, PTO is asked to review applications for patents on such things as genetic tests and laser vision technologies.

The numerical growth, and the expanding scope, are matched by a growth in complexity. For instance, some biotechnology patents covering genetic sequences can occupy the equivalent of 10,000 pages. The PTO must hire new examiners with the requisite skills in these areas or fund extensive retraining for current examiners.

The PTO's decreasing ability to deal with this increasing workload is the result of several factors. Most responsible is the cumulative effect of more than a decade of fee diversion. The PTO is entirely funded by user fees. Patent and trademark holders and applicants pay the PTO a variety of fees to obtain and retain their patent and trademark rights. The fees are supposed to reflect the cost of services provided by the PTO; but between 1992 and 2003, Congress denied the PTO the ability to spend \$654 million of the fees paid to it. Instead, Congress appropriated these fees for unrelated programs. This will stop as a result of this bill.

As a result of that diversion, the PTO has been forced to gradually cannibalize itself. It has deferred critical information technology upgrades. It has squeezed every ounce of possible productivity out of examiners, and appears now to be asking them to review applications in an unrealistic time frame. It even laid off almost one-third of its trademark examining corps. Despite these drastic measures, the PTO only managed to delay, not avert, a train wreck. By all objective measures, that train wreck is upon us.

I could go through, and my the statement in the RECORD will contain a full

statistical explanation of the incredible increase in the backlog for patent applications, but in conclusion, it takes more than 2 years now for a patent application to be granted or disposed. In many cases, more than 60 months is the pendency for a patent application.

Why does this pendency matter? Why do we care about these backlogs? It affects both the patent applicants and society at large. Patent ownership enables individual inventors and small businesses to obtain capital. Patent ownership gives prospective financiers, such as venture capitalists and banks, important reassurance that investment in a small entity is sound.

Long patent pendency also negatively affects society at large. Long patent pendency and patent backlogs creates substantial uncertainty in the marketplace and thus makes it difficult for all businesses to operate. A backlog of 500,000 patent applications may cover business methods now common in the financial service business, software contained in every personal computer, or a type of computer chip that will cost billions to manufacture.

As troubling as the lengthy patent pendencies are, they are not the gravest problem facing the PTO. Even greater concern should be given to the quality of the patents granted by PTO. When PTO grants patents in error to things that are not true inventions, many negative side effects occur. Low-quality patents can deter scientific research, create obstacles to legitimate commercial activities, and create opportunities for illegitimate rent-seeking. A bad patent on a pharmaceutical drug means that consumers cannot obtain a cheaper generic version. A bad patent on Web browser technology may force the redesign of every piece of software interoperating with current Web browsers.

Using a random sampling methodology, the PTO estimates its error rate for patents issued in fiscal year 2003 at 4.4 percent. That means more than 7,000 patents were issued in error. That means that at any given time given the 7-year pendency term for patents, there are over 120,000 bad patents in force.

Enactment of this legislation will enable the PTO to substantially improve patent quality. It will also enable the PTO to hire 750 new patent examiners a year between 2004 and 2006, and additional numbers in subsequent years. It will take time to train these new examiners. They will eventually be able to shoulder some of the patent examination workload that threatens to swamp the current examining corps. With an expanded examining corps, the PTO will be able to give patent examiners more flexibility in the amount of time they spend on any one application.

I am convinced that H.R. 1561 is an important part of the solution to the pendency and quality problems. It is a first absolutely necessary step to reforming the PTO. There are other leg-

islative proposals that deal with a number of these issues, but this is the key first step. I urge my colleagues to approve H.R. 1561.

Mr. Chairman, I reserve the balance of my time.

Mr. SENSENBRENNER. Mr. Chairman, I yield 3 minutes to the gentlewoman from Pennsylvania (Ms. HART).

Ms. HART. Mr. Chairman, I thank the gentleman from Wisconsin (Mr. SENSENBRENNER) for yielding me this time.

I rise in support of the legislation, H.R. 1561. Congress has been working on this legislation for a number of years, in fact, since before I got here. I know since the 106th Congress, they have attempted to solve the problem that exists in the Patent and Trademark Office, that is, funding problems, structural problems, and approval-time problems.

Passage of this bill is imperative, and it is long overdue. Unfortunately, quality, pendency, and overall efficiency have continued to be a problem throughout these years. In fact, there is a greater threat to the health of American's intellectual property system than ever. The longer we wait to confront these issues and pass this bill, the more costly and time consuming it will be to overcome the problems.

Through working on the legislation, it has become clear to me that a strong patent and trademark system is not only essential for continued growth of the high-tech industry here in this country, but for our entire economy.

H.R. 1561 has fee readjustments that will enable the Patent and Trademark Office to fund its operations as needed to ensure that the long-term goals of enhanced efficiency and proficiency of staff are met by providing a more vibrant, seamless, and cost-effective intellectual property system.

The readjustment of the fees will generate an additional \$201 million in revenue for improvements at the Patent and Trademark Office. That means less time to review a patent, better quality staffing, and better quality patents.

While fee readjustment alone is insufficient, the enactment of this bill is a necessary precursor to the implementation of crucial administrative changes, such as quality checks at every stage of the examination process, improvements in patent practitioners in customer service and ability to provide competent analysis of applications, refinement of training and performance assessment programs, testing for and evaluations of these patent examiners to ensure thorough understanding of relevant technology, applicable law, and related internal procedures.

Also of key importance is acceleration of processing time by transitioning from paper to e-government processing, hiring of almost 3,000 examiners, reduction in the pendency of these applications and the backup at the PTO. All of these issues will be addressed under this bill.

Failure to enact the bill will mean that quality and pendency issues will continue to cause harm to American innovators and to American job creators. Without this legislation, the backlog of applications will skyrocket to over 1 million applications by 2008, more than double the current amount. The pendency time will also continue to increase. This cannot be tolerated. We need to pass this bill.

Finally, families in the communities I represent are dependent upon this bill's success. A significant number of the people in my communities are employed in the coatings industry, in the glass industry, plastics, specialty steel, not to mention high-technology communications and technology for health care devices. These products are unique processes and are unique products. We need to have these products patented to keep these jobs in the United States, to keep these people in my community employed.

I know that employers and innovators are at the heart of providing these jobs. We need to protect their innovations and their processes. We need to make sure that our Patent and Trademark Office works for them. I urge my colleagues to support this bill.

Mr. BERMAN. Mr. Chairman, I yield 3 minutes to the gentlewoman from California (Ms. LOFGREN), a member of the Committee on the Judiciary and the first articulator of the principle "no end to diversion, no fee increase."

Ms. LOFGREN. Mr. Chairman, I thank the ranking member of the subcommittee and the chairman. Yes, it is true that we have been objecting to the diversion of fees from the Patent and Trademark Office for some time. In fact, since 1962 some \$6 million has been diverted from the PTO and put to other uses; and according to the Patent Public Advisory Committee, this has created a crisis at the PTO. There is inadequate funding, and there is also a significant increase in patent and trademark applications.

The diversion of fees is not the cause of the problems in the Patent Office. It is the cause of the inability to deal with the problem in the Patent Office. We know that we have to spend more to implement the plan that Jim Rogan, our prior colleague, headed up when he was at the Patent Office. We need to upgrade the computer system so we have a priority search that really is worthy of our country. We know that the amount of time that each patent examiner has to examine a patent is insufficient. It is impossible to do the kind of job that we want them to do and they want to do in the time available.

Because of the problems in the act and the diversion of fees, I think we have had some problems with some of the patents that have been generated in recent times. There have been substantial questions generated about some of them. We hear a lot about the business methods patents, but it is not

just about those patents; and it is important that we do not grant a patent that cannot withstand a court challenge. It is costly and wastes valuable resources; but more importantly, it grants unwarranted rights of exclusivity that deter otherwise lawful activity and impedes competition and innovation.

□ 1700

Furthermore, the pendency for patents is now averaging 24.7 months, which is an unbelievable delay. When we think about the pace of technological change that a patent should on average take, 24.7 months is really not a good thing for the innovation high-tech economy. To quote a former First Lady, those of us on the Committee on the Judiciary believe we should just say no to patent fee diversion. Patentors and inventors do not object to being taxed on their income just the way other Americans are taxed on their income but to divert patent fees to general purposes is basically a tax on innovation, a special tax on innovation. That is something that we should object to.

I believe that the bill before us with the compromises that have been made is one that I can support. I think in the end it will well serve our country. It will well serve our economy. Because as someone from Silicon Valley, I know as well as anyone that it is innovation that really grows the American economy and by making the Patent Office better, by precluding the diversion of fees, we will help that innovation economy.

I would note further that in all of my dealings with innovators in Silicon Valley and really around the country, not one has objected to the increase in fees. Not a single one. What they object to is the diversion of fees. I recommend this bill.

Mr. SENSENBRENNER. Mr. Chairman, I yield myself 4 minutes.

Mr. Chairman, I rise today to express my sincere gratitude and appreciation to my good friend, the distinguished chairman of the Subcommittee on Commerce, Justice, State, Judiciary and Related Agencies of the Committee on Appropriations, for his work with me on this bill. Working to reform the PTO to ensure timely and effective intellectual property protection for American inventors and businesses has been a multiyear effort for many of us, authorizers and appropriators, on both sides of the aisle. Today, we see the fruits of these efforts. Thanks to the support of Chairman WOLF and full committee Chairman YOUNG, our committees have come together and reached an agreement on a funding mechanism that will enable the USPTO to fully fund its restructuring and reform activities. It is my understanding that this rebate mechanism would ensure that all revenue from patent and trademark fees would in fact go to the USPTO or would be rebated to those who have paid the fees. As a result, the

USPTO, which receives no taxpayer dollars and is fully fee-funded, would now be able to retain its fee revenue and to fully fund their widely supported 5-year strategic plan. Is that the gentleman from Virginia's understanding?

Mr. WOLF. If the gentleman from Wisconsin will yield, I concur with the reading of the intent of this funding mechanism. I would add that an important tool the Committee on Appropriations uses in its oversight of the Patent and Trademark Office as a Federal agency is control over its discretionary appropriation. We will ensure that this new funding mechanism maintains that control and does not give the Patent and Trademark Office a blank check particularly at a time when all discretionary spending is tight.

The USPTO must modernize. The Committee on the Judiciary and USPTO's user groups have developed a comprehensive 5-year blueprint to streamline the operations of the office. Given the significant increase in funding that this bill would provide, I have asked the General Accounting Office and the National Academy of Public Administration to conduct comprehensive reviews to ensure the moneys are spent to reduce pendency and increase the quality of our patent and trademark system.

Particularly in the high-tech sector, a company's competitiveness is directly related to the amount of time it takes to receive a patent for their new product. They are disadvantaged when the life cycle of their products expires before they are able to get a patent. I would also like to thank the chairman for including language to ensure that searches are not outsourced offshore. I think it is important for Members to know under no circumstances should this be outsourced to another country and under no circumstances should these searches be conducted by non-U.S. citizens.

I commend and thank the gentleman from Wisconsin for his work on this measure, and I urge its adoption.

Mr. BERMAN. Mr. Chairman, notwithstanding the difference of view we have on this issue, I yield 3 minutes to the gentlewoman from Ohio (Ms. KAPTUR), a tenacious fighter for that in which she believes.

Ms. KAPTUR. Mr. Chairman, I want to thank the gentleman from California for allowing this institution to function as it should and to allow those who disagree with this bill an opportunity to speak.

Mr. Chairman, across our country we see the dismantling of jobs and business in this country. This particular bill, H.R. 1561, dismantles the Patent and Trademark Office as we have known it. If one reads article 1, section 8, it says, the Congress shall have the power to secure for inventors the exclusive right to their respective writings and discoveries. Throughout the over 200-year history of our country, that has been done through the

U.S. Patent and Trademark Office. The bill before us on page 11 reads, the Director can provide that searches be done by commercial entities.

That is not what the Constitution says. That is not the U.S. Patent Office. That is a commercial entity. Yes, searches will be outsourced from the U.S. Patent Office. You could say they would be contracted out. That is not the U.S. Patent Office. We have plenty of examples in this world of copycatting of inventions, of counterfeiting of intellectual property, particularly by the Chinese and by patent thieves and by submarine patents. There are plenty of things going on in this world that contracting out or outsourcing of the Patent Office does not help because you cannot secure the honesty or the integrity of those instrumentalities. And though the bill says business concerns, it does not say corporations, it says business concerns organized under the laws of the United States that indeed can be a foreign corporation, because a foreign corporation operating inside the United States, be it Chinese, Japanese, Bangladeshi, Indian, whatever, is defined as a U.S. corporation. That is not the Patent and Trademark Office of the United States of America. Patent holders actually will not know if their search is being outsourced or contracted out and they will not know to whom. And in terms of the fees being charged, the additional tax being put on small inventors and small companies, all this bill has, with all due respect to the Committee on Small Business, is a study. It does not stop those fees and taxes from being imposed. It increases them. How in heaven's name does this make America any more secure?

I might point out to my dear friend from Wisconsin, as good a Badger as he is, that indeed the Japanese patent system and the European patent system are not the American system. We have the protections here, which is why other countries want to file their patents here. We do not want to harmonize with systems unlike ours. We want them to be like us. Why are we doing this? And if a patent search takes a while, that is a good thing. It protects my rights, particularly my rights as a small inventor. So I would say with all due respect to the authors of this legislation, changing the U.S. Patent Office, why? Why dismantle it after over two centuries of success?

I deeply thank the gentleman from California for yielding me this time. At least we had the opportunity to put our views on the record. I would ask my colleagues to vote "no" on H.R. 1561.

Mr. SENSENBRENNER. Mr. Chairman, I yield myself 4 minutes.

Mr. Chairman, one of our jobs in Congress is to make the government work. We have heard ample data that has been presented on both sides of the aisle that the PTO is in crisis and unless we pass legislation, things will get worse rather than better. What this bill does is that it allows the PTO to

add an additional 2,900 patent examiners, government employees, so that there will be more people on the government payroll to examine these applications. If the bill goes down, those 2,900 people will not be there.

And we have heard a lot about diversion from the gentleman from California (Mr. BERMAN), the gentlewoman from California (Ms. LOFGREN) and others. This bill ends the diversion. So we will not be using PTO fees for other government programs. If the bill goes down, the diversion will continue. The outsourcing issue, the amendment that has been agreed to will, number one, require that the outsourcing if it is done be done by a U.S. corporation; two, it will be done by American citizens; and, three, it will be done in the United States of America.

If we do not do that, then we are going to further complicate the patent process. I would point out that our patent law is such that if there is an infringement suit the patent holder must prove that the patent is valid. That is not the case under foreign patent laws. So if there is a bad patent that is issued because the PTO is rushed, then it is going to cost the patent holder more when an infringement suit is filed. That does not happen in the case of a patent that is issued by a foreign country. This bill makes the quality of the patents that are issued by the Patent Office better because we have got more people looking at them and they are not as rushed.

Ms. KAPTUR. Mr. Chairman, will the gentleman yield?

Mr. SENSENBRENNER. I yield to the gentlewoman from Ohio.

Ms. KAPTUR. I thank the gentleman very much for yielding and would just wish to ask him this question. If there are additional staff that will be working directly for the U.S. Patent and Trademark Office, then why does this bill permit commercial entities to do the review process, which means you are outsourcing or contracting out work that should legitimately be done by the office?

Mr. SENSENBRENNER. The answer to the question is that it speeds up the process. And with the WTO treaty changing the patent term to 20 years from the date of filing, every day that there is a delay in actually determining whether the application results in the patentable invention means that there is one less day of patent protection before that patent expires. So if it takes 8 years for the PTO to act on an application, that means that somebody who has invented something only has got 12 years left. With software technology increasing at such a rapid rate, by the time the PTO acts if we do not do something about it, the invention is going to be practically useless.

Ms. KAPTUR. If the gentleman could clarify, he has stated then that because of the World Trade Organization, the WTO requirements, this is why we are having to pass this bill?

Mr. SENSENBRENNER. If the gentlewoman from Ohio will refresh her

recollection, the WTO treaty was ratified by Congress. It was urged upon us and signed by President Clinton. I joined the gentlewoman from Ohio in opposing the WTO treaty when it came up in 1994 but we lost on that and the extension or the change in the patent term from the previous 17 years of the date of granting of the patent by the Patent Office was changed to 20 years from the date of filing. The gentlewoman and I voted against it but it is the law and we have to face up to the fact that the longer the PTO delays in issuing a patent, the less time of patent protection there is for an applicant for a patent who succeeds.

Mr. Chairman, I yield 1 minute to the gentleman from Illinois (Mr. MANZULLO).

Mr. MANZULLO. Mr. Chairman, I want to thank Chairman SENSENBRENNER and Chairman LAMAR SMITH for their very important changes for small entities and other Patent and Trademark Office users. I also want to thank their dedicated and excellent staffs, Phil Kiko, Steve Pinkos and Blaine Merritt. I also want to thank the majority leader and his staff led by Brett Loper for crafting a very excellent amendment to this bill that as the chairman of the Committee on Small Business I am satisfied that the small inventor is protected.

Mr. BERMAN. Mr. Chairman, I yield myself 30 seconds.

The gentlewoman argued in favor of her position, take more time. There is no problem with taking time. The fact is we want a thorough investigation. We want a good quality patent. But simply taking more time, the argument against that is not simply the one made by the chairman about the patent term and how much of it will be left, it is that in that backlog that is getting longer and longer and longer are lifesaving medical devices, new drugs, new technologies to make America more productive and efficient, fascinating and important inventions that need to be disseminated and distributed and will not be until that patent issues.

□ 1715

That time is costing our economy and our people both in terms of quality of life, health care, and economic efficiency.

Mr. Chairman, I yield 2 minutes to the gentleman from Florida (Mr. WEXLER), a member of the subcommittee.

Mr. WEXLER. Mr. Chairman, as a member of the Subcommittee on Courts, the Internet, and Intellectual Property and as a co-chair of the Congressional IP Caucus, I rise in strong support of H.R. 1561, and I am quite pleased that the House leadership has allowed this compromise to be reached and that we have the debate today.

The Patent and Trademark Office is in severe need of additional resources to ensure the expedience and quality of the patent examination process. With-

out these valuable changes, an overburdened and slow patent examination system will deter the innovations of American business. Given the importance to our lives and our economy, patent reform is one of the most important issues for increasing the growth and strength of the economy for both small and large businesses. Congress has the opportunity with this bill to give the PTO the flexibility they have been asking for to strengthen and improve America's patent system.

The gentlewoman from Ohio (Ms. KAPTUR) is correct to raise the issue and the concern of loss of jobs in America and the outsourcing of jobs. I would respectfully argue that one of the ways in which to assist American workers in regaining what they have lost over the past 3 years is to allow the Patent and Trademark Office these reforms that are in desperate need and should have been done years ago.

Mr. SENSENBRENNER. Mr. Chairman, I yield 5 minutes to the gentleman from Texas (Mr. SMITH), who is the chairman of the subcommittee.

Mr. SMITH of Texas. Mr. Chairman, first of all, I would like to personally thank the gentleman from Wisconsin (Chairman SENSENBRENNER); the gentleman from Illinois (Chairman MANZULLO); the gentleman from Florida (Chairman YOUNG); the gentleman from Virginia (Chairman WOLF); and also the gentleman from California (Mr. BERMAN), ranking member, for their help in pulling this bill together. They helped to iron out the wrinkles. They helped resolve the differences between many parties, and it is much appreciated.

Mr. Chairman, this legislation that I authored modernizes the U.S. Patent and Trademark Office. It was inspired by two principles essential to a democracy: the protection of intellectual property rights and the freedom to exchange goods and services.

The Patent and Trademark Office does not receive the attention of other government agencies such as the Department of State and Department of Justice, but it should. The Patent and Trademark Office is crucial to the health of our economy and to the lives of millions of Americans.

The Patent and Trademark Office protects the rights of all American inventors. From the lone individual working in their garage to the small business owner with a breakthrough idea to the large high-tech company that applies for hundreds of patents, all rely on a responsive Patent and Trademark Office. Without a strong PTO, our economy would be devastated, our quality of life would be diminished, and jobs would be lost or never created in the first place.

Mr. Chairman, this bill prevents the diversion of Patent and Trademark Office fees paid by inventors to fund government programs unconnected to the agency. The diversion of fees to the office is unfair, counterproductive, and an obstacle to sustained economic

growth. Approximately \$750 million has been diverted from the PTO in the last decade alone. Such a large revenue loss has deprived the Patent and Trademark Office of the resources it must have to serve the patent and trademark holders of the United States. At a time when the office is struggling to pay its examiners enough and to keep up with applications, particularly in high-tech areas, Congress should take an interest in protecting our economy by keeping patents and trademark fees within the Patent and Trademark Office.

This bill enables the Patent and Trademark Office to hire 2,900 new patent examiners. Today the average time to process a patent exceeds 2 years. Without the new examiners, agency delays will soon reach 3 or even 4 years. If this fee bill does not become law, it is estimated that 140,000 patents will not be issued over the next 5 years. That is 140,000 missed opportunities for the American people.

If nothing is done, if the status quo continues, it means new products will not make it to the market, jobs will not be created, and the inventors who came up with new ideas and products will not have their intellectual property protected and so will not market their inventions.

This bill helps small businesses and nonprofit institutions. It provides a 50 percent discount on most services to small businesses, universities, and other nonprofit entities. The benefits of an improved and streamlined PTO will help small businesses and universities and encourage new research and innovation.

Mr. Chairman, I would like to again thank the gentleman from Wisconsin (Mr. SENSENBRENNER), chairman of the Committee on the Judiciary, for making this issue a priority for our committee and working with the appropriators to resolve our differences on PTO funding.

Since U.S. Patent No. 1 was issued in 1837 for traction wheels, the patent system and the creativity, genius, and talent that defined it have benefited all Americans. From the revolutionary electric light bulb to the latest software technology, patents reflect America and contribute to our economic prosperity.

This bipartisan bill is supported by these organizations: the Information Technology Industry Council, Chamber of Commerce, the National Association of Manufacturers, the Intellectual Property Owners, the International Trademark Association, the Association of American Universities, and the Association for Competitive Technology, as well as many others.

Mr. Chairman, this bill is good for innovation, good for the economy, and good for the American people. The PTO has rarely been more important than it is today. It must have the resources it needs to professionally and expeditiously process patent and trademark applications. American jobs, profits,

and the future of entrepreneurial capitalism are literally at stake.

Mr. BERMAN. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. INSLEE).

(Mr. INSLEE asked and was given permission to revise and extend his remarks.)

Mr. INSLEE. Mr. Chairman, this bill is consistent with an idea expressed by a former Member of this Chamber who did pretty well for himself, Abraham Lincoln. Lincoln said that the Patent Office adds the flame of interest to the light of creativity. And that is why we need to improve the effectiveness of our Patent Office. We need to do so because what we all recognize in this Chamber is one answer to the \$64,000 question of how we are going to grow jobs in this country, is we are going to do this by playing to our American unique strength; and the uniquely American strength is we are the best innovators, we are the best technologists, we are the best creators for new devices the world has ever seen. And we need to play to this unique American strength in our strategy on how to deal with the development of the global economy. And this bill, although it will be little noted, it should be long remembered in our ability to play to that strength because we have people in every district in this country who today are working on inventions who will have the added flame of interest to their light of creativity.

Let me give the Members an example. I have got some folks this afternoon who are working on a potential drug in Bothell, Washington, that could potentially actually cure in a meaningful way one type of diabetes. Those folks who are laboring over their computers and bunsen burners today deserve an American Patent Office that will process patents in a timely fashion, which we simply do not have now. We do not want to see the time period move from a horrendous 2-year delay today up to a 4- or 6-year delay in 5 or 6 years.

So I want to show my appreciation for the chairman and the gentleman from California (Mr. BERMAN), who have worked on this to get this bill to the floor. It is one answer to how we are going to really compete in a global economy. Let us play to the American strength. Let us improve the Patent office. Let us grow jobs in this country.

Mr. BERMAN. Mr. Chairman, I yield myself such time as I may consume.

I have no further requests for time, but I do want to address this issue of outsourcing just to get the record straight here. As a general principle, I am opposed. I share the feelings of the gentlewoman from Ohio regarding the general proposition, the farming government responsibilities and jobs out to private entities and particularly when we are dealing with core government functions; and I think searches performed by patent examiners may be such core functions. But in H.R. 1561 what we took was an open-ended pro-

posal from the Patent Office to allow outsourcing of searches, and working with the gentleman from Texas (Chairman SMITH), with other committee members, with the PTO, with PTO employee unions, and with all the various industry groups, we put constraints on the ability to outsource allowed by the bill. Together with the gentleman from Texas (Chairman SMITH), we developed a limiting amendment that was accepted with essentially no opposition in the Committee on the Judiciary; and the bill, as so amended, was reported out with Democrats and Republicans expressing just about unanimous support for the bill.

H.R. 1561 prohibits the PTO from outsourcing until all of the following criteria are met: the PTO conducts a pilot project of limited scope for not more than 18 months to test the efficacy of outsourcing patent searches; secondly, that the pilot program must demonstrate that the searches performed by commercial entities are accurate and at least meet or exceed the standards conducted and used by the PTO; the director, third, must submit a report to Congress detailing the methodology of the pilot and containing a comparative evaluation of outsourced and patent examiner searches, addressing factors such as productivity, costs, and quality; fourth, and very importantly, the Patent Public Advisory Committee, an independent entity consisting of patent union representatives and PTO user groups, has to submit a report to Congress with a detailed analysis of the pilot project.

And even after that, if that independent committee, all that concludes that it makes sense to outsource patent searches, nothing can happen until after 1 year so that Congress has a year to decide whether or not to continue to prohibit search outsourcing despite the results of these reports.

H.R. 1561 prohibits the PTO from outsourcing searches unless all of these criteria are met. The National Treasury Union, every patent user organization that I know of, large companies, small companies, universities, nonprofits, all of them involved in the patent process all think this bill does not destroy the Patent Office. This bill is the most important thing to saving the whole patent process. And the whole point of even entertaining the idea of outsourcing is simply to deal with better quality, better productivity, and more time. I urge that H.R. 1561 be passed.

Mr. GOODLATTE. I rise today in strong support of the U.S. Patent and Trademark Fee Modernization Act.

America's commitment to protecting intellectual property gives America a distinct competitive advantage in the global marketplace. When a country provides an atmosphere that is conducive to innovation and encourages the aggressive enforcement of intellectual property rights, businesses will seek the protection of

that country and will make conscious decisions to innovate there. America must continue to be the world leader in protecting intellectual property so that it will continue to be the world leader in innovation.

H.R. 1561, the U.S. Patent and the Trademark Fee Modernization Act, would codify a revised fee schedule that would give the USPTO the resources it needs to increase the quality of issued patents and trademarks, to hire additional examiners, and to reduce the backlog of applications that is currently pending.

In addition, H.R. 1561 represents an important compromise that effectively ends "fee diversion," the current practice of diverting the excess fees collected by the USPTO to the Federal Government. Under the compromise, if the USPTO collects more in fees than it is appropriated, the balance would be rebated back to the users.

Furthermore, the bill protects small businesses by reducing the filing fee for any small entity or independent inventor by 75 percent if those entities file their applications electronically, in addition to other protections for small businesses.

This legislation is an important step in the ongoing effort to enhance the quality and timeliness of patent and trademark processing. Our Nation's investors deserve nothing less than the most efficient and accurate patent and trademark office in the world. I urge each of my colleagues to support this important legislation.

Mr. CANTOR. Mr. Chairman, I rise today in favor of the United States Patent and Trademark Fee Modernization Act (H.R. 1561). This legislation is crucial to America maintaining its role as the world leader in innovative technology.

Intellectual Property is the currency that drives innovation in America's high-tech economy, and the U.S. Patent and Trademark Office (PTO) is charged with granting the important patents and trademarks for these innovations. The PTO serves a critical role in the promotion and development of new products and commercial activity in our country.

The PTO is of vital importance to the technology sector of our economy, and it is vital that this agency have proper funding to execute its mission. This legislation will allow the PTO to accomplish this goal—while allowing small business innovators to compete with larger corporations.

H.R. 1561 will eliminate patent fee diversion and will ensure that all fees paid to the PTO will be used to expedite the time-consuming and costly procedures associated with granting patents and trademarks.

This legislation is the first step toward improving patent and trademark quality while reducing application backlogs. This reform will help eliminate some of the bureaucracy that hinders businesses from success in the marketplace and hinders the advancement of technology in America.

I urge final passage of H.R. 1561.

Mr. LATHAM. Mr. Chairman, I stand in support of H.R. 1561. The legislation is the culmination of years of hard work between the appropriators and the members of the Judiciary Committee. It allows the appropriators to retain oversight of the Patent and Trademark Office, while permanently ending the practice of diverting fees paid by users of the Patent and Trademark Office. In the past, these fees

were used for unrelated government programs. I am pleased because these fees will specifically go to improving patent quality, reducing the time it takes to examine a patent and increasing efficiency of the Patent and Trademark Office in total. These are the goals of the 21st Century Strategic Plan that was developed by the Patent Office and reviewed by the Congress.

Finally and most importantly this bill ensures that companies can and will continue to have opportunities to innovate and remain competitive in this global economy.

Mr. MORAN of Virginia. Mr. Chairman, I rise in support of the U.S. Patent and Trademark Fee Modernization Act (H.R. 1561).

This legislation builds upon a strong foundation first established back on April 5, 1790, when the first patent statute was passed by the Congress of the 12 United States. That's right, we had our first patent law before Rhode Island became our 13th State.

At the time, the first law directed the Secretary of State, the Secretary of War and the Attorney General to determine if they, or any two of them thought "the invention or discovery sufficiently useful and important" to merit a patent.

A hefty fee between \$4 and \$5 was collected to process and approve each patent petition. Interestingly, the payment did not go to the newly created Federal Government but to a government employee, the Chief Clerk of the Department of State. The funds went to support the patent operations and later financed the construction of the first Patent Office, not to support the general funds of the U.S. Treasury.

Today, the U.S. Patent and Trademark Office, an office that I am proud to say resides in my congressional district, is struggling with an increasingly complex and voluminous workload. Last year, the office received more than 330,000 patent applications and more than 260,000 trademark applications.

Patent applications have doubled since 1992. As a result, patent pendency (the amount of time a patent application is pending before a patent is issued) now averages over 2 years and is even longer in more complicated technologies.

Without more examiners, average pendency in areas such as computer-related technologies will double to 6 to 8 years in the next few years. This delay is a drag, holding back our economy's full potential, unfairly punishing American businesses and entrepreneurs at a time when intellectual-property-based industries are essential to economic growth.

As application processing times grow, the incentives for investment diminish, especially for individuals and small entities with limited resources whose inventions are in greater danger of being counterfeited or pirated.

The status quo is a recipe for disaster, and H.R. 1561 represents a well-conceived and bipartisan way out of this dilemma. Without the bill, the backlog of unexamined patents will more than double—from 475,000 today to 1 million by 2008.

This legislation will allow the Patent and Trademark Office to implement its 21st Century Strategic Plan by improving productivity, patent quality, and e-government. It will give the agency the revenue it needs to hire 2,900 needed new patent examiners.

I support the compromise that was brokered between members of the Judiciary and Appro-

propriations Committees that will give the appropriators the deference they need to set the funding levels, but will provide the authorizers and the patent community the assurances they need to make sure that any additional funds raised through the fees will be spent for their designated purpose. Any balance of funds are to be returned to the patent applicants, and not be spent elsewhere by the Federal Government.

Let me also make it clear that while I have some concerns about outsourcing and potential liability issues outsourcing might create, let's recognize that this is just a pilot program with ample opportunity for Congress to exercise appropriate oversight. Whatever civil service jobs might one day be lost by outsourcing will more than be made up by the thousands of jobs this legislation will help create.

The Patent and Trademark Office plans to increase its patent examining staff by about 1,000 annually in fiscal years 2005 and 2006, reaching and maintaining a stable level of about 4,500 examiners after that.

Mr. Chairman, our future is made more secure through a system that protects the rights of inventors.

At the centennial celebration of the U.S. Patent Office in 1890, Commissioner Charles Elliot Mitchell eloquently stated the important decision of our Founding Fathers to provide protections for intellectual property when drafting the Constitution:

For who is bold enough to say that the Constitution could have overspread a continent if the growth of invention and inventive achievement had not kept pace with territorial expansion. It is invention which brought the Pacific Ocean to the Alleghenies. It is invention which, fostered, by a single sentence in their immortal work, has made it possible for the flag of one republic to carry more than forty symbolic stars.

My colleagues for the sake of this great Nation, modernize the Patent and Trademark Office; support the U.S. Patent and Trademark Fee Modernization Act of 2003.

Mr. BERMAN. Mr. Chairman, I yield back the balance of my time.

Mr. SENSENBRENNER. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the committee amendment in the nature of a substitute shall be considered as an original bill for the purpose of amendment under the 5-minute rule and shall be considered read.

The text of the committee amendment in the nature of a substitute is as follows:

H.R. 1561

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "United States Patent and Trademark Fee Modernization Act of 2003".

SEC. 2. FEES FOR PATENT SERVICES.

(a) GENERAL PATENT FEES.—Section 41(a) of title 35, United States Code, is amended to read as follows:

"(a) GENERAL FEES.—The Director shall charge the following fees:

"(1) FILING AND BASIC NATIONAL FEES.—

"(A) On filing each application for an original patent, except for design, plant, or provisional applications, \$300.

“(B) On filing each application for an original design patent, \$200.

“(C) On filing each application for an original plant patent, \$200.

“(D) On filing each provisional application for an original patent, \$200.

“(E) On filing each application for the reissue of a patent, \$300.

“(F) The basic national fee for each international application filed under the treaty defined in section 351(a) of this title entering the national stage under section 371 of this title, \$300.

“(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium), \$250 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

“(2) EXCESS CLAIMS FEES.—In addition to the fee specified in paragraph (1)—

“(A) on filing or on presentation at any other time, \$200 for each claim in independent form in excess of 3;

“(B) on filing or on presentation at any other time, \$50 for each claim (whether dependent or independent) in excess of 20; and

“(C) for each application containing a multiple dependent claim, \$360.

For the purpose of computing fees under this paragraph, a multiple dependent claim referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131 of this title. Errors in payment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

“(3) EXAMINATION FEES.—

“(A) For examination of each application for an original patent, except for design, plant, provisional, or international applications, \$200.

“(B) For examination of each application for an original design patent, \$130.

“(C) For examination of each application for an original plant patent, \$160.

“(D) For examination of the national stage of each international application, \$200.

“(E) For examination of each application for the reissue of a patent, \$600.

The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

“(4) ISSUE FEES.—

“(A) For issuing each original patent, except for design or plant patents, \$1,400.

“(B) For issuing each original design patent, \$800.

“(C) For issuing each original plant patent, \$1,100.

“(D) For issuing each reissue patent, \$1,400.

“(5) DISCLAIMER FEE.—On filing each disclaimer, \$130.

“(6) APPEAL FEES.—

“(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, \$500.

“(B) In addition, on filing a brief in support of the appeal, \$500, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, \$1,000.

“(7) REVIVAL FEES.—On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, \$1,500, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be \$500.

“(8) EXTENSION FEES.—For petitions for 1-month extensions of time to take actions required by the Director in an application—

“(A) on filing a first petition, \$120;

“(B) on filing a second petition, \$330; and

“(C) on filing a third or subsequent petition, \$570.”.

(b) PATENT MAINTENANCE FEES.—Section 41(b) of title 35, United States Code, is amended to read as follows:

“(b) MAINTENANCE FEES.—The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

“(1) 3 years and 6 months after grant, \$900.

“(2) 7 years and 6 months after grant, \$2,300.

“(3) 11 years and 6 months after grant, \$3,800.

Unless payment of the applicable maintenance fee is received in the United States Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee. No fee may be established for maintaining a design or plant patent in force.”.

(c) PATENT SEARCH FEES.—Section 41(d) of title 35, United States Code, is amended to read as follows:

“(d) PATENT SEARCH AND OTHER FEES.—

“(1) PATENT SEARCH FEES.—(A) The Director shall charge a fee for the search of each application for a patent, except for provisional applications. The Director shall establish the fees charged under this paragraph to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent.

“(B) For purposes of determining the fees to be established under this paragraph, the cost to the Office of causing a search of an application to be made by Office personnel shall be deemed to be—

“(i) \$500 for each application for an original patent, except for design, plant, provisional, or international applications;

“(ii) \$100 for each application for an original design patent;

“(iii) \$300 for each application for an original plant patent;

“(iv) \$500 for the national stage of each international application; and

“(v) \$500 for each application for the reissue of a patent.

“(C) The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

“(D) The Director may by regulation provide for a refund of any part of the fee specified in

this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

“(E) For purposes of subparagraph (A), a ‘qualified search authority’ may not include a commercial entity unless—

“(i) the Director conducts a pilot program of limited scope, conducted over a period of not more than 18 months, which demonstrates that searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications—

“(I) are accurate; and

“(II) meet or exceed the standards of searches conducted by and used by the Patent and Trademark Office during the patent examination process;

“(ii) the Director submits a report on the results of the pilot program to the Congress and the Patent Public Advisory Committee that includes—

“(I) a description of the scope and duration of the pilot program;

“(II) the identity of each commercial entity participating in the pilot program;

“(III) an explanation of the methodology used to evaluate the accuracy and quality of the search reports; and

“(IV) an assessment of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on—

“(aa) patentability determinations;

“(bb) productivity of the Patent and Trademark Office;

“(cc) costs to the Patent and Trademark Office;

“(dd) costs to patent applicants; and

“(ee) other relevant factors;

“(iii) the Patent Public Advisory Committee reviews and analyzes the Director’s report under clause (ii) and the results of the pilot program and submits a separate report on its analysis to the Director and the Congress that includes—

“(I) an independent evaluation of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on the factors set forth in clause (ii)(IV); and

“(II) an analysis of the reasonableness, appropriateness, and effectiveness of the methods used in the pilot program to make the evaluations required under clause (ii)(IV); and

“(iv) the Congress does not, during the 1-year period beginning on the date on which the Patent Public Advisory Committee submits its report to the Congress under clause (iii), enact a law prohibiting searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications.

“(2) OTHER FEES.—The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

“(A) For recording a document affecting title, \$40 per property.

“(B) For each photocopy, \$.25 per page.

“(C) For each black and white copy of a patent, \$3.

The yearly fee for providing a library specified in section 12 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be \$50.”.

(d) ADJUSTMENTS.—Section 41(f) of title 35, United States Code, shall apply to the fees established under the amendments made by this section, beginning in fiscal year 2005.

(e) CONFORMING AMENDMENTS.—

(1) Section 41 of title 35, United States Code, is amended—

(A) in subsection (c), by striking “(c)(1)” and inserting “(c) LATE PAYMENT OF FEES.—(1)”;

(B) in subsection (e), by striking “(e)” and inserting “(e) WAIVERS OF CERTAIN FEES.—”;

(C) in subsection (f), by striking “(f)” and inserting “(f) ADJUSTMENTS IN FEES.—”;

(D) in subsection (g), by striking “(g)” and inserting “(g) EFFECTIVE DATES OF FEES.—”;

(E) in subsection (h), by striking “(h)(1)” and inserting “(h) REDUCTIONS IN FEES FOR CERTAIN ENTITIES.—(1)”;

(F) in subsection (i), by striking “(i)(1)” and inserting “(i) SEARCH SYSTEMS.—(1)”.

(2) Section 119(e)(2) of title 35, United States Code, is amended by striking “subparagraph (A) or (C) of”.

SEC. 3. ADJUSTMENT OF TRADEMARK FEES.

(a) FEE FOR FILING APPLICATION.—The fee under section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)) for filing an electronic application for the registration of a trademark shall be \$325. If the trademark application is filed on paper, the fee shall be \$375. The Director may reduce the fee for filing an electronic application for the registration of a trademark to \$275 for any applicant who prosecutes the application through electronic means under such conditions as may be prescribed by the Director. Beginning in fiscal year 2005, the provisions of the second and third sentences of section 31(a) of the Trademark Act of 1946 shall apply to the fees established under this section.

(b) REFERENCE TO TRADEMARK ACT OF 1946.—For purposes of this section, the “Trademark Act of 1946” refers to the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes.”, approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 4. CORRECTION OF ERRONEOUS NAMING OF OFFICER.

(a) CORRECTION.—Section 13203(a) of the 21st Century Department of Justice Appropriations Authorization Act (Public Law 107-273; 116 Stat. 1902) is amended—

(1) in the subsection heading, by striking “COMMISSIONER” and inserting “DIRECTOR”;

(2) in paragraphs (1) and (2), by striking “Commissioner” each place it appears and inserting “Director”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective as of the date of the enactment of Public Law 107-273.

SEC. 5. PATENT AND TRADEMARK OFFICE FUNDING.

Section 42 of title 35, United States Code, is amended—

(1) in subsection (b), by striking “Appropriation”;

(2) in subsection (c), in the first sentence—

(A) by striking “To the extent” and all that follows through “fees” and inserting “Fees”;

(B) by striking “shall be collected by and shall be available to the Director” and inserting “shall be collected by the Director and shall be available until expended”.

SEC. 6. EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION.

(a) EFFECTIVE DATE.—Except as provided in section 4 and this section, this Act and the amendments made by this Act shall take effect on October 1, 2003, or the date of the enactment of this Act, whichever is later.

(b) APPLICABILITY.—

(1)(A) Except as provided in subparagraphs (B) and (C), the amendments made by section 2 shall apply to all patents, whenever granted, and to all patent applications pending on or filed after the effective date set forth in subsection (a) of this section.

(B)(i) Except as provided in clause (ii), sections 41(a)(1), 41(a)(3), and 41(d)(1) of title 35,

United States Code, as amended by this Act, shall apply only to—

(I) applications for patents filed under section 111(a) of title 35, United States Code, on or after the effective date set forth in subsection (a) of this section, and

(II) international applications entering the national stage under section 371 of title 35, United States Code, for which the basic national fee specified in section 41 of title 35, United States Code, was not paid before the effective date set forth in subsection (a) of this section.

(ii) Section 41(a)(1)(D) of title 35, United States Code as amended by this Act, shall apply only to applications for patent filed under section 111(b) of title 35, United States Code, before, on, or after the effective date set forth in subsection (a) of this section in which the filing fee specified in section 41 of title 35, United States Code, was not paid before the effective date set forth in subsection (a) of this section.

(C) Section 41(a)(2) of title 35, United States Code, as amended by this Act, shall apply only to the extent that the number of excess claims, after giving effect to any cancellation of claims, is in excess of the number of claims for which the excess claims fee specified in section 41 of title 35, United States Code, was paid before the effective date set forth in subsection (a) of this section.

(2) The amendments made by section 3 shall apply to all applications for the registration of a trademark filed or amended on or after the effective date set forth in subsection (a) of this section.

(c) TRANSITIONAL PROVISIONS.—

(1) SEARCH FEES.—During the period beginning on the effective date set forth in subsection (a) of this section and ending on the date on which the Director establishes search fees under the authority provided in section 41(d)(1) of title 35, United States Code, the Director shall charge—

(A) for the search of each application for an original patent, except for design, plant, provisional, or international application, \$500;

(B) for the search of each application for an original design patent, \$100;

(C) for the search of each application for an original plant patent, \$300;

(D) for the search of the national stage of each international application, \$500; and

(E) for the search of each application for the reissue of a patent, \$500.

(2) TIMING OF FEES.—The provisions of section 111(a)(3) of title 35, United States Code, relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in paragraph (1) with respect to an application filed under section 111(a) of title 35, United States Code. The provisions of section 371(d) of title 35, United States Code, relating to the payment of the national fee shall apply to the payment of the fee specified in paragraph (1) with respect to an international application.

(3) REFUNDS.—The Director may by regulation provide for a refund of any part of the fee specified in paragraph (1) for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of title 35, United States Code, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

(d) EXISTING APPROPRIATIONS.—The provisions of any appropriation Act that make amounts available pursuant to section 42(c) of title 35, United States Code, and are in effect on the effective date set forth in subsection (a) shall cease to be effective on that effective date.

SEC. 7. DEFINITION.

In this Act, the term “Director” means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

SEC. 8. CLERICAL AMENDMENT.

Subsection (c) of section 311 of title 35, United States Code, is amended by aligning the text with the text of subsection (a) of such section.

The CHAIRMAN. No amendments to the committee amendment in the nature of a substitute are in order except the amendments printed in House Report 108-431. Each amendment may be offered only in the order printed in the report, by a Member designated in the report, shall be considered read, shall be debatable for the time specified in the report, equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

It is now in order to consider amendment No. 1 printed in House Report 108-431 and made in order by the order of the House of earlier today.

AMENDMENT NO. 1 OFFERED BY MR.

SENSENBRENNER

Mr. SENSENBRENNER. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment made in order pursuant to the order of the House of today and House Resolution 547 offered by Mr. SENSENBRENNER:

Strike section 5 and insert the following:

SEC. 5. PATENT AND TRADEMARK FUNDING.
Section 42(c) of title 35, United States Code, is amended—

(1) by striking “(c)” and inserting “(c)(1)”;

and
(2) by adding at the end the following new paragraph:

“(2) There is established in the Treasury a Patent and Trademark Fee Reserve Fund. If fee collections by the Patent and Trademark Office for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. After the end of each fiscal year, the Director shall make a finding as to whether the fees collected for that fiscal year exceed the amount appropriated to the Patent and Trademark Office for that fiscal year. If the amount collected exceeds the amount appropriated, the Director shall, if the Director determines that there are sufficient funds in the Reserve Fund, make payments from the Reserve Fund to persons who paid patent or trademark fees during that fiscal year. The Director shall by regulation determine which persons receive such payments and the amount of such payments, except that such payments in the aggregate shall equal the amount of funds deposited in the Reserve Fund during that fiscal year, less the cost of administering the provisions of this paragraph.”.

In section 6(a), strike “Except as” and all that follows through the end of the sentence and insert “Except as otherwise provided in this Act and this section, this Act and the amendments made by this Act shall take effect on October 1, 2004, or on the date of the enactment of this Act, whichever occurs later.”.

Page 12, strike lines 17 through 20 and insert the following:

(d) ADJUSTMENTS.—

(1) IN GENERAL.—Section 41(f) of title 35, United States Code, shall apply to the fees established under the amendments made by this section, beginning in fiscal year 2005.

(2) CONFORMING AMENDMENT.—Effective October 1, 2004, section 41(f) of title 35, United

States Code, is amended by striking "(a) and (b)" and inserting "(a), (b), and (d)".

Page 11, add the following after line 24:

"(F) The Director shall require that any search by a qualified search authority that is a commercial entity is conducted in the United States by persons that—

"(i) if individuals, are United States citizens; and

"(ii) if business concerns, are organized under the laws of the United States or any State and employ United States citizens to perform the searches.

"(G) A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may only be conducted by Office personnel.

"(H) A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed in the Patent and Trademark Office.

Page 12, insert the following after line 20 and redesignate the succeeding subsection accordingly:

(e) FEES FOR SMALL ENTITIES.—Section 41(h) of title 35, United States Code, is amended—

(1) in paragraph (1), by striking "Fees charged under subsection (a) or (b)" and inserting "Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1)"; and

(2) by adding at the end the following new paragraph:

"(3) The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director."

(f) SIZE STANDARDS FOR SMALL ENTITIES.—

(1) STUDY.—The Director, in conjunction with the Administrator of the Small Business Administration and the Chief Counsel for Advocacy of the Small Business Administration, shall conduct a study on the effect of patent fees on the ability of small entity inventors to file patent applications. Such study shall examine whether a separate category of reduced patent fees is necessary to ensure adequate development of new technology by small entity inventors.

(2) REPORT.—The Director shall, not later than 6 months after the date of the enactment of this Act, submit a report on the results of the study under paragraph (1) to the Committee on the Judiciary and the Committee on Small Business of the House of Representatives and the Committee on the Judiciary and the Committee on Small Business and Entrepreneurship of the Senate.

Page 8, line 3, add the following after the period: "For the 3-year period beginning on October 1, 2004, the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed \$500, of a patent application described in clause (ii) of subparagraph (B) may not exceed \$100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed \$300. The Director may not increase any such fee by more than 20 percent in each of the next 3 1-year periods, and the Director may not increase any such fee thereafter."

The CHAIRMAN. Pursuant to House Resolution 547, the gentleman from Wisconsin (Mr. SENSENBRENNER) and a Member opposed each will control 10 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

Mr. SENSENBRENNER. Mr. Chairman, I yield myself such time as I may consume.

I have a lengthy statement that I will not read in full, but will insert in the RECORD. But let me state that a significant part of this amendment deals with the agreement that we have reached with the appropriators that was discussed in the colloquy which I had earlier today with the gentleman from Virginia (Mr. WOLF), the distinguished chairman of the Subcommittee on Commerce, Justice, State, Judiciary and Related Agencies of the Committee on Appropriations.

Let me also state that the amendment contains various provisions that the gentleman from Illinois (Mr. MANZULLO) and I have agreed upon relative to our previous differences over the treatment of small entities under this bill. And pursuant to this agreement, my amendment applies a 50 percent discount to all searches for small entities, prohibits commercial searches that apply to classified matters, prevents commercial entities from performing searches when they have a financial interest or other conflict at stake, caps the search fee after the 6th year, and requires a joint PTO and Small Business Administration study regarding the effects of the fee structure on small entities.

□ 1730

This, I believe, meets the objections that members of the Committee on Small Business had relative to the cost to small business of applying for and hopefully obtaining a patent. I hope that this amendment clears the way for the other body to consider this bill and bring real reform to the PTO.

Mr. Chairman, I am delighted to report that this amendment reflects a thoughtful compromise between myself and Mr. WOLF, chairman of the CJS Appropriations Subcommittee, as well as a fair deal between the Judiciary Committee and the chairman of the Small Business Committee, the gentleman from Illinois, Mr. MANZULLO. I want to thank both of them for working so steadfastly and productively on this important issue.

Mr. Chairman, the heart of my amendment creates a "refund" program to eliminate the potential incentive for diverting PTO revenue to non-PTO programs. Briefly, if fee collections in a given fiscal year exceed the amount appropriated to the agency, the excess or overage shall be deposited in a PTO "Reserve Fund." At the end of the fiscal year the Director determines if there are sufficient funds to make payments to persons who paid fees during that year.

The Director is empowered to determine which recipients qualify and in what amounts, except that the payments in aggregate must equal the amount of revenue in the Reserve Fund during that fiscal year, less the cost of administering the program.

This text is crucial to the bill before us. We have been at loggerheads with the Appropriations committee on this matter for nearly a decade, so I am glad to say that we have struck an acceptable compromise that serves the interests of both committees. I am grateful

to the appropriators and the majority leader for working with us on this point. I emphasize that without this language, support for the bill dissipates.

In addition, the bill as reported contains a pilot program to determine the efficacy of allowing commercial entities to perform the search function, thereby relieving the agency of the burden and freeing up examiners to do other work. The amendment specifies that participation in the pilot program will be restricted to American businesses and American citizens. We have worked closely with Chairman WOLF's staff on this point.

Also, in furtherance of the ongoing modernization efforts at PTO, the Director is required to reduce the filing fee for any small entity, independent inventor, or nonprofit organization by 75 percent provided those so qualified file their applications electronically.

As I noted a moment ago, Mr. MANZULLO, and I have resolve our differences over the treatment of small entities under H.R. 1561. Pursuant to recently agreed-upon changes, my amendment: Applies a 50 percent discount to all searches for small entities; prohibits commercial searches that apply to classified matters; prevents commercial entities from performing searches when they have a financial interest or other conflict at stake; caps the search fee after the sixth year; and requires a joint PTO-SBA study regarding the effects of the fee structure on small entities.

Mr. Chairman, by addressing the fee diversion and other issues, this amendment clears the way for the other body to consider H.R. 1561 and bring real reform to the PTO. I urge its adoption.

Mr. BERMAN. Mr. Chairman, will the gentleman yield?

Mr. SENSENBRENNER. I yield to the gentleman from California.

Mr. BERMAN. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I simply want to express my strong support for this amendment. If I were a betting man, I would have bet a lot of money that the chairman would not have been able to deal with the end of diversion in the fashion that he was able to without at least 25 or 30 appropriators on the House floor. I congratulate both him and the subcommittee chairman for their excellent work, and I urge the manager's amendment be adopted.

Mr. SMITH of Texas. Mr. Chairman, I strongly support this amendment, which is the result of careful negotiations between the Judiciary and Appropriations Committees.

The two goals of the underlying bill are to improve PTO operations and to end fee diversion. This amendment makes sure those goals are achieved.

In order to eliminate the incentive to divert fees from the PTO, the amendment establishes a rebate program that will deposit any fee collections that exceed the amount of money appropriated to the PTO in a "reserve fund." At the end of each year, the PTO Director will determine whether there are sufficient funds to make payments to users who paid applicant fees that year. By ending fee diversion and allowing the PTO to keep the fees its users pay each year, the agency will be able to make many much-needed reforms to increase its efficiency and productivity.

This amendment also contains provisions that will ensure the PTO will operate effectively. It establishes a pilot program to allow

private entities to perform the search function associated with obtaining a patent. This will free up patent examiners to focus on other work.

Some have mischaracterized this provision as "outsourcing" that will cut American jobs and send work overseas. In fact, this amendment specifies that participation in the pilot program is restricted to American businesses and American citizens. By allowing patent searches to be performed by commercial entities, this pilot program will simply allow the private sector to take some of the load off of an already overburdened patent evaluation system at the PTO.

Twenty-five to thirty percent of the 355,000 patent applications the PTO receives each year come from small businesses. The Sensenbrenner amendment has many provisions to help small businesses obtain patents.

The PTO is one of the most important agencies in the country. It is the agency behind the innovation and invention that drives our economy. We must give it the funding it needs to implement meaningful reform and improve its operations.

This amendment strengthens the underlying bill and I urge my colleagues to support it.

Mr. SENSENBRENNER. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

The CHAIRMAN. Does anyone seek time in opposition?

The question is on the amendment offered by the gentleman from Wisconsin (Mr. SENSENBRENNER).

The amendment was agreed to.

The CHAIRMAN. It is now in order to consider Amendment No. 2 printed in House Report 108-431.

The gentleman from Illinois apparently is not offering his amendment.

It is now in order to consider Amendment No. 3 printed in House Report 108-431.

PARLIAMENTARY INQUIRY

Ms. KAPTUR. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentlewoman will state it.

Ms. KAPTUR. Mr. Chairman. I just wanted to ask, is this the final amendment in the series, and then will we move to final passage?

The CHAIRMAN. The gentlewoman is correct.

The Chair is ready to proceed. Apparently the gentlewoman from Texas does not offer her amendment.

The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. CUNNINGHAM) having assumed the chair, Mr. LAHOOD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1561) to amend title 35, United States Code, with respect to patent fees, and for other purposes,

pursuant to House Resolution 547, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on the amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. SENSENBRENNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 379, nays 28, not voting 26, as follows:

[Roll No. 38]

YEAS—379

Abercrombie
Ackerman
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldwin
Ballance
Barrett (SC)
Barton (TX)
Bass
Beauprez
Becerra
Bell
Bereuter
Berkley
Berman
Biggart
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boswell
Boucher
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (SC)
Brown, Corrine
Brown-Waite,
Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Camp
Cannon
Cantor
Capito

Capps
Capuano
Cardin
Cardoza
Carter
Case
Chabot
Chandler
Chocola
Clyburn
Coble
Collins
Conyers
Cooper
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge

Everett
Farr
Fattah
Feeney
Ferguson
Filner
Flake
Foley
Forbes
Ford
Fossella
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gephardt
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Harman
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Henger
Hill
Hinchev
Hobson
Hoefel
Hoekstra
Holden
Honda
Hostettler
Houghton

Hoyer
Hulshof
Hyde
Inslee
Isakson
Israel
Issa
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (OH)
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (IA)
King (NY)
Kingston
Kirk
Klecza
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCotter
McCotter
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meeks (NY)
Mica
Michaud
Millender-
McDonald

Miller (FL)
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Nadler
Napolitano
Neal (MA)
Nethercutt
Neugebauer
Ney
Northup
Norwood
Nunes
Nussle
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pearce
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reyes
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Rush
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanchez, Loretta

Saxton
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spratt
Stark
Stearns
Stenholm
Stupak
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Tierney
Towns
Turner (OH)
Turner (TX)
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velázquez
Vitter
Walden (OR)
Walsh
Wamp
Watt
Waxman
Weiner
Weldon (FL)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Wu
Young (AK)

NAYS—28

Bartlett (MD)
Brown (OH)
Carson (IN)
Clay
Costello
Cummings
Evans
Hastings (FL)
Holt
Hunter
Aderholt
Ballenger
Berry
Calvert
Carson (OK)
Castle
Cole
Doggett
Dooley (CA)

Jackson (IL)
Jackson-Lee
(TX)
Jones (NC)
Kanjorski
Kaptur
Lewis (GA)
Meek (FL)
Oberstar
Obey
Hall
Hinojosa
Hooley (OR)
Istook
Kucinich
Lantos
Lucas (OK)
Menendez
Pence

Paul
Ruppersberger
Sanders
Schakowsky
Strickland
Visclosky
Waters
Watson
Wynn
Rodriguez
Sanchez, Linda
T.
Sandlin
Sullivan
Toomey
Weldon (PA)
Woolsey
Young (FL)

NOT VOTING—26

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD) (during the vote). Members are advised there are 2 minutes remaining in this vote.

□ 1802

Messrs. JACKSON of Illinois, OBEY, WYNN and RUPPERSBERGER changed their vote from "yea" to "nay."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

□ 1800

HOUR OF MEETING ON THURSDAY,
MARCH 4, 2004

Mr. TOM DAVIS of Virginia. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet at 11:30 a.m. tomorrow.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Virginia? There was no objection.

SAVE THE HUBBLE

(Mr. MCDERMOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, 2 years ago today the *Columbia* Space Shuttle, in what turned out to be its last full mission, serviced the Hubble Space Telescope.

Those astronauts knew and children across America know that Hubble is a national treasure. Hubble offers a dramatic view into the cosmos, and it has yielded profound scientific discoveries. Yet for all of Hubble's national acclaim and the inspiration it has given us, NASA has given Hubble a death sentence. It is up to us to commute that sentence.

That is why I have joined with a bipartisan group calling for NASA to convene the best and the brightest minds to reevaluate their decision and look at every reasonable alternative. In the meantime, keep the Hubble going.

In my view, Hubble is one of the best scientific investments we have ever made. Hubble is certainly the best recruiter we have today to inspire our children to excel in science and reach for the stars.

SPECIAL ORDERS

The SPEAKER pro tempore (Mr. PEARCE). Under the Speaker's announced policy of January 7, 2003, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear

hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. MCCOTTER) is recognized for 5 minutes.

(Mr. MCCOTTER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

OUR ECONOMIC POLICY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. BROWN) is recognized for 5 minutes.

Mr. BROWN of Ohio. Mr. Speaker, the President last week delivered the Central American Free Trade Agreement to this Congress as part of his economic plan to grow the economy. What we have seen from the President's economic plan, which consists of two basic solutions, are two things. One is tax cuts for the wealthiest people of our society, the 1 percent wealthiest, the people who need it least, hoping it will trickle down and create jobs. The other part of this program is to push through this Congress more NAFTAs, the Central American Free Trade Agreement, the Free Trade Area of the Americas, trade agreements which have no labor and environmental standards, trade agreements which hemorrhage jobs, which ship jobs overseas.

We have seen that kind of economic policy, except we have seen it not work. We have seen in this administration a loss of almost 3 million jobs. In my State of Ohio, we have lost one out of every six manufacturing jobs. Hundreds of thousand of Ohioans have lost their jobs. We have seen no manufacturing jobs created. In fact, since President Bush took office, we have lost manufacturing jobs not just in Ohio but across the country every single month of the Bush administration.

Now, just recently the President put out his economic report. This Economic Report of the President is put out every year. As my colleagues can see here, the President signed it on page 4, and this economic report makes a lot of promises. As one of his earlier economic reports had made, the President in 2002 promised an increase of 3.4 million jobs. We have actually seen a loss of 1.7 million jobs since then. In this report, he makes another promise of 2.6 million jobs created just this year alone. Already the President's people are backing off that promise.

But you might be interested, and there are some things in this report that the President and his people, his Chief Economic Adviser, have sort of

bragged about. One of the things that the President's Economic Adviser said when he said, "When a good or service is produced more cheaply abroad, it makes more sense to import it than to provide it domestically," and then the Chief Economic Adviser to the President said, That is a good thing. If it is made somewhere else cheaper, then good economics says we ought to ship those jobs overseas and make them more cheaply overseas and make them there and displace the jobs in the United States.

That is not good economic policy. It is not good trade policy. It particularly is not good policy for our people. Yes, we want to do trade. Yes, we want that train to move out of the station advancing trade, but we want to do the trade, we want fair trade, not free trade. This administration, unfortunately, is committed to free trade.

In the meantime, the President's Council on Economic Advisers has said in this report, also on page 103, In the long run, a large part of the burden of taxes is likely to be shifted to workers through a reduction in wages. In other words, the President's policy of tax cuts for the wealthy, hoping that it trickles down and provides something for everybody else, and these trade agreements with no labor and environmental standards, these trade agreements that ship jobs overseas, in the meantime, the President's people say what is going to happen is a large part of the burden of taxes is likely to be shifted to workers through a reduction in wages.

That is why even people that have kept their jobs, as most people have during this Bush recession, even then those people's wages have been stagnant or in some cases have gone down. That is because the President's people say that we are going to see tax cuts for the wealthy, and we are going to see loss of wages for workers and for the middle class.

The President's Chief Economic Adviser goes on to say, Analyses that fail to recognize this shift can be misleading, suggesting that higher income groups bear an unrealistically large share of the long run burden. In other words, when the President's people say, well, we have to give a tax cut to the richest people in our society because they are paying the most taxes, the President's own Economic Adviser said that is not the case.

What is happening in our economy, you may applaud that, is these tax cuts shift the burden. As we cut taxes on the wealthy, it shifts the burden to the middle class in the form of lower wages, and we can also see that, Mr. Speaker, with what Alan Greenspan said last week.

He came to this Congress and said I support continuing the tax cuts for the wealthiest Americans, and then he said, but because of that, we have a budget shortfall and we have to cut Social Security. So the President of the

United States and Alan Greenspan, his man at the Federal Reserve, are saying to the American people, you have either got the tax cuts for the most privileged and if you take those tax cuts, then it means we have to cut Social Security.

That is really what we are going to talk about in the next 8 months, that if we are going to make these tax cuts, if we are going to continue these tax cuts for the wealthy that the President wants, it means fewer dollars for education, less money for prescription drugs and other health care, and ultimately it means cutting Social Security. That is the choice. That is what the election will be about this year.

That is what this Congress is going to be about in the next 6 months. That is what we are going to hear JOHN KERRY and George Bush debate. If we do the tax cuts and cut the taxes of the wealthiest Americans, it means less money for Social Security beneficiaries. It means less money for environmental enforcement. It means less money for the middle class. It means a stagnation of wages, and it takes this country in the wrong direction.

It is bad economic policy. It is bad for our country. It is bad for our communities. It is bad for our schools. It is bad for the middle class.

THE SITUATION IN AFGHANISTAN AND IRAQ

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Nebraska (Mr. OSBORNE) is recognized for 5 minutes.

Mr. OSBORNE. Mr. Speaker, as we have listened to debates over the last several days, actually last several weeks, there has been a lot of rhetoric about how poorly things are going in Afghanistan and Iraq, the administration has no plan, et cetera, and along with many other Members of Congress, I visited both countries within about the last 5 or 6 weeks, and it did not seem to me that the information I was getting and seeing squared with what we have been hearing.

In Afghanistan, for instance, the Taliban is out. They were a tremendously oppressive regime. Terrorist training camps, and of course, Afghanistan was the hotbed of terrorist activity, have been shut down. Most of the funding has been dried up. Al Qaeda is on the defense, and of course, the democratic loyal jurga formed a constitution which I think was a tremendous step toward democracy. Women have been given a significant role. Elections have been scheduled this summer, and they have a great leader in Karzai, and I think there is a great chance he will be elected President.

All of this has been accomplished with 13,000 coalition troops controlling this country, very little loss of life. It has been a tremendous military victory and a great victory for those who are opponents of terrorism.

□ 1815

Iraq, of course, is a little behind the time line of Afghanistan, because it came several months later; but the infrastructure has been restored.

The water is running, the electricity is on, and 17,000 reconstruction projects have been completed; 17,000 projects have been completed. The schools are open. They have been given significant aid; 33,000 teachers have received training in just the last few weeks. The hospitals and clinics are open. There is much better health care. There has been a 6,000 percent increase in health care service expenditures in the last few months. The economy is expanding. Shops and businesses are springing up. Consumer demand is good. Wages are between 25 and 30 times higher than they were under Saddam Hussein. So the economy is showing real signs of life. One million more cars in this country than a year ago. Newspaper and television stations are springing up as well.

Insurgent attacks on our troops have decreased dramatically. About all the attacks we are hearing about lately are on Iraqi citizens, mainly because they are the only soft targets that they have left. Weapons and ammunition supplies have been destroyed, and an Iraqi army of 133,000 is being trained and should be in place by next fall. An Iraqi police force is assembled. And all but a handful of Saddam's lieutenants have been captured. I think 45 out of 50 have been captured and, of course, Saddam Hussein himself.

A provisional constitution has been drafted and ratified, just today, I believe, by the Kurds, the Shiites, and the Sunis. This is a tremendous step toward democracy and a tremendous accomplishment. So we are on track to see a viable democracy in a country that has been a major destabilizing influence in the Middle East for the last number of years. We have had no attacks in the U.S. since 9-11.

So again, Mr. Speaker, I would just reiterate the fact that what I and many of my colleagues have witnessed in Afghanistan and Iraq does not seem to square with some of the conversation we have been hearing on the political scene in recent months and recent weeks. So we think that we have been doing a good job over there.

The soldiers, the troops that I met, have a tremendous sense of mission, a great sense of accomplishment; and I think it is important that they get the message that we are solidly behind them and solidly behind this effort that is going on.

The SPEAKER pro tempore (Mr. PEARCE). Under a previous order of the House, the gentleman from California (Mr. GEORGE MILLER of California) is recognized for 5 minutes.

(Mr. GEORGE MILLER of California addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. MARIO DIAZ-BALART) is recognized for 5 minutes.

(Mr. MARIO DIAZ-BALART of Florida addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

THE PRESIDENT'S CREDIBILITY DEFICIT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. EMANUEL) is recognized for 5 minutes.

Mr. EMANUEL. Mr. Speaker, President Bush has announced that his campaign strategy will be to make credibility an issue. Just last night, the Vice President said that if the Democrats had been in charge for the last 2 or 3 years we would have endangered the job creation of the economy.

Really? What a fascinating take, that Democrats would have endangered the job creation and the economy. Under this administration, \$3 trillion has been added to the Nation's debt, and nearly 3 million American jobs have disappeared. And they want to make credibility an election year issue?

In the "Meet the Press" interview, the President could have talked about his foreign policy accomplishments and his record, but what does he have to offer but an endless occupation. He could have chosen to talk about the economy and the jobs he created, but then he would have to point to the jobless economy and the wage recession Americans face. And this is a President and an administration that wants to make credibility an issue in this campaign?

The administration announced 5 months ago, on Labor Day, that they were appointing a manufacturing czar. That position remains empty. There is not even a nominee. And they want to make credibility an issue? Interesting.

Since that date, 250,000 Americans have lost their manufacturing jobs. And they want to make credibility an issue? After 5 months, there is not a single person to fill that job.

Now, the President does not take advice from me, but as far as I can see David Kay is available. He did the weapons of mass destruction research. Maybe we can help him find where the 2.7 million American jobs have gone. And they had the gall to announce it under a banner of American jobs and American values. And they want to make credibility an issue?

Every year the President submits a budget, and he has submitted time and again the elimination of the Manufacturing Extension Program, which helps small businesses, small manufacturers in this country. And he wants to make credibility an issue?

Not only is the President not interested in the issue of jobs and job creation in the United States, his own economic report that he submitted the other day to Congress say that

“outsourcing of jobs is good for the American economy and good for the middle class,” especially the middle class in India, not Indiana. And they want to make credibility an issue?

In that report, they envisioned 2.7 million jobs being created in the United States. Then they had to walk away from it. And they want to make credibility an issue?

They also in that report cited manufacturing would now be defined as flipping hamburgers. And, again, they would like to make credibility an issue.

Since we have decided to make credibility an issue, I would like to say that not only does this administration have a big fiscal deficit; it has a huge credibility deficit.

Let me give some other highlights of the issue of credibility.

One month steel tariffs are on; the next month steel tariffs are off. There was \$3.5 billion in new police funding, and yet the President's budget cuts \$1 billion from the police funding. Prescription drugs one month cost \$400 billion, the next month, with nothing changed, not a single benefit, we send a bill to the taxpayers for \$550 billion. And they want to make credibility an issue.

Now, I am not the one to give advice to this administration, or unsolicited advice; but if the President or this administration thinks we are going to cut Social Security to pay for tax cuts for the wealthy, I got a bridge over the Tigris they can buy. Let me say this: the only people that think that is a good economic plan are pioneers and rangers who think cuts in Social Security is what this economy needs so we can pay for tax cuts for the well-off.

What we need is a President who wakes up every day and who rolls up his sleeves as he goes into the Oval Office and thinks about the American workers, their families, and their values, not somebody who, for a press headline, announces a manufacturing czar and 5 months later, 250,000 jobs later that have disappeared, has that position remaining unfilled. That is not an administration that every day sees the American family and its values at the center of what it does in the Oval Office.

I only wish that they would spend as much time thinking about the American family, their values, their children, their jobs, their health care, their security, and their retirement security as the focus they give to those on K Street and the lobbyists in this town.

On policy after policy this administration says one thing and they do another, and yet they have the gall to say credibility will be an issue.

So to quote one Senator: If they would like credibility to be an issue this election year, Democrats say, bring it on.

GREAT WORK BEING DONE BY THE 10TH MOUNTAIN DIVISION OF FORT DRUM, NEW YORK

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. BURGESS) is recognized for 5 minutes.

Mr. BURGESS. Mr. Speaker, we hear so much information here in this House, and this evening is no exception. I wanted to pick up a little bit on the point that the gentleman from Nebraska (Mr. OSBORNE) made in his remarks here a few moments ago.

Mr. Speaker, of course both sides of the House have not only the right but they have the obligation to speak up when they believe things are not right. And it is an election season, so we are hearing a lot of political discourse and rhetoric. The gentleman from Nebraska (Mr. OSBORNE) got up and spoke very eloquently to that fact, that perhaps what we hear is not always aligned with what in fact is happening on the ground.

The gentleman from Nebraska spoke about his travels to Iraq and Afghanistan. And, indeed, just 2 weeks ago I took a trip to Iraq and Afghanistan. It was my second trip into the country of Iraq, but my first to the country of Afghanistan. And, Mr. Speaker, I want to point out that as far as the talk we hear going on here on the floor of the House, yes, it is our right and indeed our obligation to speak out, but we know or at least we should know that words have consequences. And the words spoken here in this House do resonate around the country; and in fact they resonate around the world, and they are picked up frequently by our troops fighting for our freedom overseas.

Now, Mr. Speaker, I would never question anyone's motives or question anyone's patriotism, but at the same time I just cannot help to point out how a few weeks going to Iraq and Afghanistan I did have the chance to see what was happening there on the ground. The 4th Infantry Division captured Saddam Hussein in December, and in an effort to minimize the importance of that singularly important feat, we will hear people say, well, it is not that important; it, in fact, does not make us any safer here at home. Mr. Speaker, let me say tonight that I firmly believe that that event was important and indeed we are safer here at home because that man is in custody. But, again, in an effort to minimize the importance of that event, we will hear the talk over and over again that it does not really matter.

The other thing we will hear is that we have not finished the job in Afghanistan. Well, Mr. Speaker, just like the gentleman from Nebraska, I want to take a minute tonight and talk about what I saw going on in the country of Afghanistan and the great work that is being done by the 10th Mountain Division out of Fort Drum, New York.

Mr. Speaker, General Austin in Afghanistan, the commander of the 10th

Mountain Division, spoke to us there as part of our briefing, and he shared a picture with us. He shared a picture with us that was so dramatic and so impressive that I asked their permission to bring it back and show it on the floor of the House, and we can see it here beside me.

In fact, Mr. Speaker, I was anxious to share this picture with the whole country. This is a picture of what our guys in Afghanistan are doing to end the war on terror in that country, to reclaim that country for its people, and, in the end, make us safer here at home.

Here we see some of our young soldiers and a man that is being escorted into a helicopter. This man, I do not remember whether he was a Taliban or al Qaeda or just a member of one of the warlord tribes there, but he thought he was relatively safe on that house on a steep mountainside. He could see anybody coming up after him, and he was pretty comfortable there in his belief that there was no way he could be apprehended.

So sitting by his campfire one morning and taking his morning meal, he was visited by our troops from the 10th Mountain Division. They were able to encircle him and surprise him. And then to get him back to where he needed to be, they landed half a helicopter on his house. And we see him there being helped into the back of the helicopter to be brought back to face whatever charges awaited him.

Mr. Speaker, this is a dramatic photo, and it shows what lengths our fighting men and women will go to in order to end the conflict in Afghanistan. And I believe they are well on the way to ending that conflict. In fact, Mr. Speaker, I would go so far as to say as soon as the snow melts out of the passes in the mountains on the border between Afghanistan and Pakistan, we are very likely to see the beginning of the end for those groups who mean to harm our troops and harm innocent Afghan citizens and those individuals who want to prevent the return of civil society to Afghanistan.

So, Mr. Speaker, I know it is a little off the point from what we hear here on the floor of the House night after night after night, but in fact there are some good things going on in the world. Our troops are doing a masterful job on the ground both in Iraq and Afghanistan. I am proud of them. I am proud of our country.

Once again, I want to point out the dramatic aspect of this photo. Think of the risk that that pilot is taking to apprehend that individual and bring him to justice, the loadmaster in the back of the aircraft that essentially landed that half a helicopter on that man's roof. I can imagine the surprise of this individual as he was brought into United States custody.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. ROTHMAN) is recognized for 5 minutes.

(Mr. ROTHMAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. FOLEY) is recognized for 5 minutes.

(Mr. FOLEY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GREEN) is recognized for 5 minutes.

(Mr. GREEN of Texas addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. BILIRAKIS) is recognized for 5 minutes.

(Mr. BILIRAKIS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

CYPRUS PEACE NEGOTIATIONS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. PALLONE) is recognized for 5 minutes.

Mr. PALLONE. Mr. Speaker, last week, peace negotiations finally resumed over the 30-year Cyprus conflict. After reaching the end of the road last March, thanks to what was described at the time by officials close to the negotiations as intransigence on the part of Turkish-Cypriot leader Rauf Denktash, the Turkish-Cypriot leader finally agreed to return to the negotiating table with Cyprus President Tassos Papadopoulos. The framework by which the two are now negotiating is a plan written by the U.N. Secretary General Kofi Annan. While the Secretary General's proposal serves as a starting off point, it should by no means serve as the final agreement to finally unify the nation of Cyprus.

Last year, Mr. Speaker, I visited Cyprus for the first time. And while I believe it is critical for a unified Cyprus to join the European Union later this year, I also believe that the framework agreed to between the two sides must lay the foundation for a democratic government to thrive for many years to come.

□ 1830

Unfortunately, there are parts of the Annan plan that makes it virtually impossible for an established government to function. In fact, there are sections of the plan that would make the island country less democratic than it was after an agreement imposed against Greek Cypriots during the Cold War back in 1959.

Mr. Speaker, the Annan plan in my opinion is undemocratic. Under the plan, a parliamentary system would be created with two legislative bodies, a

Senate and a Chamber of Deputies. The Senate shall be composed of 48 members with a requirement that half of those Members, 24, come from Cyprus and the other half come from the Turkish Cypriot side. Keep in mind that the Turkish Cypriot minority only makes up 18 percent of the islands. The Annan plan gives that 18 percent equal footing with the 82 percent of the Republic of Cyprus population. How is that democratic?

Then in addition to that in the Chamber of Deputies, the Annan plan says it too shall consist of 48 members elected on a proportional basis, but both the Turkish Cypriot side and the Republic of Cyprus side are guaranteed a minimum of one-fourth of the seats. And the significant advantage for the minority does not end there. The Annan plan states that laws be enacted by a majority vote in each of the houses as long as at least one-fourth of the senators from each of the two component states comprises the majority vote in the Senate. This means that the 18 percent holds a virtual veto over any legislation being passed.

Mr. Speaker, if we compare the Annan plan to our own government here in the United States, let us say that the Democrats and Republicans each held 50 seats in the Senate, something that actually happened a few years ago. You remember how difficult it was for both sides to govern. If fact, it created a position in which one Republican, JIM JEFFORDS, actually left the Republican Party in order to become an Independent. Now, if just being 50-50 is not hard enough, imagine if the U.S. Senate could not pass any legislation without one-fourth of the Republican side agreeing with the Democratic side, or vice versa. There is no way we could govern under those conditions.

How can we expect Cyprus, a country which has been torn apart for almost 30 years, to govern under these same circumstances? I do not mean to be critical of U.N. Secretary Annan. He has done a fantastic job of trying to meet the unrealistic threats of Turkish leader Denktash. Furthermore, the government of Cyprus has consistently agreed to negotiate within the frame of the U.N. proposal.

The Annan plan is a good draft, but that is all it is. It is critical that not only the United Nations but also the Bush administration and the State Department realize that in its current form the Cyprus government would not be able to govern. These concerns, as well as several others, must be addressed before any real peace agreement can be reached.

I want to conclude by saying again, the Annan plan was supposed to be a basis for negotiations and everyone agrees that is certainly the case, but it should not be the final outcome. I am afraid that our own administration, the Bush administration, the State Department, are trying to put pressure on the Cyprus government that they have

to agree to the Annan plan just the way it is and that no changes can be made. That is not only unfair, I think it leads to an unworkable situation in the long run. We have to realize that as much as the Annan plan is a good basis for negotiation, it should not be the end result because if it were, I think in the long run it would actually be to the detriment to the future government of a united Cyprus.

The SPEAKER pro tempore (Mr. PEARCE). Under a previous order of the House, the gentlewoman from Florida (Ms. HARRIS) is recognized for 5 minutes.

(Ms. HARRIS addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

GADDAFI DELIVERS HISTORIC 90-MINUTE SPEECH

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. WELDON) is recognized for 5 minutes.

Mr. WELDON of Pennsylvania. Mr. Speaker, a group of seven Members of Congress just finished leaving the airplane at Andrews Air Force Base from a 3-day trip to Libya, the second trip that I have led there in 30 days. This trip is one that will go down in history as one of the most historic events that was documented in that country that has been a problem for us over the past 30 years.

Mr. Speaker, I was asked by the chairman of the People's Congress of Libya to give a speech at the opening session 2 days ago, which I did. Senator BIDEN is giving a speech there today. Along with my speech and speeches from the French, the Egyptians, the head of the European Parliament, Colonel Gaddafi rose to the podium and spoke for 90 minutes. He gave what will go down in history, I am convinced, as a speech that will equal the tearing down of the Berlin Wall and the event that had Boris Yeltsin standing alongside the tank outside of the Moscow White House proclaiming that communism was dead because in this 90-minute speech Gaddafi, who has been someone that we have not had any type of relationship with, whose country has admitted to completing the bombing of Pan Am 103, Gaddafi, in front of the 600 people assembled in the auditorium and 100 nations that were in attendance, renounced the actions of Libya over the past 25 years.

He admitted to his people that they had been involved in funding terrorist organizations from the IRA in Ireland to the PLA, to the Sandinistas, to other terrorist groups around the world. He admitted that they were involved in crimes, and they had done things for other groups. He rose to the occasion to tell his people that he had come to the conclusion it was time for Libya to abandon these people who no longer were needing of the support of

the Libyan people, and whom the Libyan people only suffered from, becoming isolated from the rest of the world.

He spoke of the United States and the Pan Am 103 bombing. He said it is a part of history that they want to put behind them after I had said in my speech that we were happy that the Libyans had admitted to that bombing and being responsible for it. We told them that we would never forgive nor forget the actions of their country, but here was Moammar Gaddafi changing not for the international community, but in front of his own people saying it was time for Libya to renounce weapons of mass destruction, and calling for complete and total transparency, calling for other terrorist nations to abandon their weapons of mass destruction, telling them that it is no longer a valid position for countries to take, to encourage and support terrorism throughout the world.

Then he said about the United States, the United States does not want to bomb Libya. We are not Libya's enemies. If we wanted to take over their country, we would have done that 27 years ago when they asked us to get out of the military bases we had in their country. He said to his people, America did not fight, they simply left our country as our friends. He said it was only in recent times that we have become an enemy, and he said no longer will Libya be an enemy of the United States; Libya wants to return, to become a friend, they want to attempt as much as possible to join the family of nations and join those multinational groups in Europe and around the world. They want to become a part of arms control regimes. He even agreed, as I met with the Gaddafi Foundation, that they should look to rejoin efforts like the Vienna Conference that oversees the Helsinki final act guaranteeing basic human rights for all citizens. We talked about human rights, and the fact that Libya was now on a course to set out for their people an effort to clean up the human rights records of the Nation.

Mr. Speaker, this speech was not to the world community. The external media was not invited. It was broadcast live throughout Libya. Every television in Libya had this proceeding on for 90 minutes in front of 600 delegates, 100 nations and 7 Members of Congress. Moammar Gaddafi issued the message to the people of the world that Libya had changed dramatically and completely, that Libya was ready now to begin a new chapter.

He was very thankful that our delegation was there because he said it showed the Libyan people that America was ready to respond. Senator BIDEN's speech today will reinforce that. I congratulate my colleagues on both sides of the aisle who traveled to Libya. We will be putting a complete report into every Member's office before the end of this week.

The SPEAKER pro tempore. Under a previous order of the House, the gentle-

woman from Texas (Ms. JACKSON-LEE) is recognized for 5 minutes.

(Ms. JACKSON-LEE of Texas addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kentucky (Mr. LEWIS) is recognized for 5 minutes.

(Mr. LEWIS of Kentucky addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

(Ms. NORTON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

SCIENCE INVESTIGATES HUMAN CONTRIBUTION TO CLIMATE CHANGE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. GILCHREST) is recognized for 5 minutes.

Mr. GILCHREST. Mr. Speaker, I would like to make a few comments this evening on an issue that remains somewhat controversial. The issue is climate change. Is the Earth warming, and is there such a thing as global warming?

I would like to present a few findings affirmed by National Academy of Science, at the request of George Bush, and which the American Geophysical Union also agrees with.

Basically the conclusion of the scientific community is that the Earth has been warming for the last 10,000 years. We left the Ice Age, and for the last 10,000 years, the Earth on average has been warming 1 degree centigrade every 1,000 years, and this is detectable through various tree rings, ice cores and a number of other techniques used to determine the kind of climate we have had over the past 400,000 years. But the last 10,000 years, the trend is the natural range of fluctuation, it is a little warmer 1 year, a little colder the next year, but the natural range of fluctuation clearly shows that we have been in a warming trend over the past 10,000 years about 1 degree centigrade every 1,000 years.

What we have seen in the last 100 to 150 years is that natural range of fluctuation appears to have abruptly changed. The question is that abrupt change, which actually is a jump in surface warming, is that a natural fluctuation or is it as a result of mankind burning fossil fuel and adding greenhouse gases to the environment.

What I am going to show tonight is the fluctuation that we have seen, the abrupt fluctuation, is not a natural fluctuation. If it is not a natural fluctuation,

the environmental variables from this point on are not going to be predictable as far as the climate and the weather is concerned.

Mr. Speaker, this chart has two parts to this graph. The first part, which is the color gray, deals with the computer models that are telling us something about the climate and how it has changed over the past 100 years. One part of this chart shows the input in the model. The other part of the chart, the color red, shows actual observations on the ground where you go out and you actually take temperatures all around the globe. The first part of the chart, the gray line, is what you put into the computer. The second part is what you actually observe. There are three charts up here.

The first chart deals with the natural fluctuation in the climate over the last 150 years with solar energy, with ocean currents, with volcanoes, with a number of things that have caused the climate to change, the geologic forces which have caused the climate to change over the last thousand years. We see if we just take the variables in the natural forcing, the climate will stay fairly steady. In other words, there would be no increase in the last 150 years. The actual temperature, though, shows that there has been an increase over the last 150 years. So there is a question, where is the increase in temperature coming from?

The next chart shows only measuring human activity, anthropogenic forcing only. That means we only measure the kind of temperature increase we would get from burning fossil fuel or cutting down a forest or a variety of other things. When we do that, we show that the temperature, as we see over here, is the same. There is an abrupt increase in the temperature.

The third chart shows the natural fluctuation or the natural increase in temperature that we have seen over 10,000 years, but it also shows mixed in with that if we add to that natural increase, if we add human activity, we see that the blend shows that there has been about a 1 degree temperature rise in the last 150 years.

□ 1845

You cannot account for the increase in temperature over the last 150 years with just natural forces but you can account for it when you add in human activity.

Those are just a few interesting facts, Mr. Speaker, I thought that the Members would like to know.

The SPEAKER pro tempore (Mr. PEARCE). Under a previous order of the House, the gentleman from Texas (Mr. HENSARLING) is recognized for 5 minutes.

(Mr. HENSARLING addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mrs. MALONEY) is recognized for 5 minutes.

(Mrs. MALONEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts (Mr. LYNCH) is recognized for 5 minutes.

(Mr. LYNCH addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

(Ms. KAPTUR addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Ms. CORRINE BROWN) is recognized for 5 minutes.

(Ms. CORRINE BROWN of Florida addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair designates the time for further proceedings on House Resolution 412 and on House Resolution 56 as tomorrow.

HAITI

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 2003, the gentleman from Florida (Mr. MEEK) is recognized for 60 minutes as the designee of the minority leader.

Mr. MEEK of Florida. Mr. Speaker, it is a pleasure to address the House and the American people this evening.

Last night, Mr. Speaker, we were on the floor talking about the recent events in Haiti that has also involved not only our military but our international community, not only as it relates to humanitarian efforts but to the safety of the Haitian people. I just left the Committee on International Relations, the Subcommittee on the Western Hemisphere where we had witnesses, the Assistant Secretary of the Bureau of Western Hemisphere Affairs from the U.S. State Department, Mr. Roger Noriega; and also the Honorable Arthur Dewey, Assistant Secretary of Population, Refugee and Migration of the United States State Department; also other representatives from the State Department. Mr. Speaker, it was quite disturbing hearing some of the testimony that was given to us there on that committee. I am thankful that the chairman, the gentleman from

North Carolina, allowed other Members that were concerned about not only the plight of Haiti but also the U.S. involvement in Haiti. I think the events that took place last Saturday evening and early Sunday morning has a lot to do with how we move forward from this point on. Many of us in this Congress feel very strongly about the U.S. involvement in Haiti from this point on, on how safe will it be in Haiti? How safe will it be for the Haitian people? How many months will our U.S. Coast Guard be visually off the coast of Haiti? What kind of commitment will the United States make to Haiti? And also what kind of commitment will the international community put forth as it relates to Haiti?

First of all, I would have to go back. We spoke last night about Mr. Philippe, who has announced himself as the leader of Haiti, the head of the rebel force, using Secretary Noriega's description of him as a thug, that has now taken control of Haiti. He was in Port-au-Prince yesterday, he had a meeting, he talked about him being in charge of Haiti. He said he really looks up to the United States, that he reveres our President, and rightfully so, he should revere our President, because if it was not for a visit by officials from the State Department that will go unnamed at the home of President Aristide and giving him an ultimatum to either leave or be killed, that simple, that he had to make the decision right then and there. Reports say that he made that decision. That decision empowered Mr. Philippe, a known individual not only to Haitians but also a known individual that has carried out terror in Haiti in the past, a 36-year-old young man that is now on the streets of Haiti who has announced that he is going to arrest the prime minister of Haiti. I say that as a backdrop of talking about troop safety.

I think it is important to note in the early 1990s when U.S. troops went into Haiti to not only kick General Cedras out who took Haiti by a coup but to also provide a level of safety to try to build onto democracy, that not one soldier lost his or her life. No one even choked on popcorn. It was that smooth of an operation. I commend Senator Nunn at that time, I commend Mr. Powell at that time, now Secretary Powell, and also the leadership of William Jefferson Clinton.

But now we have a situation that is in question. Some people may say, why are you so concerned? Okay, President Aristide said he felt like he was kidnapped. Some people say, well, he wasn't kidnapped, that's not true. Who's right? Who's wrong? That is not the issue. The issue is that for us to provide the kind of forward progress that we are going to need in Haiti to make sure that Haiti is able to move forth in a democratic way, for us to continue to have the international community willing to be a part of democracy-building in the Caribbean as it relates to other Caribbean islands

surrounding Haiti, then we can no longer move forth with a Saturday night policy ultimatum.

This should have not happened, ladies and gentlemen. Mr. Speaker, I must say that it brings into question the very safety of troops and also it brings into question good elections in the future. If Haitians that were pro-Aristide and within the party that he was the head of know and feel that the United States played a strong role in his departure by force, and taken from Mr. Noriega's quote, I might add, that he just gave in responding to the gentleman from New York (Mr. RANGEL) in the committee just a couple of hours ago, the gentleman from New York asked him: Mr. Noriega, is it true that President Aristide was told that he needed to sign a resignation letter before he boarded the plane?

Mr. Noriega responded: It was important to make sure that we have a positive process to a political resolution.

The gentleman from New York asked him again: Is it true that he was asked to sign a resignation letter before he boarded the plane? That answer was: Yes.

And then after that, to give Secretary Noriega some credit, he said that to make sure that we can resolve a good political resolution.

Mr. Speaker, if someone showed up to my house on a Saturday night and shared with me that either I needed to leave with them or I would be killed and my family, I would leave. If they were to ask me, listen, sign your mortgage or your deed over to your property because we are not going to take you unless you do that, I would sign it.

We met with the Secretary-General of the U.N., several Members of this Congress, on Monday. This brings into question, was this an exit of a leader who wanted to leave of his own free will and saying that, hey, come get me, I already have my resignation letter ready and I'm willing to sign it, I want to thank you, America, for helping me and helping my family leave this island? Or was this a resignation under duress? We do not know if the 33rd coup d'etat took place on Saturday night or it was just a misunderstanding.

I must say, I am no fan, and I have said this time after time, Mr. Speaker, of President Aristide. I represent Miami. I represent south Florida. But what I am a fan of is democracy. When these knee-jerk policy decisions are made on a Saturday night, it puts forth a bad light on the United States of America as it relates to how we deal with democracies in South America or in the Americas. This is so very, very important. We are sending the signal to individuals that will arm themselves, known to be outlaws, have been a part of terror groups in the past of Haiti to arm themselves and take cities, if we like it or not. Some may argue, well, the 2000 elections as it relates to Haiti was wrong and it was

flawed. I would say that he was recognized and given credentials by the Ambassador of the U.S., President Aristide was. He was recognized by the United Nations as the President of Haiti. So to even talk about the 2000 elections, and I think that we should not even go there as it relates to our own personal situations. And one thing that I do honor. Never once that I have denounced or said that President Bush is not my President. He is my President. Until November, until we all get a chance to be able to cast our ballots as Americans on how we feel, he will be the President until that point. If he is reelected, he will be reelected. That is just something that we have to live with. But what is important as we move forth from this point and making sure that we stop the violence is that we play with a level hand. Guy Philippe is an individual that has said, once again, that he will arrest the prime minister. The prime minister of Haiti's house has been burned down to the ground. It has been looted and burned down to the ground. He has been living in his office protected by U.S. Marines. Can he leave that office? No. I do not think that that is a safe situation.

I have one other thing before I yield to my colleague here. Secretary Dewey said that there has been over 900 Haitians rescued. The Secretary-General of the U.N. had brought a question to the United States policy as it relates to individuals trying to flee Haiti of fear of persecution. Persecution means that if you return, you are fearful of your life or your family's life, women and children. We have repatriated over 900 Haitians even though the road is littered of bloated bodies that the rebel forces left in the path on their way to Port-au-Prince, never once stopped by the United States of America, never once stopped by the international community but kept marching on. It is that same rebel force that did not agree to any of the diplomatic or political solutions we tried to bring about to bring a peaceful resolution to what was going on in Haiti. Nine hundred were repatriated. The Secretary reported since Aristide has left the island only three have been caught and repatriated. Let me just say this. After the 900 that were brought into the Port-au-Prince dock and sent off to the streets because they were leaving from the south end of the island, not from Port-au-Prince, which is like over 100 miles away, they are walking through a populated area where rebel forces and other folks can see them and their families. Some of them are government workers, some of them are individuals that were pro-Aristide or they never would have left the island in the first place. They were not leaving because of President Aristide. They were leaving because of the violence and the persecution that they were going to receive. So I would not even try to leave if I knew I was going to go through Port-au-Prince and ev-

eryone was going to see me and know exactly where I am. They are now in hiding in Haiti.

I think it is important, ladies and gentlemen, that we look at what we are doing and how we are doing it and if we want to see a peaceful resolution in Haiti, it is important that we put forth policy not on slogan but based on making sure that our troops and humanitarian supporters are safe. So it is very, very important that we understand that as this U.S. Congress.

Mr. Speaker, I yield to the gentleman from Michigan, the ranking member of the Committee on the Judiciary.

Mr. CONYERS. I thank the gentleman from Florida for yielding.

(Mr. CONYERS asked and was given permission to revise and extend his remarks.)

Mr. CONYERS. Mr. Speaker, I begin by commending my colleague from Florida for the testimony that he has given before the Subcommittee on the Western Hemisphere of the Committee on International Relations. It has been quite a day, quite an afternoon and evening. As a matter of fact, that subcommittee is still going on as we take this special order. I think the gentleman who has perhaps more citizens of Haitian descent than anyone else in the Congress should take this special order in which we can continue to develop the discussion about how we are to deal with this very sensitive foreign policy issue that is made more emphatic because of the fact that it is within the Western hemisphere. This is not thousands of miles away. This is hundreds of miles away from our shore. It is very, very important. I appreciate my colleague's testimony and that of all the members of the Committee on International Relations and the Congressional Black Caucus and others who participated in the proceedings this afternoon in the Committee on International Relations.

□ 1900

Let us begin with the most immediate consideration, that is, the safety of the president of Haiti and his wife, Mildred Aristide. And I want to ask the gentleman from Florida if he can shed any light based on the numerous discussions that went on around this subject this afternoon in terms of where they are and what amount of security is being made available to them at this point.

Mr. MEEK of Florida. Mr. Speaker, from what I understand, I have no firsthand accounts, that they are in a Central African country, that they have French and U.S. guards that are protecting them, including their own private security that President Aristide has had over the last couple of years. So from what I understand, his life is not in jeopardy, and I am glad that the gentleman has brought that up because there are many people not only in the United States but many of my constituents that feel otherwise, and we try to find out that kind of

good information and share it with them that all is well so that we can hopefully see some sort of smooth political process in the future.

Mr. CONYERS. Mr. Speaker, I thank the gentleman for his comments. And I would like to put on the record at this point that the Assistant Secretary of State, Mr. Noriega, testified, much to my interest, that at this point the United States, having brought the president and his wife to the Central Republic of Africa, has now taken no responsibility for his security at this point. This is a Francophone country in sub-Saharan Africa that has recently undergone a coup. As a matter of fact, there were two coups, and the last one was successful. It is a very dangerous circumstance because those of us who may have talked to the president or his wife, and I am one of them, they have yet to have met with the president of the country in which they have been brought, that they are apparently under some kind of formal or informal house arrest, that they consider themselves to be in danger.

So I wanted to put everybody on notice in the United States of America, including the President and the Secretary of State of the United States, that they may be in danger even as we speak. We are trying to get phone calls to them to determine what amount of security is being afforded them. It is somewhat disingenuous for the Assistant Secretary of State to tell us that having deposited them in a rather isolated part of Africa of a very small and modest means, this nation, in a country in Africa which is circumscribed by poverty and economic deprivation, which in some reports to me have indicated that there may be elements of civil unrest still going on in the country, that he could testify before a committee of the United States Government that we have no responsibility for the president's or his wife's safety at this point. If this does not set off alarm bells, I do not know what else will.

So if this Special Order convened by the gentleman from Florida does nothing else but preserve the security and safety of the president and his wife in the National Republic of Africa, this will be well worth the time that we have spent here.

It is my position that the United States has every responsibility for the continued security and safety of the president. As a matter of fact, we have been told that the reason that he left Haiti was because his life and his wife's were in danger. Now to take him thousands of miles out of his country and then tell us that we have no longer any responsibility for his security, it is up to somebody else, is totally unacceptable. And I want to put this government on notice right now that we had better get some security over there if it is not already, and this is what I am going to be working on for the rest of the evening and into the morning.

Mr. MEEK of Florida. Mr. Speaker, I think that is important too. I just

want to make sure that I clarify that, from what I understand from the gentleman from New York (Mr. RANGEL), that he spoke with President Aristide this evening or earlier, and he did share that he had French, U.S., and personal security individuals; and he is on a French base in this particular country. Hopefully, that security holds up over time and justifiably so.

Going back to what I was mentioning a little earlier, and I know that the gentleman from New York (Mr. MEEKS) has joined us now for this discussion, but the very safety and how President Aristide was removed speaks to the future security of Haiti. And the gentleman from Michigan is a member of the Committee on the Judiciary. I know that he is fully aware of the temporary protected status that all of us have been fighting for so that we do not put Haitians that are in the U.S. into harm's way just like we have done for other countries that had similar turmoil, be it political or natural disaster. I think it is important that we note that when people are saying why are we worried about how President Aristide left, I am more worried, Mr. Speaker, about the safety of the Haitian people, also worried about our troops that are in Haiti protecting not only U.S. properties but also looking at the issue as it relates to the safety of humanitarian workers; and I think the way that the administration moved on a Saturday night/early Sunday morning with this whole resignation thing or he cannot get on a plane fuels more chaos on the ground in Haiti.

Mr. Speaker, I yield back to the gentleman, as the ranking member of the Committee on the Judiciary, to speak to that.

Mr. CONYERS. Mr. Speaker, let us review the urgency of what the gentleman has described as the designation of a temporary protected status for all Haitians who are fleeing the country. I was not able to raise this personally with Mr. Noriega, the Assistant Secretary of State for Caribbean Affairs; but he said that now that President Aristide has gone, it may be safe for people to return to Haiti. This is probably the most dangerous statement that has been uttered in a congressional hearing certainly this year and maybe all last year as well.

To tell anybody that it is safe to go back to Haiti when there is no government, when the rebel leaders have announced that they are replacing the police and cooperating with the prime minister, people who led the overthrow of the first democratically elected president in the 200-year existence of Haiti, is probably the most incredible utterance of this year or last year. And the gentlewoman from Texas (Ms. JACKSON-LEE), our ranking subcommittee person on the Immigration, Border Security, and Claims Subcommittee on the Committee on the Judiciary, and I and others on the committee have written Secretary Ridge, asking that he designate temporary

protected status to the Haitians that are fleeing. To turn them around upon arriving here from hundreds of miles in an ocean always on very fragile craft, that the first miracle is that it even got to our shores, would be inhumane. And yet this is the policy as we speak tonight.

And so I have to ask the President of the United States to review this standard, especially since this is the only group coming to this country, Haitians, that are instantly turned away in violation of the immigration laws of this country and in violation of the humanitarian laws that control all of us in the family of nations and in the United Nations itself.

Mr. MEEK of Florida. Mr. Speaker, I want to thank the gentleman for coming down and his being willing to stay and be a part of this discussion.

I know the gentleman from New York (Mr. MEEKS) left the Committee on International Relations to come here and join us here tonight.

Mr. Speaker, I yield to the gentleman from New York (Mr. MEEKS).

Mr. MEEKS of New York. Mr. Speaker, I want to thank the gentleman from Florida for yielding to me, and I want to thank him for having this important hour. I want to thank the distinguished ranking member of the Committee on the Judiciary and the dean of the Congressional Black Caucus as to all of his insight and his invaluable knowledge.

I just left the hearing; and just piggybacking on the colloquy that was taking place, I just asked one of the witnesses that was brought in who used to be in charge of Haiti University, and I asked him a simple question since I know that part of the administration had brought him here and wanted him to testify since he was their witness, whether or not he thought that individuals in Haiti should receive asylum right now coming into America, whether he thought that the policy that the United States has of turning back Haitians and accepting Cubans was a fair policy. And he quickly and unequivocally said that he thought that that policy should change and it shows absolute discrimination against the Haitian people and that that is something we should be moving in a complete bipartisan manner to make sure that we take care of those individuals, particularly now because of the fact that our hands are virtually tied into what is taking place in Haiti currently.

We need to talk about the security of the people that are on this little island called Haiti, 8 million people. What is going to happen to them? It seems to me that what took place here when we did not compel the individuals to sit down at the table to have a peaceful negotiation, when we knew that the alternative would be that common crooks and criminals would be coming in armed, coming across the border, people who had been banned for life and people who are really Benedict Arnolds because they were traitors to their own country, that they would be coming

back to have an insurrection as well as killing innocent men and women on the streets of Haiti, that we should have done something about it. And now with no form of government that is there now, democracy basically we did not uphold, it has crumbled, the people in Haiti are at the mercy of these individuals.

I think that the gentleman from Florida (Mr. MEEK) clearly pointed out at the Committee on International Relations how he brought both The Washington Post and the New York Times showing this Philippe, who is a known criminal, convicted, is now declaring himself to be the leader and people holding him up as if he is ruling the country, and we saw no place in the paper, nor have I heard of anyone else saying, that they were in charge. We have not heard from the prime minister. We have not seen that the chief justice of the supreme court, anywhere in the constitution, when we talk about democracy, says is supposed to be in charge.

□ 1915

Here is this guy demanding and commanding the police force, telling the people if this guy shows his face he is going to have him placed under arrest. So the people of Haiti are under, apparently, unless the papers are lying, and from what I see, are apparently under the jurisdiction of individuals who are convicted criminals. What they did was come, and now they have opened up and destroyed all of the prisons, where people who are under a legal system, we talk about institutions, but under a judicial institution system, that were convicted by law, they are now walking the streets and the people of Haiti are subject to them.

So I say to the gentleman from Florida (Mr. MEEK), we have to really wonder whether or not the people in Haiti are safe now. I hope that the troops on the ground are changing their position, because I know at one time they were only protecting United States property. So the question is, what about the people?

Mr. MEEK of Florida. If I could reclaim my time from the gentleman from New York (Mr. MEEKS), I just wanted to make a quick point. I share with Secretary Noriega and others, you would have individuals in the White House saying that, well, I hope that Members of Congress would watch what they say, because they are putting troops' lives and State Department civilian workers' lives at stake.

I must beg to differ, because we did not make the Saturday night visit. We did not bring about the kind of swiftness that our country brought about. We did not allow rebels, I am going to use Mr. Noriega's term, "thugs and criminals," to go through Haiti, taking over cities, burning police departments, pulling pro-Aristide supporters out and executing them in front of their homes. We did not do that as

Members of the Congress. And as it relates to the executive branch, the administration, they did not stop it. All they did was put out a little press release and say "we condemn the actions of this group. Stop doing what you are doing."

Not only did we go to the negotiating table, and I commend Mr. Noriega for going over there, I commend the President for saying we are sending the diplomatic corps over there. President Aristide sat down and said, "Fine, I agree with you. Let us share power."

The opposition party said no. "Okay. We will give you a deadline of 5 o'clock." Still no. The following day, still no. Then we just kind of walked away.

But then it became a point to where that in this democracy, the biggest democracy on the face of the Earth, the United States of America, went in and told the President of Haiti, as wrong as he may be on several issues, "You have two choices: One, we can have a plane here to save the lives of you and your family, or you will be killed. And, by the way, if you want the plane, you have to sign this letter resigning as president of the country that you were elected to serve."

I would say to the gentleman from New York (Mr. MEEKS) and the gentleman from Michigan (Mr. CONYERS), I hate to keep going back to that point, because I think that is going to be the cornerstone of how we move forth in Haiti.

Now, you listen to Mr. Noriega, you listen to the President, they start saying, "Well, you know, we are restoring order and peace." But that is not what the Washington Post is saying. That is not what the New York Times is saying. That is not what the Miami Herald is saying. That is not what the Associated Press is saying. That is not what CNN is saying. That is not what MSNBC and any other news organizations are saying.

What they are saying is Mr. Guy Philippe is the leader of the army and he is in charge, and he will say, President Alexandre of the Supreme Court, I will yield to him, but at the same time it is him riding through the streets with armed bandits.

Mr. MEEKS of New York. Just quickly, it is not only all of the press, but my constituents who have relatives that live in Haiti, and they are on either side of the fence. Some of them do not like Aristide either. But they do not like these common crooks that are there.

When they call my office, they are telling me they are afraid for their mothers, for their grandmothers, for their uncles, for their aunts who are living there now. The situation is not better than it was before Aristide was forced to get on the plane. In fact, if anything else, it is worse. That is what they are calling my office and saying to me.

Mr. CONYERS. If the gentleman would yield further, I would like to put

in the RECORD a communication from Jamaica from Randall White about the meeting of the CARICOM Conference, the more than two dozen nations in the Caribbean, who have sent this communication.

It reads: "The CARICOM prime minister's press conference ended at about 1330 EST today after meetings which began yesterday and about midday.

"Here are the main points of the press conference." This is CARICOM, of which Haiti is a Member.

"A communique is being drafted and will be issued later.

"CARICOM does not accept the removal of Aristide and demands the immediate return of democratic government in Haiti.

"CARICOM leaders have been in almost constant contact with Aristide before his removal and were never given the impression that he wished to resign or to leave Haiti.

"CARICOM demands an impartial transparent investigation by the United Nations into the circumstances surrounding Aristide's removal.

"CARICOM will have no dealings with the so-called government of Haiti."

Mr. Speaker, I include the communication from Randall White for the RECORD:

The Caricom prime minister's press conference ended at about 1330 EST after meetings which began yesterday and ended about midday today. I must confess pleasure and some surprise at the strength of the response.

Here are the main points of the press conference. A communique is being drafted and will be issued later.

Caricom does not accept the removal of Aristide and demands the immediate return of democratic government in Haiti.

Caricom leaders had been in almost constant contact with Aristide before his removal and were never given the impression that he wished to resign or leave Haiti.

Caricom demands an impartial transparent investigation, by the UN, into the circumstances surrounding Aristide's removal.

Caricom will have no dealings with the so-called government of Haiti.

Seems like a good strong statement.

That reminds me that in our visit to the United Nations to meet with the esteemed Secretary General, Kofi Annan, it was announced today that they, too, have launched an investigation into this matter.

Mr. MEEK of Florida. Mr. Chairman, I want to thank you for reading that, and I will tell you how important CARICOM is to the economy here in the United States. We have what we call the Free Trade of the Americas, and they are a part of the whole hemisphere and economy and everything. We need the Caribbean with us.

Prime minister Patterson of Jamaica put forth a great effort as a neighbor to Haiti of wanting to see a resolution, a peaceful resolution. It was the Bush administration that rode in on the backs of CARICOM saying that we are going to use the CARICOM agreement. That is what the Secretary of State Noriega went down to Haiti to negotiate. Prime

minister P.J. Patterson went to the Security Council on Friday of last week saying we must immediately go into Haiti to secure the situation so that we can resolve the CARICOM agreement, which was the political solution.

To his shock and dismay Saturday evening came about, and I will tell you there is no secret, there have been press accounts, that basically President Aristide was told the following: "One, get on the plane and leave and save the lives of you and your family; or die."

Now, this is the bicentennial, as the gentleman from New York (Mr. MEEKS) knows, of Haiti, 200 years. On this 200th anniversary, or bicentennial, history is going to reflect that the United States played a hand in what possibly could have been the 33rd coup d'etat of Haiti.

I personally did not want our contribution to be that, especially since Haiti made it possible for us to make the Louisiana Purchase by taking out and beating down Napoleon, who was trying to run the whole world. Haiti went to Savannah to help us gain our independence against the British.

We got all upset with France over Iraq, talking about they do not appreciate our contributions of the past. I will say that the way we are going about it, I will not even say "we," because I do not think this Congress would have even moved in this way, if we had the prerogative to have some say in this, in the way the administration moved.

So, Mr. Chairman, I am glad you put that into the RECORD of the Congress, so Americans will have an opportunity to reflect back on this moment to know that there were Members who were willing to bring this issue to the floor to let them know that history should not repeat itself.

Mr. MEEKS of New York. Mr. Speaker, if the gentleman will yield further, I think that CARICOM really should be applauded, because they really stepped up to the plate. They could have sat back and said just let it be. They could have been silent, as we were, up until that point, because we did not push CARICOM or anything.

We are the largest democracy on the planet. Yet we did not go in there to urge any kind of diplomatic or political solution. It took the nations of CARICOM to step up to the plate and say, "Look, we do not want mayhem and violence. We understand the history and significance of Haiti. Therefore, we are going to come up with this plan and try to get two people to the table."

Who dropped the ball? Unfortunately, this administration dropped the ball, because it did absolutely nothing to urge the opposition to come to the table. In fact, by its silence it said, "You do not have to come to the table," which one knew then would lead to a result of what could possibly be the 33rd coup d'etat in the history of Haiti.

When we look at it, the question is, what if anything could have been done

by Aristide at that time, because he agreed to everything. First the bishops came with an agreement. Aristide agreed to it. The opposition disagreed. No one compelled them to come to the table. Then CARICOM came. Then there was an international group that came. You would have one side there saying we are willing to talk.

I for one had some problems with what was going on, and I thought having some more people involved in government and making sure there is a balance of power, that is what democracy was all about. As I looked at the CARICOM agreement, I saw there were concessions in there that individuals who may have felt they were locked out of government and not able to participate in a democratic process, that they were given, and that was going to be part of the negotiating peace, where they would be given the opportunity to sit in a floor similar to what we have here in the United States of America, in Haiti, so they could have the political debate to argue one side to the other.

Now, for sure, in my estimation, I do not agree with most of the things that the Republicans in our House do, as far as what they are moving. But we do not get into armed revolt. What we do is talk about it and debate on the floor and I have an opportunity to participate. Sometimes I even question the opportunity to participate because we are limited in our rules. But still it is the democratic process. It is the institution that we have. I think that is how problems should be resolved, and that is what we should urge people to do.

I said for a long time that I disagreed with the results that took place in the year 2000, where I believe that we had a President that was selected by the Supreme Court. I disagreed with that. But I thought that the way that we responded when we said okay, I disagree with it, but the Supreme Court is what our institutions say where there a dispute it is to be resolved. So even the fact that I disagreed with what took place and with the decision, I am going to agree with that.

That would be a lesson, an example, for the rest of the world to see, and thereby we should then also encourage other individuals to establish these kinds of institutions and to support them and not undermine them with common crooks and criminals.

Mr. MEEK of Florida. I have two points and a question for the chairman. Two points: Number one, President Aristide was recognized not only by the U.S. Ambassador, I want to recap, as the duly elected President of Haiti, but also recognized by the United Nations and the international community as being the President of Haiti. So when we hear these arguments about a questionable election, I do not say history speaks to that as it relates to our diplomatic ties with Haiti.

Mr. Ranking Member, whom I refer to as "chairman" constantly, the gen-

tleman from Michigan (Mr. CONYERS), I have a question for you: Let us just play "what if." Let us just reflect back, because I was not in the Congress when William Jefferson Clinton was the President of the United States of America.

If there was a Saturday night visit by the Clinton administration to a democratically elected leader, what kind of Congressional hearings would be taking place right now on the Hill? I just want the gentleman to share that. I want the RECORD to reflect that, because I remember being a member of the State legislature a number of hearings for less.

I yield to the gentleman from Michigan.

Mr. CONYERS. Mr. Speaker, I thank the gentleman for yielding.

Well, first of all, we want to commend the subcommittee chairman, the gentleman from North Carolina (Mr. BALLENGER), for doing what he did today. I think it was very important. We will have a transcript of that record, the media was there, and it is an important beginning. But the gentlewoman from California (Ms. LEE) and myself, who are the co-chairs of the Haiti Committee, will have a resolution circulating tomorrow calling for an independent examination of this over and above the Congress.

□ 1930

The United Nations will be embarking on the same thing. And so it seems to me that the three things I wanted to add as we conclude, and this is what I think has been the import of this 3-way discussion this evening: one, the safety of the President of Haiti and his wife in the Republic of Africa; two, that we have an immediate meeting with Secretary of State Powell and Ridge about the temporary protected status of anybody that flees from Haiti and comes to our shores; and, three, that we continue the introduction of the resolution that will call for, in addition to any congressional activity in the House or the Senate, an independent examination of the circumstances of the United States in terms of this coup d'etat that has occurred in Haiti.

If there are other items to add, I would be pleased to add them to this list.

Mr. MEEK of Florida. Mr. Chairman, I just want to say that it is important that we try not in our democracy to revisit the kind of action as I understand it has taken place over the last 84 hours. While we are speaking into the record, I want to commend not only the Secretary of the U.N. for his forward progress and concern and in appointing a special envoy to deal with this situation in Haiti. But it is going to be upon this Congress to be able to respond in the way that we should. We cannot have it both ways. We cannot say, Haitians, you stay in Haiti and then on the other hand clog up assistance. We cannot say, because it is all wrapped around Haitians leaving, that

is the real issue. Haitians, stay in Haiti. Deal with your own issues, but we will hold up the assistance. I say that again because that is what has happened in the past, Mr. Speaker.

I appreciate the gentleman's work as chairman of the working group as it relates to Haiti and its issues. But the gentleman from New York (Mr. MEEKS) and I celebrate representing a large Haitian American population, and I must say that it is important that we do the right thing in Haiti.

Number one, to make sure our troops are not over there for the rest of their lives. Because if we follow the Bush policy that has been followed in Iraq, we do not know when the clock will run out on that. We do not know how long our troops will be there. If you let some of us tell it, we think we are in charge in Iraq. And every day on the news it is different.

So when I look at this administration, it is a say-one-thing-and-do-another administration. And I hope that the American people are paying very close attention. If you care about Haiti or not, you have to care about the moves that we are making that are going to define the very future of our children's and grandchildren's lives based on the knee-jerk decisions that are being made on a Saturday night.

Mr. MEEKS of New York. Mr. Speaker, I want to thank the gentleman, as well as the ranking member, the gentleman from Michigan (Mr. CONYERS), when I think about the whole Haitian task force.

Number one, the record should reflect that this is the gentleman's first term in Congress, and he surely has followed right in the foot steps of his mother, Carrie Meek, who long stood fighting for the rights of Haitians and talking about the injustice that Haitians were receiving. And I think that his stepping forward on behalf of the Haitian people is clearly what he has done.

We talked in the hearing about the wisdom that the gentleman has brought to the hearing today and that he brings every Wednesday to the Congressional Black Caucus meeting because the gentleman has this interdialogue with individuals from his community, the largest Haitian community on or in our country. And what the gentleman brings is a different insight. It is an insight that unless you have that kind of interaction, everybody would not know of. And the gentleman has done it in such an articulate manner, and we appreciate it.

I mean, how the gentleman pointed out today, for example, that our policy, we had a problem talking about getting troops there to stop the common crooks from coming, but we had boats there instantly where you can see them from the shore to stop Haitians from coming here. That is why you only see 900 here. That was just very astute of the gentleman, and we thank him for bringing that forward.

Mr. CONYERS. Mr. Speaker, I would like to join the gentleman from New

York (Mr. MEEKS) in that commendation to the gentleman from Florida (Mr. MEEK).

Mr. MEEK of Florida. If the gentleman from Michigan (Mr. CONYERS) could yield while I call my mother so she can watch. Both of the gentlemen are saying these wonderful things about me. Go ahead.

Mr. CONYERS. This has been very important; and, of course, it is very clear that this is the beginning of our inquiries into U.S. activities, conduct, action, in front of and behind the scenes with regard to this poor, distraught, economically strapped nation.

We have a much wider obligation than has been employed so far, and I think the Congressional Black Caucus, the Hispanic Caucus which has joined with us, the Progressive Caucus, the Pacific-Asian caucus, the Native American Caucus, we have all been working together with a number of people. The gentlewoman from Illinois (Ms. SCHAKOWSKY) is in at least one of those caucuses, but there are a number of other people that are coming in to join us because democracy is being tested by what we do and what we say.

It is very important. We met with the CARICOM leaders and its chairman, just before we met in the United Nations; and it was very obvious to them that if this could happen to Haiti, it could happen to them.

Mr. MEEKS of New York. Just on that point, because, I think it is important, on the whole western hemisphere because the first statement that we heard from President Chavez from Venezuela is indicating that Venezuela is not Haiti. Because just in April of 2003, there was an attempted coup there, again, threatening democracy; and we stood idly by. And but for the people of Venezuela who decided that they were not going to allow the coup to stand and put the president back, we were silent on that.

Our hands were kind of caught, the administration's hands I should say, because the gentleman is correct. I do not think the Congress would have acted that way, but the administration's hand was caught in a cookie jar. Here we come just a few months, we move from that, and we have the same kind of coup. There is a lot of similarities in that, whereas we seem to disregard the institution of democracy because of the dislike of who happens to be the democratically elected president. What we should be doing is looking to see how we can strengthen those institutions of democracy, how we can be helpful to strengthen those institutions as opposed to saying that the way you do that is to have a coup d'etat which gets rid of government altogether and causes mayhem.

Mr. MEEK of Florida. Let me just say this, there is a footprint of drug activity in the Caribbean. So that means that you have well-financed individuals that have guns that have now been green-lighted by this administration, that it is okay. And if I were the prime

minister of any country in that area, I would be very concerned.

You would assume that the U.S. would help put a stop to this kind of thing. This is the vacation capital of the Caribbean. They are not used to worrying about coups and all these little different things. But if they watch very slowly over a 4-week period, drug dealers, known criminals, thugs going through Haiti and if you notice as they are starting to progress, they are getting body armor, helmets, fully automatic AR-15s, M-16s.

Mr. MEEKS of New York. Where do they come from?

Mr. MEEK of Florida. They say they came from the Dominican Republic. Also, there was a question about the U.S. selling arms to the Dominican Republic, some of those same arms that ended up in Haiti.

So I am not a man with conspiracy theory here. And take it from my good friend, the gentleman from New York (Mr. RANGEL), this is not the Kendrick Meek Report. This is factual. So we have a lot to be worried about. And like I am saying to Americans, what this administration is doing as it relates to putting our armed services and making the job harder, we could have had peacekeeping troops in there. We could have stopped the violence, and we could have come up with a peaceful solution.

Mr. CONYERS. Under the Special Orders that we will be taking tomorrow evening, I will be able to report to you the whereabouts of young Duvalier, who is reported today to be planning to return to Haiti. And there is a young gentleman evicted from Haiti named Constant in New York.

Mr. MEEK of Florida. He is in my district.

Mr. CONYERS. We have to watch where he is at all times. His record is bloody and long and unsavory. And so I am very glad that both of the gentleman, who have enormous Haitian constituents, are here not just because of their numbers, but because American democracy is on trial in Haiti.

Mr. MEEK of Florida. As we close, Mr. Speaker, and I want to thank the Members of the House and the Democratic leader for allowing us to have this moment to address not only Members of the House, but the American people and that we think long and hard about the decisions that the President is making. We think we should not automatically give instant credibility to Saturday-night decisions.

I am pretty sure there is a strong argument to justify the reason why we went in and we told President Aristide what we told him when we told him. I am pretty sure that there is a strong argument when we said you have to sign this letter of resignation not once, but twice, before you board the plane to save your own life. I am pretty sure there is an argument. But I will tell you as we look on the annals of history of this country and how we treat democracies, like it or not, there has to

be a better way. For us to make sure that we assure the safety of those peacekeeping troops that are there, some that are Americans, some that are do-gooders at the United Nations, we need to make sure that we do not put them in harm's way.

Mr. Speaker, I pray and I hope that we do not have any harm come to any of the peacekeepers that are there. I pray and hope that the killings stop on both sides of the ball as it relates to Haitian people.

Mr. Speaker, with that I will close. I am proud to be a Member of the U.S. House of Representatives, and I hope in the future that we can change some of the mistakes that have been made in the last 84 hours.

REWRITING AMERICAN HISTORY

The SPEAKER pro tempore (Mr. CARTER). Under the Speaker's announced policy of January 7, 2003, the gentleman from Colorado (Mr. TANCREDO) is recognized for 60 minutes as the designee of the majority leader.

Mr. TANCREDO. Mr. Speaker, as I sit and listen to my colleagues discuss the events in Haiti, I cannot help but think about the fact that although they are quite concerned about the recent events and that Mr. Aristide has been ousted, it is important I think for us all to recognize that it is the people of Haiti that ousted Mr. Aristide; and whether our colleagues in the House of Representatives do not like that or not, it is really irrelevant.

He was, in fact, a socialist and rather incompetent administrator; and it is not surprising that his regime came to an end.

At any rate, let me pose a question, Mr. Speaker. Mr. Speaker, would you believe that in the textbook in a school district in New Mexico, an introduction to that textbook which is, by the way, called "500 Years of Chicano History In Pictures," states that, and remember, this is a textbook in a public school in the United States of America, specifically now in New Mexico. And this is not a question being posed. What I am going to read here is not what somebody just suggests.

□ 1945

This is what the textbook purports to be true. It said that this textbook was written "in response to the bicentennial celebration of the 1776 American Revolution." You think good, nice idea, "and it's lies." Its stated purpose is to "celebrate our resistance." Who are they talking to here? Celebrate our resistance to being colonized and absorbed by racist empire builders?

The book describes defenders of the Alamo as slave owners, land speculators and Indian killers, calls Davey Crockett a cannibal, and it said that the 1857 war on Mexico, not war with Mexico, war on Mexico was an unprovoked U.S. invasion.

Chapters include headings like Death to the Invader. This is the chapter

heading: U.S. Conquest and Betrayal. Here is another chapter heading: We Are Now a U.S. Colony in Occupied America, and They Stole the Land.

Now this is a textbook. This is what has been printed. This is what has been adopted. This is what is being used in schools in New Mexico. I do not know how widespread this is. I do not know how many other schools have adopted it. I do not know whether it is on anybody's recommended reading list for children, but I do know that, as bizarre as all of this sounds, it is not unique. This is not an aberration. This kind of revisionist history, this kind of venomous descriptions of the United States is not unique.

That should concern us all, I think, and it is what I want to talk about to some extent this evening: What is happening to the teaching of our history, our culture and the heritage we call Western civilization, and why I think it is important to address this issue in this body.

There was an old chant during the 1970s, I think it was, maybe late 1960s, early 1970s. College campuses in reference to maybe Ho Chi Minh. Students would chant Ho Ho Ho, Western Civ has got to go. I remember that on my campus as a matter of fact, and it has gone by the way. It has gone. Seventy percent of all of the elite institutions of higher education in this country have dumped it from their course list and from the curriculum. They will not teach Western civilization anymore, and quite frankly, if this is a reflection of the way Western civilization is taught to students, not just in high schools but colleges, which of course it is, then I am glad they are not teaching it anymore because they are not teaching Western civilization. They are teaching a hatred for Western civilization and a hatred for everything we are as a Nation because, Mr. Speaker, we are a reflection of that civilization, a Judeo-Christian heritage about which we can be very proud, the story of which we should pass on to the children who come into our schools and the immigrants who come into this country.

Let us go through some other interesting examples of what we have found in the textbooks of America and why today at 10 o'clock across the street I and several other Members gathered to announce that we have introduced a resolution into this body. Simply put, the resolution says that children graduating from schools in this country should be able to articulate an appreciation for Western civilization. That is it. That is it. Does not mandate anything on schools. Does not demand that we change textbooks. Does not do anything. It just says that we think, as a body, that children graduating from our schools should be able to articulate an appreciation for Western civilization.

Would you think, Mr. Speaker, that that is a contentious amendment or resolution? Would you think that that

is something where people would respond vitriolically and say how dare you? But they did. But they did.

The National Education Association thinks it is deplorable. By the way, there were similar press conferences held throughout the country today by State legislators or press releases they sent out saying they were introducing similar resolutions in their State legislature. We have probably, I do not know, 10 or 15 State legislatures that have agreed to take on this challenge. We have hundreds of individuals who have gone to our Web site on their own. I mean, it was amazing that even before we announced this today, we had all kinds of folks who had gone to the Web site, www.house.gov/tancredo, pulled up, and when the pop up came up, it is called Our Heritage, Our Hope. They went to that page, and they saw the resolution. They saw the resolution that the State legislature was going to introduce, and they saw a resolution they could bring to their school board, a similar resolution, asking that the board actually prepare students who would be able to articulate an appreciation for Western civilization. There is plenty of opposition to this. It is just amazing but there is.

People ask me why did I do this, why did I find it necessary to actually take this action and introduce a resolution. Well, Mr. Speaker, my colleagues know that I spend a great deal of time on the floor of this House and talking to you and other Members about immigration related issues and my concerns that our country is being divided up, it is being balkanized, that we are not encouraging assimilation, that we are encouraging this fragmentation of America by telling people who come here that they should not become part of the American experience; there is nothing really good about it; that they should keep their own languages. We should teach those languages in the school instead of English. We should encourage them to stay separate. We should encourage them actually to even keep their own political affiliation with the country they came from. We tell them they can become dual citizens. We send all kinds of messages to them that there is nothing good about America. Why would they want to attach themselves to this kind of a country?

We tell them this and we tell their children that when they come to school, and we wonder why we are having a hard time actually creating a homogenous society. We really wonder what is happening to us. This is one reason why I address this issue, because I believe that we are telling our children and the children of immigrants that there is nothing of value in Western civilization or in the United States of America.

I went to a school in my district about 2 or 3 weeks ago when we were on break. It was a high school, brand new high school, good principal, good teachers, as far as I could tell certainly, kids

that had been relatively well-schooled in math maybe and reading. I do not know. I cannot tell you that I saw their CSAT scores or anything, but it seemed like a good school. Brand new, all the best accoutrements of education, and all these kids came to talk in an auditorium with me, and we had a really great kind of discussion, and then they started sending questions up to me.

One question that was posed to me was this. They said, what do you think is the most severe problem we face in this country, and I said, let me ask a question here, and then I can tell you what I think that problem is. I said how many people here in this auditorium, 150 I would say, 150 to 200, I am not sure how many, I said how many people here would say that you believe you live in the best country in the world. Simple question. There was a pause. A few hands began to go up. Maybe two dozen eventually raised their hand out of 150 to 200 people. I said, well, let me ask you about Western civilization. Do you realize you are a product of that and do you think by and large it is a good thing? Are you proud of that? Well, of course, no response to that one really. I said, well, then I can answer your question about what I think is the biggest problem we face. This is it.

Now, there were other kids in that room, Mr. Speaker, that I felt wanted to say, yes. You could tell that they were. I have been a teacher, was a teacher for years, and I have seen that look on their face. It is, I put my hand up, he may call on me, and I will be able to actually defend this proposition. That was the feeling I got that held them back, not necessarily that they did not like America, they did not think it was a good country, the best country to live in. It was, they could not defend it, they could not defend that proposition.

You wonder why. You wonder how it could be that by the time a child gets to high school that they would feel uncomfortable with saying, yeah, yeah, man, this is great, it is a country of freedom and we have got the Bill of Rights and just some things that you maybe reel off that you think are pretty good things and the reason why you live here, but they could not.

Not too long thereafter I met with a whole group of teachers. These were teachers from the Cherokee Creek schools. They were all social studies teachers. It was one of those in-service days. They were all supposed to come and hear me speak as part of their in-service. Some of them boycotted, would not come, because I was the speaker, understandable, but I would say again maybe 75 to 100 teachers.

I brought this issue up, and I told them what had happened in the other school. I said, do you believe it? Do you believe it? Again, maybe a couple of dozen, and I thought to myself, no wonder, of course. It is not a surprise then if the teachers in this room do not believe that they live in the best country

in the world, why would they teach their children that? Why would they teach students that? But what they teach them is to be critical of everything.

I want to emphasize, Mr. Speaker, I do not want us to tell children that all of our history is of glory and promise and hope. Certainly that is not true. Certainly there are many things we have done wrong, but let me suggest, Mr. Speaker, there is something absolutely unique about this country that deserves to be told, a story that deserves to be told and it is this.

Of all the countries on this planet, one, just one, started on the basis of ideas and ideals back in the 1700s. Every other country came about because somebody carved it up, conquered it, drew the lines or whatever, but we started the whole concept of starting a country with an idea. And where do these ideas come from? They are the ideas of Western civilization. They are the products of literally thousands of years of human development, starting with the Greeks and the Romans.

Certain concepts are uniquely Western. No other civilization can claim them. How about the concept of the rule of law as opposed to the rule of man? Uniquely Western. It is ours. It is good. It is a good thing. We are trying our best to right now plant those seeds in far off lands and are spending treasure, both monetary and human, in pursuit of that goal. The rule of law over the rule of man, not a dictator, not Saddam or Qusay or Uday, but the rule of law. That is what we are trying to do.

It is a noble cause. The men and women who are trying to plant those seeds are being fired on every day, some losing their lives, seems like every day.

□ 2000

But it is for a noble cause, Mr. Speaker. I believe that.

But how long would I believe those things if I had been taught every single day things like this: in a textbook called "Across the Centuries," which is used for seventh grade history, and, boy, I have to put the word history in quotation marks there. That is my editorial comment. The book defines the word jihad as, "To do one's best to resist temptation and overcome evil." So now this is what children are taught the word jihad means.

When this child watches a program on television and this word is used, and it is a word used in conjunction with someone who has just blown himself or herself up, and a lot of other innocent human beings around them, this kid is supposed to think that that is what somebody is doing in order to resist temptation and overcome evil. And if we condemn jihad against the United States, then we are condemning someone who is just simply trying to overcome evil. This is what we tell our children?

In 2002, the "New Guidelines for Teaching History" in New Jersey's public schools failed to even mention America's Founding Fathers, the Pilgrims, or the Mayflower. In the Prentice Hall history textbook, used by students in Palm Beach County high schools, titled "A World Conflict," the first five pages of the World War II chapter focus entirely on topics such as gender roles in the Armed Forces, racial segregation and the war, internment camps, and women and the war effort.

This is the way we introduce World War II to the students. It is all about this stuff, and not about trying to save civilization from a dark age; not about trying to stop a psychopathic killer who would have in fact destroyed the world. No, no, World War II was what do we think about the gender roles in the Armed Forces.

We have this list and many, many others on our Web site; and again I am going to say, Mr. Speaker, that it is www.house.gov/tancredo, and one can go to "Our Heritage, Our Hope." Mr. Speaker, there are people who can help us out there. They can sign up and help us take a resolution to their school board. It is all on there, and we will give them all the help they want.

Now, here is McDougal's textbook. And, by the way, I used a textbook 30 years ago by McDougal that is completely different from this one when I taught seventh, eighth, and ninth grade civics at Drake Junior High in Arvada, Colorado.

Here is what this one says about American history. It teaches that Sitting Bull had strength of character while Custer was a fool and rode to his death. Now I am not saying Sitting Bull did not have strength of character and purpose; but, again, look at the way all these things are presented. It discusses U.S. soldiers killing Indian women and children in Sand Creek and Wounded Knee, but fails to mention the Indian killings and the kidnapping of white women and children the summer before Sand Creek.

It devotes 180 lines of text to discrimination in the United States in the late 1800s and 1900s, 180 lines of text. It notes in the context of the Nazi Holocaust that George Custer used the term "final solution." It devotes 107 lines to the racist internment of Japanese during World War II, but nothing on the Japanese rape of Nanking or the 1942 Bataan death march. Not a word. It claims that anybody who opposes unlimited immigration is influenced by racism; that they were influenced by racism, especially in the 1920s, and were anti-immigrant.

Further, it editorializes that George W. Bush's conservative administration and policies are extreme. This is a textbook. It states that the Reagan-Bush "conservative agenda" limits advances in civil rights for minorities and that the conservatives' bid to dismantle Great Society social programs could be compared to abandoning the Nation.

I am telling you, Mr. Speaker. I mean, yes, I expect that here on the floor of the House. I expect to hear that from our opponents. Understandably, this is the place where this kind of tussle goes on. I expect to see it on the editorial pages of the papers in my district. They are all pretty liberal. I expect to see it by commentators in those newspapers, in the Wall Street Journal, in the New York Times, and The Washington Post. Yes, I expect to see all of this. But in a textbook? In a history textbook?

It also states that communism had potential totalitarian underpinnings. Potential? It contrasts Chiang Kai-Shek's repressive rule in China with Mao Zedong's benevolence toward peasants in the 1940s. It fails to mention the death of about 65 million Chinese after Mao came to power in 1949.

It classes sex roles in marriages with slavery as instances of inequality. It states that sex roles in marriage and in the family foster discrimination and inequality.

The Prentice Hall textbook "America: Pathway to the Present" contains references to Ngo Dinh Diem's repression in South Vietnam, but no references to the purge by Communists in North Vietnam from 1951 to 1956, which killed about 50,000 Vietnamese.

It states that Bush's 1,088 ads attacking Dukakis created a nasty contest, alienating some voters and contributing to low voter turnout.

It discusses the introduction of Old World diseases into the New World in the Colombian Exchange, but it does not discuss American diseases brought back to Europe. In fact, a lethal strain of syphilis, probably from America, killed many Europeans in the early 1500s.

Now, all these things are factual. And I am not suggesting for a moment that we should not talk about the problems that happened when Columbus came and the clash of civilizations. Would it be, I wonder, chauvinistic here and too one-sided to suggest that in the course of world history that whenever two civilizations clash the one with the greater technology is almost always, in fact always is the victor. And in the case of the clash of civilizations here on this continent, the fact is that the greater technology, the civilization with the greater technology, was the victor.

It does not excuse all of the problems that were inherent in that time frame and in that manifest destiny that we were pursuing. It does not excuse it and should not be overlooked. But is it the only story? Is that the only way to project American history and Western Civilization? Is that the only context we can actually think of to discuss this in for students? Is there anything that has happened here worthy of note from a positive standpoint?

The same "Pathways to the Present" argues that traditional sex roles deny women full equality because it does not empower them to perform as men. It

fails to mention in the brief reference it has to Thanksgiving that the Pilgrims were thanking God.

Now, there is Holt Rinehart Winston's "American Nation in the Modern Era."

And why I want to go through these, Mr. Speaker, I know it is lengthy, but I want to show the things I have pointed out were not aberrations. They were not just radical examples of this radical multiculturalist philosophy that actually permeates our system and our schools. It is the norm.

I talked yesterday to an editor at the Rocky Mountain News about this issue, and he said, well, you know, I do not know. I look at my kid's textbook and, admittedly, she is in a private school, so I am not sure it is the same thing, but I do not see a lot of this stuff. But he said, I do notice they are just not being taught American history, not any kind. Not this kind, but not any kind.

That certainly may be the case, but the problem here is there is simply a lack of American history or Western Civilization being taught all together. Whatever is the problem, whether it is this kind of revisionist history that is being taught, whether it is these kinds of skewed examples of who we are and what we are, or the fact that there is nothing at all, there is a problem. There is a problem because when we ask children, as I did, if they believed in who we are and what we are, they could not defend it. This is problematic, and it is something we should try to address.

Holt Rinehart Winston's "American Nation in the Modern Era" includes an exercise calling for students to criticize but not to defend nativists' support for immigration restrictions in the 1800s.

Again, could it be possible that some people during that period of time were concerned about things other than the race of the people coming in to the United States? Could it possibly be?

This links anybody who is opposed to immigration reform as racist and discriminating. It associates immigration restrictions with intolerance and discrimination.

I am surprised I did not get a mention in this book, but it is a little too early, I guess, for me.

It contains the theme that the only cause of violence in America, especially in the South in the Reconstruction area, were white racists. No other objection to radical reconstructionism. It devotes 1,456 lines to social protests by ethnic and other groups from the 1950s to the 1970s, but far fewer lines to U.S. involvement in World War I and II.

These things are not unique to just textbooks, by the way. At our colleges and universities there are a lot of awards that are given every year, called the Pollys, and they are for outrageous activities or behaviors or whatever on college campuses. They are as follows:

These are some of the events on college campuses: University of California at Berkeley. Student radicals broke into a Berkeley student office, stole the entire 2,000 press run of a conservative newspaper, the California Patriot, then threatened the editors with death when they filed a police report. It is believed the crime was committed by members of MeChA, a Mexican liberation group at Berkeley.

At Tufts University, hooded leftists assaulted a conservative student. The university let the attackers off with only a warning.

At San Diego State and at the University of North Carolina, campus administrators blame campus patriots and America for the terrorist attacks on September 11.

That was 2002.

The University of Oregon. Elements of the so-called Animal Liberation Movement specializes in "liberating lab animals and destroying private property through vandalism and arson" have an office at the University of Oregon in Eugene. Their newspaper, paid for by student fees, is *The Insurgent*. The December 8 issue, which contained an 8-page insert titled "The ALF Primer: Your Guide to Economic Sabotage and the Animal Liberation Front". It talks about arson and what else you can do to push this particular idea and agenda. A simple way to burn a vehicle is to place a sheet or blanket on top or underneath and soak it with a flammable liquid.

The university does not go after this group. They let them stay on campus.

□ 2015

The textbooks, of course, and professors at universities, things that are said about America and our involvement in Iraq, it is all absolutely incredible and absolutely one-sided. So that certainly does not help.

What one would hope is that children coming out of high schools in this country would have what is often referred to in the parlance in edu-speak as critical thinking skills. That is what we are supposed to teach children, critical thinking skills, so they are able to look at two sides of an argument and make some intelligent decision about which side is correct. But you can only have critical thinking skills if you are taught both sides of an issue, if you are shown there are two sides to these issues.

When children come out of our high schools and into these kinds of institutions, and we have literally scores of examples of things that happen and are stated on campuses all over the United States, it is no wonder that we see strange and bizarre reactions. For example, Antonin Scalia, a noted jurist speaking recently at an ivy league college almost was not allowed to speak. The students and professors protested the fact that he was allowed to speak on a college campus. They had big demonstrations outside. He is a member of the U.S. Supreme Court, a noted jurist;

and we had people in our country at institutions of higher education, and I have to put that in quotes, too, saying that he could not speak because what he said they did not agree with. It did not fit the model, this radical multiculturalist model that they had been force-fed for years. It is intolerance that we are, in fact, promulgating; intolerance for any other kind of idea other than that pushed by the radical left and the cult of multiculturalists out there.

Mr. Speaker, I believe it is problematic, and I believe there are things that we can and should do about it. If nothing else, we should simply start a debate about this. I hope that our resolution today helps generate some discussion and does help generate a debate about what exactly it is we expect from the students that are in our schools and what we expect from people coming into this country.

Mr. Speaker, I had occasion to talk to a bishop, a Catholic bishop in Denver, Colorado, named Bishop Gomez. We had a breakfast meeting awhile back. During the course of the discussion which naturally revolved around the issue of immigration, and I say naturally because that seems to be the issue I find myself discussing more and more often, Bishop Gomez said something to me and the other people at the table that I thought was quite incredible. He said, Congressman, I do not know why you are worried about the Mexicans coming into this country. He said, They do not want to be Americans. That was his comment.

I said, Bishop, that is the problem, of course. That does not make me feel good. If you think I am relieved by the fact that we have people coming into the country by the millions who do not want to be Americans, combined with the fact that everywhere they go in our society we tell them they should not be, if you believed what was in the textbooks that I just quoted, why would you want to connect with this country? You would want to take the benefits of a good job and send money back home, but you would not want to connect with it emotionally or politically. You would say, no, I think I will keep my citizenship in my country of origin. And between 5 and 10 million, huge numbers of people, are claiming dual citizenship in this country, which never happened before.

There are several great books, of course, but one is called "The Clash of Civilizations" by Samuel Huntington. I found it to be quite profound and quite provocative, and I certainly recommend it. But I harken back to another book I read a long time ago. It is called "The Disuniting of America," and the author was a guy by the name of James Schlesinger, Jr. Mr. Schlesinger is not known as a conservative pundit or author, and he is not. He is a liberal. But the book was, I thought, quite compelling. Again, I recommend it to anyone. It is a great book, "The Disuniting of America." He talks in

ways far more articulate than I, and he talks about this phenomenon. He talks about dividing this country and what we are doing to ourselves and what is happening to us. Why is it so hard for us to think about America and Western Civilization as a place and a civilization respectively of value? Is it because we are afraid to be patriots or to teach children to be patriots?

There is a fascinating article by Donald Kagan in "The Intercollegiate Review" in the spring 2002 called "Terrorism and the Intellectuals." He says, "Free countries like our own have had even more powerful claim on the patriotism of their citizens than do others, and our country has an even greater need of it than most. Every country requires a high degree of cooperation and unity among its citizens if it is to achieve the internal harmony that every good citizen requires. Unity and cooperation must rest on something shared and valued in common.

"Most countries have relied upon the common ancestry and traditions of their people as the basis of their unity, but the United States of America can rely on no such commonality. We are an enormously diverse and varied people, almost all immigrants or the descendants of immigrants. We come from every country on the face of the Earth. Our forebears spoke, and many of us still speak, many different languages. And all the races and religions of the world are to be found among us. The great strengths provided by this diversity are matched by great dangers. We are always vulnerable to divisions among us that can be exploited, to set one group against another and thus to destroy the unity that enables us to flourish.

"We live in a time when civic devotion has been undermined and national unity is under attack. The individualism that is so crucial a part of our tradition is often used to destroy civic responsibility. The idea of a common American culture, enriched by the diverse elements that compose it but available equally to all, is under assault. Attempts are made to replace our common culture with narrower and politically divisive programs that are certain to set one group of Americans against another."

Mr. Speaker, it is called the textbooks of American public education.

He continues, "The answer to these problems and our only hope for the future must lie in education, which philosophers have rightly put at the center of the propagation of justice and the good society. We rightly look to education to solve the pressing current problems of our economic and technological competition with other nations, but we must not neglect the inescapable political and ethical effects of education. We in the academic community have too often engaged in miseducation. If we encourage separatism, we will get separatism and the terrible conflicts in a society that it brings. If we encourage rampant indi-

vidualism to trample on the need for a common citizenship, if we ignore civic education, the forging of a single people, the building up of a legitimate patriotism, then we will find ourselves a Nation of selfish individuals heedless of the needs of others. We will have the war of all against all, and we will have no common defense.

"The civic sense America needs can come only from a common educational effort. In telling the story of the American political experience, we must insist on the honest search for truth. We must permit no comfortable self-deception or evasion, no seeking of scapegoats; but the story of this country's vision of a free, democratic republic and of its struggle to achieve it need not fear the most thorough examination. Our country's story can proudly stand in comparison to that of any other land, and that story provides the basis for a civic devotion we so badly need.

"In spite of the shock caused by the attacks on New York and Washington and the discovery of anthrax in the mail, I am not sure we really understand how serious is the challenge that now faces us. We are only at the beginning of a long and deadly war that will inflict much loss and pain, one that will require sacrifice and steady determination during the very dark hours to come. We must be powerfully armed, morally as well as materially, if we are to do what must be done. That will take courage and unity, and these must rest on a justified and informed patriotism to sustain us through the worst times.

"A verse by Edna St. Vincent Millay provides a clear answer to the question of why Americans should love their country:

Not for the flag
Of any land because myself was born there
Will I give up my life.
But will I love that land where man is free,
And that will I defend.

"Ours is such a land.

"Up to now, too many American intellectuals and too many faculty members of our greater universities have been part of the country's problem. If we are to overcome the dangers that face us, we will need them to become part of the solution. My hope is that the natural, admirable, vitally necessary patriotism that is now gaining strength and expression among ordinary people of our land will help to educate those among us who feel intellectually superior to them. We will need that patriotism in the long, dangerous, and difficult struggle that lies before us."

Certainly I cannot say it better than Mr. Kagan. Again, that was Donald Kagan from "The Intercollegiate Review" in the spring of 2002, "Terrorism and the Intellectuals."

My little attempt, Mr. Speaker, to do what Mr. Kagan is suggesting is the resolution I mentioned earlier today. Again, it simply says that all children graduating from schools in this coun-

try should be able to articulate an appreciation for Western Civilization. It will be interesting to see and hear the debate. It will be interesting to see and hear people say, no, they should not.

IRAN

The SPEAKER pro tempore (Mr. CARTER). Under the Speaker's announced policy of January 7, 2003, the gentleman from New Jersey (Mr. ANDREWS) is recognized for 60 minutes.

Mr. ANDREWS. Mr. Speaker, I must begin by thanking the staff of the House of Representatives for enduring these long nights so we have a chance to speak our minds about the important subjects of the day. We certainly appreciate the Speaker and the staff who stay here into the wee hours.

I also extend my appreciation to the gentleman from Colorado (Mr. TANCREDO) for the intense causes in which he believes and for his patriotism. I must say, one of the reasons I love my country so much is we have the academic freedom that decisions about what we teach and how we teach it are made by educators and teachers and not by those of us in this Chamber, and I hope that is always the case.

Mr. Speaker, I want to talk about a challenge to the values that I just made reference to, probably the most important challenge to these values that we have faced in many generations in this country.

□ 2030

In the 1970s a young man named Gholam Nikbin came to the United States from Iran. He came here to study at an American university. While he was here, the fundamentalist revolution in Iran took place and in 1979 his country changed dramatically and he chose not to return to Iran. At the time he came to the United States he was a person who practiced the Islamic faith. While he was in the United States, he met an American citizen who was a member of the Mormon faith and he married this American citizen and he converted. Mr. Nikbin converted to the Mormon faith himself. That marriage subsequently ended in divorce and in 1991, Mr. Nikbin returned to his native Iran to live his life. While there, he met another woman and they decided to get married and he had a wedding. During his wedding, members of the police force in Iran raided the wedding because the men and women at the wedding were engaged in dancing. Men were dancing with women. For this hideous offense, Mr. Nikbin was publicly lashed 40 times with a whip to punish him for his transgression against the prevailing culture.

Things grew worse for Mr. Nikbin in Iran. He was a suspicious person because he had converted to the Mormon faith and then attempted to convert back to his native Islamic faith. So in 1995 he tried to leave the country. As he was at the airport, he was intercepted by Iranian authorities who refused to let him leave the country. He

was beaten with an electric cable and he was hung upside down by his ankles for extended periods of time. Today he is 56 years old. He has returned to the United States. His family says he was able to return to the United States because they were able to bribe the appropriate officials in Iran to get him released from the country. His crime was that he converted to a faith other than radical Islam.

A woman named Zahara Kazemi, a woman of both Iranian and Canadian descent, a 54-year-old woman, last June 23 took an assignment. She was a photo journalist. She took an assignment to go to Iran to do her work as a photo journalist. On the 23rd of June of last year, she was taking photographs of a student demonstration outside of the Evin prison in Iran. She was apprehended by authorities for the hideous crime of taking a photograph of a demonstration. After 77 hours of interrogation in an Iranian prison, she took sick. On the 11th of July of last year, 18 days after she arrived in Iran, she died in an Iranian hospital while in the custody of the Iranian authorities. At first, their report is that she had suffered a stroke and died of natural causes. Many in our sister nation of Canada expressed outrage as to the conditions around Ms. Kazemi's death and the Canadian government was persistent and, finally, 5 days after she died, authorities of the Iranian government indicated that it was not a stroke at all, that she had died from beatings that led to a cerebral hemorrhage, a 54-year-old woman beaten to death in an Iranian prison because she dared to take photographs of a peaceful demonstration.

What kind of monstrous spirit would give rise to these atrocities? It is a spirit we have seen before. It is the spirit, the horrible spirit, the horrible poisonous spirit that led 6 million Jews to the gas chambers during the Holocaust. It is the horrifying spirit that sees people strap C4 to their waists and walk into hotels and onto buses and near schools in the Middle East every day. It is the awful animus that led to the bombings in Riyadh, in Ankara within the last year. The victims are of all faiths, Christian, Jew, Muslim, Buddhist, agnostic. They are of all races and all nationalities. What these horrific acts have in common is they are rooted in the poisonous well of an intolerant hatred of anyone who is not like those who practice that intolerant hatred.

This poisonous attitude is contrary to everything that we are as Americans. It is against inclusion of people of other races and cultures. It is an attitude that despises the equal treatment of men and women under the law. It is an attitude that looks at other faiths not as an opportunity to learn how other people might live but as a threat to one's own twisted faith. By no means is this poisonous attitude representative of the Islamic faith. I believe the Islamic faith is a faith of

peace, of humanity, of inclusion. By no means is this twisted attitude wholly representative of the Arab culture or the Arab ethnicity. I believe that the vast majority of men and women of Arab descent love peace, respect others and wish that their children would grow up in a world where others share those values. But make no mistake about it, the poisonous well from which these acts spring is an attitude that identifies everything Western, everything modern, everything progressive, everything that America loves and everything that Americans are. It is an attitude that identifies all those things as a threat to be detested, defeated and destroyed. It is an attitude that we saw in the rubble of the World Trade Center on September 11 of 2001. It is an attitude that literally blew a hole in the Pentagon. It is an attitude that led dozens of brave Americans to their death in a field in Shanksville, Pennsylvania.

Many of us believe that September 11, 2001, was not an isolated criminal act. It was an act of war that shocked Americans into a realization that we are in the midst of a great global struggle between those who love and tolerate diversity and those who deplore it and try to destroy it. So the reason we should care about the stories I told you about Ghollam Nikbin, Zahara Kazemi, the stories that I could have told about hundreds of Iranian students who are in Iranian prisons tonight, the reason we should care is that the hateful attitude from which the attacks on them sprung is an attitude that targets us next, an attitude that seeks to destroy us and our way of life.

By no means is it fair or accurate to say that such an attitude is common or characteristic of the Iranian people, by no means is it fair or accurate to say that it is characteristic of the history of their nation, and by no means is it accurate to say that this hatred will mar and define the future of the people of Iran. I aspire to a future where the people of the United States and the people of Iran are partners in peace and freedom, where we celebrate each other's differences and respect each other's values. But that is not the case today.

Mr. Speaker, I would hope that we in this House and we in this country could focus on the very grave and real threat posed to the peace that we enjoy tonight by the presence of the terrorist incubator in Iran. When we consider what our policy should be toward Iran, we should not think about September 11 of 2001 because there frankly is no evidence that I have seen that would suggest that the Iranian government was in any way a sponsor of the atrocious attacks on our country on September 11. In fact, the evidence is rather replete with examples that Osama bin Laden and his al Qaeda organization have been at odds with the radical fundamentalist Iranian leadership.

But the question is not who allied to attack us on September 11. The issue is

who wishes to attack us in the future, where the threats exist for our future. To understand why we want to prevent the next 9/11, why we want to limit the next attack on this country so it does not succeed and so we can defeat such an attack, we need to understand where the first 9/11 came from. In order for terrorists to succeed, they need personnel, they need leadership, they need financial and logistical support, and their leaders need sanctuary. Their leaders need a place where they can plan, plot and eventually execute attacks against the people of the United States of America. September 11 happened because Osama bin Laden and his al Qaeda organization had all four of those elements to attack us. They had the personnel, the 19 twisted individuals who hated us more than they loved life to the point that they were able to turn civilian airliners into weapons of mass destruction. They had the leadership, the odious cadre of dark men who surround Osama bin Laden, who conceived of such a horrific plot. They had the finances and the logistics, passing through international financial organizations, in many cases laundered through Saudi Arabia, laundered through other institutions, many of which to this day refuse to disclose their banking records to us. The terrorists were able to gather the logistics they needed to place the hijackers in America, buy their plane tickets, acquire their training, keep their cover and let them prepare to do their horrible deeds.

And, finally, and I think crucially, the September 11 attackers flourished in the terrorist sanctuary of Afghanistan. At the time Afghanistan was run by the Taliban regime, a group that not only tolerated the presence of al Qaeda but actively facilitated the presence of al Qaeda. I think the argument is rather clear. Without a sanctuary in Afghanistan, there would have been no place for Osama bin Laden to plot this attack. Without a place to plot this attack and gather his resources, there would not have been an opportunity to carry out the attack. Without the opportunity to carry out the attack, there certainly would not have been the carnage and pain this country felt and still feels emanating from September 11.

What is the lesson of September 11? There are two lessons. The first is if you give terrorists sanctuary, they will exploit that sanctuary and, like a snake that is coiled in the corner, they will wait till precisely the right moment to strike. And the second lesson of September 11 is if you wait for the snake to strike, it always will. If our strategy in the face of this global struggle is to wait and see if terrorists who enjoy sanctuary will attack us, I do not think, Mr. Speaker, that is a question. I think history is conclusive on this point. If you wait for terrorists to attack you, they will. This is the context in which we must understand what is happening in Iran today and

why it is important to the United States of America to rethink the way we approach this problem.

Iran is a place where terrorist organizations who disrupt the Palestinian-Israeli negotiations find refuge, find weaponry, find cash. It is a place where admittedly significant al Qaeda elements are present tonight. There is an argument as to exactly what they are doing. The Iranian authorities would tell us that they are in the custody of the Iranian government. Some would suggest that the Iranian government are using these al Qaeda leaders as pawns to try to facilitate the release of terrorists held by the Israelis and other law-abiding nations of the world. But irrespective of the purpose for which the Iranian government holds al Qaeda terrorists tonight, the fact is they are present in Iran tonight.

□ 2045

They found Iran to be a place that was a willing sanctuary for their activities. There can be no good inured to America's benefit from that sanctuary continuing.

What do terrorists need? They need leadership. They need people who are willing to conceive of these terrible plans that spring from this awful wellspring of intolerance and hatred. They need personnel. They need to recruit young men and young women and, in some cases, children who are willing to put their own lives at stake to manifest that hatred by killing thousands of others. They need money and logistics to carry out their attack. They need weaponry, and they need sanctuary. I think it is indisputable that Iran is such a sanctuary. It is indisputable that if tonight the CIA, the National Security Agency, other U.S. intelligence operatives had information that there were terrorists at loose in Iran and they asked for the cooperation of the Iranian government, I think it is indisputable that at best, at best, we would get noninterference; at worst we would get active resistance.

Mr. Speaker, if those same terrorists were loose in Jordan, the Jordanian government would help us. If those terrorists were loose in Kuwait, the Kuwaiti government would help us. If they were loose in Israel, the Israeli government would not need our help. They would just find them and take care of the problem. If they were loose in the countries of our European allies, I am quite confident that we would have the assistance of those allies, in South America, in the Philippines. Iran is a place where terrorists will find the medium in which their peculiar form of bacteria need to grow.

What logistics might Iran supply to a terrorist who wants to attack the United States of America? Today for every 100 containers that enter the ports of the United States in these huge containers we see out by the ports, for every 100 of those containers that enter the United States, two of them were inspected, 98 were not. It is

commonly known that one of the ways that we are at risk is that as the huge influx of trade comes and goes from our country in container ships, that the planting of a small nuclear weapon on a container ship could cause catastrophic results in this country that would dwarf the pain of September 11.

Where might terrorists find such a nuclear bomb? Sadly, there are a number of places. One of those places is from hungry former Soviet scientists who were living relatively well under the old regime in the USSR and then found themselves driving cabs and waiting on tables and very hungry and very anxious in the years that follow. It is one of the great bipartisan failures of this country for which we all should take responsibility, myself included, that we have not been sufficiently vigilant since the waning days of the Soviet Empire in identifying, corralling, and destroying weapons of mass destruction that were held by the Soviet Union. There are too many of them in too many places. They are too cheap and too portable. We owe thanks to the great work of former Senator Nunn and present Senator LUGAR for giving us the legal authority to solve this problem. We are sadly negligent in not using that legal authority to its greatest extent.

Where else might a terrorist find a small nuclear bomb that could be transported in a container ship to the United States? Mr. Speaker, if we would have asked the Iranian government that question 2 years ago, they would have said not here; we are not in the business of trying to make nuclear bombs, not us. For years, for 23 years, since the installation of the present regime in Tehran, the official party line was that the Iranian government was not interested in the manufacture of a nuclear weapon.

In December of 2002, that all changed. Iranian dissidents who were fortunate to escape the country began talking to intelligence leaders around the world, and they talked with specificity. They talked about centrifuges, fissile materials. They talked about the enrichment of uranium. They talked about a program of plutonium separation that could lead to the manufacture of a nuclear bomb. And enough of them talked to enough people, and enough enlightened people paid attention, that in December of 2002, while our country was fixated upon the very grave question of what to do about Saddam Hussein in Iraq, while we were grappling with many other problems in our own country, in December of 2002, the government of Iran acknowledged that reports that it was building facilities capable of producing the fissile materials that would lead to a nuclear weapon were true. The Iranian government admitted this. After 23 years of deception, the Iranian government admitted that facilities at Iraq and Natanz in Iran were, in fact, facilities which were capable of producing the fissile materials necessary to make a nuclear bomb.

On February 21 of last year, 2003, the leader of the International Atomic Energy Agency, Mr. ElBaradei, visited Iran after extreme international pressure following the Iranian disclosure. On June 6 of 2003, Mr. ElBaradei issued a report saying that the facilities that I mentioned, in particular the Natanz facility, was an advanced uranium enrichment facility capable of performing the steps necessary and essential to the creation of a nuclear bomb. On September 12 of 2003, the International Atomic Energy Agency issued an ultimatum to the Iranians which said by October 31 of last year, Iranians were to prove to the world that they were not working on building nuclear bombs. The clock ticked. The world was not very specific as to what we would do if the Iranians failed to provide that proof, reminiscent of how the world was similarly negligent in dealing with Saddam Hussein for 12 long years.

Finally, on October 21 of 2003, the Iranians invited representatives of the French, German, and British governments to Tehran. They began to negotiate and they worked out a joint communique with the governments of France and Germany and the United Kingdom, which said that the Iranians would permit full inspections, they would suspend their uranium enrichment program, that they would sign international agreements that civilized nations follow with respect to the production of nuclear weapons, and that essentially they would stop trying to build a nuclear weapon. The world reacted with cautious optimism.

The Iranians handed over files and files of documents that described what they had been doing over the course of more than 2 decades in the past. Those documents showed that the Iranians had engaged in a secretive uranium enrichment program over at least a 19-year period for which there could be no plausible explanation other than it was leading to the production of a nuclear bomb. The world was divided as to what to do about this, and the consensus on the International Atomic Energy Agency was that we should criticize the Iranians for what they had done and lied about in the past and then warn them not to do it again. Warnings like the ones we gave to the Taliban repeatedly throughout the 1990s not to cooperate with Osama bin Laden, warnings like we gave to Saddam Hussein repeatedly throughout the 1990s that he was to disengage his weapons programs and to leave his neighbors alone. Warnings.

The warnings have not had the intended effect. Two weeks ago, the latest report from the International Atomic Energy Agency released on February 24 of 2004 found some curious evidence, and that is that the Iranians had agreed to stop their program of uranium enrichment, which is one path to build a nuclear bomb; but another path to build a nuclear bomb is called plutonium separation. Obviously, the

Iranians who signed this agreement got very good legal advice because they learned how to define their way out of the problem because the Iranians did not breach apparently in the last few months their responsibility not to carry out uranium enrichment programs, but they did evidently step up a program that is involved in the separation of plutonium, yet another path to reach the same horrible result. Mr. ElBaradei said Iran is moving in the right direction with respect to this weapons program, that there is reason for optimism, that there are moderate influences beginning to influence the Iranian government. Well, can we afford to take the chance that he is wrong?

International experts suspected for 2 decades that Iran was pursuing the development of a nuclear bomb, but they never knew for sure; and I know that the annals of intelligence estimates are filled with conclusions that the best judgment was that Iran was not marching toward the creation of a nuclear bomb. Those assessments were wrong. If this new set of assessments is wrong, we will find out to our peril what the consequences of that error are.

Is the present leadership of Iran capable of placing a small nuclear bomb on a cargo ship in a container and floating it into the harbor of a major American city? Some would say, no, they are not capable. It would not be in their interest to do so. There would be massive retaliation against them by the United States. Others would say they are imminently capable of such atrocities. The family of Zahara Kazemi I would assume would agree with that proposition. Mr. Ghollam Nikbin I assume would agree with that proposition. Those who sit tonight in Iranian prisons and those who have been executed in Iranian prisons in recent days and weeks, if they were alive, would agree with that proposition.

Should we wait and see? Should it be our policy to take an educated guess and find out? Many intelligence analysts took an educated guess about the Taliban in Afghanistan 10 years ago, 5 years ago, 3 years ago, and here is what their assessment was: the Taliban are terrible people. Osama bin Laden is an awful force in the world. He was behind the bombing of the World Trade Center in 1993. He was behind the attack of the USS *Cole* in the year 2000. He was involved in the Khobar Towers bombing. Something needs to be done. But the assessment about the Taliban's role in this was that it was ludicrous to think that the Taliban government was a threat to the United States.

□ 2100

It is certainly not an imminent threat to the United States. A government that could barely manage its own affairs, a government that was not a threat to its own neighbors militarily, was certainly not a threat to the United States of America.

There would have been those who would stand on this floor 3 years ago

and argue passionately that for us to aggressively pursue a policy of regime change in Afghanistan would be a gross overreaction. Why should we worry about a regime as weak as that one? On September 11, 2001, we got our answer. Regimes that harbor terrorists, regimes that have the capability of arming terrorists with nuclear, biological or chemical weapons, regimes that finance and facilitate terrorism, are a threat to the people of the United States of America. These regimes should not be negotiated with, they should not be heeded, they should not be abided. They should be replaced.

Which American tonight would not agree that we would have prospered from regime change in Afghanistan 3 years ago? There is lots of dispute tonight as to whether we are prospering from regime change in Baghdad tonight. I certainly think we are. I think it is one of the reasons that Mu'ammar Qadhafi voluntarily surrendered his nuclear weapons, so he will not wind up living in a spider hole at the end of this year.

I think it is one of the reasons that President Assad in Syria for the first time in his tenure as president is furtively working behind the scenes to open negotiations with the Israelis, so that maybe some day he will expel Hamas and Hizbollah from his countries. I think it is one of the reasons why the Saudi Arabians, after years of culpability in terrorism, years of a "deal with the devil" in which they looked the other way when terrorists operated within their country, are now more actively cooperating in the crackdown on those terrorists. And I think it is one of the reasons why the Iranians in December of 2002, on the verge of the United States action against Iraq, decided to come clean about 23 years of lying about the development of a nuclear weapon.

Regime change in Iran should be the policy of the United States of America; not negotiation, not cooperation, regime change. Regime change does not mean military action. Military action is the final step. Military action is the last, and, if necessary, essential step, if necessary, to regime change.

Far more effective to the pursuit of this goal are the diplomatic, economic and moral assets of the United States of America. I am not calling for the use of military force against Iran; I am calling for the concerted, coordinated use of this country's diplomatic, economic force to achieve a regime change in Tehran. I believe it is not only in the interests of human rights, of persecuted citizens of that country, it is in the interests of the national security of the United States of America.

What does regime change mean in Iran? Who is the regime? The answer to this question is not self-evident. Iran is a schizophrenic state. On the surface, it is conducting what appears to be a parliamentary government with what appear to be reasonably free elections with what appears to be something resembling democracy.

These appearances are lethally deceptive. The President of Iran got 77 percent of the vote in the popular election, but I think realistically he has zero percent of the power in that country. Instead, a council of elders, 12 men, 12, have effective control over the military, over the economic institutions of that country, over the meaningful ebb and flow of life in Iran. Even though those 12 have such control, they are wary, they are reluctant to even let the appearance of that control stray too far.

In the last month or so in Iran there were elections scheduled for the national legislative body of that country, and most outside analysts saw those elections as a struggle between the so-called more moderate liberalizing forces of the country and the more conservative cultural forces of that country. 3,600 candidates of the moderate persuasion were removed from the ballot by the council of elders. Twelve people, none of whom were elected, each of whom was appointed through the religious oligarchy of Iran, 12 people used their power to remove 3,600 people from the ballot. 1,000 or so were restored after huge public protests.

But I believe that the only conclusion one can draw from this is that the feeble images of democracy in Iran are only a deceptive image, and not a meaningful reality for that country.

These are foreboding and difficult thoughts, but there is great reason to be optimistic that the regime change that would benefit America is very much on the minds of young men and women, and older men and women, who live under the oppressive yoke of the medieval government of Iran.

So many Iranian Americans are engaged in conversations with their brothers and sisters and mothers and fathers back home. Iranian Americans make a magnificent contribution to this country every day, in our hospitals, in our universities, in our corporations, in our governments, in our military, and these loyal and patriotic Americans, who have had a taste of freedom, a taste of what it means to be respected for your religious differences and not reviled, they have spread the word of this intoxicating freedom to their loved ones back in Iran.

Even though Iran is a place where you can be whipped for dancing at a wedding, even though it is a place where you can be beaten to death in prison for taking a photograph of a peaceful demonstration, it is a place where the rulers still cannot stop the flow of technology. The Internet, the fax machine, the cellular phone, these are the most powerful weapons against tyranny in the history of mankind. And even in a place like Iran, the leaders cannot make themselves impervious to the rush of truth that comes into their country in greater torrents with each passing day.

I think that people in Iran are looking for a signal from the United States of America. They are not looking for weakness or ambiguity or vacillation.

We are students of our own history, and we know that at the time the colonies rebelled against the British, there were many naysayers in America. There were many who said that this was a foolish experiment; that it was reckless for people to pledge their lives and their fortunes and their sacred honor to try to do something better. It was suicidal, it was crazy.

Some were active opponents of the revolution. Others, and these others may have been more dangerous, sat on the fence. They were not sure what signal they should send. They were not sure whether they were ready to fight for their freedom or not.

The United States has sent a powerful signal I think to the world by saying that we are willing to take on, with our allies, the difficult work of introducing that sacred gift of freedom to the people of Iraq. We should not be ambiguous in offering that same gift to the people of Iran.

We should not, we should not, be engaged in any overt military acts, unless intelligence would warrant action to the contrary, specific intelligence. I repeat, I am not calling for a policy of military engagement against the Iranian government. But I am absolutely calling for an expression as clear as a bell that the freedom that we enjoy here, the freedom that we aspire to see the people of Iraq enjoy, is the freedom that we wish to see the people of Iran enjoy, and we will not be fooled or deceived by the false front of a faux democratic government. We will not relent in our opposition to that government's effort to build a nuclear bomb. We will not back down in the face of any international criticism as to the purity and import of this evil.

It would be horribly wrong and horribly prejudicial to leave anyone with the impression that any significant portion of the 1 billion Muslims in this world are dedicated to the eradication of us and our way of life. They are not. It would be horribly wrong and horribly false to leave anyone with the impression that people of the Arab culture and descent or the Persian culture and descent are dedicated to the destruction of our way of life. They are most emphatically not.

I believe that the vast majority of people of the Islamic faith, of the Arab and Persian ethnicities, wish to live in freedom and to celebrate diversity and to join the future, rather than wallowing in the past.

But it is irrefutable that there is a force present in the world, a small but malignant force present in the world, that wishes to do us grave harm, that wishes to destroy our way of life and destroy the chance to spread our way of life to those in all corners of the world who would wish to enjoy it, and that force calls itself radical Islam.

It is a perversion of the Islamic faith. It is a hijacking of that faith of peace. But it is what those who practice this poisonous attitude call themselves. And where they find sanctuary and

where they find money and where they find weaponry and where they find personnel and where they find leadership, these are the places that will incubate the next September 11.

There are really two views about terrorism in America, and they are not liberal and conservative, or Republican and Democrat, or military and diplomatic. The two views are these:

Some people view terrorism as a series of essentially unrelated crimes; horrible crimes, but crimes that spring from independent criminals. With the exception of the link between the USS *Cole* bombing and the first World Trade Center and the second one, all of which can be attributed to al Qaeda, proponents of this view would argue that we need to react to each one of these isolated incidents by prosecuting those who committed the offense, shoring up our defenses so it cannot happen again.

The other view of terrorism, which I hold and I believe that history teaches us is the correct view, is that these are not a series of isolated incidents; that we are engaged in a struggle between those who would destroy our way of life and those who would stand by us and protect our way of life.

□ 2115

The most horrific example of that struggle was the one that he experienced in September of 2001. Shame on us if we do not learn from that example. If we draw the lesson that September 11 was about one terrorist organization operating out of one country that on one occasion was able to succeed in a massive terrorist attack against this country, we are misreading history to our great peril.

If instead we understand what happened then differently, if instead we say that the lesson that we learn is that when you give terrorists leadership and personnel and money and weaponry and sanctuary, they will attack. It is not in our interest to make lists of countries that we want to attack. It diminishes our strength. It lessens our standing in the world, and we should not do it. But it is most emphatically in our interest to categorize and understand where the next sanctuary might be.

Everyone in this Chamber wishes that he or she had the foresight to know that Afghanistan was such a sanctuary 3 years ago. We could have avoided a calamity of unspeakable proportions in this country. The issue tonight, Mr. Speaker, is where is the next sanctuary.

I believe that the heroic actions accomplished by American troops and allied troops in Iraq has gone a long way toward removing Iraq as such a sanctuary. I am certain that the heroic efforts of our troops in Afghanistan have essentially removed Afghanistan as such a potential sanctuary.

Tonight our attention should very much be focused on Iran as such a sanctuary. It is a state that is capable of imprisoning and beating innocent

people for dancing and taking photographs. It is a state that for 23 years lied about its development of nuclear bombs. It is a state that is either trying to put a good-faith effort forward to stop its weapons program or trying to put the best face on an effort that really is not taking place as the weapons program continues.

The lesson of September 11 is do not take chances on estimates. Act and make sure others cannot act against you.

I believe that this country should engage in three steps immediately. First, we should unambiguously announce that the policy of the United States of America is to encourage regime change in Iran, by which I mean the Council of Elders that runs the country; and by which I mean the replacement of that Council of Elders with a truly representative group of people chosen by the Iranian people.

The second thing we should do is fully enforce the Iran Sanctions Act passed by this Congress a few years ago. We should inventory every trade, aid, economic and regulatory tool at our disposal and use those tools. We should broadcast freedom into Iran more aggressively. We should break down the information barriers and tell young Iranians that we will be on their side if they rise up and fight for freedom. We should encourage the patriotic, law abiding citizens of this country who are of Iranian descent to become actively engaged in encouraging their brothers and sisters in their native land to make the regime change that will benefit them and us.

The third step is that we should seek international cooperation on every level for this effort. It will not be easy. There will be those who will say this is yet another American overreaction, that this is a further policy of American unilateralism. We should never be unilateral. We should always seek the cooperation of allies.

We should also understand the attacks that are launched by terrorists will be unilateral. They will have one target. They will start with the Israelis. They always do. But they will eventually get to the United States of America. We should ask for and actively seek the cooperation of our European and Asian friends in meeting these efforts. Frankly, the actions of the International Atomic Energy Agency have been very helpful in this regard. We should continue those efforts, but we should not make the mistake of assuming that their security risk here is the same as our security risk.

When there is a demonstration sponsored by the medieval elements in a country like Iran, it is not the German flag that they burn. They do not shout death to Germany. They do not destroy likenesses of the Eiffel Tower or Big Ben. They burn the American flag. They smash likenesses of the American Capitol, and they clearly let us know that we are the ones who are in their sights. So be it.

If we understand that we are the targets, then we must understand we have a special responsibility to act. I believe that this is a program for peace. I think the best way to achieve peace is to show those who would disrupt peace that you will not tolerate it. It is peace through strength, and after we have been lied to for 23 years about the creation of a nuclear bomb, a nuclear bomb which could be floated into the harbors of this country and used as a weapon of awful destruction against the people of America, after we have seen the torture against innocent people that takes place in Iran every day and is taking place tonight, I think the stakes are clear. If we are true to our conviction of peace through strength, we will make regime change the policy of the United States of America. Not through violence, not through attack, not through aggression, not through war. We should always reserve the right to act in our defense. But we should always understand that the best way to project our power is through our freedom, our economic might, our diplomatic credibility which sadly needs to be rebuilt in many ways.

It is my objective as a Member of the United States Congress that I will never again have another day like September 12, 2001, when I came to this building not sure whether it was safe to be in, after a sleepless night, and asked myself what I had failed to do to prevent the mayhem that had occurred in my country the day before. I asked myself whether any of the \$3 trillion of the taxpayers' money I had voted to spend on intelligence and defense of this country had done us any good the previous day. I never want to live another September 12. I never again want to have to think what we could have done to learn the lessons of terrorism and stop another terrorist attack.

If we take decisive action and, among other things, if we pursue the policy of regime change in Iran, I believe that

the likelihood of having another September 12, 2001, will diminish; and more importantly, the likelihood of a catastrophic repeat of September 11, 2001, using a nuclear weapon will diminish greatly.

We owe our country nothing less. We owe the decent people of Iran nothing less; and we owe it to our sense of history to get this very important job done.

Mr. Speaker, I would like to thank Mr. Paul Bauer of my staff who was very instrumental in getting the research done for this effort. And, again, I would like to thank the staff of the House of Representatives for being with us so I would have this opportunity to speak.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. JONES of Ohio (at the request of Ms. PELOSI) for March 2 on account of primary election in the district.

Mr. ORTIZ (at the request of Ms. PELOSI) for today on account of official business.

Mr. REYES (at the request of Ms. PELOSI) for today on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. PALLONE) to revise and extend their remarks and include extraneous material:)

Mr. DEFAZIO, for 5 minutes, today.

Mr. BROWN of Ohio, for 5 minutes, today.

Mr. GEORGE MILLER of California, for 5 minutes, today.

Mr. EMANUEL, for 5 minutes, today.

Mr. ROTHMAN, for 5 minutes, today.

Mr. GREEN of Texas, for 5 minutes, today.

Mr. PALLONE, for 5 minutes, today.

Ms. JACKSON-LEE of Texas, for 5 minutes, today.

Ms. NORTON, for 5 minutes, today.

Mrs. MALONEY, for 5 minutes, today.

Mr. LYNCH, for 5 minutes, today.

Ms. KAPTUR, for 5 minutes, today.

Ms. CORRINE BROWN of Florida, for 5 minutes, today.

(The following Members (at the request of Mr. GUTKNECHT) to revise and extend their remarks and include extraneous material:)

Mr. MARIO DIAZ-BALART of Florida, for 5 minutes, today.

Mr. BEREUTER, for 5 minutes, March 10.

Mr. BURGESS, for 5 minutes, today.

Mr. CAMP, for 5 minutes, March 10.

Mr. FOLEY, for 5 minutes, today.

Mr. OSBORNE, for 5 minutes, March 10.

Mr. BILIRAKIS, for 5 minutes, today and March 4.

Ms. HARRIS, for 5 minutes, today.

Mr. LEWIS of Kentucky, for 5 minutes, today and March 4.

Mr. HENSARLING, for 5 minutes, today.

Mr. MCINNIS, for 5 minutes, March 10.

Mr. PETERSON of Pennsylvania, for 5 minutes, March 10.

Mr. OTTER, for 5 minutes, March 10.

Mr. WELDON of Pennsylvania, for 5 minutes, today.

Mr. GILCHREST, for 5 minutes, today.

ADJOURNMENT

Mr. ANDREWS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 9 o'clock and 25 minutes p.m.), under its previous order, the House adjourned until tomorrow, Thursday, March 4, 2004, at 11:30 a.m.

EXPENDITURE REPORTS CONCERNING OFFICIAL FOREIGN TRAVEL

Reports concerning the foreign currencies and U.S. dollars utilized for speaker-authorized official travel during the fourth quarter of 2003 and the first quarter of 2004, pursuant to Public Law 95-384 are as follows:

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, MR. BENJAMIN FALLON, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN JAN. 13 AND JAN. 15, 2004

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Benjamin Fallon	1/3	1/15	Dominican Republic		317.65		1,448.90		33.00		1,799.55
Committee total					317.65		1,448.90		33.00		1,799.55

¹ Per diem constitutes lodging and meals.

² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

BENJAMIN FALLON, Feb. 11, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, DELEGATION TO BRAZIL, URUGUAY, ARGENTINA AND CHILE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN JAN. 3 AND JAN. 13, 2004

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Speaker Hastert	1/3	1/6	Brazil		902.00		(9)				

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, DELEGATION TO BRAZIL, URUGUAY, ARGENTINA AND CHILE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN JAN. 3 AND JAN. 13, 2004—Continued

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Pastor	1/3	1/6	Brazil		902.00		(3)				
Hon. Shaw	1/3	1/6	Brazil		902.00		(3)				
Hon. Ballenger	1/3	1/6	Brazil		902.00		(3)				
Hon. Goss	1/3	1/6	Brazil		902.00		(3)				
Hon. Ros-Lehtinen	1/3	1/6	Brazil		902.00		(3)				
Hon. Doolittle	1/3	1/6	Brazil		902.00		(3)				
Hon. Norwood	1/3	1/6	Brazil		902.00		(3)				
Hon. Granger	1/3	1/6	Brazil		902.00		(3)				
Hon. Hart	1/3	1/6	Brazil		902.00		(3)				
Hon. Putnam	1/3	1/6	Brazil		902.00		(3)				
Hon. Wilson Livingood	1/3	1/6	Brazil		902.00		(3)				
RADM Eisold	1/3	1/6	Brazil		902.00		(3)				
Scott Palmer	1/3	1/6	Brazil		902.00		(3)				
Ted Van Der Meid	1/3	1/6	Brazil		902.00		(3)				
Seth Webb	1/3	1/6	Brazil		902.00		(3)				
Chris Walker	1/3	1/6	Brazil		902.00		(3)				
Sam Lancaster	1/3	1/6	Brazil		902.00		(3)				
Margaret Peterlin	1/3	1/6	Brazil		902.00		(3)				
Dwight Comedy	1/3	1/6	Brazil		902.00		(3)				
Speaker Hastert	1/6	1/7	Uruguay		243.00		(3)				
Hon. Pastor	1/6	1/7	Uruguay		243.00		(3)				
Hon. Shaw	1/6	1/7	Uruguay		243.00		(3)				
Hon. Ballenger	1/6	1/7	Uruguay		243.00		(3)				
Hon. Gross	1/6	1/7	Uruguay		243.00		(3)				
Hon. Ros-Lehtinen	1/6	1/7	Uruguay		243.00		(3)				
Hon. Doolittle	1/6	1/7	Uruguay		243.00		(3)				
Hon. Norwood	1/6	1/7	Uruguay		243.00		(3)				
Hon. Granger	1/6	1/7	Uruguay		243.00		(3)				
Hon. Hart	1/6	1/7	Uruguay		243.00		(3)				
Hon. Putnam	1/6	1/7	Uruguay		243.00		(3)				
Hon. Wilson Livingood	1/6	1/7	Uruguay		243.00		(3)				
RADM Eisold	1/6	1/7	Uruguay		243.00		(3)				
Scott Palmer	1/6	1/7	Uruguay		243.00		(3)				
Ted Van Der Meid	1/6	1/7	Uruguay		243.00		(3)				
Seth Webb	1/6	1/7	Uruguay		243.00		(3)				
Chris Walker	1/6	1/7	Uruguay		243.00		(3)				
Sam Lancaster	1/6	1/7	Uruguay		243.00		(3)				
Margaret Peterlin	1/6	1/7	Uruguay		243.00		(3)				
Dwight Comedy	1/6	1/7	Uruguay		243.00		(3)				
Speaker Hastert	1/7	1/11	Argentina		413.89		(3)				
Hon. Pastor	1/7	1/11	Argentina		413.89		(3)				
Hon. Shaw	1/7	1/11	Argentina		413.89		(3)				
Hon. Ballenger	1/7	1/11	Argentina		413.89		(3)				
Hon. Goss	1/7	1/11	Argentina		413.89		(3)				
Hon. Doolittle	1/7	1/11	Argentina		413.89		(3)				
Hon. Norwood	1/7	1/11	Argentina		413.89		(3)				
Hon. Granger	1/7	1/11	Argentina		413.89		(3)				
Hon. Hart	1/7	1/11	Argentina		413.89		(3)				
Hon. Putnam	1/7	1/11	Argentina		413.89		(3)				
Hon. Wilson Livingood	1/7	1/11	Argentina		413.89		(3)				
RADM Eisold	1/7	1/11	Argentina		413.89		(3)				
Hon. Scott Palmer	1/7	1/11	Argentina		413.89		(3)				
Hon. Ted Van Der Meid	1/7	1/11	Argentina		413.89		(3)				
Seth Webb	1/7	1/11	Argentina		413.89		(3)				
Chris Walker	1/7	1/11	Argentina		413.89		(3)				
Sam Lancaster	1/7	1/11	Argentina		413.89		(3)				
Margaret Peterlin	1/7	1/11	Argentina		413.89		(3)				
Dwight Comedy	1/7	1/11	Argentina		413.89		(3)				
Speaker Hastert	1/11	1/13	Chile		548.00		(3)				
Hon. Pastor	1/11	1/13	Chile		548.00		(3)				
Hon. Shaw	1/11	1/13	Chile		548.00		(3)				
Hon. Ballenger	1/11	1/13	Chile		548.00		(3)				
Hon. Goss	1/11	1/13	Chile		548.00		(3)				
Hon. Doolittle	1/11	1/13	Chile		548.00		(3)				
Hon. Norwood	1/11	1/13	Chile		548.00		(3)				
Hon. Granger	1/11	1/13	Chile		548.00		(3)				
Hon. Hart	1/11	1/13	Chile		548.00		(3)				
Hon. Putnam	1/11	1/13	Chile		548.00		(3)				
Hon. Wilson Livingood	1/11	1/13	Chile		548.00		(3)				
RADM Eisold	1/11	1/13	Chile		548.00		(3)				
Scott Palmer	1/11	1/13	Chile		548.00		(3)				
Ted Van Der Meid	1/11	1/13	Chile		548.00		(3)				
Seth Webb	1/11	1/13	Chile		548.00		(3)				
Chris Walker	1/11	1/13	Chile		548.00		(3)				
Sam Lancaster	1/11	1/13	Chile		548.00		(3)				
Margaret Peterlin	1/11	1/13	Chile		548.00		(3)				
Dwight Comedy	1/11	1/13	Chile		548.00		(3)				
Committee total											

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

J. DENNIS HASTERT, Speaker of the House, Feb. 13, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON EDUCATION AND THE WORKFORCE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Michael Castle	10/6	10/12	Iraq		1,167.00		(3)				1,167.00
Hon. Ron Kind	10/6	10/12	Iraq		1,167.00		(3)				1,167.00
Committee total					2,334.00						2,334.00

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

JOHN BOEHNER, Chairman, Feb. 17, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON ENERGY AND COMMERCE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Fred Upton	12/10	12/13	Italy		537.00			(3)			537.00
	10/6	10/10	Iraq/Kuwait		1,167.00			(3)			1,167.00
Hon. Greg Walden	10/6	10/10	Iraq/Kuwait		1,167.00			(3)			1,167.00
Hon. Jim Davis	10/6	10/10	Iraq/Kuwait		1,167.00			(3)			1,167.00
Hon. James Greenwood	12/10	12/11	Italy		537.00			3,541.04			4,078.04
Robert Rainey	12/6	12/13	Italy		1,253.00			5,431.44			6,684.44
Robert Meyers	12/6	12/14	Italy		1,074.00			5,616.22			6,690.22
Sue Sheridan	12/6	12/13	Italy		1,253.00			5,444.44			6,697.44
Michael Goo	12/6	12/13	Italy		1,253.00			5,444.44			6,697.44
Hon. Cliff Stearns	11/29	12/2	Hong Kong		1,233.00			(3)			1,233.00
	12/2	12/3	Thailand		456.00			(3)			456.00
	12/3	12/6	Korea		417.00			5,748.77			6,165.77
Committee total					11,514.00			31,226.35			42,740.35

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

BILLY TAUZIN, Chairman, Feb. 16, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON GOVERNMENT REFORM, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Tim Murphy	11/8	11/10	Jordan		476.00						476.00
	11/10	11/11	Syria		262.75						262.75
	11/11	11/12	Germany		241.00						241.00
Chris Cannon	12/9	12/12	Italy		712.00						712.00
Alexandria Teitz	12/8	12/13	Italy		1,545.00			662.44			2,207.44
Greg Dotson	12/8	12/13	Italy		1,525.00			662.44			2,187.44
Christopher Shays	12/9	12/12	Italy		712.00						712.00
R. Nicholas Palarino	12/1	12/3	Austria		636.00			4,872.70			5,508.70
	12/3	12/7	Jordan		916.00						916.00
Christopher Shays	12/1	12/3	Austria		636.00			4,872.70			5,508.70
	12/3	12/7	Jordan		916.00						916.00
Committee total					8,577.75			11,070.28			19,648.03

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

TOM DAVIS, Chairman, Feb. 10, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON THE JUDICIARY, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Steve King	10/18	10/19	Kuwait/Iraq		389.00						389.00
Hon. F. James Sensenbrenner	12/14	12/17	Mexico		1,014.00			550.89			1,564.89
Philip J. Kiko	12/14	12/17	Mexico		1,014.00			550.89			1,564.89
Committee total					2,417.00			1,101.78			3,518.78

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

F. JAMES SENSENBRENNER, JR., Chairman, Feb. 4, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON RESOURCES, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Steve Pearce	10/30	11/2	Kuwait		1,556.00			(3)			1,556.00
	11/3	11/4	Germany		157.00			(3)			157.00
Chris Foster	11/6	11/18	Palau		1,246.04			6,038.26			7,284.30
Tony Babauta	11/6	11/18	Palau		1,092.39			6,396.26			7,488.65
Bonnie Bruce	11/16	11/22	Ireland		2,170.00			5,231.90			7,401.90
Hon. Wayne Gilchrest	11/16	11/18	Ireland		434.00			5,079.00			5,513.00
Steve Ding	11/16	11/22	Ireland		2,170.00			5,383.77			7,553.77
Todd Willens	11/16	11/22	Ireland		2,170.00			5,388.35			7,558.35
Catherine Ware	11/16	11/24	Ireland		2,604.00			1,451.77			4,055.77
Hon. George Miller	11/24	11/28	France		1,242.00			7,194.74			8,436.74
Committee total											57,005.48

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

RICHARD POMBO, Chairman, Feb. 11, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON RULES, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Martin Frost	12/20	12/22	Kuwait		800.00			(3)			800.00

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON RULES, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003—Continued

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
	12/21	12/22	Iraq						(³)		
	12/22	12/23	Germany		200.00						200.00
Committee total					1,000.00						1,000.00

¹ Per diem constitutes lodging and meals.

² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

³ Military air transportation.

DAVID DREIER, Chairman, Feb. 5, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON SCIENCE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Kevin Carroll	12/6	12/13	Italy		1,074.00		5,564.94				6,638.94
Kathryn Clay	11/30	12/13	Italy		980.00		1,089.18				2,069.18
Committee total					2,054.00		6,654.12				8,708.12

¹ Per diem constitutes lodging and meals.

² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

SHERWOOD BOEHLERT, Chairman, Feb. 9, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON SMALL BUSINESS, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Bryan Davis	10/22	10/25	Milan, Italy	1,073.00			5,614.83			1,073.00	5,614.83
Hon. W. Todd Akin	10/30	11/2	Iraq		1,556.00	3,522.00					1,034.00
Hon. Ed Case	10/30	11/2	Iraq		1,556.00	3,43.00					1,013.00
Hon. Thaddeus McCotter	10/30	11/2	Iraq		1,556.00	3,494.00					1,062.00
Thomas Bezas	10/30	11/2	Iraq		1,556.00	3,453.00					1,103.00
Hon. W. Todd Akin	11/3	11/4	Germany		157.00	3,157.00					
Hon. Ed Case	11/3	11/4	Germany		157.00	3,134.00					23.00
Hon. Thaddeus McCotter	11/3	11/4	Germany		157.00	3,157.00					
Thomas Bezas	11/3	11/4	Germany		157.00	3,157.00					
Hon. Amibal Acevedo-Vila	11/25	11/28	Jordan	674.00						674.00	952.00
Matthew Szymanski	12/15	12/22	China		1,346.00	3,362.00	6,515.47				7,493.47
Ian Deason	12/15	12/22	China		1,346.00	3,853.00	6,515.47				7,368.47
Thomas Bezas	12/15	12/22	China		1,346.00	3,574.00	6,515.47				7,282.47
Committee total											32,929.24

¹ Per diem constitutes lodging and meals.

² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

³ Returned.

⁴ Military air transportation.

DONALD A. MANZULLO, Chairman, Feb. 11, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Wayne Gilchrest	10/6	10/10	Kuwait		1,167.00				(³)		1,167.00
Robert Faber	11/17	11/20	Greece		1,360.00		3,747.45	944.00			6,051.45
Derek Miller	11/17	11/20	Greece		1,360.00		3,661.24	944.00			5,965.24
Anastasia Soumbenistis	11/17	11/20	Greece		1,360.00		3,698.70	944.00			6,002.70
Hon. Mario Diaz-Balart	11/24	11/28	Kuwait		952.00				(³)		952.00
Hon. John Duncan	11/29	12/2	China		1,233.00		5,715.53				7,821.53
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Hon. Jerry Costello	11/29	12/2	China		1,233.00		5,625.27				7,731.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Hon. Eddie Bernice Johnson	11/29	12/2	China		1,233.00		5,638.27				7,744.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Hon. John Boozman	11/29	12/2	China		1,233.00		6,007.27				8,113.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Lloyd Jones	11/29	12/2	China		1,233.00		4,899.27				7,005.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
David Heymsfeld	11/29	12/2	China		1,233.00		4,899.27				7,005.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Jimmy Miller	11/29	12/2	China		1,233.00		4,899.27				7,005.27
	12/2	12/3	Thailand		456.00						
	12/4	12/6	Korea		417.00						
Giles Giovinnazzi	12/7	12/10	Belgium		702.00		6,953.52				7,655.52
Adam Tsao	12/7	12/10	Belgium		702.00		6,953.52				7,655.52
Hon. Bill Shuster	12/18	12/20	Germany		482.00		6,385.92				6,867.92
Hon. Tim Holden	12/18	12/20	Germany		482.00		6,385.92				6,867.92
Hon. Jim Gerlach	12/18	12/20	Germany		482.00		6,385.92				6,867.92
Committee total					23,791.00		81,856.34	2,832.00			108,479.34

¹ Per diem constitutes lodging and meals.

² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

DON YOUNG, Chairman, Feb. 9, 2004.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, SELECT COMMITTEE ON HOMELAND SECURITY, HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN OCT. 1 AND DEC. 31, 2003

Name of Member or employee	Date		Country	Per diem ¹		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²	Foreign currency	U.S. dollar equivalent or U.S. currency ²
Hon. Christopher Cox	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
Hon. Jennifer Dunn	12/10	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
Hon. Ernest Istook	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
Hon. Loretta Sanchez	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
Hon. Bob Etheridge	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
Hon. Ken Lucas	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
Hon. Sheila Jackson-Lee	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
Margaret Peterlin	12/14	12/15	Israel		362.00		1,194.00				3,103.00
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
David Schanzer	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
Julie Sund	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
	12/10	12/11	Spain		357.00		(³)				
Elizabeth Tobias	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
	12/15	12/16	Turkey		276.00		1,467.00				3,652.00
John Gannon	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
Steve DeVine	12/15	12/17	Turkey		552.00		499.72				2,960.72
	12/10	12/11	Spain		357.00		(³)				
	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
Camille Camacho	12/14	12/15	Israel		362.00		(³)				
	12/15	12/18	Turkey		828.00		(³)				3,045.00
	12/18	12/19	Ireland		308.00		(³)				
	12/10	12/11	Spain		357.00		(³)				
Hon. Sheila Jackson-Lee	12/11	12/13	Italy		922.00		(³)				
	12/13	12/14	Syria		268.00		(³)				
	12/14	12/15	Israel		362.00		(³)				
	12/15	12/18	Turkey		828.00		(³)				3,045.00
Hon. Sheila Jackson-Lee	12/18	12/19	Ireland		308.00		(³)				
	11/15	11/17	Kuwait		804.00		(³)				804.00
Committee total				33,114.00		16,636.72				49,477.72	

¹ Per diem constitutes lodging and meals.
² If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
³ Military air transportation.

CHRISTOPHER COX, Chairman, Feb. 5, 2004.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

6931. A letter from the Principal Deputy Under Secretary, Department of Defense, transmitting Approval of Brigadier General Lloyd J. Austin III to wear the insignia of major general in accordance with title 10, United States Code, section 777; to the Committee on Armed Services.

6932. A letter from the Principal Deputy Under Secretary, Department of Defense, transmitting Approval of Major General Thomas L. Baptiste, United States Air Force, to wear the insignia of lieutenant general in accordance with title 10, United States Code, section 777; to the Committee on Armed Services.

6933. A letter from the Principal Deputy Under Secretary, Department of Defense, transmitting Approval of Major General John M. Curran, United States Army, to wear the insignia of lieutenant general in ac-

cordance with title 10, United States Code, section 777; to the Committee on Armed Services.

6934. A letter from the Secretary, Department of Health and Human Services, transmitting a report on the Fiscal Years 1999-2001 Family Violence Prevention and Services Act Program, pursuant to 42 U.S.C. 10405; to the Committee on Education and the Workforce.

6935. A letter from the Secretary, Department of Health and Human Services, transmitting the 2003 annual report entitled,

"Clinical Preventive Services for Older Americans," based on the work of the U.S. Preventive Services Task Force (USPSTF), pursuant to Public Law 106-554, section 126; to the Committee on Energy and Commerce.

6936. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed extension of the license for the export of major defense equipment and defense articles to Russia, Ukraine, and Norway (Transmittal No. DDTC 015-04), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

6937. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed extension of the license for the export of major defense equipment and defense articles to Japan (Transmittal No. DDTC 017-04), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

6938. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting certification of a proposed extension of the license for the export of major defense equipment and defense articles to Russia and Kazakhstan (Transmittal No. DDTC 016-04), pursuant to 22 U.S.C. 2776(c); to the Committee on International Relations.

6939. A communication from the President of the United States, transmitting an additional report, consistent with the War Powers Resoloution, to help ensure that the Congress is kept fully informed on U.S. military activities in Haiti, pursuant to Public Law 93-148; (H. Doc. No. 108-167); to the Committee on International Relations and ordered to be printed.

6940. A letter from the Acting Director, Defense Security Cooperation Agency, transmitting a report in accordance with Section 25(a)(6) of the Arms Export Control Act (AECA), describing and analyzing services performed during FY 2003 by full-time USG employees who are performing services for which reimbursement is provided under Section 21(a) or Section 43(b) of the AECA; to the Committee on International Relations.

6941. A letter from the Secretary, Department of the Treasury, transmitting as required by section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and pursuant to Executive Order 13313 of July 31, 2003, the final six-month periodic report on the national emergency declared with respect to Sierra Leone in Executive Order 13194 of January 18, 2001, and expanded in scope with respect to Liberia by Executive Order 13213 of May 22, 2001; to the Committee on International Relations.

6942. A letter from the U.S. Global AIDS Coordinator, Department of State, transmitting on behalf of the President, the report, "President Bush's Emergency Plan for AIDS Relief: U.S. Five-Year Global HIV/AIDS Strategy," pursuant to Public Law 108-25; to the Committee on International Relations.

6943. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-384, "Tobacco Product Manufacturer Reserve Fund Complementary Procedures Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6944. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-385, "Consolidated of Financial Services Amendment Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6945. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-386, "Captive Insurance Company Temporary Amendment Act of

2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6946. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-350, "Owner-Occupant Residential Tax Credit and Exemption Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6947. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-366, "Revised Closing of a Portion of a Public Alley in Square 209, S.O. 02-1019, Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6948. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-351, "December Use of the Cash Reserve Funds Temporary Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6949. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-352, "Real Property Disposition Economic Analysis Temporary Amendment Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6950. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-353, "District of Columbia Emancipation Day Parade and Fund Temporary Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6951. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-360, "Kings Court Community Garden Equitable Real Property Tax Relief Temporary Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6952. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-361, "District of Columbia Public Schools Use of the Budget Reserve Funds Temporary Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6953. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-367, "District of Columbia Auditor Subpoena and Oath Authority Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6954. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-362, "Used Car Dealership License Moratorium Temporary Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6955. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-368, "Metropolitan Police Department Educational Requirement Clarification Temporary Amendment Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6956. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-363, "Crisp Attucks Development Corporation Real Property Tax Exemption and Equitable Real Property Tax Relief Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6957. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-370, "Real Property Classification Clarification Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6958. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-383, "Health Services Planning and Development Amendment Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6959. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-364, "Sexual Minority Youth Assistance League Equitable Real Property Tax Relief Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6960. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-365, "Dedication and Designation of Streets and an Alley in Squares 878, S.O.95-251, Act of 2004," pursuant to D.C. Code section 1-233(c)(1); to the Committee on Government Reform.

6961. A letter from the Chairman, Broadcasting Board of Governors, transmitting the Annual Program Performance Report on the FY 2003 Performance Plan, pursuant to the Government Performance and Results Act of 1993 (GPRSA); to the Committee on Government Reform.

6962. A letter from the Secretary, Department of the Treasury, transmitting the Financial Report of the United States Government for Fiscal Year 2003 (Financial Report), pursuant to 31 U.S.C. 331(e)(1); to the Committee on Government Reform.

6963. A letter from the Human Resources Specialist, Department of Labor, transmitting a report pursuant to the Federal Vacancies Reform Act of 1998; to the Committee on Government Reform.

6964. A letter from the Chairman, Federal Election Commission, transmitting a copy of the annual report in compliance with the Government in the Sunshine Act for the calendar year 2003, pursuant to 5 U.S.C. 552b(j); to the Committee on Government Reform.

6965. A letter from the Chairman, Federal Energy Regulatory Commission, transmitting the Commission's FY 2003 Performance Report, pursuant to Public Law 103-62; to the Committee on Government Reform.

6966. A letter from the Chairman, International Trade Commission, transmitting pursuant to the Government Performance and Results Act (Pub. L. 103-62), the Commission's Performance Report for FY 2003; to the Committee on Government Reform.

6967. A letter from the Director, Office of Personnel Management, transmitting a report on the Federal Activities Inventory Reform Act Inventory as of June 30, 2003; to the Committee on Government Reform.

6968. A letter from the Architect of the Capitol, transmitting a report discussing the AOC's activities to improve worker safety during the fourth quarter of FY03, pursuant to the directives issued in the 107th Congress First Session, House of Representatives Report Number 107-169; to the Committee on House Administration.

6969. A letter from the Secretary, Department of the Interior, transmitting a draft bill entitled "To redesignate Fort Clatsop National Memorial as the Lewis and Clark National Park, to include sites in the State of Washington as well as the State of Oregon, and for other purposes"; to the Committee on Resources.

6970. A letter from the Commissioner, Financial Management Service, Department of the Treasury, transmitting FY 2003 Report to the Congress entitled "U.S. Government Receivables and Debt Collection Activities of Federal Agencies," pursuant to 31 U.S.C. 3716(c)(3)(B); to the Committee on the Judiciary.

6971. A letter from the Chief Scout Executive and President, Boy Scouts of America, transmitting the Boy Scouts of America's

2003 Report to the Nation, pursuant to 36 U.S.C. 28; to the Committee on the Judiciary.

6972. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Establishment of Class E Airspace; Calverton, NY [Docket No. FAA-2003-16415; Airspace Docket No. 03-AEA-16] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6973. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Mapleton, IA. [Docket No. FAA-2003-16496; Airspace Docket No. 03-ACE-80] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6974. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Amendment of Class E5 Airspace; Augusta, GA [Docket No. FAA-2003-15124; Airspace Docket No. 03-ASO-5] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6975. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Maryville, MO. [Docket No. FAA-2003-15720; Airspace Docket No. 03-ACE-62] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6976. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Milford, IA. [Docket No. FAA-2003-16497; Airspace Docket No. 03-ACE-81] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6977. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Mapleton, IA. [Docket No. FAA-2003-16496; Airspace Docket No. 03-ACE-80] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6978. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Establishment of Class D Airspace; Columbus, MS [Docket No. FFAA-2003-15532; Airspace Docket No. 03-ASO-10] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6979. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Prohibition Against Certain Flights Within the Territory and Airspace of Iraq [Docket No. FAA-2003-14766; SFAR No. 77] received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6980. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Specialist Federal Aviation Regulation No. 36, Development of Major Repair Data [Docket No. FAA-2003-16527; Amendment No. SFAR 36-8] (RIN: 2120-AI09) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6981. A letter from the Program Analyst, FAA, Department of Transportation, transmitting the Department's final rule — Re-

pair Stations: Service Difficulty Reporting [Docket No. FAA-2003-16772; Amendment No. 22] (RIN: 2120-AI07) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6982. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Airbus Model A300 B2, A300 B4, A300 B4-600, A300 B4-600R, A300 F4-600R, A310, A330, and A340 Series Airplanes [Docket No. 2001-NM-154-AD; Amendment 39-13220; AD 2003-14-01] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6983. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Bombardier Model CL-600-2C10 (Regional Jet Series 700 & 701) and CL-600-2D24 (Regional Jet Series 900) Series Airplanes [Docket No. 2003-NM-209-AD; Amendment 39-13353; AD 2003-19-51] (RIN: 1220-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6984. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Eurocopter France Model AS332C, L, L1, and L2 Helicopters [Docket No. 2001-SW-07-AD; Amendment 39-13371; AD 2003-24-02] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6985. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; McDonnell Douglas Model MD-11 Airplanes [Docket No. 2001-NM-57-AD; Amendment 39-13340; AD 2003-21-05] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6986. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Pratt and Whitney PW4000 Series Turbofan Engines [Docket No. 2002-NE-15-AD; Amendment 39-13131; AD 2003-09-02] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6987. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Eurocopter France Model SA-365N, NI, AS-365N2, and AS 365 N3 Helicopters [Docket No. 2003-SW-09-AD; Amendment 39-13363; AD 2003-22-15] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6988. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Rolls-Royce plc (RR) RB211-22B, RB211-524, and RB211-535 Series Turbofan Engines [Docket No. 2001-NE-13-AD; Amendment 39-13435; AD 2004-01-21] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6989. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; McDonnell Douglas Model 717-200 Airplanes [Docket No. 2003-NM-55-AD; Amendment 39-13429; AD 2004-01-15] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6990. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Airworthiness Directives; Cessna Aircraft Company Models 441 and F406 Airplanes [Docket No. 2002-CE-18-AD; Amendment 39-13406; AD 2003-09-09 R1] (RIN: 2120-AA64) received February 4, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6991. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Independence, IA. [Docket No. FAA-2003-16746; Airspace Docket No. 03-ACE-90] received February 9, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6992. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Establishment of Class E2 Airspace; and Modification of Class E5 Airspace; Hutchinson, KS. [Docket No. FAA-2003-16410; Airspace Docket No. 03-ACE-79] received February 9, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6993. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Clay Center, KS. [Docket No. FAA-2003-16759; Airspace Docket No. 03-ACE-96] received February 9, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6994. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Colby, KS. [Docket No. FAA-2003-16760; Airspace Docket No. 03-ACE-97] received February 9, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6995. A letter from the Paralegal Specialist, FAA, Department of Transportation, transmitting the Department's final rule — Modification of Class E Airspace; Chanute, KS. [Docket No. FAA-2003-16757; Airspace Docket No. 03-ACE-95] received February 9, 2004, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

6996. A letter from the Administrator, Office of Management and Budget, transmitting the annual report on the Federal Government's use of voluntary consensus standards, pursuant to Public Law 104-113, section 12(d)(3) (110 Stat. 783); to the Committee on Science.

6997. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting the Department's Federal Equal Opportunity Recruitment Program (FEORP) Accomplishment Report and the Disabled Veteran's Affirmative Action Program (DVAAP) Report for the period of September 30, 2002 to September 30, 2003, pursuant to 22 U.S.C. 3905(d)(2); jointly to the Committees on International Relations and Government Reform.

6998. A letter from the Administrator, FAA, Department of Transportation, transmitting an additional copy of the "Federal Aviation Administration and National Air Traffic Controllers Association Collective Bargaining Impasse Submission to Congress," pursuant to 49 U.S.C. 40122(a); jointly to the Committees on Transportation and Infrastructure and Government Reform.

TIME LIMITATION OF REFERRED BILL

Pursuant to clause 2 of rule XII the following action was taken by the Speaker:

[Omitted from the Record of March 2, 2004]

H.R. 2802. Referral to the Committee on Government Reform extended for a period ending not later than March 8, 2004.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XII, public bills and resolutions were introduced and severally referred, as follows:

By Mr. YOUNG of Alaska:

H.R. 3879. A bill to authorize appropriations for the Coast Guard for fiscal year 2005, to amend various laws administered by the Coast Guard, and for other purposes; to the Committee on Transportation and Infrastructure.

By Mr. TOM DAVIS of Virginia (for himself and Mr. WAXMAN):

H.R. 3880. A bill to amend the Federal Food, Drug, and Cosmetic Act with respect to the sale of prescription drugs through the Internet; to the Committee on Energy and Commerce.

By Mr. SMITH of Washington (for himself, Mr. HOLDEN, Mr. INSLEE, Mr. RANGEL, Mr. LEVIN, Mr. MATSUI, Mr. STARK, Mr. CARDIN, Mr. McDERMOTT, Mr. McNULTY, Mr. BECERRA, Mrs. JONES of Ohio, Mr. SPRATT, Mr. GEORGE MILLER of California, Mr. DICKS, Mr. BAIRD, Mr. LARSEN of Washington, and Ms. SLAUGHTER):

H.R. 3881. A bill to amend the Trade Act of 1974 to extend the trade adjustment assistance program to the service sector, and for other purposes; to the Committee on Ways and Means.

By Mr. ENGLISH:

H.R. 3882. A bill to amend the Internal Revenue Code of 1986 to exempt from the harbor maintenance tax certain truck cargo on a ferry operating between two ports for the sole purpose of bypassing traffic congestion on the nearest international bridge serving the area in which such ports are located; to the Committee on Ways and Means.

By Mr. GILCHREST:

H.R. 3883. A bill to reauthorize the Atlantic Striped Bass Conservation Act; to the Committee on Resources.

By Mr. GONZALEZ:

H.R. 3884. A bill to designate the Federal building and United States courthouse located at 615 East Houston Street in San Antonio, Texas, as the "Hipolito F. Garcia Federal Building and United States Courthouse"; to the Committee on Transportation and Infrastructure.

By Mr. HOEKSTRA:

H.R. 3885. A bill to direct the Commandant of the Coast Guard to convey a Coast Guard 44-foot Motor Life Boat to the city of Ludington, Michigan; to the Committee on Transportation and Infrastructure.

By Mr. NEUGEBAUER:

H.R. 3886. A bill to amend the Food Security Act of 1985 to expand the pilot program for the enrollment of certain wetlands and its buffer acreage in the conservation reserve program to include the enrollment of certain playas and its buffer acreage, and for other purposes; to the Committee on Agriculture.

By Mr. RODRIGUEZ (for himself, Ms. ROYBAL-ALLARD, Ms. JACKSON-LEE of Texas, Ms. LOFGREN, Mrs. TAUSCHER, Mrs. CHRISTENSEN, Mr. ENGEL, Mr. ABERCROMBIE, Mr. DOGGETT, Mr. HOLDEN, Mr. WAXMAN, Mr. GREENWOOD, Mr. DAVIS of Illinois, Mrs.

MCCARTHY of New York, Mrs. NAPOLITANO, Mr. GREEN of Texas, Mr. FROST, Mr. McNULTY, Mr. ORTIZ, Mr. KILDEE, Mr. TOWNS, and Ms. NORTON):

H.R. 3887. A bill to amend the Public Health Service Act to provide for the establishment of a National Center for Social Work Research; to the Committee on Energy and Commerce.

By Mr. SANDERS (for himself, Mr. MICA, Mr. TAYLOR of Mississippi, Mr. PAUL, Ms. KAPTUR, Mr. GOODE, Mr. DEFAZIO, Mr. MICHAUD, Mr. OWENS, Mr. SERRANO, Mr. GRIJALVA, Ms. KILPATRICK, Ms. WOOLSEY, Mr. HOLDEN, Mr. BOUCHER, Mr. KUCINICH, Mr. STUPAK, Ms. SLAUGHTER, Mr. MCINTYRE, Mr. BROWN of Ohio, Mr. OLVER, Mr. STARK, Mr. PALLONE, Mr. BRADY of Pennsylvania, Ms. CARSON of Indiana, Mr. NADLER, Mr. EVANS, Mr. WEXLER, Mr. GREEN of Texas, Ms. MILLENDER-MCDONALD, Ms. CORRINE BROWN of Florida, Ms. NORTON, Mr. LIPINSKI, Mr. PETERSON of Minnesota, Mr. ABERCROMBIE, Mr. KILDEE, Mr. CONYERS, Mr. PAYNE, Ms. SCHAKOWSKY, Mr. GUTIERREZ, Mr. RYAN of Ohio, Mr. MCGOVERN, Mr. BISHOP of Georgia, Mr. STRICKLAND, Mr. WYNN, Mr. TIERNEY, Mr. HASTINGS of Florida, Ms. LEE, Ms. SOLIS, Mr. UDALL of New Mexico, Mr. VISCLOSKEY, and Mr. PASCRELL):

H.R. 3888. A bill to prohibit business enterprises that lay-off a greater percentage of their United States workers than workers in other countries from receiving any Federal assistance, and for other purposes; to the Committee on Government Reform.

By Mr. WOLF:

H.R. 3889. A bill to transfer certain functions from the United States Trade Representative to the Secretary of Commerce; to the Committee on Ways and Means.

By Mr. UDALL of Colorado (for himself, Mr. BARTLETT of Maryland, Mr. GORDON, Mr. McDERMOTT, Mr. HOYER, Mr. AKIN, Mr. LAMPSON, and Mr. RUPPERSBERGER):

H. Res. 550. A resolution expressing the sense of the House of Representatives relating to the extraordinary contributions resulting from the Hubble Space Telescope to scientific research and education, and to the need to reconsider future service missions to the Hubble Space Telescope; to the Committee on Science.

ADDITIONAL SPONSORS

Under clause 7 of rule XII, sponsors were added to public bills and resolutions as follows:

H.R. 284: Mr. BISHOP of Utah, Mrs. KELLY, and Mr. LAHOOD.

H.R. 290: Mrs. NAPOLITANO.

H.R. 339: Mr. TERRY.

H.R. 432: Mr. ENGEL.

H.R. 545: Mr. ISAKSON.

H.R. 577: Mr. BISHOP of Georgia and Mr. STRICKLAND.

H.R. 594: Mr. MURTHA and Mr. WOLF.

H.R. 677: Mr. THOMPSON of California

H.R. 685: Mrs. NAPOLITANO.

H.R. 716: Mr. CUNNINGHAM and Mr. McDERMOTT.

H.R. 717: Mr. WU.

H.R. 727: Mr. GONZALEZ.

H.R. 745: Mr. BLUMENAUER.

H.R. 857: Mr. MOORE.

H.R. 918: Mr. HALL and Mr. MARSHALL.

H.R. 973: Mr. ENGLISH and Mr. WALSH.

H.R. 976: Mr. GONZALEZ.

H.R. 1064: Mr. TOWNS, Mr. OWENS, and Mr. ANDREWS.

H.R. 1160: Mr. ACKERMAN.

H.R. 1179: Mr. GREEN of Wisconsin.

H.R. 1214: Mr. ACKERMAN and Ms. HART.

H.R. 1336: Mr. WYNN, Mr. BROWN of South Carolina, Mr. HOEFFEL, Mr. BELL, Mr. COOPER, and Mr. MATHESON.

H.R. 1372: Mr. BACHUS.

H.R. 1532: Ms. MCCARTHY of Missouri and Mr. CLYBURN.

H.R. 1563: Mr. ETHERIDGE.

H.R. 1582: Mr. TURNER of Texas.

H.R. 1613: Mr. LIPINSKI, Mr. HINOJOSA, and Mr. WEXLER.

H.R. 1655: Mr. DEAL of Georgia.

H.R. 1676: Mr. BAIRD and Mr. BOUCHER.

H.R. 1716: Mr. RENZI.

H.R. 1738: Mr. ENGEL.

H.R. 1755: Mr. ROGERS of Kentucky.

H.R. 1769: Mr. TIERNEY, Mr. MCGOVERN, Mr. STUPAK, Mr. KUCINICH, Mr. ISRAEL, Mr. RUSH, Mr. STRICKLAND, Mr. OBERSTAR, Mr. ALLEN, and Ms. WOOLSEY.

H.R. 1863: Mr. RUPPERSBERGER and Mr. MCGOVERN.

H.R. 1873: Ms. KAPTUR.

H.R. 1874: Mr. COOPER.

H.R. 1930: Mr. LYNCH.

H.R. 2011: Mr. BISHOP of Georgia.

H.R. 2037: Mr. CONYERS.

H.R. 2068: Mr. PALLONE, Ms. MCCARTHY of Missouri, Mr. DICKS, Mr. LAMPSON, Ms. SLAUGHTER, Mr. PASCRELL, and Mr. SERRANO.

H.R. 2173: Mr. CLAY, Mr. FATTAH, and Ms. CORRINE BROWN of Florida.

H.R. 2176: Mr. GREEN of Texas.

H.R. 2201: Mr. KIND, Mr. JACKSON of Illinois, Mr. DEFAZIO, Mr. BACA, Mr. FROST, Mr. RODRIGUEZ, Ms. LEE, Mr. RANGEL, Mr. MCGOVERN, Mr. FALCOMA, and Mr. CASE.

H.R. 2215: Mr. NADLER, Ms. LINDA T. SANCHEZ of California, Ms. SCHAKOWSKY, Mr. DEFAZIO, Mr. ANDREWS, and Mr. FROST.

H.R. 2233: Mr. MCGOVERN.

H.R. 2298: Mr. GONZALEZ.

H.R. 2318: Ms. MAJETTE.

H.R. 2426: Mr. BRADY of Pennsylvania.

H.R. 2437: Ms. SCHAKOWSKY.

H.R. 2490: Mr. SERRANO.

H.R. 2625: Mr. TURNER of Texas.

H.R. 2743: Mr. FORBES, Mr. PUTNAM, Mrs. CAPITO, and Mr. GILLMOR.

H.R. 2768: Mr. BASS.

H.R. 2821: Mrs. NAPOLITANO and Ms. MCCOLLUM.

H.R. 2823: Mr. BOUCHER and Mr. HOSTETTLER.

H.R. 2824: Mr. MILLER of Florida and Mr. WAXMAN.

H.R. 2863: Mr. PAYNE.

H.R. 2864: Mr. HENSARLING.

H.R. 2900: Mrs. BONO.

H.R. 2928: Mr. HOEKSTRA, Mr. FILNER, and Mr. CHOCOLA.

H.R. 2932: Mr. HINCHEY and Ms. ROYBAL-ALLARD.

H.R. 2967: Mr. SAXTON and Mr. WHITFIELD.

H.R. 2997: Mr. BRADY of Pennsylvania, Ms. KAPTUR, and Mr. CRAMER.

H.R. 3042: Mr. SAM JOHNSON of Texas.

H.R. 3049: Mr. KUCINICH and Mr. RUSH.

H.R. 3103: Mr. MCINTYRE and Ms. DELAURO.

H.R. 3115: Mr. BEREUTER.

H.R. 3204: Mr. WEXLER and Mr. PALONE.

H.R. 3213: Mr. CALVERT, Mr. CULBERSON, and Mr. BONNER.

H.R. 3243: Mr. BOEHLERT and Mr. SNYDER.

H.R. 3355: Mr. PAYNE.

H.R. 3361: Mr. WAXMAN, Mr. OLVER, and Mr. PLATTS.

H.R. 3362: Mr. BISHOP of Georgia.

H.R. 3370: Mr. ANDREWS, Mr. PALLONE, Mr. LANGEVIN, Mr. ISRAEL, Mr. BOEHLERT, Mr. ACKERMAN, Mr. NADLER, Mr. HOUGHTON, and Mr. OBERSTAR.

H.R. 3403: Mr. ISAKSON.

H.R. 3416: Mr. PASTOR, Mr. ISRAEL, Mr. JEFFERSON, and Mrs. NAPOLITANO.

H.R. 3425: Mr. STARK.
 H.R. 3441: Mr. ISRAEL, Mr. BACHUS, Ms. ROS-LEHTINEN, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. SANDLIN, Mr. SIMMONS, Mr. ROHRBACHER, Ms. JACKSON-LEE of Texas, Mr. JEFFERSON, Mr. VISCLOSKEY, Mr. FROST, and Mr. LEACH.
 H.R. 3473: Ms. MCCARTHY of Missouri, Mr. HAYWORTH, Mr. MCDERMOTT, Mr. CARDOZA, and Mr. FATTAH.
 H.R. 3482: Mr. GORDON.
 H.R. 3507: Mrs. TAUSCHER, Ms. LINDA T. SANCHEZ of California, and Ms. ESHOO.
 H.R. 3519: Mr. BROWN of Ohio, Mr. NADLER, Ms. SCHAKOWSKY, Mr. MARKEY, and Mr. LANTOS.
 H.R. 3574: Mr. CRANE, Mr. ISRAEL, Mr. RYUN of Kansas, Mr. ISSA, Ms. GINNY BROWN-WAITE of Florida, Ms. MCCARTHY of Missouri, and Mr. MEEHAN.
 H.R. 3658: Mr. SPRATT and Mrs. KELLY.
 H.R. 3676: Mr. PALLONE and Mr. WYNN.
 H.R. 3678: Mr. DAVIS of Illinois and Mrs. DAVIS of California.
 H.R. 3707: Ms. GINNY BROWN-WAITE of Florida, Mr. EDWARDS, Mrs. NAPOLITANO, Mr. SANDLIN, Mr. GOODLATTE, Mr. RUPPERSBERGER, Mr. CHANDLER, Mr. NEAL of Massachusetts, and Ms. SCHAKOWSKY.
 H.R. 3712: Mr. McNULTY, Mr. WEXLER, Mr. NADLER, Ms. ROYBAL-ALLARD, Mr. TOWNS,

Mrs. MCCARTHY of New York, and Ms. NORTON.
 H.R. 3737: Mr. VITTER and Mr. BAKER.
 H.R. 3743: Mr. HOUGHTON.
 H.R. 3791: Mr. BURR.
 H.R. 3795: Mr. PALLONE.
 H.R. 3800: Mr. PAUL, Mr. BAKER, Mr. JONES of North Carolina, Mr. LINDER, Mr. FORBES, Mr. MANZULLO, and Mr. HOSTETTLER.
 H.R. 3815: Mr. HASTINGS of Florida and Ms. NORTON.
 H.R. 3839: Mr. CASE.
 H.R. 3853: Mr. MILLER of Florida.
 H.R. 3865: Ms. SLAUGHTER, Mr. MCGOVERN, Mr. CASE, Mr. FILNER, Mr. HINCHEY, Ms. NORTON, Mr. MCDERMOTT, and Mr. BERRY.
 H.R. 3866: Mr. SCOTT of Virginia.
 H.R. 3867: Mr. OLVER.
 H. Con. Res. 173: Mr. VISCLOSKEY.
 H. Con. Res. 257: Mr. MILLER of Florida.
 H. Con. Res. 298: Mr. CRAMER.
 H. Con. Res. 310: Mr. DEAL of Georgia.
 H. Con. Res. 332: Mr. GERLACH, Mr. FORD, Mr. MCCREERY, Mr. FRANKS of Arizona, Mr. SESSIONS, Mr. HILL, and Mrs. MALONEY.
 H. Con. Res. 352: Mr. DAVIS of Florida, Mr. HONDA, Ms. CARSON of Indiana, Mr. WEXLER, Mr. MEEKS of New York, and Mr. STARK.
 H. Con. Res. 356: Mr. SCHIFF, Mr. BISHOP of Georgia, Mr. MCGOVERN, Ms. MILLENDER-MCDONALD, Ms. WATSON, Mr. FATTAH, Mr.

MATHESON, Mr. OLVER, Ms. ESHOO, Mr. GREEN of Texas, and Mr. CONYERS.
 H. Con. Res. 363: Mr. SAXTON.
 H. Con. Res. 367: Mr. KIRK, Mr. HOSTETTLER, Mr. HUNTER, and Mr. SKELTON.
 H. Res. 60: Mr. GREENWOOD.
 H. Res. 446: Mr. FEENEY.
 H. Res. 466: Ms. BERKLEY, Mr. KILDEE, Mrs. BIGGERT, and Mr. KENNEDY of Rhode Island.
 H. Res. 514: Mr. GORDON.
 H. Res. 524: Mrs. LOWEY, Mr. GRIJALVA, Mr. MCGOVERN, Mr. TOWNS, Mr. LEVIN, and Mr. SANDERS.
 H. Res. 540: Mr. BEREUTER, Mr. BLUNT, Ms. LEE, Mr. TANCREDO, and Mr. MCCOTTER.

AMENDMENTS

Under clause 8 of rule XVIII, proposed amendments were submitted as follows:

H.R. 3752

OFFERED BY: MR. FLAKE

AMENDMENT NO. 2: In section 3(c)(22), in each of the proposed paragraphs (1), (2), and (3), strike "such sums as may be necessary" and insert "\$11,776,000".



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WASHINGTON, WEDNESDAY, MARCH 3, 2004

No. 26

Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. STEVENS).

PRAYER

The Chaplain, Dr. Barry C. Black, offered the following prayer:

Let us pray.

Eternal Lord God, You are the source of every blessing. Thank You for Your unfailing love. Lord, we know that You want our hearts more than anything we have, and we would give them to You. Forgive us when we forget to see our challenges from a faith perspective. Remind us that You are an ever present help for all our troubles.

Inspire our Senators today. May they build their hope on You. As they are pressed by many issues, help them to slow down long enough to hear Your voice. Cheer our hearts with the knowledge that You will always sustain us. And, Lord, bless our military.

We pray this in Your holy Name. Amen.

PLEDGE OF ALLEGIANCE

The PRESIDENT pro tempore led the Pledge of Allegiance, as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

SCHEDULE

Mr. FRIST. Mr. President, this morning there will be a period of morning business until 10:30 a.m. Following morning business, the Senate will begin consideration of S. 1637, the Jumpstart JOBS or, as it is also known, the FSC/ETI bill. Senators GRASSLEY and BAUCUS will be here

through the morning to begin working through the amendments as they are offered.

Over the last couple of weeks we have been attempting to work out an agreement for consideration of the bill with the Democratic leadership. With the March 1 deadline behind us, it is imperative we attempt to consider this bill in an expeditious way. We have been unable, unfortunately, to reach agreement with our colleagues on the other side of the aisle to limit the nature of the amendments to the underlying bill. Thus, we are proceeding today in good faith and hope we can consider related amendments in order to make progress. Again, the March 1 deadline has passed. It is incumbent upon us to address this bill in an organized and expeditious way.

Rollcall votes can be expected today in relation to the Jumpstart JOBS bill. We will alert all Members as the votes are scheduled. It is critical that we work aggressively on the bill Wednesday, Thursday, and Friday of this week. Next week we will be going to the budget.

NEW LEADERS FOR NEW SCHOOLS

Mr. FRIST. Mr. President, I want to take several minutes to comment on some good news from Tennessee, good news from Tennessee that underscores the importance of having a good, strong leader as principal of K through 12 schools.

Last month, the national, nonprofit New Leaders for New Schools chose the city of Memphis to participate in its education program. Memphis joins other cities—Chicago and New York and Washington—as a participant in this new and innovative reform effort in education. The program is called New Leaders for New Schools. It is the brainchild of John Schnur, a young social entrepreneur and education expert. He came up with the idea while at Harvard Business School. His idea was to

take concepts of business leadership and apply it to education K through 12.

As we all know, every successful company is led by a successful CEO. Successful schools, in turn, are really no different. Great principals make for great schools. Really, it makes sense. New Leaders for New Schools trains outstanding individuals to become outstanding school principals. The program draws applicants from all walks of life, from former bankers and dot commers, to teachers and, indeed, retired principals. What they share is a deep belief in the potential of every child to succeed. These committed individuals are sent into urban school districts to turn around poor performing schools. As they prove their effectiveness, they can earn flexibility in hiring and carrying out reforms.

In Memphis, New Leaders for New Schools will recruit and develop 60 new principals over 3 years to serve in the public school system. City leaders are rightly excited about this great opportunity. The No Child Left Behind Act does set high standards, and a strong and effective school principal is key to meeting these goals.

I should note that 45 percent of Memphis school principals are eligible for retirement in the next 3 years. Training the next generation of principals is critical.

I am excited for the parents and the teachers of Memphis. I am especially excited for the schoolchildren of Memphis. With strong and motivated leadership at the top, they will have even more opportunities to realize their potential.

Every child can learn. Every child can succeed. New Leaders for New Schools is one more step in moving our education system forward.

I yield the floor.

RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The Democratic leader is recognized.

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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IRAQ INTELLIGENCE AND POSTWAR PLANNING

Mr. DASCHLE. Mr. President, in recent weeks, Americans have witnessed a steady stream of reports that raise grave questions about the accuracy of statements made by senior Bush administration officials leading up to the war in Iraq.

The unequivocal administration pronouncements that Saddam Hussein possessed weapons of mass destruction, was pursuing nuclear capabilities, and had close ties with al-Qaida have not been proven or been proven unequivocally wrong.

Implications of these intelligence failures are far-reaching. While Saddam Hussein may be in prison, just this week CIA Director Tenet indicated America is still the target of terrorists who seek to kill as many Americans as possible in any way available to them.

At no time in our Nation's history has the integrity of the people who use intelligence and the people who produce intelligence been more vital to national security. Americans need to have confidence in both our policymakers and our intelligence community. To rebuild that confidence, Americans have a right to know how the administration and how our intelligence community could have been so wrong on matters of such grave import.

For a failure this massive, every aspect of America's national security policymaking process should be put under the microscope: How we collect information, how we analyze it, how it gets interpreted by administration officials, and how the Senate performs its oversight responsibilities.

Much of the discussion about our Iraq intelligence failures thus far has focused on our incorrect assessments of the threat posed by Saddam Hussein. While important, there is another vital piece of this story that has been overlooked until this point. That is, the administration's failure to plan for post-war Iraq and the consequences that would arise from toppling Saddam Hussein.

The administration's myopic approach to planning for post-Saddam Iraq continues to have consequences for the safety of our troops and the long-term security of our Nation and its interests. As a result, it is critical that the Nation learn more about why the administration failed to plan for the contingencies of a post-Saddam Iraq. As officials from the Bush administration, the United Nations, and the Iraq Governing Council seek to reach agreement on the administration's third and latest proposal for forming the first official post-Saddam government, we would be wise to look back at what went wrong.

A thorough, bipartisan investigation is warranted.

What makes the unfolding evidence of insufficient post-war planning most troubling is that, in this instance, contrary to the questions of weapons of mass destruction, it appears that our intelligence was right.

There was a consensus among the intelligence community that removing Saddam would be the easiest part of our efforts to secure and rebuild Iraq.

Our intelligence community, our military, and numerous independent groups all concurred in the assessment that our gravest challenges would come in the days after Saddam was ousted.

The greatest difficulty, all agreed, would come in the days following the toppling of Saddam Hussein. Senior administration policymakers were repeatedly warned by other officials within the government, as well as a raft of independent outside experts, to plan accordingly.

Months before the start of the conflict, these officials and experts carefully examined these issues and offered concrete proposals to maximize our chances for bringing about a stable Iraq while minimizing the risks to our troops and our taxpayers.

For instance, as far back as March 2002, a year before the invasion, the State Department was working on a \$5 million project entitled the Future of Iraq. Experience from previous conflicts demonstrated the importance of preparing in advance for our postwar duties.

And experience from the past gave us all a guide as to what to expect in Iraq.

Although there were many other officials and organizations making similar assessments, the State Department's Future of Iraq project provides some useful insights into the information available to the administration had it chose to listen.

In its 13-volume study plus a one-volume summary and overview, the Future of Iraq project reached some prescient conclusions.

First, the project said Iraq would be disorderly after liberation and stressed that the days immediately after liberation would be critical—to both those who seek to work with us and those who do not.

The removal of Saddam's regime will provide a power vacuum and create popular anxieties about the viability of all Iraqi institutions . . . the traumatic and disruptive events attendant to the regime change will affect all Iraqis, both Saddam's conspirators and the general populace.

Second, this report stressed the importance of restoring basic services as quickly as possible after the regime change. The report "stressed the importance of getting the electrical grid up and running immediately—[this is] key to water systems, jobs. [This] could go a long way to determining Iraqis attitudes' toward coalition forces."

Third, the report warned about the problems created by a wholesale demobilization of the Iraqi military.

The decommissioning of hundreds of thousands of trained military personnel that [a rapid purge] implies could create social problems.

Each of these conclusions should have waved a red flag to administra-

tion officials: if addressed effectively, the transition will be smoother; if ignored, the transition will be more difficult. More difficult for our troops and more difficult for the Iraqi people.

Unfortunately, the administration apparently chose to ignore these and many other similar findings offered up by other groups. In fact, news reports indicate that White House and senior Defense Department civilian officials actually worked to exclude people who worked on or shared the views contained in the Future of Iraq report—views that have proven to be 100 percent correct.

One of the most comprehensive reports about this issue can be found in James Fallows' article in the January/February 2004 Atlantic Monthly entitled "Blind into Baghdad."

I highly commend this article to my colleagues.

Unfortunately, the many warnings about post-war Iraq fell upon deaf ears in the administration. For a variety of reasons, senior administration officials in the White House and senior civilians in the Defense Department ignored these warnings, instead apparently opting to rely on dubious sources to back up their rosy predictions about how our troops would be received by Iraqis and how smooth the transition would be.

For example, the administration was repeatedly pressed for an estimate before the start of the war on the number of troops and the cost of the operation.

Even though press reports indicate administration officials had signed off on a war plan in November 2002 that spelled out the size of the forces necessary for an Iraq mission, the administration persistently claimed not to know the size of the forces needed or their cost.

As late as February 2003, 2 months after the President had authorized the deployment of 200,000 troops to the region and less than 2 months before the start of the conflict, Deputy Defense Secretary Wolfowitz said, "Fundamentally, we have no idea what is needed unless and until we get there on the ground."

Even worse, the administration suggested that there would be no cost at all.

Administration officials stated that the proceeds from the sale of Iraqi oil would be used to pay for the American military presence.

On March 27, 8 days after the war had started, Wolfowitz was again pressed on a figure and indicated that whatever it turned out to be, Iraq's oil supplies would keep it low: "There's a lot of money to pay for this. It doesn't have to be U.S. taxpayer money. We are dealing with a country that can really finance its own reconstruction and relatively soon."

In April, after more than a month of conflict, Andrew Natsios, the director of USAID, said the total cost to the taxpayer would be no more than \$1.7 billion. "We have no plans for any further-on-funding for this."

The administration either knew better at the time or should have known better.

And our troops and the American people certainly deserved better. Over 500 Americans have been killed and over 3,000 wounded in Iraq. Unfortunately, these numbers are likely to continue to grow before our mission there is complete.

We have already appropriated over \$150 billion for this operation, and this cost could easily double before we are through.

Let me take another example—the administration's statements about the post-war environment we would encounter and the challenges we would face.

Although there are a few instances where administration officials went on the record before the war warning that a war with Iraq could require a lengthy commitment, administration officials repeatedly painted the most optimistic portrait possible in order to gain support for its strategy.

Vice President CHENEY's remarks 3 days before the start of the war typify much of what the administration was telling the American public.

When asked if the American people are prepared for a long, costly battle with significant casualties, the Vice President said, "Well, I don't think it's likely to unfold that way . . . because I really do believe we will be greeted as liberators."

This tragic miscalculation allowed the administration to abandon the intelligence-based, analytical process needed to plan successfully for the occupation of Iraq. The administration sent a smaller force than our senior military officials initially recommended.

Our personnel were not suitably prepared for the immense economic, social, and political complexities that we should have known would inevitably arise after the fall of Saddam Hussein. And our troops and the American people were not adequately equipped for the guerrilla tactics that have become all too common since President Bush declared an end to major combat operations.

Overall, the administration's overly optimistic attitude about post-war Iraq has contributed to a far more costly and arduous effort than needed to be the case.

Mr. President, not long ago, many of my colleagues and I had the honor of having dinner with more than 100 soldiers and their families at Walter Reed Army Medical Center. These soldiers had all been wounded while serving their country in Iraq. I hope my colleagues will take the opportunity to visit these young men and women. After seeing first-hand the kind of people our country has produced, I have never been more proud to be an American.

As I think of my night with these brave men and women who have sacrificed so much and asked for so little

in return, I cannot help but think: Did we do right by them? Did we do everything possible to put them in a position to succeed at the least possible risk? Did we provide them with a plan for success and the tools needed to carry it out?

In a statement last year, General Anthony Zinni, one of the most respected and distinguished military leaders this country has produced, commented on what we owed those who we placed in harm's way.

He said:

They should never be put on a battlefield without a strategic plan, not only for the fighting—our generals will take care of that—but for the aftermath and winning that war. Where are we, the American people, if we accept this, if we accept this level of sacrifice without that level of planning?

The administration based its post-war planning on blind hope, and hope is not a plan. We owe it to our troops and ourselves to determine whether we did everything we could to succeed in Iraq. Our success in Iraq and future conflicts depends on it. Our need to ensure that we do right by our troops demands it.

I yield the floor.

MORNING BUSINESS

The PRESIDENT pro tempore. Under the previous order, there will be a period for the transaction of morning business until 10:30, with the time equally divided, and the time under Republican control to be equally divided between the Senator from Alaska, Ms. MURKOWSKI, and the Senator from Maine, Ms. COLLINS.

Mr. REID. Mr. President, I have a unanimous consent request I wish to make.

The PRESIDENT pro tempore. The Senator is recognized.

Mr. REID. Mr. President, we have only 40 minutes left until 10:30 a.m. We have on our side, and I am sure on the other side, more than 20 minutes. On our side, the Senator from Oregon wishes to speak for 15 minutes, the Senator from Connecticut wishes to speak for 10 minutes, which is 25 minutes. I don't know how much total time the two Senators on the majority would like. I am sure it is more than 20 minutes total.

I ask unanimous consent that the time be extended to 25 minutes on each side for morning business—not in addition to but 25 minutes total to each side.

The PRESIDENT pro tempore. On both sides, for a total of 50 minutes.

Mr. REID. A total of 50 minutes, yes, and that on our side, the Senator from Connecticut be recognized for 10 minutes and the Senator from Oregon be recognized for 15 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered. The Senator from Alaska, Ms. MURKOWSKI, is recognized.

ALASKA GAS PIPELINE—NO LONGER A PIPE DREAM

Ms. MURKOWSKI. I thank the Chair.

Mr. President, we will soon begin debating the merits of the tax bill that will bring the United States into compliance with our World Trade Organization's obligations and assist domestic manufacturers. I understand this bill has been renamed the Jumpstart JOBS Act, referring to the number of manufacturing jobs that have been lost in the past few years, whether it is from businesses relocating their plants overseas, the outsourcing of jobs, or increased efficiency that does not require as much manual labor.

I believe that every Senator in this body wants to help those Americans who have been laid off to find new employment and to provide assistance to our domestic manufacturers that will lead to real job creation. But when we talk about job creation, too often this body overlooks a project that would produce those jobs for Americans, that would create jobs in all 50 States, and not just a few jobs but by at least one estimate we would create over 1 million jobs across the country.

Certainly, the number of jobs nationwide will at a minimum—at a minimum—be in the thousands, and that project I am speaking of is the construction of a natural gas pipeline from Alaska to the lower 48.

With the reality in mind that this project will lead to real job creation, I would like to speak to the body this morning about three very exciting announcements relating to the Alaska natural gas pipeline.

Three consortiums have filed applications to build a gas pipeline from Alaska's North Slope. These proposals would transport the 35 trillion cubic feet of known technically recoverable reserves to the starved markets in the lower 48. This would happen at a rate of roughly 4.5 billion cubic feet per day. Many believe there is upwards of 100 trillion cubic feet of natural gas on the North Slope and quite possibly more than that.

The first announcement from MidAmerican Energy Holdings Company, a major U.S. pipeline company and a subsidiary of Berkshire Hathaway whose chief investor is financier Warren Buffett. Partnering with MidAmerican will be Cook Inlet Regional Corporation and Pacific Star Energy, which is a consortium of Alaska Native corporations.

This is great news for Alaska, and it is great news for America. Individual Alaskans, Alaska Native corporations, and Alaska-owned corporations will have ownership opportunities in the pipeline under this proposal—this is good for Alaska's economy—and oversight of the main transportation project that will be used to move Alaska's commonly owned resources to market.

Rather than just benefit from the jobs and influx of short-term construction spending, as we saw during the construction of the Trans-Alaska pipeline, this represents a significant long-term benefit to individual Alaskans and their families.

Following MidAmerican's application, the three major producing companies in Alaska—ConocoPhillips, BP Exploration, and ExxonMobile—also filed an application with the State. These three companies hold the lion's share of the right to produce North Slope natural gas.

Late last week, a third group, which is the Alaska Gasline Port Authority, filed another application to build a pipeline. This third option proposes a liquefied natural gas project that would take natural gas from the North Slope, liquefy it at tidewater in south central Alaska for transport to the west coast markets in the lower 48.

In the end, the project that best meets the needs of Alaska and the markets will get built, but too often in our discussions we overlook the proposed LNG project in favor of the land route that goes through Canada. Two years ago, Alaska voters indicated their desire for construction of an LNG project, but we have to make sure the numbers make sense and the proposal is good for the State of Alaska.

I inserted language in the omnibus appropriations bill that provides the opportunity for the loan guarantees included in the Energy bill to be available for the LNG project option; that is, if the Secretary of Energy determines that it is the best project for purposes of this provision. It is something that needs to be proven by the project sponsors. Again, it demonstrates the need for passage of the Energy bill.

In the meantime, we have three applicants that are vying to build a gas pipeline along the Alaska-Canadian highway, with a possible spur to south central Alaska for an LNG project. They have come forward, put their names on paper, and they are willing to begin negotiations with the State. For all of these reasons, Alaskans are excited.

I need to back up and clarify. When the initial announcements were made about filing the applications, both MidAmerican and the producers stressed the need to enact the regulatory streamlining, the judicial streamlining, and the fiscal incentives that are currently contained in the Energy bill for the construction of a natural gas pipeline to go forward. There should be no misunderstanding about this; the provisions in the Energy bill relating to these issues must be enacted into law if we hope to see positive movement on this project.

These filings we have in place now in the State are not a guarantee that the project will be built. These applications represent the beginning of a dialog between the applicants and the State of Alaska, but no one should interpret these events to mean that we do not need to pass the Energy bill.

A cornerstone of our national energy policy is the production of Alaskan gas and delivery of the needed resources to markets in the lower 48. Members on both sides of the aisle recognize the

benefit that Alaska gas means for America.

We have seen the volatility in the natural gas prices that had significant negative impacts on businesses and on families struggling to make ends meet and to keep their homes warm in the winter. The Alaska natural gas pipeline will bring welcome stability and a measure of predictability to the natural gas marketplace, as well as benefit consumers across the United States.

A couple of weeks ago, I had an opportunity to read an article by a gentleman by the name of Douglas Reynolds, an associate professor of oil and energy economics at the University of Alaska Fairbanks. Mr. President, you have read his book, I know, and have had good things to say about what he has written in the past. I have a copy of the article.

I ask unanimous consent that the article be printed in the RECORD immediately following my remarks.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 1.)

Ms. MURKOWSKI. Mr. President, Mr. Reynolds brought out the point, which I would like to emphasize, that providing the financial incentives for a natural gas pipeline is "like a futures contract to insure a more reliable natural gas supply source."

Then he went on to say:

Congress has the option to assure a future supply of Alaska gas at a reasonable price, and to get that supply on line sooner than markets alone will do it.

The effect would be to make Alaska's gas supply less reliant on NLG exporters with less chance for market manipulation.

To me, this just hits it right on the head. Consumers are facing increasing prices of natural gas. We have the opportunity to access a reliable supply of energy that will be produced under some of the most stringent environmental standards in the world and we can do it now, before we become dependent on foreign sources.

Douglas Reynolds and I are not the only ones who agree with this viewpoint. Recognizing the United States need for natural gas, the Federal Reserve Board Chairman Alan Greenspan testified before the Congress last year that natural gas supplies represent a "serious problem" to the national economy.

He noted U.S. policy with respect to natural gas is contradictory as we encourage consumption more than production. The chairman of the Energy and Natural Resources Committee, Senator DOMENICI, has worked diligently for more than a year to craft a bill that promotes many forms of renewable energy, encourages energy efficiency in the Federal Government and consumer products, increases the authorization of the low-income home energy assistance program, and moves us closer to construction of the Alaska natural gas pipeline.

To allay the major concerns of Members that led to the filibuster on the conference report on H.R. 6, the Senator from New Mexico has introduced a new Energy bill that has significantly less impact on the Federal budget. The new Energy bill streamlines the permitting process for the Alaska natural gas pipeline, expedites judicial review and provides for Federal loan guarantees and accelerated depreciation to lessen the cost of financing the project.

To those of my colleagues in the Senate who want to see this project built, who want to stop the rise of natural gas prices, who want to ensure a reliable supply of natural gas, who want to create hundreds of thousands of jobs across the country, I say pass this new Energy bill.

The fiscal and regulatory provisions in the Energy bill are a prerequisite to the construction of this project. The longer we wait, the longer we allow this important policy to remain caught in congressional gridlock, the more our economy is going to suffer. Senators should not accept the status quo when it comes to energy production. We should instead work to pass this Energy bill so we can tell the American people help is on the way, so we can begin to rationalize the energy markets, and so we can work to become less dependent on foreign sources of energy.

The Alaska natural gas pipeline will be the largest construction project of its kind ever completed. I believe the Federal Government should play a role in reducing the risk involved with this project, just as the Federal Government played a role in bringing affordable electricity to the South and to the Pacific Northwest.

The PRESIDING OFFICER (Mr. GRAHAM of South Carolina). The Senator's time has expired.

Ms. MURKOWSKI. The provisions in the Energy bill fulfill the Federal Government's role in bringing this pipeline to fruition.

I yield the floor.

EXHIBIT 1

[From the Fairbanks Daily News-Miner, Feb. 22, 2004]

GAS LINE WILL HAPPEN, BUT ALASKA MUST NEGOTIATE

(By Douglas Reynolds)

During winter break in the Lower 48, I heard over and over again concerns about the price of natural gas. It is currently about \$7 per thousand cubic feet, when only a few months ago it was \$4. Some fear there is market manipulation since stocks of gas in reserve are adequate and the winter has not been colder than normal so far. Investigations have already started.

However, there is a reason behind the price rise. While this year there may be adequate supplies of natural gas, next year may be a different story. As I explain in my book, Lower 48 and Southern Canadian natural gas production will decline and the United States will face a supply gap with prices climbing above \$10.

However, supply is declining faster than I anticipated. The market may merely be anticipating next year's supply gap—increasing prices now to conserve reserves and to increase production later.

Of course it is theoretically possible to have market manipulation. But this is extremely difficult to do and only works if the supply system is uncompetitive. The internal North American market is not.

Interestingly enough, if people in the Lower 48 are upset now about alleged manipulation of the natural gas market, they sure won't be happy when the United States starts depending more heavily on imported liquefied natural gas. This is because with imported LNG, the LNG exporters themselves will be able to manipulate natural gas prices and do it with impunity. It will be like OPEC all over again.

There is a mechanism to reduce LNG exporter's ability to manipulate the gas market. It is to get Alaska natural gas to market more quickly. Congress still has a chance to change the Energy Bill by putting back in the natural gas credit provisions. I know such a move is highly unlikely, but it is certainly something each Alaskan should be clambering for.

Interestingly enough, some experts would actually like to put in tax credits for Lower 48 gas producers rather than for Alaska gas even though Lower 48 producers are making money hand over foot. If more gas existed in the Lower 48, the current incentives would already be pushing supplies higher.

The fact of the matter is, the Alaska pipeline tax credits that were cut from the energy bill are like a futures contract to insure a more reliable natural gas supply source.

In other words, Congress has the option to assure a future supply of Alaska gas at a reasonable price, and to get that supply on line sooner than markets alone will do it. The effect would be to make America's gas supply less reliant on LNG exporters with less chance for market manipulation.

Since consumers are already complaining over high natural gas prices, I would think that having such tax credits and a more reliable source of natural gas would be to America's advantage. As it stands, American consumers will undoubtedly begin to complain ever louder when it's apparent that Alaska gas is stuck on the North Slope just waiting for the time when prices reach outrageous levels before reserves are finally developed.

Needless to say, our Alaska congressional delegation has fought hard to help make the gas line a reality, but now it is up to the state to take the initiative.

So will the gas line happen? Yes. But Alaska may have to negotiate with the producers or other pipeline companies to get a deal. I believe the best strategy for the state is to give a progressive royalty and severance tax package for all natural gas production.

That means a low royalty and tax percent during low prices and a high royalty and tax percent during high prices. This will give Alaska much more revenue than the current royalty and severance tax system would give because of anticipated high prices. It will also quicken the pace of developing a pipeline. It does however imply more risk in Alaska's revenues over the years.

The future price of natural gas will not be lower than \$4 on the East Coast and will easily stay in the \$6 to \$10 range.

This is because Atlantic Basin LNG producers will be slow to ramp up production even while Lower 48 production goes into decline. Plus LNG exporters can manipulate market prices exactly the way domestic suppliers have been accused of doing. Alaska can take advantage of this and negotiate to get a line done quickly and with greater profits.

The PRESIDING OFFICER. The Senator from Connecticut is recognized for 10 minutes.

AMERICA'S ECONOMIC ISSUES

Mr. DODD. Mr. President, I rise to very briefly address two subject matters. As I understand it, we will be moving later this morning to this ETI bill, or the extraterritorial income legislation. My fervent hope is that in addition to debating the underlying bill itself, we will also have an opportunity to raise questions about a staggering set of issues that is unfolding in our country, and that is the outsourcing of jobs all across this Nation to foreign lands.

We all understand this happens from time to time, but the explosion that has occurred in the last 36 months is deeply alarming to many Americans. We now have lost some 2.6 million to 2.7 million jobs over the last 36 months in the manufacturing sector alone. Many of these jobs are showing up either offshore in places such as India, Bangladesh, the People's Republic of China, or elsewhere. There is great concern in this country that we are losing a very important strategic base in our Nation, not to mention these critically important jobs which can never be replaced.

I inform my colleagues, and I know others feel similarly as I do, when we get to this bill there will be some opportunities to offer amendments and to address the very issue of American jobs.

When we hear the administration say, as the chairman of the President's Council of Economic Advisers did just a few days ago, that outsourcing of jobs was a good thing for America, we begin to understand the depths of concern people have when the administration fails to understand, at least through its leadership, how critically important it is that we stand up and do what we can to preserve critically important jobs, although not at the expense of international trade. We all understand the importance of trade in a global economy, but we also understand if we are going to be a vibrant participant in a global economy that we have to produce the goods or the services to compete.

If not only low-income jobs are given away but also high-technology jobs, information technology jobs, and engineering jobs, for instance, are leaving, then the ability of this country to compete in the 21st century is going to be severely disadvantaged.

I look forward to the coming hours today, tomorrow, and possibly Friday, to engage with my colleagues in some of this debate and discussion. It will be the first time since we have returned that we are going to have a real debate and discussion about jobs in this country and what we might do in this body to address those issues.

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Mr. DODD. Secondly, on an unrelated matter, I was alarmed but not terribly surprised to pick up the morning news-

papers and to read what I thought might happen. I did not wish it to happen, but I thought it might happen in the island nation of Haiti.

Over the past weekend, I warned, as others did, if we did not step up and try to support a democratically elected government, albeit a flawed one but a democratically elected government, we would end up reaping what we sow. And we are doing just that.

In the headlines this morning we read things such as: Haiti rebel says he is in charge and has taken over down there. The man's name is Guy Philippe. This is a person who has a dreadful human rights record. These are people who ran death squads and are involved in the drug trades. They are now taking over. Anarchy apparently is reigning in the island nation of Haiti.

Parts of this article state the country is in my hands, this so-called rebel leader says. Although American officials denounced the armed rebels and said they should have no role in ruling Haiti, the American forces did not take any action to counter them at all. They have now taken over in that country and are apparently in charge down there. Anarchy is reigning. There are bodies in the streets of Port-au-Prince.

What I feared might happen if we did not stand up and support a democratic government—and again I will say a flawed one, but when the United States decided we were going to put a foot in the back of this elected President and send him out of the country, we warned the vacuum would be filled by the worst elements. In fact, I read over last evening and this morning that Baby Doc Duvalier, the worst oppressive leader in that country, and his father, wants to come back to Haiti under this new operation that is going on down there.

I am terribly disappointed the administration failed to step to the plate. I knew it was going to be difficult, but if we cannot support democratically elected governments—and again I will repeat, whatever problems Aristide had, they were not a few; they were many. Nonetheless, he was chosen by the people of that country on two different occasions, overwhelmingly so. If we are unwilling to stand and back democratically elected governments in this hemisphere and give a wink and a nod to those who replace governments that have been duly elected, we will see a repetition of what occurred in Haiti elsewhere. We are seeing it in Caracas, Venezuela, because we are endorsing the notion that when we don't like leaders in certain countries, we will ignore the chaos that can result from changing of government other than through the normal means of elected government. That is something that can happen, and it has happened.

So I rise to express my deep disappointment that once again the administration, in this hemisphere, is just failing terribly, and Haiti is a classic example of failure. We now have a huge mess on our hands.

I pointed out the other day, 30 percent of the population of the Bahamas is now Haitian. Thirty percent of that country is now occupied by people who have fled Haiti because of the repression and economic conditions in that nation. Twenty percent of children never reach the age of 5 in Haiti. The average income is \$250. It is a poor Black country, and as a result I don't think we give it the kind of support we should have been giving it.

In fact, over the last 36 months we embargoed any assistance directed to the Government of Haiti. What kind of a country do we live in today that turns to a nation only 300 or 400 miles off our shore, with people living in desperate conditions, with the highest rate of AIDS in the hemisphere, and we have virtually nothing to say to them. Here we have today, once again, these impoverished, poor people down there, who had to live under dreadful governments over the years, finally get one they elect democratically, and because we don't like it, it is a failed leadership in our view, we walk away from it, and now you have thugs running the place again. It is not all our fault but, Mr. President a large part is. I am terribly disappointed about what has happened, and I wanted to rise this morning to express those sentiments.

I yield the floor.

The PRESIDING OFFICER. The Senator from Maine.

GROWING OUR MANUFACTURING EMPLOYMENT ACT

Ms. COLLINS. Mr. President, few issues are as important to the American people than the availability of good jobs in their communities. Manufacturing jobs have long provided quality employment for generations of Americans. Today, however, we are losing these jobs at a terrible rate, and no State has been hit harder than my home State of Maine.

According to a study by the National Association of Manufacturers, on a percentage basis Maine has lost more manufacturing jobs in the past 3 years than any other State in the Nation. We have lost nearly 18,000 manufacturing jobs during that period, good jobs that once provided lifelong employment to Mainers in towns such as Millinocket, Wilton, Waterville, Fort Kent, Dexter, Westbrook, and Sanford.

In response to this loss of manufacturing jobs, I have introduced legislation, the Growing Our Manufacturing Employment Act, which is aimed at reinvigorating the domestic manufacturing sector, boosting the level of domestic manufacturing, and preventing the further loss of these important jobs.

Mr. President, I know this is a major problem in your State as well, and we have had many conversations on what we might do to help.

At the national level, we are finally beginning to see the economic recovery for which Americans have been long-

ing. Third and fourth quarter gross domestic product figures are up dramatically, the best two quarters since 1984, and analysts expect the gross domestic product to grow by 5.7 percent this year, which would make 2004 the best year in the past 20 years.

But even so, I don't have to tell you that parts of our economy simply are not sharing in this good news. Nowhere is this more true than in the manufacturing sector, where we have seen a steady erosion of good jobs. The number of American manufacturing jobs has declined each year since the end of 1997. In fact, if you look at the past 84 months, since March of 1997, the number of manufacturing jobs has declined each and every month, except for 7.

This loss of jobs has occurred under both Democratic and Republican administrations, so this is not a partisan issue. The final 3 years of the Clinton administration saw 27 months of manufacturing job losses, and the greatest single monthly decline in manufacturing jobs occurred in July of 1998 when 219,000 American manufacturing jobs disappeared.

As I mentioned, nowhere is the reality of this job loss in the manufacturing sector more acute than in my home State of Maine. The job losses during the past 3 years in the manufacturing sector in Maine represent more than 22 percent of my State's total manufacturing employment, a higher percentage of manufacturing jobs lost than in any other State.

Why are American manufacturing jobs disappearing? According to a new study conducted for the National Association of Manufacturers, one answer is the disparity in manufacturing costs in the United States versus other countries. In fact, compared to other countries, it costs an average of 22 percent more to manufacture goods here.

While it would surprise no one that American manufacturers face higher costs of doing business than manufacturers in countries such as China or Mexico, it would be a mistake to assume that wage rates alone explain those differences. They do not. In fact, the productivity of the American worker is unrivaled, allowing American workers to receive more value in wages for the goods they produce.

As the NAM study indicates, if wages were the only factor, then U.S. manufacturers would be far more dominant in the global markets than the current trade situation suggests.

It is other structural costs, such as the high corporate tax rate we impose on manufacturers, that make it more expensive to manufacture goods in the United States relative to the costs elsewhere. Indeed, the NAM study shows it is significantly cheaper to produce goods, even in high-wage industrialized countries such as Japan and France. This fact illustrates the critical impact these high structural costs have on manufacturers in the United States.

In essence, these costs have the same effect as a tax, as imposing a 22-percent

additional tax on the cost of making goods here rather than overseas. To compete, American manufacturers must somehow do more with less, move operations overseas, or get out of manufacturing altogether. The end result is fewer jobs, a weaker economy, and a manufacturing sector in crisis.

I believe a healthy manufacturing base is essential to our Nation's future. Not only is manufacturing a key source of skilled high-paying jobs, but it is also critical to our economic and national security that we have the ability to manufacture the goods we need in this country.

For all of these reasons, I am proposing the Growing Our Manufacturing Employment Act. This bill would eliminate that 22-percent cost differential that American manufacturers face by providing a variety of tax incentives. For example, a jobs tax credit would be provided to manufacturers that employ displaced workers who are receiving trade adjustment assistance. That would help get those workers back to work.

In Maine alone, nearly 60 manufacturers are currently TAA-certified, and more than 4,200 Maine workers have been deemed eligible for benefits under TAA since the beginning of 2002. The credit would only be available to manufacturers that increase their employment level. The availability of this credit would be a powerful incentive to hire workers who are receiving benefits because they have been displaced.

As important as it is to assist workers who are eligible for benefits under trade adjustment assistance, however, this alone is not sufficient to address the crisis facing America's manufacturers. That is why my bill also includes a 2-year, across-the-board deduction of 9 percent on domestic manufacturing income, a tax break that would not be available for income earned on overseas operations. This, too, would be a powerful incentive, a powerful tax break, to help encourage manufacturers to keep their operations in America. It would help offset that disparity in costs.

In Maine, the sector that provides the most manufacturing jobs is the forest products industry, an industry that is struggling. Paper plant after paper plant in Maine has been laying off workers or closing down altogether, hurting our economy and leaving thousands of hard-working skilled workers without jobs.

My proposal includes provisions to encourage the recovery of the forest products industry, which is critically important not only to my State but to many other States, as well.

My bill, for example, provides a tax credit for reforestation expenses and changes the tax treatment for wood harvested on nonindustrial woodlots. These changes would both encourage sound forestry stewardship practices and also increase the wood supply by removing artificial barriers to sound woodlot management. Taken together,

these provisions will help to ensure an affordable, reliable wood supply upon which so many manufacturing jobs in Maine depend.

Finally, this bill is designed to ensure that only companies that are helping to build America's manufacturing base obtain its benefits. It has both a carrot and a stick approach. Companies that move jobs offshore will see their benefits reduced. For example, they will not be able to claim that 9-percent deduction on operations that are located in the United States. Companies that choose to invert their corporate structure altogether in order to avoid U.S. taxes will not be eligible for this credit at all.

The crisis in the manufacturing sector demands our attention. It did not start yesterday, and it will not be resolved tomorrow. Solutions can and should be sought today.

The bill I have introduced is a good start, but additional remedies are needed. Manufacturing jobs arise in part because some of our trading partners simply do not play by the rules. The Presiding Officer has been a leader in this area. Our Nation's manufacturers can compete against the best in the world, but they cannot compete against nations that provide huge subsidies and other help to their manufacturers.

I hear from manufacturers in my State time and again whose efforts to compete successfully in a global economy simply cannot overcome the practices of the illegal pricing and subsidies of nations such as China. That is why I will soon be introducing a second bill that will help ensure that nations such as China are held fully accountable for their actions by our trade remedy laws. Unfair market conditions cannot continue to cause our manufacturers to hemorrhage jobs.

I am hopeful that working together on this and other legislative and administrative proposals, we can take the important steps needed to strengthen American manufacturers, to preserve our manufacturing capacity, and most of all, to help ensure that hard-working Americans have the jobs they need and deserve.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. WYDEN. I thank the Chair.

(The remarks of Mr. WYDEN pertaining to the introduction of S. 2160 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. WYDEN. Mr. President, I yield the floor.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

JUMPSTART OUR BUSINESS STRENGTH (JOBS) ACT

The PRESIDING OFFICER. Under the previous order, the hour of 10:30

a.m. having arrived, the Senate will proceed to the consideration of S. 1637, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1637) to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes.

The Senate proceeded to consider the bill, which had been reported from the Committee on Finance, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

(Strike the part shown in black brackets and insert the part shown in italic.)

S. 1637

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

[(a) SHORT TITLE.—This Act may be cited as the "Jumpstart Our Business Strength (JOBS) Act".

[(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

[(c) TABLE OF CONTENTS.—

[Sec. 1. Short title; amendment of 1986 Code; table of contents.

[TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

[Sec. 101. Repeal of exclusion for extraterritorial income.

[Sec. 102. Deduction relating to income attributable to United States production activities.

[TITLE II—INTERNATIONAL TAX PROVISIONS

[Subtitle A—International Tax Reform

[Sec. 201. 20-year foreign tax credit carryforward.

[Sec. 202. Look-thru rules to apply to dividends from noncontrolled section 902 corporations.

[Sec. 203. Foreign tax credit under alternative minimum tax.

[Sec. 204. Recharacterization of overall domestic loss.

[Sec. 205. Interest expense allocation rules.

[Sec. 206. Determination of foreign personal holding company income with respect to transactions in commodities.

[Subtitle B—International Tax Simplification

[Sec. 211. Repeal of foreign personal holding company rules and foreign investment company rules.

[Sec. 212. Expansion of de minimis rule under subpart F.

[Sec. 213. Attribution of stock ownership through partnerships to apply in determining section 902 and 960 credits.

[Sec. 214. Application of uniform capitalization rules to foreign persons.

[Sec. 215. Repeal of withholding tax on dividends from certain foreign corporations.

[Sec. 216. Repeal of special capital gains tax on aliens present in the United States for 183 days or more.

[TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

[SEC. 101. REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME.

[(a) IN GENERAL.—Section 114 is hereby repealed.

[(b) CONFORMING AMENDMENTS.—

[(1)(A) Subpart E of part III of subchapter N of chapter 1 (relating to qualifying foreign trade income) is hereby repealed.

[(B) The table of subparts for such part III is amended by striking the item relating to subpart E.

[(2) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 114.

[(3) The second sentence of section 56(g)(4)(B)(i) is amended by striking "or under section 114".

[(4) Section 275(a) is amended—

[(A) by inserting "or" at the end of paragraph (4)(A), by striking "or" at the end of paragraph (4)(B) and inserting a period, and by striking subparagraph (C), and

[(B) by striking the last sentence.

[(5) Paragraph (3) of section 864(e) is amended—

[(A) by striking:

["(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—

["(A) IN GENERAL.—For purposes of"; and inserting:

["(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—For purposes of", and

[(B) by striking subparagraph (B).

[(6) Section 903 is amended by striking "114, 164(a)," and inserting "164(a)".

[(7) Section 999(c)(1) is amended by striking "941(a)(5)".

[(c) EFFECTIVE DATE.—

[(1) IN GENERAL.—The amendments made by this section shall apply to transactions occurring after the date of the enactment of this Act.

[(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transaction in the ordinary course of a trade or business which occurs pursuant to a binding contract—

[(A) which is between the taxpayer and a person who is not a related person (as defined in section 943(b)(3) of such Code, as in effect on the day before the date of the enactment of this Act), and

[(B) which is in effect on September 17, 2003, and at all times thereafter.

[(d) REVOCATION OF SECTION 943(e) ELECTIONS.—

[(1) IN GENERAL.—In the case of a corporation that elected to be treated as a domestic corporation under section 943(e) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act)—

[(A) the corporation may, during the 1-year period beginning on the date of the enactment of this Act, revoke such election, effective as of such date of enactment, and

[(B) if the corporation does revoke such election—

[(i) such corporation shall be treated as a domestic corporation transferring (as of such date of enactment) all of its property to a foreign corporation in connection with an exchange described in section 354 of such Code, and

[(ii) no gain or loss shall be recognized on such transfer.

[(2) EXCEPTION.—Subparagraph (B)(ii) of paragraph (1) shall not apply to gain on any asset held by the revoking corporation if—

[(A) the basis of such asset is determined in whole or in part by reference to the basis

of such asset in the hands of the person from whom the revoking corporation acquired such asset.

[(B) the asset was acquired by transfer (not as a result of the election under section 943(e) of such Code) occurring on or after the 1st day on which its election under section 943(e) of such Code was effective, and

[(C) a principal purpose of the acquisition was the reduction or avoidance of tax (other than a reduction in tax under section 114 of such Code, as in effect on the day before the date of the enactment of this Act).

[(e) GENERAL TRANSITION.—

[(1) IN GENERAL.—In the case of a taxable year ending after the date of the enactment of this Act and beginning before January 1, 2007, for purposes of chapter 1 of such Code, a current FSC/ETI beneficiary shall be allowed a deduction equal to the transition amount determined under this subsection with respect to such beneficiary for such year.

[(2) CURRENT FSC/ETI BENEFICIARY.—The term “current FSC/ETI beneficiary” means any corporation which entered into one or more transactions during its taxable year beginning in calendar year 2002 with respect to which FSC/ETI benefits were allowable.

[(3) TRANSITION AMOUNT.—For purposes of this subsection—

[(A) IN GENERAL.—The transition amount applicable to any current FSC/ETI beneficiary for any taxable year is the phaseout percentage of the base period amount.

[(B) PHASEOUT PERCENTAGE.—

[(i) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the phaseout percentage shall be determined under the following table:

Years:	The phaseout percentage is:
2004	80
2005	80
2006	60.

[(ii) SPECIAL RULE FOR 2003.—The phaseout percentage for 2003 shall be the amount that bears the same ratio to 100 percent as the number of days after the date of the enactment of this Act bears to 365.

[(iii) SPECIAL RULE FOR FISCAL YEAR TAXPAYERS.—In the case of a taxpayer not using the calendar year as its taxable year, the phaseout percentage is the weighted average of the phaseout percentages determined under the preceding provisions of this paragraph with respect to calendar years any portion of which is included in the taxpayer’s taxable year. The weighted average shall be determined on the basis of the respective portions of the taxable year in each calendar year.

[(4) BASE PERIOD AMOUNT.—For purposes of this subsection, the base period amount is the aggregate FSC/ETI benefits for the taxpayer’s taxable year beginning in calendar year 2002.

[(5) FSC/ETI BENEFIT.—For purposes of this subsection, the term “FSC/ETI benefit” means—

[(A) amounts excludable from gross income under section 114 of such Code, and

[(B) the exempt foreign trade income of related foreign sales corporations from property acquired from the taxpayer (determined without regard to section 923(a)(5) of such Code (relating to special rule for military property), as in effect on the day before the date of the enactment of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000).

In determining the FSC/ETI benefit there shall be excluded any amount attributable to a transaction with respect to which the taxpayer is the lessor unless the leased property was manufactured or produced in whole or in part by the taxpayer.

[(6) SPECIAL RULE FOR FARM COOPERATIVES.—Determinations under this subsection with respect to an organization described in section 943(g)(1) of such Code, as in effect on the day before the date of the enactment of this Act, shall be made at the cooperative level and the purposes of this subsection shall be carried out in a manner similar to section 250(h) of such Code, as added by this Act. Such determinations shall be in accordance with such requirements and procedures as the Secretary may prescribe.

[(7) CERTAIN RULES TO APPLY.—Rules similar to the rules of section 41(f) of such Code shall apply for purposes of this subsection.

[(8) COORDINATION WITH BINDING CONTRACT RULE.—The deduction determined under paragraph (1) for any taxable year shall be reduced by the phaseout percentage of any FSC/ETI benefit realized for the taxable year by reason of subsection (c)(2), except that for purposes of this paragraph the phaseout percentage for 2003 shall be treated as being equal to 100 percent.

[(9) SPECIAL RULE FOR TAXABLE YEAR WHICH INCLUDES DATE OF ENACTMENT.—In the case of a taxable year which includes the date of the enactment of this Act, the deduction allowed under this subsection to any current FSC/ETI beneficiary shall in no event exceed—

[(A) 100 percent of such beneficiary’s base period amount for calendar year 2003, reduced by

[(B) the aggregate FSC/ETI benefits of such beneficiary with respect to transactions occurring during the portion of the taxable year ending on the date of the enactment of this Act.

[SEC. 102. DEDUCTION RELATING TO INCOME ATTRIBUTABLE TO UNITED STATES PRODUCTION ACTIVITIES.

[(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 (relating to special deductions for corporations) is amended by adding at the end the following new section:

“SEC. 250. INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

“(a) IN GENERAL.—In the case of a corporation, there shall be allowed as a deduction an amount equal to 9 percent of the qualified production activities income of the corporation for the taxable year.

“(b) PHASEIN.—In the case of taxable years beginning in 2004, 2005, 2006, 2007, or 2008, subsection (a) shall be applied by substituting for the percentage contained therein the transition percentage determined under the following table:

“Taxable years beginning in:	The transition percentage is:
2004	1
2005	2
2006	3
2007 or 2008	6.

“(c) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified production activities income’ means an amount equal to the applicable percentage of the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities.

“(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means—

“(A) in the case of taxable years beginning before 2012, a percentage equal to the domestic/worldwide fraction,

“(B) in the case of taxable years beginning in 2012, a percentage (not greater than 100 percent) equal to twice the domestic/worldwide fraction, and

“(C) in the case of taxable years beginning after 2012, 100 percent.

“(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

“(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

“(A) the taxpayer’s domestic production gross receipts for such taxable year, reduced by

“(B) the sum of—

“(i) the costs of goods sold that are allocable to such receipts,

“(ii) other deductions, expenses, or losses directly allocable to such receipts, and

“(iii) a proper share of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

“(2) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items of income, deduction, expense, and loss for purposes of determining income attributable to domestic production activities.

“(3) SPECIAL RULES FOR DETERMINING COSTS.—

“(A) IN GENERAL.—For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States without a transfer price meeting the requirements of section 482 shall be treated as acquired by purchase, and its cost shall be treated as not less than its value when it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

“(B) EXPORTS FOR FURTHER MANUFACTURE.—In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

“(4) MODIFIED TAXABLE INCOME.—The term ‘modified taxable income’ means taxable income computed without regard to the deduction allowable under this section.

“(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section, the term ‘domestic production gross receipts’ means the gross receipts of the taxpayer which are derived from—

“(1) any sale, exchange, or other disposition of, or

“(2) any lease, rental, or license of, qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

“(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualifying production property’ means—

“(A) any tangible personal property,

“(B) any computer software, and

“(C) any property described in section 168(f) (3) or (4).

“(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term ‘qualifying production property’ shall not include—

“(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

“(B) oil or gas (or any primary product thereof),

“(C) electricity,

“(D) water supplied by pipeline to the consumer,

“(E) any unprocessed timber which is softwood,

“(F) utility services, or

“(G) any property (not described in paragraph (1)(B)) which is a film, tape, recording,

book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.

For purposes of subparagraph (E), the term 'unprocessed timber' means any log, cant, or similar form of timber.

["(g) DOMESTIC/WORLDWIDE FRACTION.—For purposes of this section—

["(1) IN GENERAL.—The term 'domestic/worldwide fraction' means a fraction—

["(A) the numerator of which is the value of the domestic production of the taxpayer, and

["(B) the denominator of which is the value of the worldwide production of the taxpayer.

["(2) VALUE OF DOMESTIC PRODUCTION.—The value of domestic production is the excess of—

["(A) the domestic production gross receipts, over

["(B) the cost of purchased inputs allocable to such receipts that are deductible under this chapter for the taxable year.

["(3) PURCHASED INPUTS.—

["(A) IN GENERAL.—Purchased inputs are any of the following items acquired by purchase:

["(i) Services (other than services of employees) used in manufacture, production, growth, or extraction activities.

["(ii) Items consumed in connection with such activities.

["(iii) Items incorporated as part of the property being manufactured, produced, grown, or extracted.

["(B) SPECIAL RULE.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of this subsection.

["(4) VALUE OF WORLDWIDE PRODUCTION.—

["(A) IN GENERAL.—The value of worldwide production shall be determined under the principles of paragraph (2), except that—

["(i) worldwide production gross receipts shall be taken into account, and

["(ii) paragraph (3)(B) shall not apply.

["(B) WORLDWIDE PRODUCTION GROSS RECEIPTS.—The worldwide production gross receipts is the amount that would be determined under subsection (e) if such subsection were applied without any reference to the United States.

["(5) SPECIAL RULE FOR AFFILIATED GROUPS.—

["(A) IN GENERAL.—In the case of a taxpayer that is a member of an expanded affiliated group, the domestic/worldwide fraction shall be the amount determined under the preceding provisions of this subsection by treating all members of such group as a single corporation.

["(B) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group as defined in section 1504(a), determined—

["(i) by substituting '50 percent' for '80 percent' each place it appears, and

["(ii) without regard to paragraphs (2), (3), (4), and (8) of section 1504(b).

["(h) DEFINITIONS AND SPECIAL RULES.—

["(1) EXCLUSION FOR PATRONS OF AGRICULTURAL AND HORTICULTURAL COOPERATIVES.—

["(A) IN GENERAL.—If any amount described in paragraph (1) or (3) of section 1385 (a)—

["(i) is received by a person from an organization to which part I of subchapter T applies which is engaged in the marketing of agricultural or horticultural products, and

["(ii) is allocable to the portion of the qualified production activities income of the organization which is deductible under subsection (a) (determined as if the organization were a corporation if it is not) and designated as such by the organization in a written notice mailed to its patrons during

the payment period described in section 1382(a),

then such person shall be allowed an exclusion from gross income with respect to such amount. The taxable income of the organization shall not be reduced under section 1382 by the portion of any such amount with respect to which an exclusion is allowable to a person by reason of this paragraph.

["(B) SPECIAL RULES.—For purposes of applying subparagraph (A), in determining the qualified production activities income of the organization under this section—

["(i) there shall not be taken into account in computing the organization's modified taxable income any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions), and

["(ii) the organization shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.

["(2) SPECIAL RULE FOR PARTNERSHIPS.—For purposes of this section, a corporation's distributive share of any partnership item shall be taken into account as if directly realized by the corporation.

["(3) COORDINATION WITH MINIMUM TAX.—The deduction under this section shall be allowed for purposes of the tax imposed by section 55; except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.

["(4) ORDERING RULE.—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.

["(5) COORDINATION WITH TRANSITION RULES.—For purposes of this section—

["(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 101(c)(2) of the Jumpstart Our Business Strength (JOBS) Act applies to such transaction, and

["(B) any deduction allowed under section 101(e) of such Act shall be disregarded in determining the portion of the taxable income which is attributable to domestic production gross receipts."

["(b) DEDUCTION ALLOWED TO SHAREHOLDERS OF S CORPORATIONS.—

["(1) IN GENERAL.—Section 1363(b) (relating to computation of S corporation's taxable income) is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting ", and", and by adding at the end the following new paragraph:

["(5) the deduction under section 250 shall be allowed to the S corporation."

["(2) INCREASE IN BASIS.—Section 1367(a)(1) (relating to increases in basis) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by adding at the end the following new subparagraph:

["(D) any deduction allowed under section 250."

["(c) MINIMUM TAX.—Section 56(g)(4)(C) (relating to disallowance of items not deductible in computing earnings and profits) is amended by adding at the end the following new clause:

["(v) DEDUCTION FOR DOMESTIC PRODUCTION.—Clause (i) shall not apply to any amount allowable as a deduction under section 250."

["(d) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter B of

chapter 1 is amended by adding at the end the following new item:

["Sec. 250. Income attributable to domestic production activities."

[(e) EFFECTIVE DATE.—

[(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

[(2) APPLICATION OF SECTION 15.—Section 15 of the Internal Revenue Code of 1986 shall apply to the amendments made by this section as if they were changes in a rate of tax.

TITLE II—INTERNATIONAL TAX PROVISIONS

Subtitle A—International Tax Reform

SEC. 201. 20-YEAR FOREIGN TAX CREDIT CARRYFORWARD.

[(a) GENERAL RULE.—Section 904(c) (relating to carryback and carryover of excess tax paid) is amended by striking "in the first, second, third, fourth, or fifth" and inserting "in any of the first 20".

[(b) EXCESS EXTRACTION TAXES.—Paragraph (1) of section 907(f) is amended by striking "in the first, second, third, fourth, or fifth" and inserting "in any of the first 20".

[(c) EFFECTIVE DATE.—The amendments made by this section shall apply to excess foreign taxes which (without regard to the amendments made by this section) may be carried to any taxable year beginning after December 31, 2004.

SEC. 202. LOOK-THRU RULES TO APPLY TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.

[(a) IN GENERAL.—Section 904(d)(4) (relating to look-thru rules apply to dividends from noncontrolled section 902 corporations) is amended to read as follows:

["(4) LOOK-THRU APPLIES TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.—

["(A) IN GENERAL.—For purposes of this subsection, any dividend from a noncontrolled section 902 corporation with respect to the taxpayer shall be treated as income described in a subparagraph of paragraph (1) in proportion to the ratio of—

["(i) the portion of earnings and profits attributable to income described in such subparagraph, to

["(ii) the total amount of earnings and profits.

["(B) SPECIAL RULES.—For purposes of this paragraph—

["(i) EARNINGS AND PROFITS.—

["(I) IN GENERAL.—The rules of section 316 shall apply.

["(II) REGULATIONS.—The Secretary may prescribe regulations regarding the treatment of distributions out of earnings and profits for periods before the taxpayer's acquisition of the stock to which the distributions relate.

["(ii) INADEQUATE SUBSTANTIATION.—If the Secretary determines that the proper subparagraph of paragraph (1) in which a dividend is described has not been substantiated, such dividend shall be treated as income described in paragraph (1)(A).

["(iii) LOOK-THRU WITH RESPECT TO CARRYFORWARDS OF CREDIT.—Rules similar to subparagraph (A) also shall apply to any carryforward under subsection (c) from a taxable year beginning before January 1, 2003, of tax allocable to a dividend from a noncontrolled section 902 corporation with respect to the taxpayer. The Secretary may by regulations provide for the allocation of any carryback of tax allocable to a dividend from a noncontrolled section 902 corporation to such a taxable year for purposes of allocating such dividend among the separate categories in effect for such taxable year.

“(iv) COORDINATION WITH HIGH-TAXED INCOME PROVISIONS.—Rules similar to the rules of paragraph (3)(F) shall apply for purposes of this paragraph.”.

“(b) CONFORMING AMENDMENTS.—

“(1) Section 904(d)(2)(E) is amended—

“(A) by inserting ‘or (4)’ after ‘paragraph (3)’ in clause (i), and

“(B) by striking clauses (ii) and (iv) and by redesignating clause (iii) as clause (ii).

“(2) Clause (i) of section 864(d)(5)(A) is amended to read as follows:

“(i) Subclause (I) of section 904(d)(2)(B)(iii).”

“(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

[SEC. 203. FOREIGN TAX CREDIT UNDER ALTERNATIVE MINIMUM TAX.]

“(a) IN GENERAL.—

“(1) Subsection (a) of section 59 is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

“(2) Section 53(d)(1)(B)(i)(II) of such Code is amended by striking ‘and if section 59(a)(2) did not apply’.

“(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

[SEC. 204. RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.]

“(a) GENERAL RULE.—Section 904 is amended by redesignating subsections (g), (h), (i), (j), and (k) as subsections (h), (i), (j), (k), and (l) respectively, and by inserting after subsection (f) the following new subsection:

“(g) RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.—

“(1) GENERAL RULE.—For purposes of this subpart and section 936, in the case of any taxpayer who sustains an overall domestic loss for any taxable year beginning after December 31, 2006, that portion of the taxpayer’s taxable income from sources within the United States for each succeeding taxable year which is equal to the lesser of—

“(A) the amount of such loss (to the extent not used under this paragraph in prior taxable years), or

“(B) 50 percent of the taxpayer’s taxable income from sources within the United States for such succeeding taxable year, shall be treated as income from sources without the United States (and not as income from sources within the United States).

“(2) OVERALL DOMESTIC LOSS DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘overall domestic loss’ means any domestic loss to the extent such loss offsets taxable income from sources without the United States for the taxable year or for any preceding taxable year by reason of a carryback. For purposes of the preceding sentence, the term ‘domestic loss’ means the amount by which the gross income for the taxable year from sources within the United States is exceeded by the sum of the deductions properly apportioned or allocated thereto (determined without regard to any carryback from a subsequent taxable year).

“(B) TAXPAYER MUST HAVE ELECTED FOREIGN TAX CREDIT FOR YEAR OF LOSS.—The term ‘overall domestic loss’ shall not include any loss for any taxable year unless the taxpayer chose the benefits of this subpart for such taxable year.

“(3) CHARACTERIZATION OF SUBSEQUENT INCOME.—

“(A) IN GENERAL.—Any income from sources within the United States that is treated as income from sources without the United States under paragraph (1) shall be allocated among and increase the income categories in proportion to the loss from

sources within the United States previously allocated to those income categories.

“(B) INCOME CATEGORY.—For purposes of this paragraph, the term ‘income category’ has the meaning given such term by subsection (f)(5)(E)(i).

“(4) COORDINATION WITH SUBSECTION (f).—The Secretary shall prescribe such regulations as may be necessary to coordinate the provisions of this subsection with the provisions of subsection (f).”

“(b) CONFORMING AMENDMENTS.—

“(1) Section 535(d)(2) is amended by striking ‘section 904(g)(6)’ and inserting ‘section 904(h)(6)’.

“(2) Subparagraph (A) of section 936(a)(2) is amended by striking ‘section 904(f)’ and inserting ‘subsections (f) and (g) of section 904’.

“(c) EFFECTIVE DATE.—The amendments made by this section shall apply to losses for taxable years beginning after December 31, 2006.

[SEC. 205. INTEREST EXPENSE ALLOCATION RULES.]

“(a) ELECTION TO ALLOCATE ON WORLDWIDE BASIS.—Section 864 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) ELECTION TO ALLOCATE INTEREST, ETC. ON WORLDWIDE BASIS.—For purposes of this subchapter, at the election of the worldwide affiliated group—

“(1) ALLOCATION AND APPORTIONMENT OF INTEREST EXPENSE.—

“(A) IN GENERAL.—The taxable income of each domestic corporation which is a member of a worldwide affiliated group shall be determined by allocating and apportioning interest expense of each member as if all members of such group were a single corporation.

“(B) TREATMENT OF WORLDWIDE AFFILIATED GROUP.—The taxable income of the domestic members of a worldwide affiliated group from sources outside the United States shall be determined by allocating and apportioning the interest expense of such domestic members to such income in an amount equal to the excess (if any) of—

“(i) the total interest expense of the worldwide affiliated group multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to all the assets of the worldwide affiliated group, over

“(ii) the interest expense of all foreign corporations which are members of the worldwide affiliated group to the extent such interest expense of such foreign corporations would have been allocated and apportioned to foreign source income if this subsection were applied to a group consisting of all the foreign corporations in such worldwide affiliated group.

“(C) WORLDWIDE AFFILIATED GROUP.—For purposes of this paragraph, the term ‘worldwide affiliated group’ means a group consisting of—

“(i) the includible members of an affiliated group (as defined in section 1504(a), determined without regard to paragraphs (2) and (4) of section 1504(b)), and

“(ii) all controlled foreign corporations in which such members in the aggregate meet the ownership requirements of section 1504(a)(2) either directly or indirectly through applying paragraph (2) of section 958(a) or through applying rules similar to the rules of such paragraph to stock owned directly or indirectly by domestic partnerships, trusts, or estates.

“(2) ALLOCATION AND APPORTIONMENT OF OTHER EXPENSES.—Expenses other than interest which are not directly allocable or apportioned to any specific income producing activity shall be allocated and apportioned as if all members of the affiliated group were a

single corporation. For purposes of the preceding sentence, the term ‘affiliated group’ has the meaning given such term by section 1504 (determined without regard to paragraph (4) of section 1504(b)).

“(3) TREATMENT OF TAX-EXEMPT ASSETS; BASIS OF STOCK IN NONAFFILIATED 10-PERCENT OWNED CORPORATIONS.—The rules of paragraphs (3) and (4) of subsection (e) shall apply for purposes of this subsection; except that paragraph (4) shall be applied on worldwide affiliated group basis.

“(4) TREATMENT OF CERTAIN FINANCIAL INSTITUTIONS.—

“(A) IN GENERAL.—For purposes of paragraph (1), any corporation described in subparagraph (B) shall be treated as an includible corporation for purposes of section 1504 only for purposes of applying this subsection separately to corporations so described.

“(B) DESCRIPTION.—A corporation is described in this subparagraph if—

“(i) such corporation is a financial institution described in section 581 or 591,

“(ii) the business of such financial institution is predominantly with persons other than related persons (within the meaning of subsection (d)(4)) or their customers, and

“(iii) such financial institution is required by State or Federal law to be operated separately from any other entity which is not such an institution.

“(C) TREATMENT OF BANK AND FINANCIAL HOLDING COMPANIES.—To the extent provided in regulations—

“(i) a bank holding company (within the meaning of section 2(a) of the Bank Holding Company Act of 1956),

“(ii) a financial holding company (within the meaning of section 2(p) of the Bank Holding Company Act of 1956), and

“(iii) any subsidiary of a financial institution described in section 581 or 591, or of any such bank or financial holding company, if such subsidiary is predominantly engaged (directly or indirectly) in the active conduct of a banking, financing, or similar business, shall be treated as a corporation described in subparagraph (B).

“(5) ELECTION TO EXPAND FINANCIAL INSTITUTION GROUP OF WORLDWIDE GROUP.—

“(A) IN GENERAL.—If a worldwide affiliated group elects the application of this subsection, all financial corporations which—

“(i) are members of such worldwide affiliated group, but

“(ii) are not corporations described in paragraph (4)(B),

shall be treated as described in paragraph (4)(B) for purposes of applying paragraph (4)(A). This subsection (other than this paragraph) shall apply to any such group in the same manner as this subsection (other than this paragraph) applies to the pre-election worldwide affiliated group of which such group is a part.

“(B) FINANCIAL CORPORATION.—For purposes of this paragraph, the term ‘financial corporation’ means any corporation if at least 80 percent of its gross income is income described in section 904(d)(2)(D)(ii) and the regulations thereunder which is derived from transactions with persons who are not related (within the meaning of section 267(b) or 707(b)(1)) to the corporation. For purposes of the preceding sentence, there shall be disregarded any item of income or gain from a transaction or series of transactions a principal purpose of which is the qualification of any corporation as a financial corporation.

“(C) ANTIABUSE RULES.—In the case of a corporation which is a member of an electing financial institution group, to the extent that such corporation—

“(i) distributes dividends or makes other distributions with respect to its stock after the date of the enactment of this paragraph

to any member of the pre-election worldwide affiliated group (other than to a member of the electing financial institution group) in excess of the greater of—

["(I) its average annual dividend (expressed as a percentage of current earnings and profits) during the 5-taxable-year period ending with the taxable year preceding the taxable year, or

["(II) 25 percent of its average annual earnings and profits for such 5-taxable-year period, or

["(ii) deals with any person in any manner not clearly reflecting the income of the corporation (as determined under principles similar to the principles of section 482),

an amount of indebtedness of the electing financial institution group equal to the excess distribution or the understatement or overstatement of income, as the case may be, shall be recharacterized (for the taxable year and subsequent taxable years) for purposes of this paragraph as indebtedness of the worldwide affiliated group (excluding the electing financial institution group). If a corporation has not been in existence for 5 taxable years, this subparagraph shall be applied with respect to the period it was in existence.

["(D) ELECTION.—An election under this paragraph with respect to any financial institution group may be made only by the common parent of the pre-election worldwide affiliated group and may be made only for the first taxable year beginning after December 31, 2009, in which such affiliated group includes 1 or more financial corporations. Such an election, once made, shall apply to all financial corporations which are members of the electing financial institution group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.

["(E) DEFINITIONS RELATING TO GROUPS.—For purposes of this paragraph—

["(i) PRE-ELECTION WORLDWIDE AFFILIATED GROUP.—The term 'pre-election worldwide affiliated group' means, with respect to a corporation, the worldwide affiliated group of which such corporation would (but for an election under this paragraph) be a member for purposes of applying paragraph (I).

["(ii) ELECTING FINANCIAL INSTITUTION GROUP.—The term 'electing financial institution group' means the group of corporations to which this subsection applies separately by reason of the application of paragraph (4)(A) and which includes financial corporations by reason of an election under subparagraph (A).

["(F) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection, including regulations—

["(i) providing for the direct allocation of interest expense in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection,

["(ii) preventing assets or interest expense from being taken into account more than once, and

["(iii) dealing with changes in members of any group (through acquisitions or otherwise) treated under this paragraph as an affiliated group for purposes of this subsection.

["(6) ELECTION.—An election to have this subsection apply with respect to any worldwide affiliated group may be made only by the common parent of the domestic affiliated group referred to in paragraph (1)(C) and may be made only for the first taxable year beginning after December 31, 2009, in which a worldwide affiliated group exists which includes such affiliated group and at least one foreign corporation. Such an election, once made, shall apply to such common parent and all other corporations which are members of such worldwide affiliated group

for such taxable year and all subsequent years unless revoked with the consent of the Secretary."

["(b) EXPANSION OF REGULATORY AUTHORITY.—Paragraph (7) of section 864(e) is amended—

["(1) by inserting before the comma at the end of subparagraph (B) "and in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection", and

["(2) by striking "and" at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

["(F) preventing assets or interest expense from being taken into account more than once, and"

["(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 206. DETERMINATION OF FOREIGN PERSONAL HOLDING COMPANY INCOME WITH RESPECT TO TRANSACTIONS IN COMMODITIES.

["(a) IN GENERAL.—Clauses (i) and (ii) of section 954(c)(1)(C) (relating to commodity transactions) are amended to read as follows:

["(i) arise out of commodity hedging transactions (as defined in paragraph (6)(A)),

["(ii) are active business gains or losses from the sale of commodities, but only if substantially all of the controlled foreign corporation's commodities are property described in paragraph (1), (2), or (8) of section 1221(a), or"

["(b) DEFINITION AND SPECIAL RULES.—Subsection (c) of section 954 is amended by adding after paragraph (5) the following new paragraph:

["(6) DEFINITION AND SPECIAL RULES RELATING TO COMMODITY TRANSACTIONS.—

["(A) COMMODITY HEDGING TRANSACTIONS.—For purposes of paragraph (1)(C)(i), the term 'commodity hedging transaction' means any transaction with respect to a commodity if such transaction—

["(i) is a hedging transaction as defined in section 1221(b)(2), determined—

["(I) without regard to subparagraph (A)(i) thereof,

["(II) by applying subparagraph (A)(i) thereof by substituting 'ordinary property or property described in section 1231(b)' for 'ordinary property', and

["(III) by substituting 'controlled foreign corporation' for 'taxpayer' each place it appears, and

["(ii) is clearly identified as such in accordance with section 1221(a)(7).

["(B) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (1)(C) in the case of transactions involving related parties."

["(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after December 31, 2004.

Subtitle B—International Tax Simplification
SEC. 211. REPEAL OF FOREIGN PERSONAL HOLDING COMPANY RULES AND FOREIGN INVESTMENT COMPANY RULES.

["(a) GENERAL RULE.—The following provisions are hereby repealed:

["(1) Part III of subchapter G of chapter 1 (relating to foreign personal holding companies).

["(2) Section 1246 (relating to gain on foreign investment company stock).

["(3) Section 1247 (relating to election by foreign investment companies to distribute income currently).

["(b) EXEMPTION OF FOREIGN CORPORATIONS FROM PERSONAL HOLDING COMPANY RULES.—

["(1) IN GENERAL.—Subsection (c) of section 542 (relating to exceptions) is amended—

["(A) by striking paragraph (5) and inserting the following:

["(5) a foreign corporation,".

["(B) by striking paragraphs (7) and (10) and by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively,

["(C) by inserting "and" at the end of paragraph (7) (as so redesignated), and

["(D) by striking "; and" at the end of paragraph (8) (as so redesignated) and inserting a period.

["(2) TREATMENT OF INCOME FROM PERSONAL SERVICE CONTRACTS.—Paragraph (1) of section 954(c) is amended by adding at the end the following new subparagraph:

["(I) PERSONAL SERVICE CONTRACTS.—

["(i) Amounts received under a contract under which the corporation is to furnish personal services if—

["(I) some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or

["(II) the individual who is to perform the services is designated (by name or by description) in the contract, and

["(ii) amounts received from the sale or other disposition of such a contract.

This subparagraph shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to perform, or may be designated (by name or by description) as the one to perform, such services."

["(c) CONFORMING AMENDMENTS.—

["(1) Section 1(h) is amended—

["(A) in paragraph (10), by inserting "and" at the end of subparagraph (F), by striking subparagraph (G), and by redesignating subparagraph (H) as subparagraph (G), and

["(B) by striking "a foreign personal holding company (as defined in section 552), a foreign investment company (as defined in section 1246(b)), or" in paragraph (11)(C)(iii).

["(2) Paragraph (2) of section 171(c) is amended—

["(A) by striking ", or by a foreign personal holding company, as defined in section 552", and

["(B) by striking ", or foreign personal holding company".

["(3) Paragraph (2) of section 245(a) is amended by striking "foreign personal holding company or".

["(4) Section 312 is amended by striking subsection (j).

["(5) Subsection (m) of section 312 is amended by striking ", a foreign investment company (within the meaning of section 1246(b)), or a foreign personal holding company (within the meaning of section 552)".

["(6) Subsection (e) of section 443 is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

["(7) Subparagraph (B) of section 465(c)(7) is amended by adding "or" at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

["(8) Paragraph (1) of section 543(b) is amended by inserting "and" at the end of subparagraph (A), by striking ", and" at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

["(9) Paragraph (1) of section 562(b) is amended by striking "or a foreign personal holding company described in section 552".

["(10) Section 563 is amended—

["(A) by striking subsection (c),

["(B) by redesignating subsection (d) as subsection (c), and

["(C) by striking "subsection (a), (b), or (c)" in subsection (c) (as so redesignated) and inserting "subsection (a) or (b)".

[(11) Subsection (d) of section 751 is amended by adding "and" at the end of paragraph (2), by striking paragraph (3), by redesignating paragraph (4) as paragraph (3), and by striking "paragraph (1), (2), or (3)" in paragraph (3) (as so redesignated) and inserting "paragraph (1) or (2)".

[(12) Paragraph (2) of section 864(d) is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

[(13)(A) Subparagraph (A) of section 898(b)(1) is amended to read as follows:

["(A) which is treated as a controlled foreign corporation for any purpose under subpart F of part III of this subchapter, and".

[(B) Subparagraph (B) of section 898(b)(2) is amended by striking "and sections 551(f) and 554, whichever are applicable,".

[(C) Paragraph (3) of section 898(b) is amended to read as follows:

["(3) UNITED STATES SHAREHOLDER.—The term 'United States shareholder' has the meaning given to such term by section 951(b), except that, in the case of a foreign corporation having related person insurance income (as defined in section 953(c)(2)), the Secretary may treat any person as a United States shareholder for purposes of this section if such person is treated as a United States shareholder under section 953(c)(1)."

[(D) Subsection (c) of section 898 is amended to read as follows:

["(c) DETERMINATION OF REQUIRED YEAR.—

["(1) IN GENERAL.—The required year is—

["(A) the majority U.S. shareholder year, or

["(B) if there is no majority U.S. shareholder year, the taxable year prescribed under regulations.

["(2) 1-MONTH DEFERRAL ALLOWED.—A specified foreign corporation may elect, in lieu of the taxable year under paragraph (1)(A), a taxable year beginning 1 month earlier than the majority U.S. shareholder year.

["(3) MAJORITY U.S. SHAREHOLDER YEAR.—

["(A) IN GENERAL.—For purposes of this subsection, the term 'majority U.S. shareholder year' means the taxable year (if any) which, on each testing day, constituted the taxable year of—

["(i) each United States shareholder described in subsection (b)(2)(A), and

["(ii) each United States shareholder not described in clause (i) whose stock was treated as owned under subsection (b)(2)(B) by any shareholder described in such clause.

["(B) TESTING DAY.—The testing days shall be—

["(i) the first day of the corporation's taxable year (determined without regard to this section), or

["(ii) the days during such representative period as the Secretary may prescribe."

[(14) Clause (ii) of section 904(d)(2)(A) is amended to read as follows:

["(ii) CERTAIN AMOUNTS INCLUDED.—Except as provided in clause (iii), the term 'passive income' includes, except as provided in subparagraph (E)(iii) or paragraph (3)(I), any amount includible in gross income under section 1293 (relating to certain passive foreign investment companies)."

[(15)(A) Subparagraph (A) of section 904(g)(1), as redesignated by section 204, is amended by adding "or" at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

[(B) The paragraph heading of paragraph (2) of section 904(g), as so redesignated, is amended by striking "FOREIGN PERSONAL HOLDING OR".

[(16) Section 951 is amended by striking subsections (c) and (d) and by redesignating subsections (e) and (f) as subsections (c) and (d), respectively.

[(17) Paragraph (3) of section 989(b) is amended by striking ", 551(a),".

[(18) Paragraph (5) of section 1014(b) is amended by inserting "and before January 1, 2005," after "August 26, 1937,".

[(19) Subsection (a) of section 1016 is amended by striking paragraph (13).

[(20)(A) Paragraph (3) of section 1212(a) is amended to read as follows:

["(3) SPECIAL RULES ON CARRYBACKS.—A net capital loss of a corporation shall not be carried back under paragraph (1)(A) to a taxable year—

["(A) for which it is a regulated investment company (as defined in section 851), or

["(B) for which it is a real estate investment trust (as defined in section 856)."

[(B) The amendment made by subparagraph (A) shall apply to taxable years beginning after December 31, 2004.

[(21) Section 1223 is amended by striking paragraph (10) and by redesignating the following paragraphs accordingly.

[(22) Subsection (d) of section 1248 is amended by striking paragraph (5) and by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

[(23) Paragraph (2) of section 1260(c) is amended by striking subparagraphs (H) and (I) and by redesignating subparagraph (J) as subparagraph (H).

[(24)(A) Subparagraph (F) of section 1291(b)(3) is amended by striking "551(d), 959(a)," and inserting "959(a)".

[(B) Subsection (e) of section 1291 is amended by inserting "(as in effect on the day before the date of the enactment of the Jumpstart Our Business Strength (JOBS) Act)" after "section 1246".

[(25) Paragraph (2) of section 1294(a) is amended to read as follows:

["(2) ELECTION NOT PERMITTED WHERE AMOUNTS OTHERWISE INCLUDIBLE UNDER SECTION 951.—The taxpayer may not make an election under paragraph (1) with respect to the undistributed PFIC earnings tax liability attributable to a qualified electing fund for the taxable year if any amount is includible in the gross income of the taxpayer under section 951 with respect to such fund for such taxable year."

[(26) Section 6035 is hereby repealed.

[(27) Subparagraph (D) of section 6103(e)(1) is amended by striking clause (iv) and redesignating clauses (v) and (vi) as clauses (iv) and (v), respectively.

[(28) Subparagraph (B) of section 6501(e)(1) is amended to read as follows:

["(B) CONSTRUCTIVE DIVIDENDS.—If the taxpayer omits from gross income an amount properly includible therein under section 951(a), the tax may be assessed, or a proceeding in court for the collection of such tax may be done without assessing, at any time within 6 years after the return was filed."

[(29) Subsection (a) of section 6679 is amended—

["(A) by striking "6035, 6046, and 6046A" in paragraph (1) and inserting "6046 and 6046A", and

["(B) by striking paragraph (3).

[(30) Sections 170(f)(10)(A), 508(d), 4947, and 4948(c)(4) are each amended by striking "556(b)(2)," each place it appears.

[(31) The table of parts for subchapter G of chapter 1 is amended by striking the item relating to part III.

[(32) The table of sections for part IV of subchapter P of chapter 1 is amended by striking the items relating to sections 1246 and 1247.

[(33) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by striking the item relating to section 6035.

[(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and taxable years of

United States shareholders of such corporations ending with or within such taxable years of such corporations.

ISEC. 212. EXPANSION OF DE MINIMIS RULE UNDER SUBPART F.

[(a) IN GENERAL.—Clause (ii) of section 954(b)(3)(A) (relating to de minimis, etc., rules) is amended by striking "\$1,000,000" and inserting "\$5,000,000".

[(b) TECHNICAL AMENDMENTS.—

[(1) Clause (ii) of section 864(d)(5)(A) is amended by striking "\$1,000,000" and inserting "\$5,000,000".

[(2) Clause (i) of section 881(c)(5)(A) is amended by striking "\$1,000,000" and inserting "\$5,000,000".

[(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and taxable years of United States shareholders of such corporations ending with or within such taxable years of such corporations.

ISEC. 213. ATTRIBUTION OF STOCK OWNERSHIP THROUGH PARTNERSHIPS TO APPLY IN DETERMINING SECTION 902 AND 960 CREDITS.

[(a) IN GENERAL.—Subsection (c) of section 902 is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

["(7) CONSTRUCTIVE OWNERSHIP THROUGH PARTNERSHIPS.—Stock owned, directly or indirectly, by or for a partnership shall be considered as being owned proportionately by its partners. Stock considered to be owned by a person by reason of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person. The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this paragraph, including rules to account for special partnership allocations of dividends, credits, and other incidents of ownership of stock in determining proportionate ownership."

[(b) CLARIFICATION OF COMPARABLE ATTRIBUTION UNDER SECTION 901(b)(5).—Paragraph (5) of section 901(b) is amended by striking "any individual" and inserting "any person".

[(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxes of foreign corporations for taxable years of such corporations beginning after the date of the enactment of this Act.

ISEC. 214. APPLICATION OF UNIFORM CAPITALIZATION RULES TO FOREIGN PERSONS.

[(a) IN GENERAL.—Section 263A(c) (relating to exceptions) is amended by adding at the end the following new paragraph:

["(7) FOREIGN PERSONS.—Except for purposes of applying sections 871(b)(1) and 882(a)(1), this section shall not apply to any taxpayer who is not a United States person if such taxpayer capitalizes costs of produced property or property acquired for resale by applying the method used to ascertain the income, profit, or loss for purposes of reports or statements to shareholders, partners, other proprietors, or beneficiaries, or for credit purposes."

[(b) EFFECTIVE DATE.—

[(1) IN GENERAL.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2004.

[(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendment made by this section to change its method of accounting for its first taxable year beginning after December 31, 2004—

[(A) such change shall be treated as initiated by the taxpayer,

[(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

[(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account in such first year.

[SEC. 215. REPEAL OF WITHHOLDING TAX ON DIVIDENDS FROM CERTAIN FOREIGN CORPORATIONS.

[(a) IN GENERAL.—Paragraph (2) of section 871(i) (relating to tax not to apply to certain interest and dividends) is amended by adding at the end the following new subparagraph:

[(D) Dividends paid by a foreign corporation which are treated under section 861(a)(2)(B) as income from sources within the United States.”

[(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2004.

[SEC. 216. REPEAL OF SPECIAL CAPITAL GAINS TAX ON ALIENS PRESENT IN THE UNITED STATES FOR 183 DAYS OR MORE.

[(a) IN GENERAL.—Subsection (a) of section 871 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

[(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.]

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Jumpstart Our Business Strength (JOBS) Act”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) **TABLE OF CONTENTS.**—
Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

Sec. 101. Repeal of exclusion for extraterritorial income.
Sec. 102. Deduction relating to income attributable to United States production activities.

TITLE II—INTERNATIONAL TAX PROVISIONS

Subtitle A—International Tax Reform

Sec. 201. 20-year foreign tax credit carryover; 1-year foreign tax credit carryback.
Sec. 202. Look-thru rules to apply to dividends from noncontrolled section 902 corporations.
Sec. 203. Foreign tax credit under alternative minimum tax.
Sec. 204. Recharacterization of overall domestic loss.
Sec. 205. Interest expense allocation rules.
Sec. 206. Determination of foreign personal holding company income with respect to transactions in commodities.

Subtitle B—International Tax Simplification

Sec. 211. Repeal of foreign personal holding company rules and foreign investment company rules.
Sec. 212. Expansion of de minimis rule under subpart F.
Sec. 213. Attribution of stock ownership through partnerships to apply in determining section 902 and 960 credits.
Sec. 214. Application of uniform capitalization rules to foreign persons.
Sec. 215. Repeal of withholding tax on dividends from certain foreign corporations.
Sec. 216. Repeal of special capital gains tax on aliens present in the United States for 183 days or more.

Subtitle C—Additional International Tax Provisions

Sec. 221. Active leasing income from aircraft and vessels.
Sec. 222. Look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company income rules.
Sec. 223. Look-thru treatment for sales of partnership interests.
Sec. 224. Election not to use average exchange rate for foreign tax paid other than in functional currency.
Sec. 225. Treatment of income tax base differences.
Sec. 226. Modification of exceptions under subpart F for active financing.
Sec. 227. United States property not to include certain assets of controlled foreign corporation.
Sec. 228. Provide equal treatment for interest paid by foreign partnerships and foreign corporations.
Sec. 229. Clarification of treatment of certain transfers of intangible property.
Sec. 230. Modification of the treatment of certain REIT distributions attributable to gain from sales or exchanges of United States real property interests.
Sec. 231. Toll tax on excess qualified foreign distribution amount.
Sec. 232. Exclusion of income derived from certain wagers on horse races and dog races from gross income of nonresident alien individuals.
Sec. 233. Limitation of withholding tax for Puerto Rico corporations.
Sec. 234. Report on WTO dispute settlement panels and the appellate body.
Sec. 235. Study of impact of international tax laws on taxpayers other than large corporations.
Sec. 236. Consultative role for Senate Committee on Finance in connection with the review of proposed tax treaties.

TITLE III—DOMESTIC MANUFACTURING AND BUSINESS PROVISIONS

Subtitle A—General Provisions

Sec. 301. Expansion of qualified small-issue bond program.
Sec. 302. Expensing of broadband Internet access expenditures.
Sec. 303. Exemption of natural aging process in determination of production period for distilled spirits under section 263A.
Sec. 304. Modification of active business definition under section 355.
Sec. 305. Exclusion of certain indebtedness of small business investment companies from acquisition indebtedness.
Sec. 306. Modified taxation of imported archery products.
Sec. 307. Modification to cooperative marketing rules to include value added processing involving animals.
Sec. 308. Extension of declaratory judgment procedures to farmers’ cooperative organizations.
Sec. 309. Temporary suspension of personal holding company tax.
Sec. 310. Increase in section 179 expensing.
Sec. 311. Three-year carryback of net operating losses.

Subtitle B—Manufacturing Relating to Films

Sec. 321. Special rules for certain film and television productions.
Sec. 322. Modification of application of income forecast method of depreciation.

Subtitle C—Manufacturing Relating to Timber

Sec. 331. Expensing of certain reforestation expenditures.

Sec. 332. Election to treat cutting of timber as a sale or exchange.
Sec. 333. Capital gain treatment under section 631(b) to apply to outright sales by landowners.
Sec. 334. Modification of safe harbor rules for timber REITs.

TITLE IV—ADDITIONAL PROVISIONS

Subtitle A—Provisions Designed To Curtail Tax Shelters

Sec. 401. Clarification of economic substance doctrine.
Sec. 402. Penalty for failing to disclose reportable transaction.
Sec. 403. Accuracy-related penalty for listed transactions and other reportable transactions having a significant tax avoidance purpose.
Sec. 404. Penalty for understatements attributable to transactions lacking economic substance, etc.
Sec. 405. Modifications of substantial understatement penalty for nonreportable transactions.
Sec. 406. Tax shelter exception to confidentiality privileges relating to taxpayer communications.
Sec. 407. Disclosure of reportable transactions.
Sec. 408. Modifications to penalty for failure to register tax shelters.
Sec. 409. Modification of penalty for failure to maintain lists of investors.
Sec. 410. Modification of actions to enjoin certain conduct related to tax shelters and reportable transactions.
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Sec. 413. Frivolous tax submissions.
Sec. 414. Regulation of individuals practicing before the Department of Treasury.
Sec. 415. Penalty on promoters of tax shelters.
Sec. 416. Statute of limitations for taxable years for which required listed transactions not reported.
Sec. 417. Denial of deduction for interest on underpayments attributable to non-disclosed reportable and non-economic substance transactions.
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Subtitle B—Other Corporate Governance Provisions

Sec. 421. Affirmation of consolidated return regulation authority.
Sec. 422. Signing of corporate tax returns by chief executive officer.
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Sec. 424. Disallowance of deduction for punitive damages.
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Sec. 441. Tax treatment of inverted corporate entities.

- Sec. 442. Imposition of mark-to-market tax on individuals who expatriate.
- Sec. 443. Excise tax on stock compensation of insiders of inverted corporations.
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- Sec. 445. Reporting of taxable mergers and acquisitions.

Subtitle E—International Tax

- Sec. 451. Clarification of banking business for purposes of determining investment of earnings in United States property.
- Sec. 452. Prohibition on nonrecognition of gain through complete liquidation of holding company.
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- Sec. 454. Effectively connected income to include certain foreign source income.
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- Sec. 461. Treatment of stripped interests in bond and preferred stock funds, etc.
- Sec. 462. Application of earnings stripping rules to partnerships and S corporations.
- Sec. 463. Recognition of cancellation of indebtedness income realized on satisfaction of debt with partnership interest.
- Sec. 464. Modification of straddle rules.
- Sec. 465. Denial of installment sale treatment for all readily tradeable debt.

PART II—CORPORATIONS AND PARTNERSHIPS

- Sec. 466. Modification of treatment of transfers to creditors in divisive reorganizations.
- Sec. 467. Clarification of definition of non-qualified preferred stock.
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- Sec. 471. Extension of amortization of intangibles to sports franchises.
- Sec. 472. Services contracts treated in the same manner as leases for rules relating to tax-exempt use of property.
- Sec. 473. Class lives for utility grading costs.
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- Sec. 475. Consistent amortization of periods for intangibles.
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- Sec. 481. Clarification of rules for payment of estimated tax for certain deemed asset sales.
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- Sec. 491. Addition of vaccines against hepatitis A to list of taxable vaccines.
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- Sec. 493. Clarification of exemption from tax for small property and casualty insurance companies.
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- Sec. 495. Limitations on deduction for charitable contributions of patents and similar property.
- Sec. 496. Repeal of 10-percent rehabilitation tax credit.
- Sec. 497. Increase in age of minor children whose unearned income is taxed as if parent's income.

TITLE I—PROVISIONS RELATING TO REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME

SEC. 101. REPEAL OF EXCLUSION FOR EXTRATERRITORIAL INCOME.

(a) IN GENERAL.—Section 114 is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1)(A) Subpart E of part III of subchapter N of chapter 1 (relating to qualifying foreign trade income) is hereby repealed.

(B) The table of subparts for such part III is amended by striking the item relating to subpart E.

(2) The table of sections for part III of subchapter B of chapter 1 is amended by striking the item relating to section 114.

(3) The second sentence of section 56(g)(4)(B)(i) is amended by striking “or under section 114”.

(4) Section 275(a) is amended—

(A) by inserting “or” at the end of paragraph (4)(A), by striking “or” at the end of paragraph (4)(B) and inserting a period, and by striking subparagraph (C), and

(B) by striking the last sentence.

(5) Paragraph (3) of section 864(e) is amended—

(A) by striking:

“(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—

“(A) IN GENERAL.—For purposes of”; and inserting:

“(3) TAX-EXEMPT ASSETS NOT TAKEN INTO ACCOUNT.—For purposes of”, and

(B) by striking subparagraph (B).

(6) Section 903 is amended by striking “114, 164(a),” and inserting “164(a)”.

(7) Section 999(c)(1) is amended by striking “941(a)(5)”,.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transactions occurring after the date of the enactment of this Act.

(2) BINDING CONTRACTS.—The amendments made by this section shall not apply to any transaction in the ordinary course of a trade or business which occurs pursuant to a binding contract—

(A) which is between the taxpayer and a person who is not a related person (as defined in section 943(b)(3) of such Code, as in effect on the day before the date of the enactment of this Act), and

(B) which is in effect on September 17, 2003, and at all times thereafter.

(d) REVOCATION OF SECTION 943(e) ELECTIONS.—

(1) IN GENERAL.—In the case of a corporation that elected to be treated as a domestic corporation under section 943(e) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act)—

(A) the corporation may, during the 1-year period beginning on the date of the enactment of this Act, revoke such election, effective as of such date of enactment, and

(B) if the corporation does revoke such election—

(i) such corporation shall be treated as a domestic corporation transferring (as of such date of enactment) all of its property to a foreign corporation in connection with an exchange described in section 354 of such Code, and

(ii) no gain or loss shall be recognized on such transfer.

(2) EXCEPTION.—Subparagraph (B)(ii) of paragraph (1) shall not apply to gain on any asset held by the revoking corporation if—

(A) the basis of such asset is determined in whole or in part by reference to the basis of such asset in the hands of the person from whom the revoking corporation acquired such asset,

(B) the asset was acquired by transfer (not as a result of the election under section 943(e) of such Code) occurring on or after the 1st day on which its election under section 943(e) of such Code was effective, and

(C) a principal purpose of the acquisition was the reduction or avoidance of tax (other than a reduction in tax under section 114 of such Code, as in effect on the day before the date of the enactment of this Act).

(e) GENERAL TRANSITION.—

(1) IN GENERAL.—In the case of a taxable year ending after the date of the enactment of this Act and beginning before January 1, 2007, for purposes of chapter 1 of such Code, a current FSC/ETI beneficiary shall be allowed a deduction equal to the transition amount determined under this subsection with respect to such beneficiary for such year.

(2) CURRENT FSC/ETI BENEFICIARY.—The term “current FSC/ETI beneficiary” means any corporation which entered into one or more transactions during its taxable year beginning in calendar year 2002 with respect to which FSC/ETI benefits were allowable.

(3) TRANSITION AMOUNT.—For purposes of this subsection—

(A) IN GENERAL.—The transition amount applicable to any current FSC/ETI beneficiary for any taxable year is the phaseout percentage of the base period amount.

(B) PHASEOUT PERCENTAGE.—

(i) IN GENERAL.—In the case of a taxpayer using the calendar year as its taxable year, the phaseout percentage shall be determined under the following table:

Years:	The phaseout percentage is:
2004	80
2005	80
2006	60.

(ii) SPECIAL RULE FOR 2003.—The phaseout percentage for 2003 shall be the amount that bears the same ratio to 100 percent as the number of days after the date of the enactment of this Act bears to 365.

(iii) SPECIAL RULE FOR FISCAL YEAR TAXPAYERS.—In the case of a taxpayer not using the calendar year as its taxable year, the phaseout percentage is the weighted average of the phaseout percentages determined under the preceding provisions of this paragraph with respect to calendar years any portion of which is included in the taxpayer's taxable year. The weighted average shall be determined on the basis of the respective portions of the taxable year in each calendar year.

(C) SHORT TAXABLE YEAR.—The Secretary shall prescribe guidance for the computation of the transition amount in the case of a short taxable year.

(4) BASE PERIOD AMOUNT.—For purposes of this subsection, the base period amount is the FSC/ETI benefit for the taxpayer's taxable year beginning in calendar year 2002.

(5) FSC/ETI BENEFIT.—For purposes of this subsection, the term “FSC/ETI benefit” means—

(A) amounts excludable from gross income under section 114 of such Code, and

(B) the exempt foreign trade income of related foreign sales corporations from property acquired from the taxpayer (determined without regard to section 923(a)(5) of such Code (relating to special rule for military property), as in effect on the day before the date of the enactment of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000).

In determining the FSC/ETI benefit there shall be excluded any amount attributable to a transaction with respect to which the taxpayer is the lessor unless the leased property was manufactured or produced in whole or in significant part by the taxpayer.

(6) SPECIAL RULE FOR AGRICULTURAL AND HORTICULTURAL COOPERATIVES.—Determinations under this subsection with respect to an organization described in section 943(g)(1) of such Code, as in effect on the day before the date of the enactment of this Act, shall be made at the cooperative level and the purposes of this subsection shall be carried out in a manner similar to section 199(h)(2) of such Code, as added by this Act. Such determinations shall be in accordance with such requirements and procedures as the Secretary may prescribe.

(7) CERTAIN RULES TO APPLY.—Rules similar to the rules of section 41(f) of such Code shall apply for purposes of this subsection.

(8) COORDINATION WITH BINDING CONTRACT RULE.—The deduction determined under paragraph (1) for any taxable year shall be reduced by the phaseout percentage of any FSC/ETI benefit realized for the taxable year by reason of subsection (c)(2) or section 5(c)(1)(B) of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, except that for purposes of this paragraph the phaseout percentage for 2003 shall be treated as being equal to 100 percent.

(9) SPECIAL RULE FOR TAXABLE YEAR WHICH INCLUDES DATE OF ENACTMENT.—In the case of a taxable year which includes the date of the enactment of this Act, the deduction allowed under this subsection to any current FSC/ETI beneficiary shall in no event exceed—

(A) 100 percent of such beneficiary's base period amount for calendar year 2003, reduced by

(B) the FSC/ETI benefit of such beneficiary with respect to transactions occurring during the portion of the taxable year ending on the date of the enactment of this Act.

SEC. 102. DEDUCTION RELATING TO INCOME ATTRIBUTABLE TO UNITED STATES PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end the following new section:

“SEC. 199. INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) IN GENERAL.—There shall be allowed as a deduction an amount equal to 9 percent of the qualified production activities income of the taxpayer for the taxable year.

“(2) PHASEIN.—In the case of taxable years beginning in 2003, 2004, 2005, 2006, 2007, or 2008, paragraph (1) shall be applied by substituting for the percentage contained therein the transition percentage determined under the following table:

“Taxable years beginning in:	The transition percentage is:
2003 or 2004	1
2005	2
2006	3
2007 or 2008	6.

“(b) DEDUCTION LIMITED TO WAGES PAID.—

“(1) IN GENERAL.—The amount of the deduction allowable under subsection (a) for any taxable year shall not exceed 50 percent of the W-2 wages of the employer for the taxable year.

“(2) W-2 WAGES.—For purposes of paragraph (1), the term ‘W-2 wages’ means the sum of the aggregate amounts the taxpayer is required to include on statements under paragraphs (3) and (8) of section 6051(a) with respect to employment

of employees of the taxpayer during the taxpayer's taxable year.

“(3) SPECIAL RULES.—

“(A) PASS-THRU ENTITIES.—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity, the limitation under this subsection shall apply at the entity level.

“(B) ACQUISITIONS AND DISPOSITIONS.—The Secretary shall provide for the application of this subsection in cases where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

“(C) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified production activities income’ means an amount equal to the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities.

“(2) REDUCTION FOR TAXABLE YEARS BEGINNING BEFORE 2013.—The amount otherwise determined under paragraph (1) (the ‘unreduced amount’) shall not exceed—

“(A) in the case of taxable years beginning before 2010, the product of the unreduced amount and the domestic/worldwide fraction, and

“(B) in the case of taxable years beginning in 2010, 2011, or 2012, an amount equal to the sum of—

“(i) the product of the unreduced amount and the domestic/worldwide fraction, plus

“(ii) the applicable percentage of an amount equal to the unreduced amount minus the amount determined under clause (i).

For purposes of subparagraph (B)(ii), the applicable percentage is 25 percent for 2010, 50 percent for 2011, and 75 percent for 2012.

“(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

“(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

“(A) the taxpayer's domestic production gross receipts for such taxable year, reduced by

“(B) the sum of—

“(i) the costs of goods sold that are allocable to such receipts,

“(ii) other deductions, expenses, or losses directly allocable to such receipts, and

“(iii) a proper share of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

“(2) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items of income, deduction, expense, and loss for purposes of determining income attributable to domestic production activities.

“(3) SPECIAL RULES FOR DETERMINING COSTS.—

“(A) IN GENERAL.—For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States shall be treated as acquired by purchase, and its cost shall be treated as not less than its fair market value immediately after it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

“(B) EXPORTS FOR FURTHER MANUFACTURE.—

In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

“(4) MODIFIED TAXABLE INCOME.—The term ‘modified taxable income’ means taxable income computed without regard to the deduction allowable under this section.

“(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘domestic production gross receipts’ means the gross receipts of the taxpayer which are derived from—

“(A) any sale, exchange, or other disposition of, or

“(B) any lease, rental, or license of, qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

“(2) SPECIAL RULES FOR CERTAIN PROPERTY.—In the case of any qualifying production property described in subsection (f)(1)(C)—

“(A) such property shall be treated for purposes of paragraph (1) as produced in significant part by the taxpayer within the United States if more than 50 percent of the aggregate development and production costs are incurred by the taxpayer within the United States, and

“(B) if a taxpayer acquires such property before such property begins to generate substantial gross receipts, any development or production costs incurred before the acquisition shall be treated as incurred by the taxpayer for purposes of subparagraph (A) and paragraph (1).

“(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualifying production property’ means—

“(A) any tangible personal property,

“(B) any computer software, and

“(C) any property described in section 168(f)

(3) or (4), including any underlying copyright or trademark.

“(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term ‘qualifying production property’ shall not include—

“(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

“(B) oil or gas,

“(C) electricity,

“(D) water supplied by pipeline to the consumer,

“(E) utility services, or

“(F) any film, tape, recording, book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.

“(g) DOMESTIC/WORLDWIDE FRACTION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘domestic/worldwide fraction’ means a fraction (not greater than 1)—

“(A) the numerator of which is the value of the domestic production of the taxpayer, and

“(B) the denominator of which is the value of the worldwide production of the taxpayer.

“(2) VALUE OF DOMESTIC PRODUCTION.—The value of domestic production is the excess (if any) of—

“(A) the domestic production gross receipts, over

“(B) the cost of purchased inputs allocable to such receipts that are deductible under this chapter for the taxable year.

“(3) PURCHASED INPUTS.—

“(A) IN GENERAL.—Purchased inputs are any of the following items acquired by purchase:

“(i) Services (other than services of employees) used in manufacture, production, growth, or extraction activities.

“(ii) Items consumed in connection with such activities.

“(iii) Items incorporated as part of the property being manufactured, produced, grown, or extracted.

“(B) SPECIAL RULE.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of this subsection.

“(4) VALUE OF WORLDWIDE PRODUCTION.—

“(A) IN GENERAL.—The value of worldwide production shall be determined under the principles of paragraph (2), except that—

“(i) worldwide production gross receipts shall be taken into account, and

“(ii) paragraph (3)(B) shall not apply.

“(B) **WORLDWIDE PRODUCTION GROSS RECEIPTS.**—The worldwide production gross receipts is the amount that would be determined under subsection (e) if such subsection were applied without any reference to the United States.

“(h) **DEFINITIONS AND SPECIAL RULES.**—

“(1) **APPLICATION OF SECTION TO PASS-THRU ENTITIES.**—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity—

“(A) subject to the provisions of paragraph (2) and subsection (b)(3)(A), this section shall be applied at the shareholder, partner, or similar level, and

“(B) the Secretary shall prescribe rules for the application of this section, including rules relating to—

“(i) restrictions on the allocation of the deduction to taxpayers at the partner or similar level, and

“(ii) additional reporting requirements.

“(2) **EXCLUSION FOR PATRONS OF AGRICULTURAL AND HORTICULTURAL COOPERATIVES.**—

“(A) **IN GENERAL.**—If any amount described in paragraph (1) or (3) of section 1385 (a)—

“(i) is received by a person from an organization to which part I of subchapter T applies which is engaged in the marketing of agricultural or horticultural products, and

“(ii) is allocable to the portion of the qualified production activities income of the organization which is deductible under subsection (a) and designated as such by the organization in a written notice mailed to its patrons during the payment period described in section 1382(d),

then such person shall be allowed an exclusion from gross income with respect to such amount. The taxable income of the organization shall not be reduced under section 1382 by the portion of any such amount with respect to which an exclusion is allowable to a person by reason of this paragraph.

“(B) **SPECIAL RULES.**—For purposes of applying subparagraph (A), in determining the qualified production activities income of the organization under this section—

“(i) there shall not be taken into account in computing the organization’s modified taxable income any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions), and

“(ii) the organization shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.

“(3) **SPECIAL RULE FOR AFFILIATED GROUPS.**—

“(A) **IN GENERAL.**—All members of an expanded affiliated group shall be treated as a single corporation for purposes of this section.

“(B) **EXPANDED AFFILIATED GROUP.**—The term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(i) by substituting ‘50 percent’ for ‘80 percent’ each place it appears, and

“(ii) without regard to paragraphs (2) and (4) of section 1504(b).

For purposes of determining the domestic/worldwide fraction under subsection (g), clause (ii) shall be applied by also disregarding paragraphs (3) and (8) of section 1504(b).

“(4) **COORDINATION WITH MINIMUM TAX.**—The deduction under this section shall be allowed for purposes of the tax imposed by section 55; except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.

“(5) **ORDERING RULE.**—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.

“(6) **TRADE OR BUSINESS REQUIREMENT.**—This section shall be applied by only taking into account items which are attributable to the actual conduct of a trade or business.

“(7) **POSSESSIONS, ETC.**—

“(A) **IN GENERAL.**—For purposes of subsections (d) and (e), the term ‘United States’ includes the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands of the United States.

“(B) **SPECIAL RULES FOR APPLYING WAGE LIMITATION.**—For purposes of applying the limitation under subsection (b) for any taxable year—

“(i) the determination of W-2 wages of a taxpayer shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services performed in a jurisdiction described in subparagraph (A), and

“(ii) in determining the amount of any credit allowable under section 30A or 936 for the taxable year, there shall not be taken into account any wages which are taken into account in applying such limitation.

“(8) **COORDINATION WITH TRANSITION RULES.**—For purposes of this section—

“(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 101(c)(2) of the Jumpstart Our Business Strength (JOBS) Act applies to such transaction, and

“(B) any deduction allowed under section 101(e) of such Act shall be disregarded in determining the portion of the taxable income which is attributable to domestic production gross receipts.”

(b) **MINIMUM TAX.**—Section 56(g)(4)(C) (relating to disallowance of items not deductible in computing earnings and profits) is amended by adding at the end the following new clause:

“(v) **DEDUCTION FOR DOMESTIC PRODUCTION.**—Clause (i) shall not apply to any amount allowable as a deduction under section 199.”

(c) **CLERICAL AMENDMENT.**—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following new item:

“Sec. 199. Income attributable to domestic production activities.”

(d) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) **APPLICATION OF SECTION 15.**—Section 15 of the Internal Revenue Code of 1986 shall apply to the amendments made by this section as if they were changes in a rate of tax.

TITLE II—INTERNATIONAL TAX PROVISIONS

Subtitle A—International Tax Reform

SEC. 201. 20-YEAR FOREIGN TAX CREDIT CARRYOVER; 1-YEAR FOREIGN TAX CREDIT CARRYBACK.

(a) **GENERAL RULE.**—Section 904(c) (relating to carryback and carryover of excess tax paid) is amended—

(1) by striking “in the second preceding taxable year,” and

(2) by striking “, and in the first, second, third, fourth, or fifth” and inserting “and in any of the first 20”.

(b) **EXCESS EXTRACTION TAXES.**—Paragraph (1) of section 907(f) is amended—

(1) by striking “in the second preceding taxable year,”

(2) by striking “, and in the first, second, third, fourth, or fifth” and inserting “and in any of the first 20”, and

(3) by striking the last sentence.

(c) **EFFECTIVE DATE.**—

(1) **CARRYBACK.**—The amendments made by subsections (a)(1) and (b)(1) shall apply to excess foreign taxes arising in taxable years beginning after the date of the enactment of this Act.

(2) **CARRYOVER.**—The amendments made by subsections (a)(2) and (b)(2) shall apply to ex-

cess foreign taxes which (without regard to the amendments made by this section) may be carried to any taxable year ending after the date of the enactment of this Act.

SEC. 202. LOOK-THRU RULES TO APPLY TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.

(a) **IN GENERAL.**—Section 904(d)(4) (relating to look-thru rules apply to dividends from noncontrolled section 902 corporations) is amended to read as follows:

“(4) **LOOK-THRU APPLIES TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.**—

“(A) **IN GENERAL.**—For purposes of this subsection, any dividend from a noncontrolled section 902 corporation with respect to the taxpayer shall be treated as income described in a subparagraph of paragraph (1) in proportion to the ratio of—

“(i) the portion of earnings and profits attributable to income described in such subparagraph, to

“(ii) the total amount of earnings and profits.

“(B) **EARNINGS AND PROFITS OF CONTROLLED FOREIGN CORPORATIONS.**—In the case of any distribution from a controlled foreign corporation to a United States shareholder, rules similar to the rules of subparagraph (A) shall apply in determining the extent to which earnings and profits of the controlled foreign corporation which are attributable to dividends received from a noncontrolled section 902 corporation may be treated as income in a separate category.

“(C) **SPECIAL RULES.**—For purposes of this paragraph—

“(i) **EARNINGS AND PROFITS.**—

“(I) **IN GENERAL.**—The rules of section 316 shall apply.

“(II) **REGULATIONS.**—The Secretary may prescribe regulations regarding the treatment of distributions out of earnings and profits for periods before the taxpayer’s acquisition of the stock to which the distributions relate.

“(ii) **INADEQUATE SUBSTANTIATION.**—If the Secretary determines that the proper subparagraph of paragraph (1) in which a dividend is described has not been substantiated, such dividend shall be treated as income described in paragraph (1)(A).

“(iii) **COORDINATION WITH HIGH-TAXED INCOME PROVISIONS.**—Rules similar to the rules of paragraph (3)(F) shall apply for purposes of this paragraph.

“(iv) **LOOK-THRU WITH RESPECT TO CARRYOVER OF CREDIT.**—Rules similar to subparagraph (A) also shall apply to any carryforward under subsection (c) from a taxable year beginning before January 1, 2003, of tax allocable to a dividend from a noncontrolled section 902 corporation with respect to the taxpayer. The Secretary may by regulations provide for the allocation of any carryback of tax allocable to a dividend from a noncontrolled section 902 corporation to such a taxable year for purposes of allocating such dividend among the separate categories in effect for such taxable year.”

(b) **CONFORMING AMENDMENTS.**—

(1) Subparagraph (E) of section 904(d)(1) is hereby repealed.

(2) Section 904(d)(2)(C)(iii) is amended by adding “and” at the end of subclause (I), by striking subclause (II), and by redesignating subclause (III) as subclause (II).

(3) The last sentence of section 904(d)(2)(D) is amended to read as follows: “Such term does not include any financial services income.”

(4) Section 904(d)(2)(E) is amended—

(A) by inserting “or (4)” after “paragraph (3)” in clause (i), and

(B) by striking clauses (ii) and (iv) and by redesignating clause (iii) as clause (ii).

(5) Section 904(d)(3)(F) is amended by striking “(D), or (E)” and inserting “or (D)”.

(6) Section 864(d)(5)(A)(i) is amended by striking “(C)(iii)(III)” and inserting “(C)(iii)(II)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 203. FOREIGN TAX CREDIT UNDER ALTER-NATIVE MINIMUM TAX.

(a) IN GENERAL.—

(1) Subsection (a) of section 59 is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) Section 53(d)(1)(B)(i)(II) is amended by striking “and if section 59(a)(2) did not apply”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 204. RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.

(a) GENERAL RULE.—Section 904 is amended by redesignating subsections (g), (h), (i), (j), and (k) as subsections (h), (i), (j), (k), and (l) respectively, and by inserting after subsection (f) the following new subsection:

“(g) RECHARACTERIZATION OF OVERALL DOMESTIC LOSS.—

“(1) GENERAL RULE.—For purposes of this subpart and section 936, in the case of any taxpayer who sustains an overall domestic loss for any taxable year beginning after December 31, 2006, that portion of the taxpayer’s taxable income from sources within the United States for each succeeding taxable year which is equal to the lesser of—

“(A) the amount of such loss (to the extent not used under this paragraph in prior taxable years), or

“(B) 50 percent of the taxpayer’s taxable income from sources within the United States for such succeeding taxable year,

shall be treated as income from sources without the United States (and not as income from sources within the United States).

“(2) OVERALL DOMESTIC LOSS DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘overall domestic loss’ means any domestic loss to the extent such loss offsets taxable income from sources without the United States for the taxable year or for any preceding taxable year by reason of a carryback. For purposes of the preceding sentence, the term ‘domestic loss’ means the amount by which the gross income for the taxable year from sources within the United States is exceeded by the sum of the deductions properly apportioned or allocated thereto (determined without regard to any carryback from a subsequent taxable year).

“(B) TAXPAYER MUST HAVE ELECTED FOREIGN TAX CREDIT FOR YEAR OF LOSS.—The term ‘overall domestic loss’ shall not include any loss for any taxable year unless the taxpayer chose the benefits of this subpart for such taxable year.

“(3) CHARACTERIZATION OF SUBSEQUENT INCOME.—

“(A) IN GENERAL.—Any income from sources within the United States that is treated as income from sources without the United States under paragraph (1) shall be allocated among and increase the income categories in proportion to the loss from sources within the United States previously allocated to those income categories.

“(B) INCOME CATEGORY.—For purposes of this paragraph, the term ‘income category’ has the meaning given such term by subsection (f)(5)(E)(i).

“(4) COORDINATION WITH SUBSECTION (f).—The Secretary shall prescribe such regulations as may be necessary to coordinate the provisions of this subsection with the provisions of subsection (f).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 535(d)(2) is amended by striking “section 904(g)(6)” and inserting “section 904(h)(6)”.

(2) Subparagraph (A) of section 936(a)(2) is amended by striking “section 904(f)” and inserting “subsections (f) and (g) of section 904”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to losses for taxable years beginning after December 31, 2006.

SEC. 205. INTEREST EXPENSE ALLOCATION RULES.

(a) ELECTION TO ALLOCATE ON WORLDWIDE BASIS.—Section 864 is amended by redesignating

subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) ELECTION TO ALLOCATE INTEREST, ETC. ON WORLDWIDE BASIS.—For purposes of this subchapter, at the election of the worldwide affiliated group—

“(1) ALLOCATION AND APPORTIONMENT OF INTEREST EXPENSE.—

“(A) IN GENERAL.—The taxable income of each domestic corporation which is a member of a worldwide affiliated group shall be determined by allocating and apportioning interest expense of each member as if all members of such group were a single corporation.

“(B) TREATMENT OF WORLDWIDE AFFILIATED GROUP.—The taxable income of the domestic members of a worldwide affiliated group from sources outside the United States shall be determined by allocating and apportioning the interest expense of such domestic members to such income in an amount equal to the excess (if any) of—

“(i) the total interest expense of the worldwide affiliated group multiplied by the ratio which the foreign assets of the worldwide affiliated group bears to all the assets of the worldwide affiliated group, over

“(ii) the interest expense of all foreign corporations which are members of the worldwide affiliated group to the extent such interest expense of such foreign corporations would have been allocated and apportioned to foreign source income if this subsection were applied to a group consisting of all the foreign corporations in such worldwide affiliated group.

“(C) WORLDWIDE AFFILIATED GROUP.—For purposes of this paragraph, the term ‘worldwide affiliated group’ means a group consisting of—

“(i) the includible members of an affiliated group (as defined in section 1504(a), determined without regard to paragraphs (2) and (4) of section 1504(b)), and

“(ii) all controlled foreign corporations in which such members in the aggregate meet the ownership requirements of section 1504(a)(2) either directly or indirectly through applying paragraph (2) of section 958(a) or through applying rules similar to the rules of such paragraph to stock owned directly or indirectly by domestic partnerships, trusts, or estates.

“(2) ALLOCATION AND APPORTIONMENT OF OTHER EXPENSES.—Expenses other than interest which are not directly allocable or apportioned to any specific income producing activity shall be allocated and apportioned as if all members of the affiliated group were a single corporation. For purposes of the preceding sentence, the term ‘affiliated group’ has the meaning given such term by section 1504 (determined without regard to paragraph (4) of section 1504(b)).

“(3) TREATMENT OF TAX-EXEMPT ASSETS; BASIS OF STOCK IN NONAFFILIATED 10-PERCENT OWNED CORPORATIONS.—The rules of paragraphs (3) and (4) of subsection (e) shall apply for purposes of this subsection, except that paragraph (4) shall be applied on a worldwide affiliated group basis.

“(4) TREATMENT OF CERTAIN FINANCIAL INSTITUTIONS.—

“(A) IN GENERAL.—For purposes of paragraph (1), any corporation described in subparagraph (B) shall be treated as an includible corporation for purposes of section 1504 only for purposes of applying this subsection separately to corporations so described.

“(B) DESCRIPTION.—A corporation is described in this subparagraph if—

“(i) such corporation is a financial institution described in section 581 or 591,

“(ii) the business of such financial institution is predominantly with persons other than related persons (within the meaning of subsection (d)(4)) or their customers, and

“(iii) such financial institution is required by State or Federal law to be operated separately from any other entity which is not such an institution.

“(C) TREATMENT OF BANK AND FINANCIAL HOLDING COMPANIES.—To the extent provided in regulations—

“(i) a bank holding company (within the meaning of section 2(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)),

“(ii) a financial holding company (within the meaning of section 2(p) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(p)), and

“(iii) any subsidiary of a financial institution described in section 581 or 591, or of any such bank or financial holding company, if such subsidiary is predominantly engaged (directly or indirectly) in the active conduct of a banking, financing, or similar business,

shall be treated as a corporation described in subparagraph (B).

“(5) ELECTION TO EXPAND FINANCIAL INSTITUTION GROUP OF WORLDWIDE GROUP.—

“(A) IN GENERAL.—If a worldwide affiliated group elects the application of this subsection, all financial corporations which—

“(i) are members of such worldwide affiliated group, but

“(ii) are not corporations described in paragraph (4)(B),

shall be treated as described in paragraph (4)(B) for purposes of applying paragraph (4)(A). This subsection (other than this paragraph) shall apply to any such group in the same manner as this subsection (other than this paragraph) applies to the pre-election worldwide affiliated group of which such group is a part.

“(B) FINANCIAL CORPORATION.—For purposes of this paragraph, the term ‘financial corporation’ means any corporation if at least 80 percent of its gross income is income described in section 904(d)(2)(C)(ii) and the regulations thereunder which is derived from transactions with persons who are not related (within the meaning of section 267(b) or 707(b)(1)) to the corporation. For purposes of the preceding sentence, there shall be disregarded any item of income or gain from a transaction or series of transactions a principal purpose of which is the qualification of any corporation as a financial corporation.

“(C) ANTIABUSE RULES.—In the case of a corporation which is a member of an electing financial institution group, to the extent that such corporation—

“(i) distributes dividends or makes other distributions with respect to its stock after the date of the enactment of this paragraph to any member of the pre-election worldwide affiliated group (other than to a member of the electing financial institution group) in excess of the greater of—

“(I) its average annual dividend (expressed as a percentage of current earnings and profits) during the 5-taxable-year period ending with the taxable year preceding the taxable year, or

“(II) 25 percent of its average annual earnings and profits for such 5-taxable-year period, or

“(ii) deals with any person in any manner not clearly reflecting the income of the corporation (as determined under principles similar to the principles of section 482),

an amount of indebtedness of the electing financial institution group equal to the excess distribution or the understatement or overstatement of income, as the case may be, shall be recharacterized (for the taxable year and subsequent taxable years) for purposes of this paragraph as indebtedness of the worldwide affiliated group (excluding the electing financial institution group). If a corporation has not been in existence for 5 taxable years, this subparagraph shall be applied with respect to the period it was in existence.

“(D) ELECTION.—An election under this paragraph with respect to any financial institution group may be made only by the common parent of the pre-election worldwide affiliated group and may be made only for the first taxable year beginning after December 31, 2008, in which

such affiliated group includes 1 or more financial corporations. Such an election, once made, shall apply to all financial corporations which are members of the electing financial institution group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.

“(E) DEFINITIONS RELATING TO GROUPS.—For purposes of this paragraph—

“(i) PRE-ELECTION WORLDWIDE AFFILIATED GROUP.—The term ‘pre-election worldwide affiliated group’ means, with respect to a corporation, the worldwide affiliated group of which such corporation would (but for an election under this paragraph) be a member for purposes of applying paragraph (1).

“(ii) ELECTING FINANCIAL INSTITUTION GROUP.—The term ‘electing financial institution group’ means the group of corporations to which this subsection applies separately by reason of the application of paragraph (4)(A) and which includes financial corporations by reason of an election under subparagraph (A).

“(F) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection, including regulations—

“(i) providing for the direct allocation of interest expense in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection,

“(ii) preventing assets or interest expense from being taken into account more than once, and

“(iii) dealing with changes in members of any group (through acquisitions or otherwise) treated under this paragraph as an affiliated group for purposes of this subsection.

“(6) ELECTION.—An election to have this subsection apply with respect to any worldwide affiliated group may be made only by the common parent of the domestic affiliated group referred to in paragraph (1)(C) and may be made only for the first taxable year beginning after December 31, 2008, in which a worldwide affiliated group exists which includes such affiliated group and at least 1 foreign corporation. Such an election, once made, shall apply to such common parent and all other corporations which are members of such worldwide affiliated group for such taxable year and all subsequent years unless revoked with the consent of the Secretary.”

(b) EXPANSION OF REGULATORY AUTHORITY.—Paragraph (7) of section 864(e) is amended—

(1) by inserting before the comma at the end of subparagraph (B) “and in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection”, and

(2) by striking “and” at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

“(F) preventing assets or interest expense from being taken into account more than once, and”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 206. DETERMINATION OF FOREIGN PERSONAL HOLDING COMPANY INCOME WITH RESPECT TO TRANSACTIONS IN COMMODITIES.

(a) IN GENERAL.—Clauses (i) and (ii) of section 954(c)(1)(C) (relating to commodity transactions) are amended to read as follows:

“(i) arise out of commodity hedging transactions (as defined in paragraph (4)(A)),

“(ii) are active business gains or losses from the sale of commodities, but only if substantially all of the controlled foreign corporation’s commodities are property described in paragraph (1), (2), or (8) of section 1221(a), or”.

(b) DEFINITION AND SPECIAL RULES.—Subsection (c) of section 954 is amended by adding after paragraph (3) the following new paragraph:

“(4) DEFINITION AND SPECIAL RULES RELATING TO COMMODITY TRANSACTIONS.—

“(A) COMMODITY HEDGING TRANSACTIONS.—For purposes of paragraph (1)(C)(i), the term ‘commodity hedging transaction’ means any transaction with respect to a commodity if such transaction—

“(i) is a hedging transaction as defined in section 1221(b)(2), determined—

“(I) without regard to subparagraph (A)(ii) thereof,

“(II) by applying subparagraph (A)(i) thereof by substituting ‘ordinary property or property described in section 1231(b)’ for ‘ordinary property’, and

“(III) by substituting ‘controlled foreign corporation’ for ‘taxpayer’ each place it appears, and

“(ii) is clearly identified as such in accordance with section 1221(a)(7).

“(B) TREATMENT OF DEALER ACTIVITIES UNDER PARAGRAPH (1)(C).—Commodities with respect to which gains and losses are not taken into account under paragraph (2)(C) in computing a controlled foreign corporation’s foreign personal holding company income shall not be taken into account in applying the substantially all test under paragraph (1)(C)(ii) to such corporation.

“(C) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (1)(C) in the case of transactions involving related parties.”.

(c) MODIFICATION OF EXCEPTION FOR DEALERS.—Clause (i) of section 954(c)(2)(C) is amended by inserting “and transactions involving physical settlement” after “(including hedging transactions”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after December 31, 2004.

Subtitle B—International Tax Simplification
SEC. 211. REPEAL OF FOREIGN PERSONAL HOLDING COMPANY RULES AND FOREIGN INVESTMENT COMPANY RULES.

(a) GENERAL RULE.—The following provisions are hereby repealed:

(1) Part III of subchapter G of chapter 1 (relating to foreign personal holding companies).

(2) Section 1246 (relating to gain on foreign investment company stock).

(3) Section 1247 (relating to election by foreign investment companies to distribute income currently).

(b) EXEMPTION OF FOREIGN CORPORATIONS FROM PERSONAL HOLDING COMPANY RULES.—

(1) IN GENERAL.—Subsection (c) of section 542 (relating to exceptions) is amended—

(A) by striking paragraph (5) and inserting the following:

“(5) a foreign corporation.”,

(B) by striking paragraphs (7) and (10) and by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively,

(C) by inserting “and” at the end of paragraph (7) (as so redesignated), and

(D) by striking “; and” at the end of paragraph (8) (as so redesignated) and inserting a period.

(2) TREATMENT OF INCOME FROM PERSONAL SERVICE CONTRACTS.—Paragraph (1) of section 954(c) is amended by adding at the end the following new subparagraph:

“(1) PERSONAL SERVICE CONTRACTS.—

“(i) Amounts received under a contract under which the corporation is to furnish personal services if—

“(I) some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or

“(II) the individual who is to perform the services is designated (by name or by description) in the contract, and

“(ii) amounts received from the sale or other disposition of such a contract.

This subparagraph shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable

year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to perform, or may be designated (by name or by description) as the one to perform, such services.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1(h) is amended—

(A) in paragraph (10), by inserting “and” at the end of subparagraph (F), by striking subparagraph (G), and by redesignating subparagraph (H) as subparagraph (G), and

(B) by striking “a foreign personal holding company (as defined in section 552), a foreign investment company (as defined in section 1246(b)), or” in paragraph (11)(C)(iii).

(2) Section 163(e)(3)(B), as amended by this Act, is amended by striking “which is a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or” and inserting “which is a controlled foreign corporation (as defined in section 957) or”.

(3) Paragraph (2) of section 171(c) is amended—

(A) by striking “, or by a foreign personal holding company, as defined in section 552”, and

(B) by striking “, or foreign personal holding company”.

(4) Paragraph (2) of section 245(a) is amended by striking “foreign personal holding company or”.

(5) Section 267(a)(3)(B), as amended by this Act, is amended by striking “to a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or” and inserting “to a controlled foreign corporation (as defined in section 957) or”.

(6) Section 312 is amended by striking subsection (j).

(7) Subsection (m) of section 312 is amended by striking “, a foreign investment company (within the meaning of section 1246(b)), or a foreign personal holding company (within the meaning of section 552)”.

(8) Subsection (e) of section 443 is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(9) Subparagraph (B) of section 465(c)(7) is amended by adding “or” at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(10) Paragraph (1) of section 543(b) is amended by inserting “and” at the end of subparagraph (A), by striking “, and” at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

(11) Paragraph (1) of section 562(b) is amended by striking “or a foreign personal holding company described in section 552”.

(12) Section 563 is amended—

(A) by striking subsection (c),

(B) by redesignating subsection (d) as subsection (c), and

(C) by striking “subsection (a), (b), or (c)” in subsection (c) (as so redesignated) and inserting “subsection (a) or (b)”.

(13) Subsection (d) of section 751 is amended by adding “and” at the end of paragraph (2), by striking paragraph (3), by redesignating paragraph (4) as paragraph (3), and by striking “paragraph (1), (2), or (3)” in paragraph (3) (as so redesignated) and inserting “paragraph (1) or (2)”.

(14) Paragraph (2) of section 864(d) is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(15)(A) Subparagraph (A) of section 898(b)(1) is amended to read as follows:

“(A) which is treated as a controlled foreign corporation for any purpose under subpart F of part III of this subchapter, and”.

(B) Subparagraph (B) of section 898(b)(2) is amended by striking “and sections 551(f) and 554, whichever are applicable.”.

(C) Paragraph (3) of section 898(b) is amended to read as follows:

“(3) UNITED STATES SHAREHOLDER.—The term ‘United States shareholder’ has the meaning given to such term by section 951(b), except that, in the case of a foreign corporation having related person insurance income (as defined in section 953(c)(2)), the Secretary may treat any person as a United States shareholder for purposes of this section if such person is treated as a United States shareholder under section 953(c)(1).”

(D) Subsection (c) of section 898 is amended to read as follows:

“(c) DETERMINATION OF REQUIRED YEAR.—

“(1) IN GENERAL.—The required year is—

“(A) the majority U.S. shareholder year, or
“(B) if there is no majority U.S. shareholder year, the taxable year prescribed under regulations.

“(2) 1-MONTH DEFERRAL ALLOWED.—A specified foreign corporation may elect, in lieu of the taxable year under paragraph (1)(A), a taxable year beginning 1 month earlier than the majority U.S. shareholder year.

“(3) MAJORITY U.S. SHAREHOLDER YEAR.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘majority U.S. shareholder year’ means the taxable year (if any) which, on each testing day, constituted the taxable year of—

“(i) each United States shareholder described in subsection (b)(2)(A), and

“(ii) each United States shareholder not described in clause (i) whose stock was treated as owned under subsection (b)(2)(B) by any shareholder described in such clause.

“(B) TESTING DAY.—The testing days shall be—

“(i) the first day of the corporation’s taxable year (determined without regard to this section), or

“(ii) the days during such representative period as the Secretary may prescribe.”

(16) Clause (ii) of section 904(d)(2)(A) is amended to read as follows:

“(ii) CERTAIN AMOUNTS INCLUDED.—Except as provided in clause (iii), the term ‘passive income’ includes, except as provided in subparagraph (E)(iii) or paragraph (3)(I), any amount includible in gross income under section 1293 (relating to certain passive foreign investment companies).”

(17)(A) Subparagraph (A) of section 904(g)(1), as redesignated by section 204, is amended by adding “or” at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(B) The paragraph heading of paragraph (2) of section 904(g), as so redesignated, is amended by striking “FOREIGN PERSONAL HOLDING OR”.

(18) Section 951 is amended by striking subsections (c) and (d) and by redesignating subsections (e) and (f) as subsections (c) and (d), respectively.

(19) Paragraph (3) of section 989(b) is amended by striking “, 551(a).”

(20) Paragraph (5) of section 1014(b) is amended by inserting “and before January 1, 2005,” after “August 26, 1937.”

(21) Subsection (a) of section 1016 is amended by striking paragraph (13).

(22)(A) Paragraph (3) of section 1212(a) is amended to read as follows:

“(3) SPECIAL RULES ON CARRYBACKS.—A net capital loss of a corporation shall not be carried back under paragraph (1)(A) to a taxable year—

“(A) for which it is a regulated investment company (as defined in section 851), or

“(B) for which it is a real estate investment trust (as defined in section 856).”

(B) The amendment made by subparagraph (A) shall apply to taxable years beginning after December 31, 2004.

(23) Section 1223 is amended by striking paragraph (10) and by redesignating the following paragraphs accordingly.

(24) Subsection (d) of section 1248 is amended by striking paragraph (5) and by redesignating

paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

(25) Paragraph (2) of section 1260(c) is amended by striking subparagraphs (H) and (I) and by redesignating subparagraph (J) as subparagraph (H).

(26)(A) Subparagraph (F) of section 1291(b)(3) is amended by striking “551(d), 959(a),” and inserting “959(a)”.

(B) Subsection (e) of section 1291 is amended by inserting “(as in effect on the day before the date of the enactment of the Jumpstart Our Business Strength (JOBS) Act)” after “section 1246”.

(27) Paragraph (2) of section 1294(a) is amended to read as follows:

“(2) ELECTION NOT PERMITTED WHERE AMOUNTS OTHERWISE INCLUDIBLE UNDER SECTION 951.—The taxpayer may not make an election under paragraph (1) with respect to the undistributed PFIC earnings tax liability attributable to a qualified electing fund for the taxable year if any amount is includible in the gross income of the taxpayer under section 951 with respect to such fund for such taxable year.”

(28) Section 6035 is hereby repealed.

(29) Subparagraph (D) of section 6103(e)(1) is amended by striking clause (iv) and redesignating clauses (v) and (vi) as clauses (iv) and (v), respectively.

(30) Subparagraph (B) of section 6501(e)(1) is amended to read as follows:

“(B) CONSTRUCTIVE DIVIDENDS.—If the taxpayer omits from gross income an amount properly includible therein under section 951(a), the tax may be assessed, or a proceeding in court for the collection of such tax may be done without assessing, at any time within 6 years after the return was filed.”

(31) Subsection (a) of section 6679 is amended—

(A) by striking “6035, 6046, and 6046A” in paragraph (1) and inserting “6046 and 6046A”, and

(B) by striking paragraph (3).

(32) Sections 170(f)(10)(A), 508(d), 4947, and 4948(c)(4) are each amended by striking “556(b)(2),” each place it appears.

(33) The table of parts for subchapter G of chapter 1 is amended by striking the item relating to part III.

(34) The table of sections for part IV of subchapter P of chapter 1 is amended by striking the items relating to sections 1246 and 1247.

(35) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by striking the item relating to section 6035.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 212. EXPANSION OF DE MINIMIS RULE UNDER SUBPART F.

(a) IN GENERAL.—Clause (ii) of section 954(b)(3)(A) (relating to de minimis, etc., rules) is amended by striking “\$1,000,000” and inserting “\$5,000,000”.

(b) TECHNICAL AMENDMENTS.—

(1) Clause (ii) of section 864(d)(5)(A) is amended by striking “\$1,000,000” and inserting “\$5,000,000”.

(2) Clause (i) of section 881(c)(5)(A) is amended by striking “\$1,000,000” and inserting “\$5,000,000”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 213. ATTRIBUTION OF STOCK OWNERSHIP THROUGH PARTNERSHIPS TO APPLY IN DETERMINING SECTION 902 AND 960 CREDITS.

(a) IN GENERAL.—Subsection (c) of section 902 is amended by redesignating paragraph (7) as

paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) CONSTRUCTIVE OWNERSHIP THROUGH PARTNERSHIPS.—Stock owned, directly or indirectly, by or for a partnership shall be considered as being owned proportionately by its partners. Stock considered to be owned by a person by reason of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person. The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this paragraph, including rules to account for special partnership allocations of dividends, credits, and other incidents of ownership of stock in determining proportionate ownership.”

(b) CLARIFICATION OF COMPARABLE ATTRIBUTION UNDER SECTION 901(b)(5).—Paragraph (5) of section 901(b) is amended by striking “any individual” and inserting “any person”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxes of foreign corporations for taxable years of such corporations beginning after the date of the enactment of this Act.

SEC. 214. APPLICATION OF UNIFORM CAPITALIZATION RULES TO FOREIGN PERSONS.

(a) IN GENERAL.—Section 263A(c) (relating to exceptions) is amended by adding at the end the following new paragraph:

“(7) FOREIGN PERSONS.—Except for purposes of applying sections 871(b)(1) and 882(a)(1), this section shall not apply to any taxpayer who is not a United States person if such taxpayer capitalizes costs of produced property or property acquired for resale by applying the method used to ascertain the income, profit, or loss for purposes of reports or statements to shareholders, partners, other proprietors, or beneficiaries, or for credit purposes.”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2004.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendment made by this section to change its method of accounting for its first taxable year beginning after December 31, 2004—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account in such first year.

SEC. 215. REPEAL OF WITHHOLDING TAX ON DIVIDENDS FROM CERTAIN FOREIGN CORPORATIONS.

(a) IN GENERAL.—Paragraph (2) of section 871(i) (relating to tax not to apply to certain interest and dividends) is amended by adding at the end the following new subparagraph:

“(D) Dividends paid by a foreign corporation which are treated under section 861(a)(2)(B) as income from sources within the United States.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2004.

SEC. 216. REPEAL OF SPECIAL CAPITAL GAINS TAX ON ALIENS PRESENT IN THE UNITED STATES FOR 183 DAYS OR MORE.

(a) IN GENERAL.—Subsection (a) of section 871 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(b) CONFORMING AMENDMENT.—Section 1441(g) is amended is amended by striking “section 871(a)(3)” and inserting “section 871(a)(2)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

Subtitle C—Additional International Tax Provisions

SEC. 221. ACTIVE LEASING INCOME FROM AIRCRAFT AND VESSELS.

(a) *IN GENERAL.*—Section 954(c)(2) is amended by adding at the end the following new subparagraph:

“(D) CERTAIN RENTS, ETC.—

“(i) *IN GENERAL.*—Foreign personal holding company income shall not include qualified leasing income derived from or in connection with the leasing or rental of any aircraft or vessel.

“(ii) *QUALIFIED LEASING INCOME.*—For purposes of this subparagraph, the term ‘qualified leasing income’ means rents and gains derived in the active conduct of a trade or business of leasing with respect to which the controlled foreign corporation conducts substantial activity, but only if—

“(I) the leased property is used by the lessee or other end-user in foreign commerce and predominantly outside the United States, and

“(II) the lessee or other end-user is not a related person (as defined in subsection (d)(3)).

Any amount not treated as foreign personal holding income under this subparagraph shall not be treated as foreign base company shipping income.”

(b) *CONFORMING AMENDMENT.*—Section 954(c)(1)(B) is amended by inserting “or (2)(D)” after “paragraph (2)(A)”.

(c) *EFFECTIVE DATE.*—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2006, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 222. LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY INCOME RULES.

(a) *IN GENERAL.*—Subsection (c) of section 954, as amended by this Act, is amended by adding after paragraph (4) the following new paragraph:

“(5) *LOOK-THRU IN THE CASE OF RELATED CONTROLLED FOREIGN CORPORATIONS.*—For purposes of this subsection, dividends, interest, rents, and royalties received or accrued from a controlled foreign corporation which is a related person (as defined in subsection (b)(9)) shall not be treated as foreign personal holding company income to the extent attributable or properly allocable (determined under rules similar to the rules of subparagraphs (C) and (D) of section 904(d)(3)) to income of the related person which is not subpart F income (as defined in section 952). The Secretary shall prescribe such regulations as may be appropriate to prevent the abuse of the purposes of this paragraph.”

(b) *EFFECTIVE DATE.*—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 223. LOOK-THRU TREATMENT FOR SALES OF PARTNERSHIP INTERESTS.

(a) *IN GENERAL.*—Section 954(c) (defining foreign personal holding company income), as amended by this Act, is amended by adding after paragraph (5) the following new paragraph:

“(6) *LOOK-THRU RULE FOR CERTAIN PARTNERSHIP SALES.*—

“(A) *IN GENERAL.*—In the case of any sale by a controlled foreign corporation of an interest in a partnership with respect to which such corporation is a 25-percent owner, such corporation shall be treated for purposes of this subsection as selling the proportionate share of the assets of the partnership attributable to such interest. The Secretary shall prescribe such regulations as may be appropriate to prevent abuse of the purposes of this paragraph, including regula-

tions providing for coordination of this paragraph with the provisions of subchapter K.

“(B) *25-PERCENT OWNER.*—For purposes of this paragraph, the term ‘25-percent owner’ means a controlled foreign corporation which owns directly 25 percent or more of the capital or profits interest in a partnership. For purposes of the preceding sentence, if a controlled foreign corporation is a shareholder or partner of a corporation or partnership, the controlled foreign corporation shall be treated as owning directly its proportionate share of any such capital or profits interest held directly or indirectly by such corporation or partnership”.

(b) *EFFECTIVE DATE.*—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 224. ELECTION NOT TO USE AVERAGE EXCHANGE RATE FOR FOREIGN TAX PAID OTHER THAN IN FUNCTIONAL CURRENCY.

(a) *IN GENERAL.*—Paragraph (1) of section 986(a) (relating to determination of foreign taxes and foreign corporation’s earnings and profits) is amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:

“(D) *ELECTIVE EXCEPTION FOR TAXES PAID OTHER THAN IN FUNCTIONAL CURRENCY.*—

“(i) *IN GENERAL.*—At the election of the taxpayer, subparagraph (A) shall not apply to any foreign income taxes the liability for which is denominated in any currency other than in the taxpayer’s functional currency.

“(ii) *APPLICATION TO QUALIFIED BUSINESS UNITS.*—An election under this subparagraph may apply to foreign income taxes attributable to a qualified business unit in accordance with regulations prescribed by the Secretary.

“(iii) *ELECTION.*—Any such election shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.”

(b) *EFFECTIVE DATE.*—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 225. TREATMENT OF INCOME TAX BASE DIFFERENCES.

(a) *IN GENERAL.*—Paragraph (2) of section 904(d) is amended by redesignating subparagraphs (H) and (I) as subparagraphs (I) and (J), respectively, and by inserting after subparagraph (G) the following new subparagraph:

“(H) *TREATMENT OF INCOME TAX BASE DIFFERENCES.*—

“(i) *IN GENERAL.*—A taxpayer may elect to treat tax imposed under the law of a foreign country or possession of the United States on an amount which does not constitute income under United States tax principles as tax imposed on income described in subparagraph (C) or (I) of paragraph (1).

“(ii) *ELECTION IRREVOCABLE.*—Any such election shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.”

(b) *EFFECTIVE DATE.*—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 226. MODIFICATION OF EXCEPTIONS UNDER SUBPART F FOR ACTIVE FINANCING.

(a) *IN GENERAL.*—Section 954(h)(3) is amended by adding at the end the following:

“(E) *DIRECT CONDUCT OF ACTIVITIES.*—For purposes of subparagraph (A)(ii)(II), an activity shall be treated as conducted directly by an eligible controlled foreign corporation or qualified business unit in its home country if the activity is performed by employees of a related person and—

“(i) the related person is an eligible controlled foreign corporation the home country of which is the same as the home country of the corporation or unit to which subparagraph (A)(ii)(II) is being applied,

“(ii) the activity is performed in the home country of the related person, and

“(iii) the related person is compensated on an arm’s-length basis for the performance of the activity by its employees and such compensation is treated as earned by such person in its home country for purposes of the home country’s tax laws.”

(b) *EFFECTIVE DATE.*—The amendment made by this section shall apply to taxable years of such foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of such foreign corporations end.

SEC. 227. UNITED STATES PROPERTY NOT TO INCLUDE CERTAIN ASSETS OF CONTROLLED FOREIGN CORPORATION.

(a) *IN GENERAL.*—Section 956(c)(2) (relating to exceptions from property treated as United States property) is amended by striking “and” at the end of subparagraph (J), by striking the period at the end of subparagraph (K) and inserting a semicolon, and by adding at the end the following new subparagraphs:

“(L) securities acquired and held by a controlled foreign corporation in the ordinary course of its business as a dealer in securities if—

“(i) the dealer accounts for the securities as securities held primarily for sale to customers in the ordinary course of business, and

“(ii) the dealer disposes of the securities (or such securities mature while held by the dealer) within a period consistent with the holding of securities for sale to customers in the ordinary course of business; and

“(M) an obligation of a United States person which—

“(i) is not a domestic corporation, and

“(ii) is not—

“(I) a United States shareholder (as defined in section 951(b)) of the controlled foreign corporation, or

“(II) a partnership, estate, or trust in which the controlled foreign corporation, or any related person (as defined in section 954(d)(3)), is a partner, beneficiary, or trustee immediately after the acquisition of any obligation of such partnership, estate, or trust by the controlled foreign corporation.”

(b) *CONFORMING AMENDMENT.*—Section 956(c)(2) is amended by striking “and (K)” in the last sentence and inserting “, (K), and (L)”.

(c) *EFFECTIVE DATE.*—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 228. PROVIDE EQUAL TREATMENT FOR INTEREST PAID BY FOREIGN PARTNERSHIPS AND FOREIGN CORPORATIONS.

(a) *IN GENERAL.*—Paragraph (1) of section 861(a) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by adding at the end the following new subparagraph:

“(C) in the case of a foreign partnership in which United States persons do not hold directly or indirectly 20 percent or more of either the capital or profits interests, any interest not paid by a trade or business engaged in by the partnership in the United States and not allocable to income which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States.”

(b) *EFFECTIVE DATE.*—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 229. CLARIFICATION OF TREATMENT OF CERTAIN TRANSFERS OF INTANGIBLE PROPERTY.

(a) *IN GENERAL.*—Subparagraph (C) of section 367(d)(2) is amended by adding at the end the following new sentence: “For purposes of applying section 904(d), any such amount shall be

treated in the same manner as if such amount were a royalty.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to amounts treated as received pursuant to section 367(d)(2) of the Internal Revenue Code of 1986 on or after August 5, 1997.

SEC. 230. MODIFICATION OF THE TREATMENT OF CERTAIN REIT DISTRIBUTIONS ATTRIBUTABLE TO GAIN FROM SALES OR EXCHANGES OF UNITED STATES REAL PROPERTY INTERESTS.

(a) **IN GENERAL.**—Paragraph (1) of section 897(h) (relating to look-through of distributions) is amended by adding at the end the following new sentence: “Notwithstanding the preceding sentence, any distribution by a REIT with respect to any class of stock which is regularly traded on an established securities market located in the United States shall not be treated as gain recognized from the sale or exchange of a United States real property interest if the shareholder did not own more than 5 percent of such class of stock at any time during the taxable year.”.

(b) **CONFORMING AMENDMENT.**—Paragraph (3) of section 857(b) (relating to capital gains) is amended by adding at the end the following new subparagraph:

“(F) **CERTAIN DISTRIBUTIONS.**—In the case of a shareholder of a real estate investment trust to whom section 897 does not apply by reason of the second sentence of section 897(h)(1), the amount which would be included in computing long-term capital gains for such shareholder under subparagraph (B) or (D) (without regard to this subparagraph)—

“(i) shall not be included in computing such shareholder’s long-term capital gains, and

“(ii) shall be included in such shareholder’s gross income as a dividend from the real estate investment trust.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 231. TOLL TAX ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.

(a) **IN GENERAL.**—Subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new section:

“SEC. 965. TOLL TAX IMPOSED ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.

“(a) **TOLL TAX IMPOSED ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.**—If a corporation elects the application of this section, a tax shall be imposed on the taxpayer in an amount equal to 5.25 percent of—

“(1) the taxpayer’s excess qualified foreign distribution amount, and

“(2) the amount determined under section 78 which is attributable to such excess qualified foreign distribution amount.

Such tax shall be imposed in lieu of the tax imposed under section 11 or 55 on the amounts described in paragraphs (1) and (2) for such taxable year.

(b) **EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘excess qualified foreign distribution amount’ means the excess (if any) of—

“(A) the aggregate dividends received by the taxpayer during the taxable year which are—

“(i) from 1 or more corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder on the date such dividends are paid, and

“(ii) described in a domestic reinvestment plan which—

“(I) is approved by the taxpayer’s president, chief executive officer, or comparable official before the payment of such dividends and subsequently approved by the taxpayer’s board of directors, management committee, executive committee, or similar body, and

“(II) provides for the reinvestment of such dividends in the United States (other than as

payment for executive compensation), including as a source for the funding of worker hiring and training, infrastructure, research and development, capital investments, or the financial stabilization of the corporation for the purposes of job retention or creation, over

“(B) the base dividend amount.

“(2) **BASE DIVIDEND AMOUNT.**—The term ‘base dividend amount’ means an amount designated under subsection (c)(7), but not less than the average amount of dividends received during the fixed base period from 1 or more corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder on the date such dividends are paid.

“(3) **FIXED BASE PERIOD.**—

“(A) **IN GENERAL.**—The term ‘fixed base period’ means each of 3 taxable years which are among the 5 most recent taxable years of the taxpayer ending on or before December 31, 2002, determined by disregarding—

“(i) the 1 taxable year for which the taxpayer had the highest amount of dividends from 1 or more corporations which are controlled foreign corporations relative to the other 4 taxable years, and

“(ii) the 1 taxable year for which the taxpayer had the lowest amount of dividends from such corporations relative to the other 4 taxable years.

“(B) **SHORTER PERIOD.**—If the taxpayer has fewer than 5 taxable years ending on or before December 31, 2002, then in lieu of applying subparagraph (A), the fixed base period shall include all the taxable years of the taxpayer ending on or before December 31, 2002.

“(c) **DEFINITIONS AND SPECIAL RULES.**—For purposes of this section—

“(1) **DIVIDENDS.**—The term ‘dividend’ has the meaning given such term by section 316, except that the term shall include amounts described in section 951(a)(1)(B), but shall not include amounts described in sections 78 and 959.

“(2) **CONTROLLED FOREIGN CORPORATIONS AND UNITED STATES SHAREHOLDERS.**—The term ‘controlled foreign corporation’ has the meaning given such term by section 957(a) and the term ‘United States shareholder’ has the meaning given such term by section 951(b).

“(3) **FOREIGN TAX CREDITS.**—The amount of any income, war, profits, or excess profit taxes paid (or deemed paid under sections 902 and 960) or accrued by the taxpayer with respect to the excess qualified foreign distribution amount for which a credit would be allowable under section 901 in the absence of this section, shall be reduced by 85 percent. No deduction shall be allowed under this chapter for the portion of any tax for which credit is not allowable by reason of the preceding sentence.

“(4) **FOREIGN TAX CREDIT LIMITATION.**—For purposes of section 904, there shall be disregarded 85 percent of—

“(A) the excess qualified foreign distribution amount,

“(B) the amount determined under section 78 which is attributable to such excess qualified foreign distribution amount, and

“(C) the amounts (including assets, gross income, and other relevant bases of apportionment) which are attributable to the excess qualified foreign distribution amount which would, determined without regard to this section, be used to apportion the expenses, losses, and deductions of the taxpayer under section 861 and 864 in determining its taxable income from sources without the United States.

For purposes of applying subparagraph (C), the principles of section 864(e)(3)(A) shall apply.

“(5) **TREATMENT OF ACQUISITIONS AND DISPOSITIONS.**—Rules similar to the rules of section 41(f)(3) shall apply in the case of acquisitions or dispositions of controlled foreign corporations occurring on or after the first day of the earliest taxable year taken into account in determining the fixed base period.

“(6) **TREATMENT OF CONSOLIDATED GROUPS.**—Members of an affiliated group of corporations

filing a consolidated return under section 1501 shall be treated as a single taxpayer for purposes of this section.

“(7) **DESIGNATION OF DIVIDENDS.**—Subject to subsection (b)(2), the taxpayer shall designate the particular dividends received during the taxable year from 1 or more corporations which are controlled foreign corporations in which it is a United States shareholder which are dividends excluded from the excess qualified foreign distribution amount. The total amount of such designated dividends shall equal the base dividend amount.

“(8) **TREATMENT OF EXPENSES, LOSSES, AND DEDUCTIONS.**—Any expenses, losses, or deductions of the taxpayer allowable under subchapter B—

“(A) shall not be applied to reduce the amounts described in subsection (a)(1), and

“(B) shall be applied to reduce other income of the taxpayer (determined without regard to the amounts described in subsection (a)(1)).

“(d) **ELECTION.**—

“(1) **IN GENERAL.**—An election under this section shall be made on the taxpayer’s timely filed income tax return for the first taxable year (determined by taking extensions into account) ending 120 days or more after the date of the enactment of this section, and, once made, may be revoked only with the consent of the Secretary.

“(2) **ALL CONTROLLED FOREIGN CORPORATIONS.**—The election shall apply to all corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder during the taxable year.

“(3) **CONSOLIDATED GROUPS.**—If a taxpayer is a member of an affiliated group of corporations filing a consolidated return under section 1501 for the taxable year, an election under this section shall be made by the common parent of the affiliated group which includes the taxpayer and shall apply to all members of the affiliated group.

“(e) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary and appropriate to carry out the purposes of this section, including regulations under section 55 and regulations addressing corporations which, during the fixed base period or thereafter, join or leave an affiliated group of corporations filing a consolidated return.”.

(b) **CONFORMING AMENDMENT.**—The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new item:

“Sec. 965. Toll tax imposed on excess qualified foreign distribution amount.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply only to the first taxable year of the electing taxpayer ending 120 days or more after the date of the enactment of this Act.

SEC. 232. EXCLUSION OF INCOME DERIVED FROM CERTAIN WAGERS ON HORSE RACES AND DOG RACES FROM GROSS INCOME OF NONRESIDENT ALIEN INDIVIDUALS.

(a) **IN GENERAL.**—Subsection (b) of section 872 (relating to exclusions) is amended by redesignating paragraphs (5), (6), and (7) as paragraphs (6), (7), and (8), respectively, and inserting after paragraph (4) the following new paragraph:

“(5) **INCOME DERIVED FROM WAGERING TRANSACTIONS IN CERTAIN PARIMUTUEL POOLS.**—Gross income derived by a nonresident alien individual from a legal wagering transaction initiated outside the United States in a parimutuel pool with respect to a live horse race or dog race in the United States.”.

(b) **CONFORMING AMENDMENT.**—Section 883(a)(4) is amended by striking “(5), (6), and (7)” and inserting “(6), (7), and (8)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to wagers made after the date of the enactment of this Act.

SEC. 233. LIMITATION OF WITHHOLDING TAX FOR PUERTO RICO CORPORATIONS.

(a) IN GENERAL.—Subsection (b) of section 881 is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

“(2) COMMONWEALTH OF PUERTO RICO.—If dividends are received during a taxable year by a corporation—

“(A) created or organized in, or under the law of, the Commonwealth of Puerto Rico, and

“(B) with respect to which the requirements of subparagraphs (A), (B), and (C) of paragraph (1) are met for the taxable year,

subsection (a) shall be applied for such taxable year by substituting ‘10 percent’ for ‘30 percent’.”

(b) WITHHOLDING.—Subsection (c) of section 1442 (relating to withholding of tax on foreign corporations) is amended—

(1) by striking “For purposes” and inserting the following:

“(1) GUAM, AMERICAN SAMOA, THE NORTHERN MARIANA ISLANDS, AND THE VIRGIN ISLANDS.—For purposes”, and

(2) by adding at the end the following new paragraph:

“(2) COMMONWEALTH OF PUERTO RICO.—If dividends are received during a taxable year by a corporation—

“(A) created or organized in, or under the law of, the Commonwealth of Puerto Rico, and

“(B) with respect to which the requirements of subparagraphs (A), (B), and (C) of section 881(b)(1) are met for the taxable year,

subsection (a) shall be applied for such taxable year by substituting ‘10 percent’ for ‘30 percent’.”

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 881 is amended by striking “GUAM AND VIRGIN ISLANDS CORPORATIONS” in the heading and inserting “POSSESSIONS”.

(2) Paragraph (1) of section 881(b) is amended by striking “IN GENERAL” in the heading and inserting “GUAM, AMERICAN SAMOA, THE NORTHERN MARIANA ISLANDS, AND THE VIRGIN ISLANDS”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends paid after the date of the enactment of this Act.

SEC. 234. REPORT ON WTO DISPUTE SETTLEMENT PANELS AND THE APPELLATE BODY.

Not later than March 31, 2004, the Secretary of Commerce, in consultation with the United States Trade Representative, shall transmit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, regarding whether dispute settlement panels and the Appellate Body of the World Trade Organization have—

(1) added to or diminished the rights of the United States by imposing obligations or restrictions on the use of antidumping, countervailing, and safeguard measures not agreed to under the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade of 1994, the Agreement on Subsidies and Countervailing Measures, and the Agreement on Safeguards;

(2) appropriately applied the standard of review contained in Article 17.6 of the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade of 1994; or

(3) exceeded their authority or terms of reference under the Agreements referred to in paragraph (1).

SEC. 235. STUDY OF IMPACT OF INTERNATIONAL TAX LAWS ON TAXPAYERS OTHER THAN LARGE CORPORATIONS.

(a) STUDY.—The Secretary of the Treasury or the Secretary’s delegate shall conduct a study of the impact of Federal international tax rules on taxpayers other than large corporations, including the burdens placed on such taxpayers in complying with such rules.

(b) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary

shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the study conducted under subsection (a), including any recommendations for legislative or administrative changes to reduce the compliance burden on taxpayers other than large corporations and for such other purposes as the Secretary determines appropriate.

SEC. 236. CONSULTATIVE ROLE FOR SENATE COMMITTEE ON FINANCE IN CONNECTION WITH THE REVIEW OF PROPOSED TAX TREATIES.

Paragraph 1(j) of Rule XXV of the Standing Rules of the Senate is amended by adding at the end the following:

“(3)(A) Notwithstanding any other rule of the Senate, the Committee on Foreign Relations shall consult with the Committee on Finance with respect to any proposed treaty on taxation prior to reporting such treaty to the Senate.

“(B) The Committee on Foreign Relations shall request in writing the views of the Committee on Finance with respect to any proposed treaty on taxation which is referred to the Committee on Foreign Relations. Not less than 120 days after the date on which such request is made, the Committee on Finance shall respond to such request in writing. If the Committee on Finance does not provide such written response during such 120 day period, the Committee on Finance shall be deemed to have waived the opportunity to submit such views.

“(C) The Committee on Foreign Relations shall consider the views submitted by the Committee on Finance and shall include such views in any report of the treaty to the Senate.”

TITLE III—DOMESTIC MANUFACTURING AND BUSINESS PROVISIONS**Subtitle A—General Provisions****SEC. 301. EXPANSION OF QUALIFIED SMALL-ISSUE BOND PROGRAM.**

(a) IN GENERAL.—Subparagraph (F) of section 144(a)(4) (relating to \$10,000,000 limit in certain cases) is amended to read as follows:

“(F) ADDITIONAL CAPITAL EXPENDITURES NOT TAKEN INTO ACCOUNT.—With respect to any issue, in addition to any capital expenditure described in subparagraph (C), capital expenditures of not to exceed \$10,000,000 shall not be taken into account for purposes of applying subparagraph (A)(ii).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 302. EXPENSING OF BROADBAND INTERNET ACCESS EXPENDITURES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by inserting after section 190 the following new section:

“SEC. 191. BROADBAND EXPENDITURES.

“(a) TREATMENT OF EXPENDITURES.—

“(1) IN GENERAL.—A taxpayer may elect to treat any qualified broadband expenditure which is paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expenditure which is so treated shall be allowed as a deduction.

“(2) ELECTION.—An election under paragraph (1) shall be made at such time and in such manner as the Secretary may prescribe by regulation.

“(b) QUALIFIED BROADBAND EXPENDITURES.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified broadband expenditure’ means, with respect to any taxable year, any direct or indirect costs incurred during 2004 and properly taken into account for such taxable year with respect to—

“(A) the purchase or installation of qualified equipment (including any upgrades thereto), and

“(B) the connection of such qualified equipment to any qualified subscriber.

“(2) CERTAIN SATELLITE EXPENDITURES EXCLUDED.—Such term shall not include any costs

incurred with respect to the launching of any satellite equipment.

“(3) LEASED EQUIPMENT.—Such term shall include so much of the purchase price paid by the lessor of qualified equipment subject to a lease described in subsection (c)(2)(B) as is attributable to expenditures incurred by the lessee which would otherwise be described in paragraph (1).

“(c) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—For purposes of this section—

“(1) IN GENERAL.—Qualified broadband expenditures with respect to qualified equipment shall be taken into account with respect to the first taxable year in which—

“(A) current generation broadband services are provided through such equipment to qualified subscribers, or

“(B) next generation broadband services are provided through such equipment to qualified subscribers.

“(2) LIMITATION.—

“(A) IN GENERAL.—Qualified expenditures shall be taken into account under paragraph (1) only with respect to qualified equipment—

“(i) the original use of which commences with the taxpayer, and

“(ii) which is placed in service, after December 31, 2003.

“(B) SALE-LEASEBACKS.—For purposes of subparagraph (A), if property—

“(i) is originally placed in service after December 31, 2003, by any person, and

“(ii) sold and leased back by such person within 3 months after the date such property was originally placed in service,

such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in clause (ii).

“(d) SPECIAL ALLOCATION RULES.—

“(1) CURRENT GENERATION BROADBAND SERVICES.—For purposes of determining the amount of qualified broadband expenditures under subsection (a)(1) with respect to qualified equipment through which current generation broadband services are provided, if the qualified equipment is capable of serving both qualified subscribers and other subscribers, the qualified broadband expenditures shall be multiplied by a fraction—

“(A) the numerator of which is the sum of the number of potential qualified subscribers within the rural areas and the underserved areas which the equipment is capable of serving with current generation broadband services, and

“(B) the denominator of which is the total potential subscriber population of the area which the equipment is capable of serving with current generation broadband services.

“(2) NEXT GENERATION BROADBAND SERVICES.—For purposes of determining the amount of qualified broadband expenditures under subsection (a)(1) with respect to qualified equipment through which next generation broadband services are provided, if the qualified equipment is capable of serving both qualified subscribers and other subscribers, the qualified expenditures shall be multiplied by a fraction—

“(A) the numerator of which is the sum of—

“(i) the number of potential qualified subscribers within the rural areas and underserved areas, plus

“(ii) the number of potential qualified subscribers within the area consisting only of residential subscribers not described in clause (i),

which the equipment is capable of serving with next generation broadband services, and

“(B) the denominator of which is the total potential subscriber population of the area which the equipment is capable of serving with next generation broadband services.

“(e) DEFINITIONS.—For purposes of this section—

“(1) ANTENNA.—The term ‘antenna’ means any device used to transmit or receive signals through the electromagnetic spectrum, including satellite equipment.

“(2) CABLE OPERATOR.—The term ‘cable operator’ has the meaning given such term by section 602(5) of the Communications Act of 1934 (47 U.S.C. 522(5)).

“(3) COMMERCIAL MOBILE SERVICE CARRIER.—The term ‘commercial mobile service carrier’ means any person authorized to provide commercial mobile radio service as defined in section 20.3 of title 47, Code of Federal Regulations.

“(4) CURRENT GENERATION BROADBAND SERVICE.—The term ‘current generation broadband service’ means the transmission of signals at a rate of at least 1,000,000 bits per second to the subscriber and at least 128,000 bits per second from the subscriber.

“(5) MULTIPLEXING OR DEMULTIPLEXING.—The term ‘multiplexing’ means the transmission of 2 or more signals over a single channel, and the term ‘demultiplexing’ means the separation of 2 or more signals previously combined by compatible multiplexing equipment.

“(6) NEXT GENERATION BROADBAND SERVICE.—The term ‘next generation broadband service’ means the transmission of signals at a rate of at least 22,000,000 bits per second to the subscriber and at least 5,000,000 bits per second from the subscriber.

“(7) NONRESIDENTIAL SUBSCRIBER.—The term ‘nonresidential subscriber’ means any person who purchases broadband services which are delivered to the permanent place of business of such person.

“(8) OPEN VIDEO SYSTEM OPERATOR.—The term ‘open video system operator’ means any person authorized to provide service under section 653 of the Communications Act of 1934 (47 U.S.C. 573).

“(9) OTHER WIRELESS CARRIER.—The term ‘other wireless carrier’ means any person (other than a telecommunications carrier, commercial mobile service carrier, cable operator, open video system operator, or satellite carrier) providing current generation broadband services or next generation broadband service to subscribers through the radio transmission of energy.

“(10) PACKET SWITCHING.—The term ‘packet switching’ means controlling or routing the path of any digitized transmission signal which is assembled into packets or cells.

“(11) PROVIDER.—The term ‘provider’ means, with respect to any qualified equipment—

- “(A) a cable operator,
- “(B) a commercial mobile service carrier,
- “(C) an open video system operator,
- “(D) a satellite carrier,
- “(E) a telecommunications carrier, or
- “(F) any other wireless carrier,

providing current generation broadband services or next generation broadband services to subscribers through such qualified equipment.

“(12) PROVISION OF SERVICES.—A provider shall be treated as providing services to 1 or more subscribers if—

“(A) such a subscriber has been passed by the provider’s equipment and can be connected to such equipment for a standard connection fee,

“(B) the provider is physically able to deliver current generation broadband services or next generation broadband services, as applicable, to such a subscriber without making more than an insignificant investment with respect to such subscriber,

“(C) the provider has made reasonable efforts to make such subscribers aware of the availability of such services,

“(D) such services have been purchased by 1 or more such subscribers, and

“(E) such services are made available to such subscribers at average prices comparable to those at which the provider makes available similar services in any areas in which the provider makes available such services.

“(13) QUALIFIED EQUIPMENT.—

“(A) IN GENERAL.—The term ‘qualified equipment’ means equipment which provides current generation broadband services or next generation broadband services—

“(i) at least a majority of the time during periods of maximum demand to each subscriber who is utilizing such services, and

“(ii) in a manner substantially the same as such services are provided by the provider to subscribers through equipment with respect to which no deduction is allowed under subsection (a)(1).

“(B) ONLY CERTAIN INVESTMENT TAKEN INTO ACCOUNT.—Except as provided in subparagraph (C) or (D), equipment shall be taken into account under subparagraph (A) only to the extent it—

“(i) extends from the last point of switching to the outside of the unit, building, dwelling, or office owned or leased by a subscriber in the case of a telecommunications carrier,

“(ii) extends from the customer side of the mobile telephone switching office to a transmission/receive antenna (including such antenna) owned or leased by a subscriber in the case of a commercial mobile service carrier,

“(iii) extends from the customer side of the headend to the outside of the unit, building, dwelling, or office owned or leased by a subscriber in the case of a cable operator or open video system operator, or

“(iv) extends from a transmission/receive antenna (including such antenna) which transmits and receives signals to or from multiple subscribers, to a transmission/receive antenna (including such antenna) on the outside of the unit, building, dwelling, or office owned or leased by a subscriber in the case of a satellite carrier or other wireless carrier, unless such other wireless carrier is also a telecommunications carrier.

“(C) PACKET SWITCHING EQUIPMENT.—Packet switching equipment, regardless of location, shall be taken into account under subparagraph (A) only if it is deployed in connection with equipment described in subparagraph (B) and is uniquely designed to perform the function of packet switching for current generation broadband services or next generation broadband services, but only if such packet switching is the last in a series of such functions performed in the transmission of a signal to a subscriber or the first in a series of such functions performed in the transmission of a signal from a subscriber.

“(D) MULTIPLEXING AND DEMULTIPLEXING EQUIPMENT.—Multiplexing and demultiplexing equipment shall be taken into account under subparagraph (A) only to the extent it is deployed in connection with equipment described in subparagraph (B) and is uniquely designed to perform the function of multiplexing and demultiplexing packets or cells of data and making associated application adaptations, but only if such multiplexing or demultiplexing equipment is located between packet switching equipment described in subparagraph (C) and the subscriber’s premises.

“(14) QUALIFIED SUBSCRIBER.—The term ‘qualified subscriber’ means—

“(A) with respect to the provision of current generation broadband services—

“(i) any nonresidential subscriber maintaining a permanent place of business in a rural area or underserved area, or

“(ii) any residential subscriber residing in a dwelling located in a rural area or underserved area which is not a saturated market, and

“(B) with respect to the provision of next generation broadband services—

“(i) any nonresidential subscriber maintaining a permanent place of business in a rural area or underserved area, or

“(ii) any residential subscriber.

“(15) RESIDENTIAL SUBSCRIBER.—The term ‘residential subscriber’ means any individual who purchases broadband services which are delivered to such individual’s dwelling.

“(16) RURAL AREA.—The term ‘rural area’ means any census tract which—

“(A) is not within 10 miles of any incorporated or census designated place containing more than 25,000 people, and

“(B) is not within a county or county equivalent which has an overall population density of more than 500 people per square mile of land.

“(17) RURAL SUBSCRIBER.—The term ‘rural subscriber’ means any residential subscriber residing in a dwelling located in a rural area or nonresidential subscriber maintaining a permanent place of business located in a rural area.

“(18) SATELLITE CARRIER.—The term ‘satellite carrier’ means any person using the facilities of a satellite or satellite service licensed by the Federal Communications Commission and operating in the Fixed-Satellite Service under part 25 of title 47 of the Code of Federal Regulations or the Direct Broadcast Satellite Service under part 100 of title 47 of such Code to establish and operate a channel of communications for distribution of signals, and owning or leasing a capacity or service on a satellite in order to provide such point-to-multipoint distribution.

“(19) SATURATED MARKET.—The term ‘saturated market’ means any census tract in which, as of the date of the enactment of this section—

“(A) current generation broadband services have been provided by a single provider to 85 percent or more of the total number of potential residential subscribers residing in dwellings located within such census tract, and

“(B) such services can be utilized—

“(i) at least a majority of the time during periods of maximum demand by each such subscriber who is utilizing such services, and

“(ii) in a manner substantially the same as such services are provided by the provider to subscribers through equipment with respect to which no deduction is allowed under subsection (a)(1).

“(20) SUBSCRIBER.—The term ‘subscriber’ means any person who purchases current generation broadband services or next generation broadband services.

“(21) TELECOMMUNICATIONS CARRIER.—The term ‘telecommunications carrier’ has the meaning given such term by section 3(44) of the Communications Act of 1934 (47 U.S.C. 153(44)), but—

“(A) includes all members of an affiliated group of which a telecommunications carrier is a member, and

“(B) does not include a commercial mobile service carrier.

“(22) TOTAL POTENTIAL SUBSCRIBER POPULATION.—The term ‘total potential subscriber population’ means, with respect to any area and based on the most recent census data, the total number of potential residential subscribers residing in dwellings located in such area and potential nonresidential subscribers maintaining permanent places of business located in such area.

“(23) UNDERSERVED AREA.—The term ‘underserved area’ means—

“(A) any census tract which is located in—

“(i) an empowerment zone or enterprise community designated under section 1391, or

“(ii) the District of Columbia Enterprise Zone established under section 1400, or

“(B) any census tract—

“(i) the poverty level of which is at least 30 percent (based on the most recent census data), and

“(ii) the median family income of which does not exceed—

“(I) in the case of a census tract located in a metropolitan statistical area, 70 percent of the greater of the metropolitan area median family income or the statewide median family income, and

“(II) in the case of a census tract located in a nonmetropolitan statistical area, 70 percent of the nonmetropolitan statewide median family income.

“(24) UNDERSERVED SUBSCRIBER.—The term ‘underserved subscriber’ means any residential subscriber residing in a dwelling located in an underserved area or nonresidential subscriber maintaining a permanent place of business located in an underserved area.

“(f) SPECIAL RULES.—

“(1) PROPERTY USED OUTSIDE THE UNITED STATES, ETC., NOT QUALIFIED.—No expenditures shall be taken into account under subsection (a)(1) with respect to the portion of the cost of any property referred to in section 50(b) or with respect to the portion of the cost of any property specified in an election under section 179.

“(2) BASIS REDUCTION.—

“(A) IN GENERAL.—For purposes of this title, the basis of any property shall be reduced by the portion of the cost of such property taken into account under subsection (a)(1).

“(B) ORDINARY INCOME RECAPTURE.—For purposes of section 1245, the amount of the deduction allowable under subsection (a)(1) with respect to any property which is of a character subject to the allowance for depreciation shall be treated as a deduction allowed for depreciation under section 167.

“(3) COORDINATION WITH SECTION 38.—No credit shall be allowed under section 38 with respect to any amount for which a deduction is allowed under subsection (a)(1).”

(b) SPECIAL RULE FOR MUTUAL OR COOPERATIVE TELEPHONE COMPANIES.—Section 501(c)(12)(B) (relating to list of exempt organizations) is amended by striking “or” at the end of clause (iii), by striking the period at the end of clause (iv) and inserting “; or”, and by adding at the end the following:

“(v) from the sale of property subject to a lease described in section 191(c)(2)(B), but only to the extent such income does not in any year exceed an amount equal to the qualified broadband expenditures which would be taken into account under section 191 for such year if the mutual or cooperative telephone company was not exempt from taxation and was treated as the owner of the property subject to such lease.”

(c) CONFORMING AMENDMENTS.—

(1) Section 263(a)(1) (relating to capital expenditures) is amended by striking “or” at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting “; or”, and by adding at the end the following new subparagraph:

“(I) expenditures for which a deduction is allowed under section 191.”

(2) Section 1016(a) of such Code is amended by striking “and” at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting “; and”, and by adding at the end the following new paragraph:

“(29) to the extent provided in section 191(f)(2).”

(3) The table of sections for part VI of subchapter A of chapter I of such Code is amended by inserting after the item relating to section 190 the following new item:

“Sec. 191. Broadband expenditures.”

(d) DESIGNATION OF CENSUS TRACTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall, not later than 90 days after the date of the enactment of this Act, designate and publish those census tracts meeting the criteria described in paragraphs (16), (22), and (23) of section 191(e) of the Internal Revenue Code of 1986 (as added by this section). In making such designations, the Secretary of the Treasury shall consult with such other departments and agencies as the Secretary determines appropriate.

(2) SATURATED MARKET.—

(A) IN GENERAL.—For purposes of designating and publishing those census tracts meeting the criteria described in subsection (e)(19) of such section 191—

(i) the Secretary of the Treasury shall prescribe not later than 30 days after the date of the enactment of this Act the form upon which any provider which takes the position that it meets such criteria with respect to any census tract shall submit a list of such census tracts (and any other information required by the Secretary) not later than 60 days after the date of the publication of such form, and

(ii) the Secretary of the Treasury shall publish an aggregate list of such census tracts and the

applicable providers not later than 30 days after the last date such submissions are allowed under clause (i).

(B) NO SUBSEQUENT LISTS REQUIRED.—The Secretary of the Treasury shall not be required to publish any list of census tracts meeting such criteria subsequent to the list described in subparagraph (A)(ii).

(e) OTHER REGULATORY MATTERS.—

(1) PROHIBITION.—No Federal or State agency or instrumentality shall adopt regulations or ratemaking procedures that would have the effect of eliminating or reducing any deduction or portion thereof allowed under section 191 of the Internal Revenue Code of 1986 (as added by this section) or otherwise subverting the purpose of this section.

(2) TREASURY REGULATORY AUTHORITY.—It is the intent of Congress in providing the election to deduct qualified broadband expenditures under section 191 of the Internal Revenue Code of 1986 (as added by this section) to provide incentives for the purchase, installation, and connection of equipment and facilities offering expanded broadband access to the Internet for users in certain low income and rural areas of the United States, as well as to residential users nationwide, in a manner that maintains competitive neutrality among the various classes of providers of broadband services. Accordingly, the Secretary of the Treasury shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of section 191 of such Code, including—

(A) regulations to determine how and when a taxpayer that incurs qualified broadband expenditures satisfies the requirements of section 191 of such Code to provide broadband services, and

(B) regulations describing the information, records, and data taxpayers are required to provide the Secretary to substantiate compliance with the requirements of section 191 of such Code.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures incurred after December 31, 2003.

SEC. 303. EXEMPTION OF NATURAL AGING PROCESS IN DETERMINATION OF PRODUCTION PERIOD FOR DISTILLED SPIRITS UNDER SECTION 263A.

(a) IN GENERAL.—Section 263A(f) of the Internal Revenue Code of 1986 (relating to general exceptions) is amended by adding at the end the following new paragraph:

“(5) EXEMPTION OF NATURAL AGING PROCESS IN DETERMINATION OF PRODUCTION PERIOD FOR DISTILLED SPIRITS.—For purposes of this subsection, the production period for distilled spirits shall be determined without regard to any period allocated to the natural aging process.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to production periods beginning after the date of the enactment of this Act.

SEC. 304. MODIFICATION OF ACTIVE BUSINESS DEFINITION UNDER SECTION 355.

(a) IN GENERAL.—Section 355(b) (defining active conduct of a trade or business) is amended by adding at the end the following new paragraph:

“(3) SPECIAL RULES RELATING TO ACTIVE BUSINESS REQUIREMENT.—

“(A) IN GENERAL.—For purposes of determining whether a corporation meets the requirement of paragraph (2)(A), all members of such corporation’s separate affiliated group shall be treated as one corporation. For purposes of the preceding sentence, a corporation’s separate affiliated group is the affiliated group which would be determined under section 1504(a) if such corporation were the common parent and section 1504(b) did not apply.

“(B) CONTROL.—For purposes of paragraph (2)(D), all distributee corporations which are members of the same affiliated group (as defined in section 1504(a) without regard to section 1504(b)) shall be treated as one distributee corporation.”

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 355(b)(2) is amended to read as follows:

“(A) it is engaged in the active conduct of a trade or business.”

(2) Section 355(b)(2) is amended by striking the last sentence.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply—

(A) to distributions after the date of the enactment of this Act, and

(B) for purposes of determining the continued qualification under section 355(b)(2)(A) of the Internal Revenue Code of 1986 (as amended by subsection (b)(1)) of distributions made before such date, as a result of an acquisition, disposition, or other restructuring after such date.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution pursuant to a transaction which is—

(A) made pursuant to an agreement which was binding on such date of enactment and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission.

(3) ELECTION TO HAVE AMENDMENTS APPLY.—Paragraph (2) shall not apply if the distributing corporation elects not to have such paragraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.

SEC. 305. EXCLUSION OF CERTAIN INDEBTEDNESS OF SMALL BUSINESS INVESTMENT COMPANIES FROM ACQUISITION INDEBTEDNESS.

(a) IN GENERAL.—Section 514(c) (relating to acquisition indebtedness) is amended by adding at the end the following new paragraph:

“(10) CERTAIN INDEBTEDNESS OF SMALL BUSINESS INVESTMENT COMPANIES.—For purposes of this section, the term ‘acquisition indebtedness’ does not include any indebtedness incurred by a small business investment company licensed under the Small Business Investment Act of 1958 which is evidenced by a debenture—

“(A) issued by such company under section 303(a) of such Act, and

“(B) held or guaranteed by the Small Business Administration.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to any indebtedness incurred after December 31, 2003, by a small business investment company described in section 514(c)(10) of the Internal Revenue Code of 1986 (as added by this section) with respect to property acquired by such company after such date.

SEC. 306. MODIFIED TAXATION OF IMPORTED ARCHERY PRODUCTS.

(a) BOWS.—Paragraph (1) of section 4161(b) (relating to bows) is amended to read as follows:

“(1) BOWS.—

“(A) IN GENERAL.—There is hereby imposed on the sale by the manufacturer, producer, or importer of any bow which has a peak draw weight of 30 pounds or more, a tax equal to 11 percent of the price for which so sold.

“(B) ARCHERY EQUIPMENT.—There is hereby imposed on the sale by the manufacturer, producer, or importer—

“(i) of any part or accessory suitable for inclusion in or attachment to a bow described in subparagraph (A), and

“(ii) of any quiver or broadhead suitable for use with an arrow described in paragraph (2), a tax equal to 11 percent of the price for which so sold.”

(b) ARROWS.—Subsection (b) of section 4161 (relating to bows and arrows, etc.) is amended by redesignating paragraph (3) as paragraph (4) and inserting after paragraph (2) the following:

“(3) ARROWS.—

“(A) IN GENERAL.—There is hereby imposed on the sale by the manufacturer, producer, or importer of any arrow, a tax equal to 12 percent of the price for which so sold.

“(B) EXCEPTION.—In the case of any arrow of which the shaft or any other component has been previously taxed under paragraph (1) or (2)—

“(i) section 6416(b)(3) shall not apply, and
“(ii) the tax imposed by subparagraph (A) shall be an amount equal to the excess (if any) of—

“(I) the amount of tax imposed by this paragraph (determined without regard to this subparagraph), over

“(II) the amount of tax paid with respect to the tax imposed under paragraph (1) or (2) on such shaft or component.

“(C) ARROW.—For purposes of this paragraph, the term ‘arrow’ means any shaft described in paragraph (2) to which additional components are attached.”.

(c) CONFORMING AMENDMENTS.—Section 4161(b)(2) is amended—

(1) by inserting “(other than broadheads)” after “point”, and

(2) by striking “ARROWS.—” in the heading and inserting “ARROW COMPONENTS.—”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to articles sold by the manufacturer, producer, or importer after December 31, 2003.

SEC. 307. MODIFICATION TO COOPERATIVE MARKETING RULES TO INCLUDE VALUE ADDED PROCESSING INVOLVING ANIMALS.

(a) IN GENERAL.—Section 1388 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

“(k) COOPERATIVE MARKETING INCLUDES VALUE-ADDED PROCESSING INVOLVING ANIMALS.—For purposes of section 521 and this subchapter, the marketing of the products of members or other producers shall include the feeding of such products to cattle, hogs, fish, chickens, or other animals and the sale of the resulting animals or animal products.”.

(b) CONFORMING AMENDMENT.—Section 521(b) is amended by adding at the end the following new paragraph:

“(7) CROSS REFERENCE.—

“For treatment of value-added processing involving animals, see section 1388(k).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 308. EXTENSION OF DECLARATORY JUDGMENT PROCEDURES TO FARMERS' COOPERATIVE ORGANIZATIONS.

(a) IN GENERAL.—Section 7428(a)(1) (relating to declaratory judgments of tax exempt organizations) is amended by striking “or” at the end of subparagraph (B) and by adding at the end the following new subparagraph:

“(D) with respect to the initial classification or continuing classification of a cooperative as an organization described in section 521(b) which is exempt from tax under section 521(a), or”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to pleadings filed after the date of the enactment of this Act.

SEC. 309. TEMPORARY SUSPENSION OF PERSONAL HOLDING COMPANY TAX.

(a) IN GENERAL.—Section 541 (relating to imposition of personal holding company tax) is amended by adding at the end the following new sentence: “The preceding sentence shall not apply with respect to any taxable year to which section 1(h)(11) (as in effect on the date of the enactment of this sentence) applies.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 310. INCREASE IN SECTION 179 EXPENSING.

(a) IN GENERAL.—Section 179(b)(2) (relating to reduction in limitation) is amended by inserting “50 percent of” before “the amount”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 311. THREE-YEAR CARRYBACK OF NET OPERATING LOSSES.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

“(1) SPECIAL RULE FOR 2003.—In the case of a net operating loss for any taxable year ending during 2003, subparagraph (A)(i) shall be applied by substituting ‘3’ for ‘2’.”.

(b) ELECTION TO DISREGARD 3-YEAR CARRYBACK.—Section 172 (relating to net operating loss deduction) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) ELECTION TO DISREGARD 3-YEAR CARRYBACK FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer entitled to a 3-year carryback under subsection (b)(1)(I) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(I). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”.

(c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON CERTAIN NOL CARRYOVERS.—

(1) IN GENERAL.—Section 56(d)(1)(A)(ii)(I) (relating to general rule defining alternative tax net operating loss deduction) is amended—

(A) by striking “or 2002” and inserting “, 2002, or 2003”, and

(B) by striking “and 2002” and inserting “, 2002, and 2003”.

(d) TECHNICAL CORRECTIONS.—

(1) Subparagraph (H) of section 172(b)(1) is amended by striking “a taxpayer which has”.

(2) Section 102(c)(2) of the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147) is amended by striking “before January 1, 2003” and inserting “after December 31, 1990”.

(3)(A) Subclause (I) of section 56(d)(1)(A)(i) is amended by striking “attributable to carryovers”.

(B) Subclause (I) of section 56(d)(1)(A)(ii) is amended—

(i) by striking “for taxable years” and inserting “from taxable years”, and

(ii) by striking “carryforwards” and inserting “carryovers”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2002.

(2) TECHNICAL CORRECTIONS.—The amendments made by subsection (d) shall take effect as if included in the amendments made by section 102 of the Job Creation and Worker Assistance Act of 2002.

(3) ELECTION.—In the case of a net operating loss for a taxable year ending during 2003—

(A) any election made under section 172(b)(3) of such Code may (notwithstanding such section) be revoked before April 15, 2004, and

(B) any election made under section 172(k) (as added by this section) of such Code shall (notwithstanding such section) be treated as timely made if made before April 15, 2004.

Subtitle B—Manufacturing Relating to Films

SEC. 321. SPECIAL RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by inserting after section 180 the following new section:

“SEC. 181. TREATMENT OF QUALIFIED FILM AND TELEVISION PRODUCTIONS.

“(a) ELECTION TO TREAT CERTAIN COSTS OF QUALIFIED FILM AND TELEVISION PRODUCTIONS AS EXPENSES.—

“(1) IN GENERAL.—A taxpayer may elect to treat the cost of any qualified film or television

production as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction.

“(2) DOLLAR LIMITATION.—

“(A) IN GENERAL.—The aggregate cost which may be taken into account under paragraph (1) with respect to each qualified film or television production shall not exceed \$15,000,000.

“(B) HIGHER DOLLAR LIMITATION FOR PRODUCTIONS IN CERTAIN AREAS.—In the case of any qualified film or television production the aggregate cost of which is significantly incurred in an area eligible for designation as—

“(i) a low-income community under section 45D, or

“(ii) a distressed county or isolated area of distress by the Delta Regional Authority established under section 2009aa-1 of title 7, United States Code,

subparagraph (A) shall be applied by substituting ‘\$20,000,000’ for ‘\$15,000,000’.

“(b) AMORTIZATION OF REMAINING COSTS.—

“(1) IN GENERAL.—If an election is made under subsection (a) with respect to any qualified film or television production, that portion of the basis of such production in excess of the amount taken into account under subsection (a) shall be allowed as a deduction ratably over the 36-month period beginning with the month in which such production is placed in service.

“(2) NO OTHER DEDUCTION OR AMORTIZATION DEDUCTION ALLOWABLE.—With respect to the basis of any qualified film or television production described in paragraph (1), no other depreciation or amortization deduction shall be allowable.

“(c) ELECTION.—

“(1) IN GENERAL.—An election under subsection (a) with respect to any qualified film or television production shall be made in such manner as prescribed by the Secretary and by the due date (including extensions) for filing the taxpayer’s return of tax under this chapter for the taxable year in which costs of the production are first incurred.

“(2) REVOCATION OF ELECTION.—Any election made under subsection (a) may not be revoked without the consent of the Secretary.

“(d) QUALIFIED FILM OR TELEVISION PRODUCTION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified film or television production’ means any production described in paragraph (2) if 75 percent of the total compensation of the production is qualified compensation.

“(2) PRODUCTION.—

“(A) IN GENERAL.—A production is described in this paragraph if such production is property described in section 168(f)(3). For purposes of a television series, only the first 44 episodes of such series may be taken into account.

“(B) EXCEPTION.—A production is not described in this paragraph if records are required under section 2257 of title 18, United States Code, to be maintained with respect to any performer in such production.

“(3) QUALIFIED COMPENSATION.—For purposes of paragraph (1)—

“(A) IN GENERAL.—The term ‘qualified compensation’ means compensation for services performed in the United States by actors, directors, producers, and other relevant production personnel.

“(B) PARTICIPATIONS AND RESIDUALS EXCLUDED.—The term ‘compensation’ does not include participations and residuals (as defined in section 167(g)(7)(B)).

“(e) APPLICATION OF CERTAIN OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (b)(2) and (c)(4) of section 194 shall apply.

“(f) TERMINATION.—This section shall not apply to qualified film and television productions commencing after December 31, 2008.”.

(b) CONFORMING AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 180 the following new item:

“Sec. 181. Treatment of qualified film and television productions.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to qualified film and television productions (as defined in section 181(d)(1) of the Internal Revenue Code of 1986, as added by this section) commencing after the date of the enactment of this Act.

SEC. 322. MODIFICATION OF APPLICATION OF INCOME FORECAST METHOD OF DEPRECIATION.

(a) **IN GENERAL.**—Section 167(g) (relating to depreciation under income forecast method) is amended by adding at the end the following new paragraph:

“(7) **TREATMENT OF PARTICIPATIONS AND RESIDUALS.**—

“(A) **IN GENERAL.**—For purposes of determining the depreciation deduction allowable with respect to a property under this subsection, the taxpayer may include participations and residuals with respect to such property in the adjusted basis of such property for the taxable year in which the property is placed in service, but only to the extent that such participations and residuals relate to income estimated (for purposes of this subsection) to be earned in connection with the property before the close of the 10th taxable year referred to in paragraph (1)(A).

“(B) **PARTICIPATIONS AND RESIDUALS.**—For purposes of this paragraph, the term ‘participations and residuals’ means, with respect to any property, costs the amount of which by contract varies with the amount of income earned in connection with such property.

“(C) **SPECIAL RULES RELATING TO RECOMPUTATION YEARS.**—If the adjusted basis of any property is determined under this paragraph, paragraph (4) shall be applied by substituting ‘for each taxable year in such period’ for ‘for such period’.

“(D) **OTHER SPECIAL RULES.**—

“(i) **PARTICIPATIONS AND RESIDUALS.**—Notwithstanding subparagraph (A), the taxpayer may exclude participations and residuals from the adjusted basis of such property and deduct such participations and residuals in the taxable year that such participations and residuals are paid.

“(ii) **COORDINATION WITH OTHER RULES.**—Deductions computed in accordance with this paragraph shall be allowable notwithstanding paragraph (1)(B) or sections 263, 263A, 404, 419, or 461(h).

“(E) **AUTHORITY TO MAKE ADJUSTMENTS.**—The Secretary shall prescribe appropriate adjustments to the basis of property and to the look-back method for the additional amounts allowable as a deduction solely by reason of this paragraph.”.

(b) **DETERMINATION OF INCOME.**—Section 167(g)(5) (relating to special rules) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and inserting after subparagraph (D) the following new subparagraph:

“(E) **TREATMENT OF DISTRIBUTION COSTS.**—For purposes of this subsection, the income with respect to any property shall be the taxpayer’s gross income from such property.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

Subtitle C—Manufacturing Relating to Timber

SEC. 331. EXPENSING OF CERTAIN REFORESTATION EXPENDITURES.

(a) **IN GENERAL.**—So much of subsection (b) of section 194 (relating to amortization of reforestation expenditures) as precedes paragraph (2) is amended to read as follows:

“(b) **TREATMENT AS EXPENSES.**—

“(1) **ELECTION TO TREAT CERTAIN REFORESTATION EXPENDITURES AS EXPENSES.**—

“(A) **IN GENERAL.**—In the case of any qualified timber property with respect to which the

taxpayer has made (in accordance with regulations prescribed by the Secretary) an election under this subsection, the taxpayer shall treat reforestation expenditures which are paid or incurred during the taxable year with respect to such property as an expense which is not chargeable to capital account. The reforestation expenditures so treated shall be allowed as a deduction.

“(B) **DOLLAR LIMITATION.**—The aggregate amount of reforestation expenditures which may be taken into account under subparagraph (A) with respect to each qualified timber property for any taxable year shall not exceed \$10,000 (\$5,000 in the case of a separate return by a married individual (as defined in section 7703)).”.

(b) **NET AMORTIZABLE BASIS.**—Section 194(c)(2) (defining amortizable basis) is amended by inserting “which have not been taken into account under subsection (b)” after “expenditures”.

(c) **CONFORMING AMENDMENTS.**—

(1) Section 194(b) is amended by striking paragraphs (3) and (4).

(2) Section 194(b)(2) is amended by striking “paragraph (1)” both places it appears and inserting “paragraph (1)(B)”.

(3) Section 194(c) is amended by striking paragraph (4) and inserting the following new paragraphs:

“(4) **TREATMENT OF TRUSTS AND ESTATES.**—

“(A) **IN GENERAL.**—Except as provided in subparagraph (B), this section shall not apply to trusts and estates.

“(B) **AMORTIZATION DEDUCTION ALLOWED TO ESTATES.**—The benefit of the deduction for amortization provided by subsection (a) shall be allowed to estates in the same manner as in the case of an individual. The allowable deduction shall be apportioned between the income beneficiary and the fiduciary under regulations prescribed by the Secretary. Any amount so apportioned to a beneficiary shall be taken into account for purposes of determining the amount allowable as a deduction under subsection (a) to such beneficiary.

“(5) **APPLICATION WITH OTHER DEDUCTIONS.**—No deduction shall be allowed under any other provision of this chapter with respect to any expenditure with respect to which a deduction is allowed or allowable under this section to the taxpayer.”.

(4) The heading for section 194 is amended by striking “**AMORTIZATION**” and inserting “**TREATMENT**”.

(5) The item relating to section 194 in the table of sections for part VI of subchapter B of chapter 1 is amended by striking “Amortization” and inserting “Treatment”.

(d) **REPEAL OF REFORESTATION CREDIT.**—

(1) **IN GENERAL.**—Section 46 (relating to amount of credit) is amended—

(A) by adding “and” at the end of paragraph (1).

(B) by striking “, and” at the end of paragraph (2) and inserting a period, and

(C) by striking paragraph (3).

(2) **CONFORMING AMENDMENTS.**—

(A) Section 48 is amended—

(i) by striking subsection (b).

(ii) by striking “this subsection” in paragraph (5) of subsection (a) and inserting “subsection (a)”, and

(iii) by redesignating such paragraph (5) as subsection (b).

(B) The heading for section 48 is amended by striking “; **REFORESTATION CREDIT**”.

(C) The item relating to section 48 in the table of sections for subpart E of part IV of subchapter A of chapter 1 is amended by striking “, reforestation credit”.

(D) Section 50(c)(3) is amended by striking “or reforestation credit”.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to expenditures paid or incurred after the date of the enactment of this Act.

SEC. 332. ELECTION TO TREAT CUTTING OF TIMBER AS A SALE OR EXCHANGE.

Any election under section 631(a) of the Internal Revenue Code of 1986 made for a taxable year ending on or before the date of the enactment of this Act may be revoked by the taxpayer for any taxable year ending after such date. For purposes of determining whether the taxpayer may make a further election under such section, such election (and any revocation under this section) shall not be taken into account.

SEC. 333. CAPITAL GAIN TREATMENT UNDER SECTION 631(b) TO APPLY TO OUTRIGHT SALES BY LANDOWNERS.

(a) **IN GENERAL.**—The first sentence of section 631(b) (relating to disposal of timber with a retained economic interest) is amended by striking “retains an economic interest in such timber” and inserting “either retains an economic interest in such timber or makes an outright sale of such timber”.

(b) **CONFORMING AMENDMENTS.**—

(1) The third sentence of section 631(b) is amended by striking “The date of disposal” and inserting “In the case of disposal of timber with a retained economic interest, the date of disposal”.

(2) The heading for section 631(b) is amended by striking “WITH A RETAINED ECONOMIC INTEREST”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to sales after the date of the enactment of this Act.

SEC. 334. MODIFICATION OF SAFE HARBOR RULES FOR TIMBER REITS.

(a) **EXPANSION OF PROHIBITED TRANSACTION SAFE HARBOR.**—Section 857(b)(6) (relating to income from prohibited transactions) is amended by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively, and by inserting after subparagraph (C) the following new subparagraph:

“(D) **CERTAIN SALES NOT TO CONSTITUTE PROHIBITED TRANSACTIONS.**—For purposes of this part, the term ‘prohibited transaction’ does not include a sale of property which is a real estate asset (as defined in section 856(c)(5)(B)) if—

“(i) the trust held the property for not less than 4 years in connection with the trade or business of producing timber,

“(ii) the aggregate expenditures made by the trust, or a partner of the trust, during the 4-year period preceding the date of sale which—

“(I) are includible in the basis of the property (other than timberland acquisition expenditures), and

“(II) are directly related to operation of the property for the production of timber or for the preservation of the property for use as timberland,

do not exceed 30 percent of the net selling price of the property,

“(iii) the aggregate expenditures made by the trust, or a partner of the trust, during the 4-year period preceding the date of sale which—

“(I) are includible in the basis of the property (other than timberland acquisition expenditures), and

“(II) are not directly related to operation of the property for the production of timber, or for the preservation of the property for use as timberland,

do not exceed 5 percent of the net selling price of the property,

“(iv)(I) during the taxable year the trust does not make more than 7 sales of property (other than sales of foreclosure property or sales to which section 1033 applies), or

“(II) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property (other than sales of foreclosure property or sales to which section 1033 applies) sold during the taxable year does not exceed 10 percent of the aggregate bases (as so determined) of all of the assets of the trust as of the beginning of the taxable year,

“(v) in the case that the requirement of clause (iv)(I) is not satisfied, substantially all of the

marketing expenditures with respect to the property were made through an independent contractor (as defined in section 856(d)(3)) from whom the trust itself does not derive or receive any income, and

“(vi) the sales price of the property sold by the trust is not based in whole or in part on income or profits, including income or profits derived from the sale or operation of such property.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE IV—ADDITIONAL PROVISIONS

Subtitle A—Provisions Designed To Curtail Tax Shelters

SEC. 401. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

“(1) GENERAL RULES.—

“(A) IN GENERAL.—In any case in which a court determines that the economic substance doctrine is relevant for purposes of this title to a transaction (or series of transactions), such transaction (or series of transactions) shall have economic substance only if the requirements of this paragraph are met.

“(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—A transaction has economic substance only if—

“(I) the transaction changes in a meaningful way (apart from Federal tax effects) the taxpayer’s economic position, and

“(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

In applying subclause (II), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

“(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

“(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

“(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

“(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

“(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

“(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

“(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with

a tax-indifferent party shall not be respected if—

“(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party’s economic income or gain, or

“(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person’s liability under subtitle A.

“(C) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(D) TREATMENT OF LESSORS.—In applying paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease—

“(i) the expected net tax benefits with respect to the leased property shall not include the benefits of—

“(I) depreciation,

“(II) any tax credit, or

“(III) any other deduction as provided in guidance by the Secretary, and

“(ii) subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

“(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

SEC. 402. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

“SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

“(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be \$50,000.

“(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be \$100,000.

“(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

“(A) IN GENERAL.—In the case of a failure under subsection (a) by—

“(i) a large entity, or

“(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

“(B) LARGE ENTITY.—For purposes of subparagraph (A), the term ‘large entity’ means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of \$10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

“(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term ‘high net worth individual’ means, with respect to a reportable transaction, a natural person whose net worth exceeds \$2,000,000 immediately before the transaction.

“(c) DEFINITIONS.—For purposes of this section—

“(1) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

“(2) LISTED TRANSACTION.—Except as provided in regulations, the term ‘listed transaction’ means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

“(d) AUTHORITY TO RESCIND PENALTY.—

“(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

“(A) the violation is with respect to a reportable transaction other than a listed transaction,

“(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

“(C) it is shown that the violation is due to an unintentional mistake of fact;

“(D) imposing the penalty would be against equity and good conscience, and

“(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

“(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner’s sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

“(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

“(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

“(A) the facts and circumstances of the transaction,

“(B) the reasons for the rescission, and

“(C) the amount of the penalty rescinded.

“(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

“(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

“(B) a description of each penalty rescinded under this subsection and the reasons therefor.

“(e) PENALTY REPORTED TO SEC.—In the case of a person—

“(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

“(2) which—

“(A) is required to pay a penalty under this section with respect to a listed transaction,

“(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

“(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

“(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.”

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

“Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 403. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

“SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

“(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘reportable transaction understatement’ means the sum of—

“(A) the product of—

“(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer’s treatment of such item (as shown on the taxpayer’s return of tax), and

“(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

“(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer’s treatment of an item to which this section applies (as shown on the taxpayer’s return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

“(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

“(A) any listed transaction, and

“(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

“(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

“(1) IN GENERAL.—Subsection (a) shall be applied by substituting ‘30 percent’ for ‘20 percent’ with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

“(2) RULES APPLICABLE TO ASSERTION AND COMPROMISE OF PENALTY.—

“(A) IN GENERAL.—Only upon the approval by the Chief Counsel for the Internal Revenue Service or the Chief Counsel’s delegate at the national office of the Internal Revenue Service may a penalty to which paragraph (1) applies be included in a 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals. If such a letter is provided to the taxpayer, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(B) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

“(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).

“(e) SPECIAL RULES.—

“(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

“(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

“(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

“(2) COORDINATION WITH OTHER PENALTIES.—

“(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

“(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

“(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

“(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term ‘noneconomic substance transaction understatement’ has the meaning given such term by section 6662B(c).

“(5) CROSS REFERENCE.—

“**For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).**”

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2)

is amended by adding at the end the following flush sentence:

“The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.”

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

“(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

“(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

“(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

“(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

“(B) there is or was substantial authority for such treatment, and

“(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

“(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

“(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

“(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

“(ii) relates solely to the taxpayer’s chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

“(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

“(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

“(I) the tax advisor is described in clause (ii), or

“(II) the opinion is described in clause (iii).

“(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

“(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

“(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

“(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

“(IV) as determined under regulations prescribed by the Secretary, has a disqualifying financial interest with respect to the transaction.

“(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

“(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

“(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

“(III) does not identify and consider all relevant facts, or

“(IV) fails to meet any other requirement as the Secretary may prescribe.”.

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting “FOR UNDERPAYMENTS” after “EXCEPTION”.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking “(as defined in section 6662(d)(2)(C)(iii))” in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

“(C) TAX SHELTER.—For purposes of subparagraph (B), the term ‘tax shelter’ means—

“(i) a partnership or other entity,

“(ii) any investment plan or arrangement, or

“(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.”.

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking “this part” and inserting “section 6662 or 6663”.

(5) Subsection (b) of section 7525 is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(6)(A) The heading for section 6662 is amended to read as follows:

“SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS.”.

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

“Sec. 6662. Imposition of accuracy-related penalty on underpayments.

“Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 404. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

“SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

“(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting ‘20 percent’ for ‘40 percent’ with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

“(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘noneconomic substance transaction understatement’ means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

“(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term ‘noneconomic substance transaction’ means any transaction if—

“(A) there is a lack of economic substance (within the meaning of section 7701(n)(1)) for

the transaction giving rise to the claimed benefit or the transaction was not respected under section 7701(n)(2), or

“(B) the transaction fails to meet the requirements of any similar rule of law.

“(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

“(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(2) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

“(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

“(f) CROSS REFERENCES.—

“(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

“(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).”.

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

“Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

SEC. 405. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NON-REPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

“(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

“(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000), or

“(ii) \$10,000,000.”.

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

“(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or”.

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

“(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 406. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

“(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

“(1) between a federally authorized tax practitioner and—

“(A) any person,

“(B) any director, officer, employee, agent, or representative of the person, or

“(C) any other person holding a capital or profits interest in the person, and

“(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 407. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

“SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

“(1) information identifying and describing the transaction,

“(2) information describing any potential tax benefits expected to result from the transaction, and

“(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

“(b) DEFINITIONS.—For purposes of this section—

“(1) MATERIAL ADVISOR.—

“(A) IN GENERAL.—The term ‘material advisor’ means any person—

“(i) who provides any material aid, assistance, or advice with respect to organizing, managing, promoting, selling, implementing, or carrying out any reportable transaction, and

“(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

“(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

“(i) \$50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

“(ii) \$250,000 in any other case.

“(2) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ has the meaning given to such term by section 6707A(c).

“(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

“(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

“(2) exemptions from the requirements of this section, and

“(3) such rules as may be necessary or appropriate to carry out the purposes of this section.”.

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6111. Disclosure of reportable transactions.”.

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

“SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

“(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

“(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

“(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.”

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting “written” before “request” in paragraph (1)(A), and

(ii) by striking “shall prescribe” in paragraph (2) and inserting “may prescribe”.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.”

(3)(A) The heading for section 6708 is amended to read as follows:

“SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.”

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

“Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.”

(c) REQUIRED DISCLOSURE NOT SUBJECT TO CLAIM OF CONFIDENTIALITY.—Subparagraph (A) of section 6112(b)(1), as redesignated by subsection (b)(2)(B), is amended by adding at the end the following new flush sentence:

“For purposes of this section, the identity of any person on such list shall not be privileged.”

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

(2) NO CLAIM OF CONFIDENTIALITY AGAINST DISCLOSURE.—The amendment made by subsection (c) shall take effect as if included in the amendments made by section 142 of the Deficit Reduction Act of 1984.

SEC. 408. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

“SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

“(1) fails to file such return on or before the date prescribed therefor, or

“(2) files false or incomplete information with the Secretary with respect to such transaction, such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be \$50,000.

“(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

“(A) \$200,000, or

“(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the listed transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting ‘75 percent’ for ‘50 percent’ in the case of an intentional failure or act described in subsection (a).

“(c) CERTAIN RULES TO APPLY.—The provisions of section 6707A(d) shall apply to any penalty imposed under this section.

“(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).”

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking “tax shelters” and inserting “reportable transactions”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 409. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

“(a) IMPOSITION OF PENALTY.—

“(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary’s request, such person shall pay a penalty of \$10,000 for each day of such failure after such 20th day.

“(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 410. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by striking subsections (a) and (b) and inserting the following new subsections:

“(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

“(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

“(1) that the person has engaged in any specified conduct, and

“(2) that injunctive relief is appropriate to prevent recurrence of such conduct, the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

“(c) SPECIFIED CONDUCT.—For purposes of this section, the term ‘specified conduct’ means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.”

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

“SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.”

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item relating to section 7408 and inserting the following new item:

“Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.”

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 411. UNDERSTATEMENT OF TAXPAYER’S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking “realistic possibility of being sustained on its merits” in paragraph (1) and inserting “reasonable belief that the tax treatment in such position was more likely than not the proper treatment”,

(2) by striking “or was frivolous” in paragraph (3) and inserting “or there was no reasonable basis for the tax treatment of such position”, and

(3) by striking “UNREALISTIC” in the heading and inserting “IMPROPER”.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking “\$250” in subsection (a) and inserting “\$1,000”, and

(2) by striking “\$1,000” in subsection (b) and inserting “\$5,000”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 412. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

“(5) FOREIGN FINANCIAL AGENCY TRANSACTION VIOLATION.—

“(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

“(B) AMOUNT OF PENALTY.—

“(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed \$5,000.

“(ii) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subparagraph (A) with respect to any violation if—

“(I) such violation was due to reasonable cause, and

“(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

“(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

“(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

“(I) \$25,000, or

“(II) the amount (not exceeding \$100,000) determined under subparagraph (D), and

“(ii) subparagraph (B)(ii) shall not apply.

“(D) AMOUNT.—The amount determined under this subparagraph is—

“(i) in the case of a violation involving a transaction, the amount of the transaction, or

“(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided

with respect to an account, the balance in the account at the time of the violation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to violations occurring after the date of the enactment of this Act.

SEC. 413. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

“(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of \$5,000 if—

“(1) such person files what purports to be a return of a tax imposed by this title but which—
“(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

“(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

“(2) the conduct referred to in paragraph (1)—

“(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(B) reflects a desire to delay or impede the administration of Federal tax laws.

“(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

“(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of \$5,000.

“(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

“(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term ‘specified frivolous submission’ means a specified submission if any portion of such submission—

“(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(ii) reflects a desire to delay or impede the administration of Federal tax laws.

“(B) SPECIFIED SUBMISSION.—The term ‘specified submission’ means—

“(i) a request for a hearing under—

“(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

“(II) section 6330 (relating to notice and opportunity for hearing before levy), and

“(ii) an application under—

“(I) section 6159 (relating to agreements for payment of tax liability in installments),

“(II) section 7122 (relating to compromises), or

“(III) section 7811 (relating to taxpayer assistance orders).

“(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

“(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

“(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

“(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.”.

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for

hearing before levy) is amended by adding at the end the following new subsection:

“(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking “(A)” and inserting “(A)(i)”;

(B) by striking “(B)” and inserting “(ii)”;

(C) by striking the period at the end of the first sentence and inserting “; or”; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

“(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).”.

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”, and

(2) in subsection (c), by striking “and (e)” and inserting “(e), and (g)”.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

“(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

“Sec. 6702. Frivolous tax submissions.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 414. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting “, or censure,” after “Department”, and

(B) by adding at the end the following new flush sentence:

“The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure of the representative.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

“(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.”.

SEC. 415. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: “Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 416. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH REQUIRED LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(c) (relating to exceptions) is amended by adding at the end the following new paragraph:

“(10) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return or statement, the time for assessment of any tax imposed by this title with respect to such transaction shall not expire before the date which is 1 year after the earlier of—

“(A) the date on which the Secretary is furnished the information so required; or

“(B) the date that a material advisor (as defined in section 6111) meets the requirements of section 6112 with respect to a request by the Secretary under section 6112(b) relating to such transaction with respect to such taxpayer.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years with respect to which the period for assessing a deficiency did not expire before the date of the enactment of this Act.

SEC. 417. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

“(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

“(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions in taxable years beginning after the date of the enactment of this Act.

SEC. 418. AUTHORIZATION OF APPROPRIATIONS FOR TAX LAW ENFORCEMENT.

There is authorized to be appropriated \$300,000,000 for each fiscal year beginning after

September 30, 2003, for the purpose of carrying out tax law enforcement to combat tax avoidance transactions and other tax shelters, including the use of offshore financial accounts to conceal taxable income.

Subtitle B—Other Corporate Governance Provisions

SEC. 421. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: “In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.”.

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation §1.1502-20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

SEC. 422. SIGNING OF CORPORATE TAX RETURNS BY CHIEF EXECUTIVE OFFICER.

(a) IN GENERAL.—Section 6062 (relating to signing of corporation returns) is amended by inserting after the first sentence the following new sentences: “The return of a corporation with respect to income shall also include a declaration signed by the chief executive officer of such corporation (or other such officer of the corporation as the Secretary may designate if the corporation does not have a chief executive officer), under penalties of perjury, that the chief executive officer ensures that such return complies with this title and that the chief executive officer was provided reasonable assurance of the accuracy of all material aspects of such return. The preceding sentence shall not apply to any return of a regulated investment company (within the meaning of section 851).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns filed after the date of the enactment of this Act.

SEC. 423. DENIAL OF DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.

(a) IN GENERAL.—Subsection (f) of section 162 (relating to trade or business expenses) is amended to read as follows:

“(f) FINES, PENALTIES, AND OTHER AMOUNTS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), no deduction otherwise allowable shall be allowed under this chapter for any amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or entity described in paragraph (4) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

“(2) EXCEPTION FOR AMOUNTS CONSTITUTING RESTITUTION.—Paragraph (1) shall not apply to any amount which the taxpayer establishes constitutes restitution for damage or harm caused by the violation of any law or the potential violation of any law. This paragraph shall not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

“(3) EXCEPTION FOR AMOUNTS PAID OR INCURRED AS THE RESULT OF CERTAIN COURT ORDERS.—Paragraph (1) shall not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (4) is a party.

“(4) CERTAIN NONGOVERNMENTAL REGULATORY ENTITIES.—An entity is described in this paragraph if it is—

“(A) a nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) in connection with a qualified board or exchange (as defined in section 1256(g)(7)), or

“(B) to the extent provided in regulations, a nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) as part of performing an essential governmental function.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after April 27, 2003, except that such amendment shall not apply to amounts paid or incurred under any binding order or agreement entered into on or before April 27, 2003. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained on or before April 27, 2003.

SEC. 424. DISALLOWANCE OF DEDUCTION FOR PUNITIVE DAMAGES.

(a) DISALLOWANCE OF DEDUCTION.—

(1) IN GENERAL.—Section 162(g) (relating to treble damage payments under the antitrust laws) is amended by adding at the end the following new paragraph:

“(2) PUNITIVE DAMAGES.—No deduction shall be allowed under this chapter for any amount paid or incurred for punitive damages in connection with any judgment in, or settlement of, any action. This paragraph shall not apply to punitive damages described in section 104(c).”.

(2) CONFORMING AMENDMENTS.—

(A) Section 162(g) is amended—

(i) by striking “If” and inserting:

“(1) TREBLE DAMAGES.—If”, and

(ii) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively.

(B) The heading for section 162(g) is amended by inserting “OR PUNITIVE DAMAGES” after “LAWS”.

(b) INCLUSION IN INCOME OF PUNITIVE DAMAGES PAID BY INSURER OR OTHERWISE.—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding at the end the following new section:

“SEC. 91. PUNITIVE DAMAGES COMPENSATED BY INSURANCE OR OTHERWISE.

“Gross income shall include any amount paid to or on behalf of a taxpayer as insurance or otherwise by reason of the taxpayer’s liability (or agreement) to pay punitive damages.”.

(2) REPORTING REQUIREMENTS.—Section 6041 (relating to information at source) is amended by adding at the end the following new subsection:

“(f) SECTION TO APPLY TO PUNITIVE DAMAGES COMPENSATION.—This section shall apply to payments by a person to or on behalf of another person as insurance or otherwise by reason of the other person’s liability (or agreement) to pay punitive damages.”.

(3) CONFORMING AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end the following new item:

“Sec. 91. Punitive damages compensated by insurance or otherwise.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to damages paid or incurred on or after the date of the enactment of this Act.

SEC. 425. INCREASE IN CRIMINAL MONETARY PENALTY LIMITATION FOR THE UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.

(a) IN GENERAL.—Section 7206 (relating to fraud and false statements) is amended—

(1) by striking “Any person who—” and inserting “(a) IN GENERAL.—Any person who—”, and

(2) by adding at the end the following new subsection:

“(b) INCREASE IN MONETARY LIMITATION FOR UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.—If any portion of any underpayment (as defined in section 6664(a)) or over-

payment (as defined in section 6401(a)) of tax required to be shown on a return is attributable to fraudulent action described in subsection (a), the applicable dollar amount under subsection (a) shall in no event be less than an amount equal to such portion. A rule similar to the rule under section 6663(b) shall apply for purposes of determining the portion so attributable.”.

(b) INCREASE IN PENALTIES.—

(1) ATTEMPT TO EVADE OR DEFEAT TAX.—Section 7201 is amended—

(A) by striking “\$100,000” and inserting “\$250,000”,

(B) by striking “\$500,000” and inserting “\$1,000,000”, and

(C) by striking “5 years” and inserting “10 years”.

(2) WILLFUL FAILURE TO FILE RETURN, SUPPLY INFORMATION, OR PAY TAX.—Section 7203 is amended—

(A) in the first sentence—

(i) by striking “misdemeanor” and inserting “felony”, and

(ii) by striking “1 year” and inserting “10 years”, and

(B) by striking the third sentence.

(3) FRAUD AND FALSE STATEMENTS.—Section 7206(a) (as redesignated by subsection (a)) is amended—

(A) by striking “\$100,000” and inserting “\$250,000”,

(B) by striking “\$500,000” and inserting “\$1,000,000”, and

(C) by striking “3 years” and inserting “5 years”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to underpayments and overpayments attributable to actions occurring after the date of the enactment of this Act.

Subtitle C—Enron-Related Tax Shelter Provisions

SEC. 431. LIMITATION ON TRANSFER OR IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 (relating to basis to corporations) is amended by adding at the end the following new subsection:

“(e) LIMITATIONS ON BUILT-IN LOSSES.—

“(1) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

“(A) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in subparagraph (B) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

“(B) PROPERTY DESCRIBED.—For purposes of subparagraph (A), property is described in this subparagraph if—

“(i) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

“(ii) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner’s proportionate share of the property of such partnership.

“(C) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of subparagraph (A), there is an importation of a net built-in loss in a transaction if the transferee’s aggregate adjusted bases of property described in subparagraph (B) which is transferred in such transaction would (but for this paragraph) exceed the fair market value of such property immediately after such transaction.”.

“(2) LIMITATION ON TRANSFER OF BUILT-IN LOSSES IN SECTION 351 TRANSACTIONS.—

“(A) IN GENERAL.—If—

“(i) property is transferred by a transferor in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

“(ii) the transferee’s aggregate adjusted bases of such property so transferred would (but for this paragraph) exceed the fair market value of such property immediately after such transaction, then, notwithstanding subsection (a), the transferee’s aggregate adjusted bases of the property so transferred shall not exceed the fair market value of such property immediately after such transaction.

“(B) ALLOCATION OF BASIS REDUCTION.—The aggregate reduction in basis by reason of subparagraph (A) shall be allocated among the property so transferred in proportion to their respective built-in losses immediately before the transaction.

“(C) EXCEPTION FOR TRANSFERS WITHIN AFFILIATED GROUP.—Subparagraph (A) shall not apply to any transaction if the transferor owns stock in the transferee meeting the requirements of section 1504(a)(2). In the case of property to which subparagraph (A) does not apply by reason of the preceding sentence, the transferor’s basis in the stock received for such property shall not exceed its fair market value immediately after the transfer.”.

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) (relating to liquidation of subsidiary) is amended to read as follows:

“(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

“(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

“(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee’s aggregate adjusted bases of property described in section 362(e)(1)(B) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after February 13, 2003.

SEC. 432. NO REDUCTION OF BASIS UNDER SECTION 734 IN STOCK HELD BY PARTNERSHIP IN CORPORATE PARTNER.

(a) IN GENERAL.—Section 755 is amended by adding at the end the following new subsection:

“(c) NO ALLOCATION OF BASIS DECREASE TO STOCK OF CORPORATE PARTNER.—In making an allocation under subsection (a) of any decrease in the adjusted basis of partnership property under section 734(b)—

“(1) no allocation may be made to stock in a corporation (or any person which is related (within the meaning of section 267(b) or 707(b)(1)) to such corporation) which is a partner in the partnership, and

“(2) any amount not allocable to stock by reason of paragraph (1) shall be allocated under subsection (a) to other partnership property in such manner as the Secretary may prescribe.

Gain shall be recognized to the partnership to the extent that the amount required to be allocated under paragraph (2) to other partnership property exceeds the aggregate adjusted basis of such other property immediately before the allocation required by paragraph (2).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after February 13, 2003.

SEC. 433. REPEAL OF SPECIAL RULES FOR FASITs.

(a) IN GENERAL.—Part V of subchapter M of chapter 1 (relating to financial asset securitization investment trusts) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (6) of section 56(g) is amended by striking “REMIC, or FASIT” and inserting “or REMIC”.

(2) Clause (ii) of section 382(l)(4)(B) is amended by striking “a REMIC to which part IV of subchapter M applies, or a FASIT to which part V of subchapter M applies,” and inserting “or a REMIC to which part IV of subchapter M applies.”.

(3) Paragraph (1) of section 582(c) is amended by striking “, and any regular interest in a FASIT.”.

(4) Subparagraph (E) of section 856(c)(5) is amended by striking the last sentence.

(5)(A) Section 860G(a)(1) is amended by adding at the end the following new sentence: “An interest shall not fail to qualify as a regular interest solely because the specified principal amount of the regular interest (or the amount of interest accrued on the regular interest) can be reduced as a result of the nonoccurrence of 1 or more contingent payments with respect to any reverse mortgage loan held by the REMIC if, on the startup day for the REMIC, the sponsor reasonably believes that all principal and interest due under the regular interest will be paid at or prior to the liquidation of the REMIC.”.

(B) The last sentence of section 860G(a)(3) is amended by inserting “, and any reverse mortgage loan (and each balance increase on such loan meeting the requirements of subparagraph (A)(iii)) shall be treated as an obligation secured by an interest in real property” before the period at the end.

(6) Paragraph (3) of section 860G(a) is amended by adding “and” at the end of subparagraph (B), by striking “, and” at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(7) Section 860G(a)(3), as amended by paragraph (6), is amended by adding at the end the following new sentence: “For purposes of subparagraph (A), if more than 50 percent of the obligations transferred to, or purchased by, the REMIC are originated by the United States or any State (or any political subdivision, agency, or instrumentality of the United States or any State) and are principally secured by an interest in real property, then each obligation transferred to, or purchased by, the REMIC shall be treated as secured by an interest in real property.”.

(8)(A) Section 860G(a)(3)(A) is amended by striking “or” at the end of clause (i), by inserting “or” at the end of clause (ii), and by inserting after clause (ii) the following new clause:

“(iii) represents an increase in the principal amount under the original terms of an obligation described in clause (i) or (ii) if such increase—

“(I) is attributable to an advance made to the obligor pursuant to the original terms of the obligation,

“(II) occurs after the startup day, and

“(III) is purchased by the REMIC pursuant to a fixed price contract in effect on the startup day.”.

(B) Section 860G(a)(7)(B) is amended to read as follows:

“(B) QUALIFIED RESERVE FUND.—For purposes of subparagraph (A), the term ‘qualified reserve fund’ means any reasonably required reserve to—

“(i) provide for full payment of expenses of the REMIC or amounts due on regular interests in the event of defaults on qualified mortgages or lower than expected returns on cash flow investments, or

“(ii) provide a source of funds for the purchase of obligations described in clause (ii) or (iii) of paragraph (3)(A).

The aggregate fair market value of the assets held in any such reserve shall not exceed 50 percent of the aggregate fair market value of all of the assets of the REMIC on the startup day, and the amount of any such reserve shall be

promptly and appropriately reduced to the extent the amount held in such reserve is no longer reasonably required for purposes specified in clause (i) or (ii) of paragraph (3)(A).”.

(9) Subparagraph (C) of section 1202(e)(4) is amended by striking “REMIC, or FASIT” and inserting “or REMIC”.

(10) Section 1272(a)(6)(B) is amended by adding at the end the following new flush sentence:

“For purposes of clause (iii), the Secretary shall prescribe regulations permitting the use of a current prepayment assumption, determined as of the close of the accrual period (or such other time as the Secretary may prescribe during the taxable year in which the accrual period ends).”.

(11) Subparagraph (C) of section 7701(a)(19) is amended by adding “and” at the end of clause (ix), by striking “, and” at the end of clause (x) and inserting a period, and by striking clause (xi).

(12) The table of parts for subchapter M of chapter 1 is amended by striking the item relating to part V.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall take effect on February 14, 2003.

(2) EXCEPTION FOR EXISTING FASITs.—

(A) IN GENERAL.—Paragraph (1) shall not apply to any FASIT in existence on the date of the enactment of this Act to the extent that regular interests issued by the FASIT before such date continue to remain outstanding in accordance with the original terms of issuance.

(B) TRANSFER OF ADDITIONAL ASSETS NOT PERMITTED.—Except as provided in regulations prescribed by the Secretary of the Treasury or the Secretary’s delegate, subparagraph (A) shall cease to apply as of the earliest date after the date of the enactment of this Act that any property is transferred to the FASIT.

SEC. 434. EXPANDED DEDUCTION OF DEDUCTION FOR INTEREST ON CONVERTIBLE DEBT.

(a) IN GENERAL.—Paragraph (2) of section 163(l) is amended by striking “or a related party” and inserting “or equity held by the issuer (or any related party) in any other person”.

(b) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—Section 163(l) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

“(4) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—If the disqualified debt instrument of a corporation is payable in equity held by the issuer (or any related party) in any other person (other than a related party), the basis of such equity shall be increased by the amount not allowed as a deduction by reason of paragraph (1) with respect to the instrument.”.

(c) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—Section 163(l), as amended by subsection (b), is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7) and by inserting after paragraph (4) the following new paragraph:

“(5) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—For purposes of this subsection, the term ‘disqualified debt instrument’ does not include indebtedness issued by a dealer in securities (or a related party) which is payable in, or by reference to, equity (other than equity of the issuer or a related party) held by such dealer in its capacity as a dealer in securities. For purposes of this paragraph, the term ‘dealer in securities’ has the meaning given such term by section 475.”.

(c) CONFORMING AMENDMENTS.—Paragraph (3) of section 163(l) is amended—

(1) by striking “or a related party” in the material preceding subparagraph (A) and inserting “or any other person”, and

(2) by striking “or interest” each place it appears.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to debt instruments issued after February 13, 2003.

SEC. 435. EXPANDED AUTHORITY TO DISALLOW TAX BENEFITS UNDER SECTION 269.

(a) **IN GENERAL.**—Subsection (a) of section 269 (relating to acquisitions made to evade or avoid income tax) is amended to read as follows:

“(a) **IN GENERAL.**—If—

“(1)(A) any person or persons acquire, directly or indirectly, control of a corporation, or

“(B) any corporation acquires, directly or indirectly, property of another corporation and the basis of such property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and

“(2) the principal purpose for which such acquisition was made is evasion or avoidance of Federal income tax,

then the Secretary may disallow such deduction, credit, or other allowance. For purposes of paragraph (1)(A), control means the ownership of stock possessing at least 50 percent of the total combined voting power of all classes of stock entitled to vote or at least 50 percent of the total value of all shares of all classes of stock of the corporation.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to stock and property acquired after February 13, 2003.

SEC. 436. MODIFICATION OF INTERACTION BETWEEN SUBPART F AND PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) **LIMITATION ON EXCEPTION FROM PFIC RULES FOR UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.**—Paragraph (2) of section 1297(e) (relating to passive foreign investment company) is amended by adding at the end the following flush sentence: “Such term shall not include any period if the earning of subpart F income by such corporation during such period would result in only a remote likelihood of an inclusion in gross income under section 951(a)(1)(A)(i).”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after February 13, 2003, and to taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

Subtitle D—Provisions to Discourage Expatriation

SEC. 441. TAX TREATMENT OF INVERTED CORPORATE ENTITIES

(a) **IN GENERAL.**—Subchapter C of chapter 80 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following new section:

“SEC. 7874. RULES RELATING TO INVERTED CORPORATE ENTITIES

“(a) **INVERTED CORPORATIONS TREATED AS DOMESTIC CORPORATIONS.**—

“(1) **IN GENERAL.**—If a foreign incorporated entity is treated as an inverted domestic corporation, then, notwithstanding section 7701(a)(4), such entity shall be treated for purposes of this title as a domestic corporation.

“(2) **INVERTED DOMESTIC CORPORATION.**—For purposes of this section, a foreign incorporated entity shall be treated as an inverted domestic corporation if, pursuant to a plan (or a series of related transactions)—

“(A) the entity completes after March 20, 2002, the direct or indirect acquisition of substantially all of the properties held directly or indirectly by a domestic corporation or substantially all of the properties constituting a trade or business of a domestic partnership,

“(B) after the acquisition at least 80 percent of the stock (by vote or value) of the entity is held—

“(i) in the case of an acquisition with respect to a domestic corporation, by former share-

holders of the domestic corporation by reason of holding stock in the domestic corporation, or

“(ii) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership, and

“(C) the expanded affiliated group which after the acquisition includes the entity does not have substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group.

Except as provided in regulations, an acquisition of properties of a domestic corporation shall not be treated as described in subparagraph (A) if none of the corporation’s stock was readily tradeable on an established securities market at any time during the 4-year period ending on the date of the acquisition.

“(b) **PRESERVATION OF DOMESTIC TAX BASE IN CERTAIN INVERSION TRANSACTIONS TO WHICH SUBSECTION (a) DOES NOT APPLY.**—

“(1) **IN GENERAL.**—If a foreign incorporated entity would be treated as an inverted domestic corporation with respect to an acquired entity if either—

“(A) subsection (a)(2)(A) were applied by substituting ‘after December 31, 1996, and on or before March 20, 2002’ for ‘after March 20, 2002’ and subsection (a)(2)(B) were applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’, or

“(B) subsection (a)(2)(B) were applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’,

then the rules of subsection (c) shall apply to any inversion gain of the acquired entity during the applicable period and the rules of subsection (d) shall apply to any related party transaction of the acquired entity during the applicable period. This subsection shall not apply for any taxable year if subsection (a) applies to such foreign incorporated entity for such taxable year.

“(2) **ACQUIRED ENTITY.**—For purposes of this section—

“(A) **IN GENERAL.**—The term ‘acquired entity’ means the domestic corporation or partnership substantially all of the properties of which are directly or indirectly acquired in an acquisition described in subsection (a)(2)(A) to which this subsection applies.

“(B) **AGGREGATION RULES.**—Any domestic person bearing a relationship described in section 267(b) or 707(b) to an acquired entity shall be treated as an acquired entity with respect to the acquisition described in subparagraph (A).

“(3) **APPLICABLE PERIOD.**—For purposes of this section—

“(A) **IN GENERAL.**—The term ‘applicable period’ means the period—

“(i) beginning on the first date properties are acquired as part of the acquisition described in subsection (a)(2)(A) to which this subsection applies, and

“(ii) ending on the date which is 10 years after the last date properties are acquired as part of such acquisition.

“(B) **SPECIAL RULE FOR INVERSIONS OCCURRING BEFORE MARCH 21, 2002.**—In the case of any acquired entity to which paragraph (1)(A) applies, the applicable period shall be the 10-year period beginning on January 1, 2003.

“(C) **TAX ON INVERSION GAINS MAY NOT BE OFFSET.**—If subsection (b) applies—

“(1) **IN GENERAL.**—The taxable income of an acquired entity (or any expanded affiliated group which includes such entity) for any taxable year which includes any portion of the applicable period shall in no event be less than the inversion gain of the entity for the taxable year.

“(2) **CREDITS NOT ALLOWED AGAINST TAX ON INVERSION GAIN.**—Credits shall be allowed against the tax imposed by this chapter on an acquired entity for any taxable year described

in paragraph (1) only to the extent such tax exceeds the product of—

“(A) the amount of the inversion gain for the taxable year, and

“(B) the highest rate of tax specified in section 11(b)(1).

For purposes of determining the credit allowed by section 901 inversion gain shall be treated as from sources within the United States.

“(3) **SPECIAL RULES FOR PARTNERSHIPS.**—In the case of an acquired entity which is a partnership—

“(A) the limitations of this subsection shall apply at the partner rather than the partnership level,

“(B) the inversion gain of any partner for any taxable year shall be equal to the sum of—

“(i) the partner’s distributive share of inversion gain of the partnership for such taxable year, plus

“(ii) income or gain required to be recognized for the taxable year by the partner under section 367(a), 741, or 1001, or under any other provision of chapter 1, by reason of the transfer during the applicable period of any partnership interest of the partner in such partnership to the foreign incorporated entity, and

“(C) the highest rate of tax specified in the rate schedule applicable to the partner under chapter 1 shall be substituted for the rate of tax under paragraph (2)(B).

“(4) **INVERSION GAIN.**—For purposes of this section, the term ‘inversion gain’ means any income or gain required to be recognized under section 304, 311(b), 367, 1001, or 1248, or under any other provision of chapter 1, by reason of the transfer during the applicable period of stock or other properties by an acquired entity—

“(A) as part of the acquisition described in subsection (a)(2)(A) to which subsection (b) applies, or

“(B) after such acquisition to a foreign related person.

The Secretary may provide that income or gain from the sale of inventories or other transactions in the ordinary course of a trade or business shall not be treated as inversion gain under subparagraph (B) to the extent the Secretary determines such treatment would not be inconsistent with the purposes of this section.

“(5) **COORDINATION WITH SECTION 172 AND MINIMUM TAX.**—Rules similar to the rules of paragraphs (3) and (4) of section 860E(a) shall apply for purposes of this section.

“(6) **STATUTE OF LIMITATIONS.**—

“(A) **IN GENERAL.**—The statutory period for the assessment of any deficiency attributable to the inversion gain of any taxpayer for any pre-inversion year shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may prescribe) of the acquisition described in subsection (a)(2)(A) to which such gain relates and such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

“(B) **PRE-INVERSION YEAR.**—For purposes of subparagraph (A), the term ‘pre-inversion year’ means any taxable year if—

“(i) any portion of the applicable period is included in such taxable year, and

“(ii) such year ends before the taxable year in which the acquisition described in subsection (a)(2)(A) is completed.

“(d) **SPECIAL RULES APPLICABLE TO ACQUIRED ENTITIES TO WHICH SUBSECTION (b) APPLIES.**—

“(1) **INCREASES IN ACCURACY-RELATED PENALTIES.**—In the case of any underpayment of tax of an acquired entity to which subsection (b) applies—

“(A) section 6662(a) shall be applied with respect to such underpayment by substituting ‘30 percent’ for ‘20 percent’, and

“(B) if such underpayment is attributable to one or more gross valuation understatements,

the increase in the rate of penalty under section 6662(h) shall be to 50 percent rather than 40 percent.

“(2) MODIFICATIONS OF LIMITATION ON INTEREST DEDUCTION.—In the case of an acquired entity to which subsection (b) applies, section 163(f) shall be applied—

“(A) without regard to paragraph (2)(A)(ii) thereof, and

“(B) by substituting ‘25 percent’ for ‘50 percent’ each place it appears in paragraph (2)(B) thereof.

“(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) RULES FOR APPLICATION OF SUBSECTION (a)(2).—In applying subsection (a)(2) for purposes of subsections (a) and (b), the following rules shall apply:

“(A) CERTAIN STOCK DISREGARDED.—There shall not be taken into account in determining ownership for purposes of subsection (a)(2)(B)—

“(i) stock held by members of the expanded affiliated group which includes the foreign incorporated entity, or

“(ii) stock of such entity which is sold in a public offering or private placement related to the acquisition described in subsection (a)(2)(A).

“(B) PLAN DEEMED IN CERTAIN CASES.—If a foreign incorporated entity acquires directly or indirectly substantially all of the properties of a domestic corporation or partnership during the 4-year period beginning on the date which is 2 years before the ownership requirements of subsection (a)(2)(B) are met with respect to such domestic corporation or partnership, such actions shall be treated as pursuant to a plan.

“(C) CERTAIN TRANSFERS DISREGARDED.—The transfer of properties or liabilities (including by contribution or distribution) shall be disregarded if such transfers are part of a plan a principal purpose of which is to avoid the purposes of this section.

“(D) SPECIAL RULE FOR RELATED PARTNERSHIPS.—For purposes of applying subsection (a)(2) to the acquisition of a domestic partnership, except as provided in regulations, all partnerships which are under common control (within the meaning of section 482) shall be treated as 1 partnership.

“(E) TREATMENT OF CERTAIN RIGHTS.—The Secretary shall prescribe such regulations as may be necessary—

“(i) to treat warrants, options, contracts to acquire stock, convertible debt instruments, and other similar interests as stock, and

“(ii) to treat stock as not stock.

“(2) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a) but without regard to section 1504(b)(3), except that section 1504(a) shall be applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears.

“(3) FOREIGN INCORPORATED ENTITY.—The term ‘foreign incorporated entity’ means any entity which is, or but for subsection (a)(1) would be, treated as a foreign corporation for purposes of this title.

“(4) FOREIGN RELATED PERSON.—The term ‘foreign related person’ means, with respect to any acquired entity, a foreign person which—

“(A) bears a relationship to such entity described in section 267(b) or 707(b), or

“(B) is under the same common control (within the meaning of section 482) as such entity.

“(5) SUBSEQUENT ACQUISITIONS BY UNRELATED DOMESTIC CORPORATIONS.—

“(A) IN GENERAL.—Subject to such conditions, limitations, and exceptions as the Secretary may prescribe, if, after an acquisition described in subsection (a)(2)(A) to which subsection (b) applies, a domestic corporation stock of which is traded on an established securities market acquires directly or indirectly any properties of one or more acquired entities in a transaction with respect to which the requirements of subparagraph (B) are met, this section shall cease to apply to any such acquired entity with respect to which such requirements are met.

“(B) REQUIREMENTS.—The requirements of the subparagraph are met with respect to a transaction involving any acquisition described in subparagraph (A) if—

“(i) before such transaction the domestic corporation did not have a relationship described in section 267(b) or 707(b), and was not under common control (within the meaning of section 482), with the acquired entity, or any member of an expanded affiliated group including such entity, and

“(ii) after such transaction, such acquired entity—

“(I) is a member of the same expanded affiliated group which includes the domestic corporation or has such a relationship or is under such common control with any member of such group, and

“(II) is not a member of, and does not have such a relationship and is not under such common control with any member of, the expanded affiliated group which before such acquisition included such entity.

“(f) REGULATIONS.—The Secretary shall provide such regulations as are necessary to carry out this section, including regulations providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including the avoidance of such purposes through—

“(1) the use of related persons, pass-thru or other noncorporate entities, or other intermediaries, or

“(2) transactions designed to have persons cease to be (or not become) members of expanded affiliated groups or related persons.”.

(b) INFORMATION REPORTING.—The Secretary of the Treasury shall exercise the Secretary’s authority under the Internal Revenue Code of 1986 to require entities involved in transactions to which section 7874 of such Code (as added by subsection (a)) applies to report to the Secretary, shareholders, partners, and such other persons as the Secretary may prescribe such information as is necessary to ensure the proper tax treatment of such transactions.

(c) CONFORMING AMENDMENT.—The table of sections for subchapter C of chapter 80 is amended by adding at the end the following new item:

“Sec. 7874. Rules relating to inverted corporate entities.”.

(d) TRANSITION RULE FOR CERTAIN REGULATED INVESTMENT COMPANIES AND UNIT INVESTMENT TRUSTS.—Notwithstanding section 7874 of the Internal Revenue Code of 1986 (as added by subsection (a)), a regulated investment company, or other pooled fund or trust specified by the Secretary of the Treasury, may elect to recognize gain by reason of section 367(a) of such Code with respect to a transaction under which a foreign incorporated entity is treated as an inverted domestic corporation under section 7874(a) of such Code by reason of an acquisition completed after March 20, 2002, and before January 1, 2004.

SEC. 442. IMPOSITION OF MARK-TO-MARKET TAX ON INDIVIDUALS WHO EXPATRIATE.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—Except as provided in subsections (d) and (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the

sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

“(3) EXCLUSION FOR CERTAIN GAIN.—

“(A) IN GENERAL.—The amount which, but for this paragraph, would be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by \$600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

“(B) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of an expatriation date occurring in any calendar year after 2003, the \$600,000 amount under subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000.

“(4) ELECTION TO CONTINUE TO BE TAXED AS UNITED STATES CITIZEN.—

“(A) IN GENERAL.—If a covered expatriate elects the application of this paragraph—

“(i) this section (other than this paragraph and subsection (i)) shall not apply to the expatriate, but

“(ii) in the case of property to which this section would apply but for such election, the expatriate shall be subject to tax under this title in the same manner as if the individual were a United States citizen.

“(B) REQUIREMENTS.—Subparagraph (A) shall not apply to an individual unless the individual—

“(i) provides security for payment of tax in such form and manner, and in such amount, as the Secretary may require,

“(ii) consents to the waiver of any right of the individual under any treaty of the United States which would preclude assessment or collection of any tax which may be imposed by reason of this paragraph, and

“(iii) complies with such other requirements as the Secretary may prescribe.

“(C) ELECTION.—An election under subparagraph (A) shall apply to all property to which this section would apply but for the election and, once made, shall be irrevocable. Such election shall also apply to property the basis of which is determined in whole or in part by reference to the property with respect to which the election was made.

“(b) ELECTION TO DEFER TAX.—

“(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

“(4) SECURITY.—

“(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided to the Secretary with respect to such property.

“(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2) for the property, or

“(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be made under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

“(7) INTEREST.—For purposes of section 6601—

“(A) the last date for the payment of tax shall be determined without regard to the election under this subsection, and

“(B) section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(c) COVERED EXPATRIATE.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in paragraph (2), the term ‘covered expatriate’ means an expatriate.

“(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

“(A) the individual—

“(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

“(ii) has not been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) during the 5 taxable years ending with the taxable year during which the expatriation date occurs, or

“(B)(i) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

“(d) EXEMPT PROPERTY; SPECIAL RULES FOR PENSION PLANS.—

“(1) EXEMPT PROPERTY.—This section shall not apply to the following:

“(A) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

“(B) SPECIFIED PROPERTY.—Any property or interest in property not described in subparagraph (A) which the Secretary specifies in regulations.

“(2) SPECIAL RULES FOR CERTAIN RETIREMENT PLANS.—

“(A) IN GENERAL.—If a covered expatriate holds on the day before the expatriation date

any interest in a retirement plan to which this paragraph applies—

“(i) such interest shall not be treated as sold for purposes of subsection (a)(1), but

“(ii) an amount equal to the present value of the expatriate’s nonforfeitable accrued benefit shall be treated as having been received by such individual on such date as a distribution under the plan.

“(B) TREATMENT OF SUBSEQUENT DISTRIBUTIONS.—In the case of any distribution on or after the expatriation date to or on behalf of the covered expatriate from a plan from which the expatriate was treated as receiving a distribution under subparagraph (A), the amount otherwise includible in gross income by reason of the subsequent distribution shall be reduced by the excess of the amount includible in gross income under subparagraph (A) over any portion of such amount to which this subparagraph previously applied.

“(C) TREATMENT OF SUBSEQUENT DISTRIBUTIONS BY PLAN.—For purposes of this title, a retirement plan to which this paragraph applies, and any person acting on the plan’s behalf, shall treat any subsequent distribution described in subparagraph (B) in the same manner as such distribution would be treated without regard to this paragraph.

“(D) APPLICABLE PLANS.—This paragraph shall apply to—

“(i) any qualified retirement plan (as defined in section 4974(c)),

“(ii) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(iii) to the extent provided in regulations, any foreign pension plan or similar retirement arrangements or programs.

“(e) DEFINITIONS.—For purposes of this section—

“(1) EXPATRIATE.—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes citizenship, and

“(B) any long-term resident of the United States who—

“(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

“(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

“(2) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

“(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing United States citizenship on the earliest of—

“(A) the date the individual renounces such individual’s United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary

relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(4) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES’ INTERESTS IN TRUST.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

“(A) the individual shall not be treated as having sold such interest,

“(B) such interest shall be treated as a separate share in the trust, and

“(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

“(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

“(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii). In determining the amount of such distribution, proper adjustments shall be made for liabilities of the trust allocable to an individual’s share in the trust.

“(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

“(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

“(i) paragraph (1) and subsection (a) shall not apply, and

“(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

“(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

“(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

“(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

“(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

“(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

“(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods, except that section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

“(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

“(II) in the case of a person holding a non-vested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust

with respect to nonvested interests not held by such person.

“(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary’s interest in a trust is the amount of gain which would be allocable to such beneficiary’s vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

“(E) TAX DEDUCTED AND WITHHELD.—
“(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

“(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

“(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

“(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

“(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

“(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

“(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

“(G) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) QUALIFIED TRUST.—The term ‘qualified trust’ means a trust which is described in section 7701(a)(30)(E).

“(ii) VESTED INTEREST.—The term ‘vested interest’ means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

“(iii) NONVESTED INTEREST.—The term ‘nonvested interest’ means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

“(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

“(v) COORDINATION WITH RETIREMENT PLAN RULES.—This subsection shall not apply to an interest in a trust which is part of a retirement plan to which subsection (d)(2) applies.

“(3) DETERMINATION OF BENEFICIARIES’ INTEREST IN TRUST.—

“(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary’s interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar adviser.

“(B) OTHER DETERMINATIONS.—For purposes of this section—

“(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership,

trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

“(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

“(I) the methodology used to determine that taxpayer’s trust interest under this section, and

“(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary’s trust interest under this section.

“(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

“(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(h) IMPOSITION OF TENTATIVE TAX.—

“(1) IN GENERAL.—If an individual is required to include any amount in gross income under subsection (a) for any taxable year, there is hereby imposed, immediately before the expatriation date, a tax in an amount equal to the amount of tax which would be imposed if the taxable year were a short taxable year ending on the expatriation date.

“(2) DUE DATE.—The due date for any tax imposed by paragraph (1) shall be the 90th day after the expatriation date.

“(3) TREATMENT OF TAX.—Any tax paid under paragraph (1) shall be treated as a payment of the tax imposed by this chapter for the taxable year to which subsection (a) applies.

“(4) DEFERRAL OF TAX.—The provisions of subsection (b) shall apply to the tax imposed by this subsection to the extent attributable to gain includible in gross income by reason of this section.

“(i) SPECIAL LIENS FOR DEFERRED TAX AMOUNTS.—

“(1) IMPOSITION OF LIEN.—

“(A) IN GENERAL.—If a covered expatriate makes an election under subsection (a)(4) or (b) which results in the deferral of any tax imposed by reason of subsection (a), the deferred amount (including any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the deferred amount) shall be a lien in favor of the United States on all property of the expatriate located in the United States (without regard to whether this section applies to the property).

“(B) DEFERRED AMOUNT.—For purposes of this subsection, the deferred amount is the amount of the increase in the covered expatriate’s income tax which, but for the election under subsection (a)(4) or (b), would have occurred by reason of this section for the taxable year including the expatriation date.

“(2) PERIOD OF LIEN.—The lien imposed by this subsection shall arise on the expatriation date and continue until—

“(A) the liability for tax by reason of this section is satisfied or has become unenforceable by reason of lapse of time, or

“(B) it is established to the satisfaction of the Secretary that no further tax liability may arise by reason of this section.

“(3) CERTAIN RULES APPLY.—The rules set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this subsection as if it were a lien imposed by section 6324A.

“(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

(b) INCLUSION IN INCOME OF GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—Section 102 (relating to gifts, etc. not included in gross

income) is amended by adding at the end the following new subsection:

“(d) GIFTS AND INHERITANCES FROM COVERED EXPATRIATES.—

“(1) IN GENERAL.—Subsection (a) shall not exclude from gross income the value of any property acquired by gift, bequest, devise, or inheritance from a covered expatriate after the expatriation date. For purposes of this subsection, any term used in this subsection which is also used in section 877A shall have the same meaning as when used in section 877A.

“(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Paragraph (1) shall not apply to any property if either—

“(A) the gift, bequest, devise, or inheritance is—

“(i) shown on a timely filed return of tax imposed by chapter 12 as a taxable gift by the covered expatriate, or

“(ii) included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate, or

“(B) no such return was timely filed but no such return would have been required to be filed even if the covered expatriate were a citizen or long-term resident of the United States.”

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) is amended by adding at the end the following new paragraph:

“(48) TERMINATION OF UNITED STATES CITIZENSHIP.—

“(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual’s citizenship is treated as relinquished under section 877A(e)(3).

“(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”

(d) INELIGIBILITY FOR VISA OR ADMISSION TO UNITED STATES.—

(1) IN GENERAL.—Section 212(a)(10)(E) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(10)(E)) is amended to read as follows:

“(E) FORMER CITIZENS NOT IN COMPLIANCE WITH EXPATRIATION REVENUE PROVISIONS.—Any alien who is a former citizen of the United States who relinquishes United States citizenship (within the meaning of section 877A(e)(3) of the Internal Revenue Code of 1986) and who is not in compliance with section 877A of such Code (relating to expatriation).”

(2) AVAILABILITY OF INFORMATION.—

(A) IN GENERAL.—Section 6103(l) (relating to disclosure of returns and return information for purposes other than tax administration) is amended by adding at the end the following new paragraph:

“(19) DISCLOSURE TO DENY VISA OR ADMISSION TO CERTAIN EXPATRIATES.—Upon written request of the Attorney General or the Attorney General’s delegate, the Secretary shall disclose whether an individual is in compliance with section 877A (and if not in compliance, any items of noncompliance) to officers and employees of the Federal agency responsible for administering section 212(a)(10)(E) of the Immigration and Nationality Act solely for the purpose of, and to the extent necessary in, administering such section 212(a)(10)(E).”

(B) SAFEGUARDS.—

(i) TECHNICAL AMENDMENTS.—Paragraph (4) of section 6103(p) of the Internal Revenue Code of 1986, as amended by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107-210; 116 Stat. 961), is amended by striking “or (17)” after “any other person described in subsection (l)(16)” each place it appears and inserting “or (18)”.

(ii) CONFORMING AMENDMENTS.—Section 6103(p)(4) (relating to safeguards), as amended by clause (i), is amended by striking “or (18)”

after "any other person described in subsection (l)(16)" each place it appears and inserting "(18), or (19)".

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to individuals who relinquish United States citizenship on or after the date of the enactment of this Act.

(B) TECHNICAL AMENDMENTS.—The amendments made by paragraph (2)(B)(i) shall take effect as if included in the amendments made by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107-210; 116 Stat. 961).

(e) CONFORMING AMENDMENTS.—

(1) Section 877 is amended by adding at the end the following new subsection:

"(g) APPLICATION.—This section shall not apply to an expatriate (as defined in section 877A(e)) whose expatriation date (as so defined) occurs on or after February 5, 2003."

(2) Section 2107 is amended by adding at the end the following new subsection:

"(f) APPLICATION.—This section shall not apply to any expatriate subject to section 877A."

(3) Section 2501(a)(3) is amended by adding at the end the following new subparagraph:

"(F) APPLICATION.—This paragraph shall not apply to any expatriate subject to section 877A."

(4)(A) Paragraph (1) of section 6039G(d) is amended by inserting "or 877A" after "section 877".

(B) The second sentence of section 6039G(e) is amended by inserting "or who relinquishes United States citizenship (within the meaning of section 877A(e)(3))" after "877(a)".

(C) Section 6039G(f) is amended by inserting "or 877A(e)(2)(B)" after "877(e)(1)".

(f) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

"Sec. 877A. Tax responsibilities of expatriation."

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after February 5, 2003.

(2) GIFTS AND BEQUESTS.—Section 102(d) of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to gifts and bequests received on or after February 5, 2003, from an individual or the estate of an individual whose expatriation date (as so defined) occurs after such date.

(3) DUE DATE FOR TENTATIVE TAX.—The due date under section 877A(h)(2) of the Internal Revenue Code of 1986, as added by this section, shall in no event occur before the 90th day after the date of the enactment of this Act.

SEC. 443. EXCISE TAX ON STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS.

(a) IN GENERAL.—Subtitle D is amended by adding at the end the following new chapter:

"CHAPTER 48—STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS

"Sec. 5000A. Stock compensation of insiders in inverted corporations entities.

"SEC. 5000A. STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS.

"(a) IMPOSITION OF TAX.—In the case of an individual who is a disqualified individual with respect to any inverted corporation, there is hereby imposed on such person a tax equal to 20 percent of the value (determined under subsection (b)) of the specified stock compensation held (directly or indirectly) by or for the benefit of such individual or a member of such individual's family (as defined in section 267) at any

time during the 12-month period beginning on the date which is 6 months before the inversion date.

"(b) VALUE.—For purposes of subsection (a)—

"(1) IN GENERAL.—The value of specified stock compensation shall be—

"(A) in the case of a stock option (or other similar right) or any stock appreciation right, the fair value of such option or right, and

"(B) in any other case, the fair market value of such compensation.

"(2) DATE FOR DETERMINING VALUE.—The determination of value shall be made—

"(A) in the case of specified stock compensation held on the inversion date, on such date,

"(B) in the case of such compensation which is canceled during the 6 months before the inversion date, on the day before such cancellation, and

"(C) in the case of such compensation which is granted after the inversion date, on the date such compensation is granted.

"(c) TAX TO APPLY ONLY IF SHAREHOLDER GAIN RECOGNIZED.—Subsection (a) shall apply to any disqualified individual with respect to an inverted corporation only if gain (if any) on any stock in such corporation is recognized in whole or part by any shareholder by reason of the acquisition referred to in section 7874(a)(2)(A) (determined by substituting 'July 10, 2002' for 'March 20, 2002') with respect to such corporation.

"(d) EXCEPTION WHERE GAIN RECOGNIZED ON COMPENSATION.—Subsection (a) shall not apply to—

"(1) any stock option which is exercised on the inversion date or during the 6-month period before such date and to the stock acquired in such exercise, if income is recognized under section 83 on or before the inversion date with respect to the stock acquired pursuant to such exercise, and

"(2) any specified stock compensation which is exercised, sold, exchanged, distributed, cashed out, or otherwise paid during such period in a transaction in which gain or loss is recognized in full.

"(e) DEFINITIONS.—For purposes of this section—

"(1) DISQUALIFIED INDIVIDUAL.—The term 'disqualified individual' means, with respect to a corporation, any individual who, at any time during the 12-month period beginning on the date which is 6 months before the inversion date—

"(A) is subject to the requirements of section 16(a) of the Securities Exchange Act of 1934 with respect to such corporation, or

"(B) would be subject to such requirements if such corporation were an issuer of equity securities referred to in such section.

"(2) INVERTED CORPORATION; INVERSION DATE.—

"(A) INVERTED CORPORATION.—The term 'inverted corporation' means any corporation to which subsection (a) or (b) of section 7874 applies determined—

"(i) by substituting 'July 10, 2002' for 'March 20, 2002' in section 7874(a)(2)(A), and

"(ii) without regard to subsection (b)(1)(A).

Such term includes any predecessor or successor of such a corporation.

"(B) INVERSION DATE.—The term 'inversion date' means, with respect to a corporation, the date on which the corporation first becomes an inverted corporation.

"(3) SPECIFIED STOCK COMPENSATION.—

"(A) IN GENERAL.—The term 'specified stock compensation' means payment (or right to payment) granted by the inverted corporation (or by any member of the expanded affiliated group which includes such corporation) to any person in connection with the performance of services by a disqualified individual for such corporation or member if the value of such payment or right is based on (or determined by reference to) the value (or change in value) of stock in such corporation (or any such member).

"(B) EXCEPTIONS.—Such term shall not include—

"(i) any option to which part II of subchapter D of chapter 1 applies, or

"(ii) any payment or right to payment from a plan referred to in section 280G(b)(6).

"(4) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' means an affiliated group (as defined in section 1504(a) without regard to section 1504(b)(3)); except that section 1504(a) shall be applied by substituting 'more than 50 percent' for 'at least 80 percent' each place it appears.

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

"(1) CANCELLATION OF RESTRICTION.—The cancellation of a restriction which by its terms will never lapse shall be treated as a grant.

"(2) PAYMENT OR REIMBURSEMENT OF TAX BY CORPORATION TREATED AS SPECIFIED STOCK COMPENSATION.—Any payment of the tax imposed by this section directly or indirectly by the inverted corporation or by any member of the expanded affiliated group which includes such corporation—

"(A) shall be treated as specified stock compensation, and

"(B) shall not be allowed as a deduction under any provision of chapter 1.

"(3) CERTAIN RESTRICTIONS IGNORED.—Whether there is specified stock compensation, and the value thereof, shall be determined without regard to any restriction other than a restriction which by its terms will never lapse.

"(4) PROPERTY TRANSFERS.—Any transfer of property shall be treated as a payment and any right to a transfer of property shall be treated as a right to a payment.

"(5) OTHER ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, any tax imposed by this section shall be treated as a tax imposed by subtitle A.

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section."

(b) DENIAL OF DEDUCTION.—

(1) IN GENERAL.—Paragraph (6) of section 275(a) is amended by inserting "48," after "46,".

(2) \$1,000,000 LIMIT ON DEDUCTIBLE COMPENSATION REDUCED BY PAYMENT OF EXCISE TAX ON SPECIFIED STOCK COMPENSATION.—Paragraph (4) of section 162(m) is amended by adding at the end the following new subparagraph:

"(G) COORDINATION WITH EXCISE TAX ON SPECIFIED STOCK COMPENSATION.—The dollar limitation contained in paragraph (1) with respect to any covered employee shall be reduced (but not below zero) by the amount of any payment (with respect to such employee) of the tax imposed by section 5000A directly or indirectly by the inverted corporation (as defined in such section) or by any member of the expanded affiliated group (as defined in such section) which includes such corporation."

(c) CONFORMING AMENDMENTS.—

(1) The last sentence of section 3121(v)(2)(A) is amended by inserting before the period "or to any specified stock compensation (as defined in section 5000A) on which tax is imposed by section 5000A".

(2) The table of chapters for subtitle D is amended by adding at the end the following new item:

"Chapter 48. Stock compensation of insiders in inverted corporations."

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 11, 2002; except that periods before such date shall not be taken into account in applying the periods in subsections (a) and (e)(1) of section 5000A of the Internal Revenue Code of 1986, as added by this section.

SEC. 444. REINSURANCE OF UNITED STATES RISKS IN FOREIGN JURISDICTIONS.

(a) IN GENERAL.—Section 845(a) (relating to allocation in case of reinsurance agreement involving tax avoidance or evasion) is amended by

striking "source and character" and inserting "amount, source, or character".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any risk reinsured after April 11, 2002.

SEC. 445. REPORTING OF TAXABLE MERGERS AND ACQUISITIONS.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6043 the following new section:

"SEC. 6043A. TAXABLE MERGERS AND ACQUISITIONS.

"(a) IN GENERAL.—The acquiring corporation in any taxable acquisition shall make a return (according to the forms or regulations prescribed by the Secretary) setting forth—

"(1) a description of the acquisition,
 "(2) the name and address of each shareholder of the acquired corporation who is required to recognize gain (if any) as a result of the acquisition,

"(3) the amount of money and the fair market value of other property transferred to each such shareholder as part of such acquisition, and

"(4) such other information as the Secretary may prescribe.

To the extent provided by the Secretary, the requirements of this section applicable to the acquiring corporation shall be applicable to the acquired corporation and not to the acquiring corporation.

"(b) NOMINEE REPORTING.—Any person who holds stock as a nominee for another person shall furnish in the manner prescribed by the Secretary to such other person the information provided by the corporation under subsection (d).

"(c) TAXABLE ACQUISITION.—For purposes of this section, the term 'taxable acquisition' means any acquisition by a corporation of stock in or property of another corporation if any shareholder of the acquired corporation is required to recognize gain (if any) as a result of such acquisition.

"(d) STATEMENTS TO BE FURNISHED TO SHAREHOLDERS.—Every person required to make a return under subsection (a) shall furnish to each shareholder whose name is required to be set forth in such return a written statement showing—

"(1) the name, address, and phone number of the information contact of the person required to make such return,

"(2) the information required to be shown on such return with respect to such shareholder, and

"(3) such other information as the Secretary may prescribe.

The written statement required under the preceding sentence shall be furnished to the shareholder on or before January 31 of the year following the calendar year during which the taxable acquisition occurred."

(b) ASSESSABLE PENALTIES.—

(1) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (ii) through (xvii) as clauses (iii) through (xviii), respectively, and by inserting after clause (i) the following new clause:

"(ii) section 6043A(a) (relating to returns relating to taxable mergers and acquisitions)."

(2) Paragraph (2) of section 6724(d) is amended by redesignating subparagraphs (F) through (AA) as subparagraphs (G) through (BB), respectively, and by inserting after subparagraph (E) the following new subparagraph:

"(F) subsections (b) and (d) of section 6043A (relating to returns relating to taxable mergers and acquisitions)."

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6043 the following new item:

"Sec. 6043A. Returns relating to taxable mergers and acquisitions."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to acquisitions after the date of the enactment of this Act.

Subtitle E—International Tax

SEC. 451. CLARIFICATION OF BANKING BUSINESS FOR PURPOSES OF DETERMINING INVESTMENT OF EARNINGS IN UNITED STATES PROPERTY.

(a) IN GENERAL.—Subparagraph (A) of section 956(c)(2) is amended to read as follows:

"(A) obligations of the United States, money, or deposits with—

"(i) any bank (as defined by section 2(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)), without regard to subparagraphs (C) and (G) of paragraph (2) of such section), or

"(ii) any corporation not described in clause (i) with respect to which a bank holding company (as defined by section 2(a) of such Act) or financial holding company (as defined by section 2(p) of such Act) owns directly or indirectly more than 80 percent by vote or value of the stock of such corporation."

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 452. PROHIBITION ON NONRECOGNITION OF GAIN THROUGH COMPLETE LIQUIDATION OF HOLDING COMPANY.

(a) IN GENERAL.—Section 332 is amended by adding at the end the following new subsection:

"(d) RECOGNITION OF GAIN ON LIQUIDATION OF CERTAIN HOLDING COMPANIES.—

"(1) IN GENERAL.—In the case of any distribution to a foreign corporation in complete liquidation of an applicable holding company—

"(A) subsection (a) and section 331 shall not apply to such distribution, and

"(B) such distribution shall be treated as a distribution to which section 301 applies.

"(2) APPLICABLE HOLDING COMPANY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'applicable holding company' means any domestic corporation—

"(i) which is a common parent of an affiliated group,

"(ii) stock of which is directly owned by the distributee foreign corporation,

"(iii) substantially all of the assets of which consist of stock in other members of such affiliated group, and

"(iv) which has not been in existence at all times during the 5 years immediately preceding the date of the liquidation.

"(B) AFFILIATED GROUP.—For purposes of this subsection, the term 'affiliated group' has the meaning given such term by section 1504(a) (without regard to paragraphs (2) and (4) of section 1504(b)).

"(3) COORDINATION WITH SUBPART F.—If the distributee of a distribution described in paragraph (1) is a controlled foreign corporation (as defined in section 957), then notwithstanding paragraph (1) or subsection (a), such distribution shall be treated as a distribution to which section 331 applies.

"(4) REGULATIONS.—The Secretary shall provide such regulations as appropriate to prevent the abuse of this subsection, including regulations which provide, for the purposes of clause (iv) of paragraph (2)(A), that a corporation is not in existence for any period unless it is engaged in the active conduct of a trade or business or owns a significant ownership interest in another corporation so engaged."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in complete liquidation occurring on or after the date of the enactment of this Act.

SEC. 453. PREVENTION OF MISMATCHING OF INTEREST AND ORIGINAL ISSUE DISCOUNT DEDUCTIONS AND INCOME INCLUSIONS IN TRANSACTIONS WITH RELATED FOREIGN PERSONS.

(a) ORIGINAL ISSUE DISCOUNT.—Section 163(e)(3) (relating to special rule for original issue discount on obligation held by related for-

eign person) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

"(B) SPECIAL RULE FOR CERTAIN FOREIGN ENTITIES.—

"(i) IN GENERAL.—In the case of any debt instrument having original issue discount which is held by a related foreign person which is a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or a passive foreign investment company (as defined in section 1297), a deduction shall be allowable to the issuer with respect to such original issue discount for any taxable year before the taxable year in which paid only to the extent such original issue discount is included during such prior taxable year in the gross income of a United States person who owns (within the meaning of section 958(a)) stock in such corporation.

"(ii) SECRETARIAL AUTHORITY.—The Secretary may by regulation exempt transactions from the application of clause (i), including any transaction which is entered into by a payor in the ordinary course of a trade or business in which the payor is predominantly engaged."

(b) INTEREST AND OTHER DEDUCTIBLE AMOUNTS.—Section 267(a)(3) is amended—

(1) by striking "The Secretary" and inserting:

"(A) IN GENERAL.—The Secretary", and

(2) by adding at the end the following new subparagraph:

"(B) SPECIAL RULE FOR CERTAIN FOREIGN ENTITIES.—

"(i) IN GENERAL.—Notwithstanding subparagraph (A), in the case of any amount payable to a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or a passive foreign investment company (as defined in section 1297), a deduction shall be allowable to the payor with respect to such amount for any taxable year before the taxable year in which paid only to the extent such amount is included during such prior taxable year in the gross income of a United States person who owns (within the meaning of section 958(a)) stock in such corporation.

"(ii) SECRETARIAL AUTHORITY.—The Secretary may by regulation exempt transactions from the application of clause (i), including any transaction which is entered into by a payor in the ordinary course of a trade or business in which the payor is predominantly engaged and in which the payment of the accrued amounts occurs within 8½ months after accrual or within such other period as the Secretary may prescribe."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments accrued on or after the date of the enactment of this Act.

SEC. 454. EFFECTIVELY CONNECTED INCOME TO INCLUDE CERTAIN FOREIGN SOURCE INCOME.

(a) IN GENERAL.—Section 864(c)(4)(B) (relating to treatment of income from sources without the United States as effectively connected income) is amended by adding at the end the following new flush sentence:

"Any income or gain which is equivalent to any item of income or gain described in clause (i), (ii), or (iii) shall be treated in the same manner as such item for purposes of this subparagraph."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 455. RECAPTURE OF OVERALL FOREIGN LOSSES ON SALE OF CONTROLLED FOREIGN CORPORATION.

(a) IN GENERAL.—Section 904(f)(3) (relating to dispositions) is amended by adding at the end the following new subparagraph:

"(D) APPLICATION TO DISPOSITIONS OF STOCK IN CONTROLLED FOREIGN CORPORATIONS.—In the

case of any disposition by a taxpayer of any share of stock in a controlled foreign corporation (as defined in section 957), this paragraph shall apply to such disposition in the same manner as if it were a disposition of property described in subparagraph (A), except that the exception contained in subparagraph (C)(i) shall not apply."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions after the date of the enactment of this Act.

SEC. 456. MINIMUM HOLDING PERIOD FOR FOREIGN TAX CREDIT ON WITHHOLDING TAXES ON INCOME OTHER THAN DIVIDENDS.

(a) IN GENERAL.—Section 901 is amended by redesignating subsection (l) as subsection (m) and by inserting after subsection (k) the following new subsection:

"(l) MINIMUM HOLDING PERIOD FOR WITHHOLDING TAXES ON GAIN AND INCOME OTHER THAN DIVIDENDS ETC.—

"(1) IN GENERAL.—In no event shall a credit be allowed under subsection (a) for any withholding tax (as defined in subsection (k)) on any item of income or gain with respect to any property if—

"(A) such property is held by the recipient of the item for 15 days or less during the 30-day period beginning on the date which is 15 days before the date on which the right to receive payment of such item arises, or

"(B) to the extent that the recipient of the item is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

This paragraph shall not apply to any dividend to which subsection (k) applies.

"(2) EXCEPTION FOR TAXES PAID BY DEALERS.—

"(A) IN GENERAL.—Paragraph (1) shall not apply to any qualified tax with respect to any property held in the active conduct in a foreign country of a business as a dealer in such property.

"(B) QUALIFIED TAX.—For purposes of subparagraph (A), the term 'qualified tax' means a tax paid to a foreign country (other than the foreign country referred to in subparagraph (A)) if—

"(i) the item to which such tax is attributable is subject to taxation on a net basis by the country referred to in subparagraph (A), and

"(ii) such country allows a credit against its net basis tax for the full amount of the tax paid to such other foreign country.

"(C) DEALER.—For purposes of subparagraph (A), the term 'dealer' means—

"(i) with respect to a security, any person to whom paragraphs (1) and (2) of subsection (k) would not apply by reason of paragraph (4) thereof if such security were stock, and

"(ii) with respect to any other property, any person with respect to whom such property is described in section 1221(a)(1).

"(D) REGULATIONS.—The Secretary may prescribe such regulations as may be appropriate to carry out this paragraph, including regulations to prevent the abuse of the exception provided by this paragraph and to treat other taxes as qualified taxes.

"(3) EXCEPTIONS.—The Secretary may by regulation provide that paragraph (1) shall not apply to property where the Secretary determines that the application of paragraph (1) to such property is not necessary to carry out the purposes of this subsection.

"(4) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (k) shall apply for purposes of this subsection.

"(5) DETERMINATION OF HOLDING PERIOD.—Holding periods shall be determined for purposes of this subsection without regard to section 1235 or any similar rule."

(b) CONFORMING AMENDMENT.—The heading of subsection (k) of section 901 is amended by inserting "ON DIVIDENDS" after "TAXES".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued more than 30 days after the date of the enactment of this Act.

Subtitle F—Other Revenue Provisions
PART I—FINANCIAL INSTRUMENTS

SEC. 461. TREATMENT OF STRIPPED INTERESTS IN BOND AND PREFERRED STOCK FUNDS, ETC.

(a) IN GENERAL.—Section 1286 (relating to tax treatment of stripped bonds) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) TREATMENT OF STRIPPED INTERESTS IN BOND AND PREFERRED STOCK FUNDS, ETC.—In the case of an account or entity substantially all of the assets of which consist of bonds, preferred stock, or a combination thereof, the Secretary may by regulations provide that rules similar to the rules of this section and 305(e), as appropriate, shall apply to interests in such account or entity to which (but for this subsection) this section or section 305(e), as the case may be, would not apply."

(b) CROSS REFERENCE.—Subsection (e) of section 305 is amended by adding at the end the following new paragraph:

"(7) CROSS REFERENCE.—

"For treatment of stripped interests in certain accounts or entities holding preferred stock, see section 1286(f)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to purchases and dispositions after the date of the enactment of this Act.

SEC. 462. APPLICATION OF EARNINGS STRIPPING RULES TO PARTNERSHIPS AND S CORPORATIONS.

(a) IN GENERAL.—Section 168(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

"(8) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

"(A) IN GENERAL.—This subsection shall apply to partnerships and S corporations in the same manner as it applies to C corporations.

"(B) ALLOCATIONS TO CERTAIN CORPORATE PARTNERS.—If a C corporation is a partner in a partnership—

"(i) the corporation's allocable share of indebtedness and interest income of the partnership shall be taken into account in applying this subsection to the corporation, and

"(ii) if a deduction is not disallowed under this subsection with respect to any interest expense of the partnership, this subsection shall be applied separately in determining whether a deduction is allowable to the corporation with respect to the corporation's allocable share of such interest expense."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 463. RECOGNITION OF CANCELLATION OF INDEBTEDNESS INCOME REALIZED ON SATISFACTION OF DEBT WITH PARTNERSHIP INTEREST.

(a) IN GENERAL.—Paragraph (8) of section 108(e) (relating to general rules for discharge of indebtedness (including discharges not in title 11 cases or insolvency)) is amended to read as follows:

"(8) INDEBTEDNESS SATISFIED BY CORPORATE STOCK OR PARTNERSHIP INTEREST.—For purposes of determining income of a debtor from discharge of indebtedness, if—

"(A) a debtor corporation transfers stock, or

"(B) a debtor partnership transfers a capital or profits interest in such partnership,

to a creditor in satisfaction of its recourse or nonrecourse indebtedness, such corporation or partnership shall be treated as having satisfied

the indebtedness with an amount of money equal to the fair market value of the stock or interest. In the case of any partnership, any discharge of indebtedness income recognized under this paragraph shall be included in the distributive shares of taxpayers which were the partners in the partnership immediately before such discharge."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to cancellations of indebtedness occurring on or after the date of the enactment of this Act.

SEC. 464. MODIFICATION OF STRADDLE RULES.

(a) RULES RELATING TO IDENTIFIED STRADDLES.—

(1) IN GENERAL.—Subparagraph (A) of section 1092(a)(2) (relating to special rule for identified straddles) is amended to read as follows:

"(A) IN GENERAL.—In the case of any straddle which is an identified straddle—

"(i) paragraph (1) shall not apply with respect to identified positions comprising the identified straddle,

"(ii) if there is any loss with respect to any identified position of the identified straddle, the basis of each of the identified offsetting positions in the identified straddle shall be increased by an amount which bears the same ratio to the loss as the unrecognized gain with respect to such offsetting position bears to the aggregate unrecognized gain with respect to all such offsetting positions, and

"(iii) any loss described in clause (ii) shall not otherwise be taken into account for purposes of this title."

(2) IDENTIFIED STRADDLE.—Section 1092(a)(2)(B) (defining identified straddle) is amended—

(A) by striking clause (ii) and inserting the following:

"(ii) to the extent provided by regulations, the value of each position of which (in the hands of the taxpayer immediately before the creation of the straddle) is not less than the basis of such position in the hands of the taxpayer at the time the straddle is created, and"

(B) by adding at the end the following new flush sentence:

"The Secretary shall prescribe regulations which specify the proper methods for clearly identifying a straddle as an identified straddle (and the positions comprising such straddle), which specify the rules for the application of this section for a taxpayer which fails to properly identify the positions of an identified straddle, and which specify the ordering rules in cases where a taxpayer disposes of less than an entire position which is part of an identified straddle."

(3) UNRECOGNIZED GAIN.—Section 1092(a)(3) (defining unrecognized gain) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

"(B) SPECIAL RULE FOR IDENTIFIED STRADDLES.—For purposes of paragraph (2)(A)(ii), the unrecognized gain with respect to any identified offsetting position shall be the excess of the fair market value of the position at the time of the determination over the fair market value of the position at the time the taxpayer identified the position as a position in an identified straddle."

(4) CONFORMING AMENDMENT.—Section 1092(c)(2) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(b) PHYSICALLY SETTLED POSITIONS.—Section 1092(d) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

"(8) SPECIAL RULES FOR PHYSICALLY SETTLED POSITIONS.—For purposes of subsection (a), if a taxpayer settles a position which is part of a straddle by delivering property to which the position relates (and such position, if terminated, would result in a realization of a loss), then such taxpayer shall be treated as if such taxpayer—

“(A) terminated the position for its fair market value immediately before the settlement, and (B) sold the property so delivered by the taxpayer at its fair market value.”.

(c) REPEAL OF STOCK EXCEPTION.—

(1) **IN GENERAL.**—Section 1092(d)(3) is repealed.

(2) **CONFORMING AMENDMENT.**—Section 1258(d)(1) is amended by striking “; except that the term ‘personal property’ shall include stock”.

(d) REPEAL OF QUALIFIED COVERED CALL EXCEPTION.—Section 1092(c)(4) is amended by adding at the end the following new subparagraph:

“(1) **TERMINATION.**—This paragraph shall not apply to any position established on or after the date of the enactment of this subparagraph.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to positions established on or after the date of the enactment of this Act.

SEC. 465. DENIAL OF INSTALLMENT SALE TREATMENT FOR ALL READILY TRADEABLE DEBT.

(a) IN GENERAL.—Section 453(f)(4)(B) (relating to purchaser evidences of indebtedness payable on demand or readily tradeable) is amended by striking “is issued by a corporation or a government or political subdivision thereof and”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales occurring on or after the date of the enactment of this Act.

PART II—CORPORATIONS AND PARTNERSHIPS

SEC. 466. MODIFICATION OF TREATMENT OF TRANSFERS TO CREDITORS IN DIVISIVE REORGANIZATIONS.

(a) IN GENERAL.—Section 361(b)(3) (relating to treatment of transfers to creditors) is amended by adding at the end the following new sentence: “In the case of a reorganization described in section 368(a)(1)(D) with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355, this paragraph shall apply only to the extent that the sum of the money and the fair market value of other property transferred to such creditors does not exceed the adjusted bases of such assets transferred.”.

(b) LIABILITIES IN EXCESS OF BASIS.—Section 357(c)(1)(B) is amended by inserting “with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355” after “section 368(a)(1)(D)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers of money or other property, or liabilities assumed, in connection with a reorganization occurring on or after the date of the enactment of this Act.

SEC. 467. CLARIFICATION OF DEFINITION OF NONQUALIFIED PREFERRED STOCK.

(a) IN GENERAL.—Section 351(g)(3)(A) is amended by adding at the end the following: “Stock shall not be treated as participating in corporate growth to any significant extent unless there is a real and meaningful likelihood of the shareholder actually participating in the earnings and growth of the corporation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions after May 14, 2003.

SEC. 468. MODIFICATION OF DEFINITION OF CONTROLLED GROUP OF CORPORATIONS.

(a) IN GENERAL.—Section 1563(a)(2) (relating to brother-sister controlled group) is amended by striking “possessing—” and all that follows through “(B)” and inserting “possessing”.

(b) APPLICATION OF EXISTING RULES TO OTHER CODE PROVISIONS.—Section 1563(f) (relating to other definitions and rules) is amended by adding at the end the following new paragraph:

“(5) **BROTHER-SISTER CONTROLLED GROUP DEFINITION FOR PROVISIONS OTHER THAN THIS PART.**—

“(A) **IN GENERAL.**—Except as specifically provided in an applicable provision, subsection (a)(2) shall be applied to an applicable provision as if it read as follows:

“(2) **BROTHER-SISTER CONTROLLED GROUP.**—Two or more corporations if 5 or fewer persons who are individuals, estates, or trusts own (within the meaning of subsection (d)(2) stock possessing—

“(A) at least 80 percent of the total combined voting power of all classes of stock entitled to vote, or at least 80 percent of the total value of shares of all classes of stock, of each corporation, and

“(B) more than 50 percent of the total combined voting power of all classes of stock entitled to vote or more than 50 percent of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.”

“(B) **APPLICABLE PROVISION.**—For purposes of this paragraph, an applicable provision is any provision of law (other than this part) which incorporates the definition of controlled group of corporations under subsection (a).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 469. MANDATORY BASIS ADJUSTMENTS IN CONNECTION WITH PARTNERSHIP DISTRIBUTIONS AND TRANSFERS OF PARTNERSHIP INTERESTS.

(a) IN GENERAL.—Section 754 is repealed.

(b) ADJUSTMENT TO BASIS OF UNDISTRIBUTED PARTNERSHIP PROPERTY.—Section 734 is amended—

(1) by striking “, with respect to which the election provided in section 754 is in effect,” in the matter preceding paragraph (1) of subsection (b),

(2) by striking “(as adjusted by section 732(d))” both places it appears in subsection (b),

(3) by striking the last sentence of subsection (b),

(4) by striking subsection (a) and by redesignating subsections (b) and (c) as subsections (a) and (b), respectively, and

(5) by striking “optional” in the heading.

(c) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY.—Section 743 is amended—

(1) by striking “with respect to which the election provided in section 754 is in effect” in the matter preceding paragraph (1) of subsection (b),

(2) by striking subsection (a) and by redesignating subsections (b) and (c) as subsections (a) and (b), respectively,

(3) by adding at the end the following new subsection:

“(c) **ELECTION TO ADJUST BASIS FOR TRANSFERS UPON DEATH OF PARTNER.**—Subsection (a) shall not apply and no adjustments shall be made in the case of any transfer of an interest in a partnership upon the death of a partner unless an election to do so is made by the partnership. Such an election shall apply with respect to all such transfers of interests in the partnership. Any election under section 754 in effect on the date of the enactment of this subsection shall constitute an election made under this subsection. Such election may be revoked by the partnership, subject to such limitations as may be provided by regulations prescribed by the Secretary.”, and

(4) by striking “optional” in the heading.

(d) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 732 is repealed.

(2) Section 755(a) is amended—

(A) by striking “section 734(b) (relating to the optional adjustment” and inserting “section 734(a) (relating to the adjustment”, and

(B) by striking “section 743(b) (relating to the optional adjustment” and inserting “section 743(a) (relating to the adjustment”.

(3) Section 761(e)(2) is amended by striking “optional”.

(4) Section 774(a) is amended by striking “743(b)” both places it appears and inserting “743(a)”.

(5) The item relating to section 734 in the table of sections for subpart B of part II of subchapter K of chapter 1 is amended by striking “Optional”.

(6) The item relating to section 743 in the table of sections for subpart C of part II of subchapter K of chapter 1 is amended by striking “Optional”.

(e) EFFECTIVE DATES.—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to transfers and distributions made after the date of the enactment of this Act.

(2) **REPEAL OF SECTION 732(d).**—The amendments made by subsections (b)(2) and (d)(1) shall apply to—

(A) except as provided in subparagraph (B), transfers made after the date of the enactment of this Act, and

(B) in the case of any transfer made on or before such date to which section 732(d) applies, distributions made after the date which is 2 years after such date of enactment.

PART III—DEPRECIATION AND AMORTIZATION

SEC. 471. EXTENSION OF AMORTIZATION OF INTANGIBLES TO SPORTS FRANCHISES.

(a) IN GENERAL.—Section 197(e) (relating to exceptions to definition of section 197 intangible) is amended by striking paragraph (6) and by redesignating paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(b) CONFORMING AMENDMENTS.—

(1) (A) Section 1056 (relating to basis limitation for player contracts transferred in connection with the sale of a franchise) is repealed.

(B) The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1056.

(2) Section 1245(a) (relating to gain from disposition of certain depreciable property) is amended by striking paragraph (4).

(3) Section 1253 (relating to transfers of franchises, trademarks, and trade names) is amended by striking subsection (e).

(c) EFFECTIVE DATES.—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall apply to property acquired after the date of the enactment of this Act.

(2) **SECTION 1245.**—The amendment made by subsection (b)(2) shall apply to franchises acquired after the date of the enactment of this Act.

SEC. 472. SERVICE CONTRACTS TREATED IN SAME MANNER AS LEASES FOR RULES RELATING TO TAX-EXEMPT USE PROPERTY.

(a) IN GENERAL.—Section 168(h)(7) (defining lease) is amended by adding at the end the following: “Such term shall also include any service contract or other similar arrangement.”.

(b) LEASE TERM.—Section 168(i)(3) (relating to lease term) is amended by adding at the end the following new subparagraph:

“(C) **SPECIAL RULE FOR SERVICE CONTRACTS.**—In the case of any service contract or other similar arrangement treated as a lease under subsection (h)(7), the lease term shall be determined in the same manner as a lease.”.

(c) CONFORMING AMENDMENTS.—Section 168(g)(3)(A) is amended—

(1) by inserting “(as defined in subsection (h)(7))” after “lease” the first place it appears, and

(2) by inserting “(as determined under subsection (i)(3))” after “term”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to leases and service contracts or other similar arrangements entered into after the date of the enactment of this Act.

SEC. 473. CLASS LIVES FOR UTILITY GRADING COSTS.

(a) GAS UTILITY PROPERTY.—Section 168(e)(3)(E) (defining 15-year property) is

amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) initial clearing and grading land improvements with respect to gas utility property.”

(b) **ELECTRIC UTILITY PROPERTY.**—Section 168(e)(3) is amended by adding at the end the following new subparagraph:

“(F) **20-YEAR PROPERTY.**—The term ‘20-year property’ means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.”

(c) **CONFORMING AMENDMENTS.**—The table contained in section 168(g)(3)(B) is amended—

(1) by inserting “or (E)(iv)” after “(E)(iii)”, and

(2) by adding at the end the following new item:

“(F) 25”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 474. EXPANSION OF LIMITATION ON DEPRECIATION OF CERTAIN PASSENGER AUTOMOBILES.

(a) **IN GENERAL.**—Section 179(b) (relating to limitations) is amended by adding at the end the following new paragraph:

“(6) **LIMITATION ON COST TAKEN INTO ACCOUNT FOR CERTAIN PASSENGER VEHICLES.**—

“(A) **IN GENERAL.**—The cost of any sport utility vehicle for any taxable year which may be taken into account under this section shall not exceed \$25,000.

“(B) **SPORT UTILITY VEHICLE.**—For purposes of subparagraph (A)—

“(i) **IN GENERAL.**—The term ‘sport utility vehicle’ means any 4-wheeled vehicle which—

“(I) is manufactured primarily for use on public streets, roads, and highways,

“(II) is not subject to section 280F, and

“(III) is rated at not more than 14,000 pounds gross vehicle weight.

“(ii) **CERTAIN VEHICLES EXCLUDED.**—Such term does not include any vehicle which—

“(I) does not have the primary load carrying device or container attached,

“(II) has a seating capacity of more than 12 individuals,

“(III) is designed for more than 9 individuals in seating rearward of the driver’s seat,

“(IV) is equipped with an open cargo area, or a covered box not readily accessible from the passenger compartment, of at least 72.0 inches in interior length, or

“(V) has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver’s seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 475. CONSISTENT AMORTIZATION OF PERIODS FOR INTANGIBLES.

(a) **START-UP EXPENDITURES.**—

(1) **ALLOWANCE OF DEDUCTION.**—Paragraph (1) of section 195(b) (relating to start-up expenditures) is amended to read as follows:

“(1) **ALLOWANCE OF DEDUCTION.**—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

“(i) the amount of start-up expenditures with respect to the active trade or business, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed \$50,000, and

“(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably

over the 180-month period beginning with the month in which the active trade or business begins.”

(2) **CONFORMING AMENDMENT.**—Subsection (b) of section 195 is amended by striking “AMORTIZE” and inserting “DEDUCT” in the heading.

(b) **ORGANIZATIONAL EXPENDITURES.**—Subsection (a) of section 248 (relating to organizational expenditures) is amended to read as follows:

“(a) **ELECTION TO DEDUCT.**—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

“(1) the corporation shall be allowed a deduction for the taxable year in which the corporation begins business in an amount equal to the lesser of—

“(A) the amount of organizational expenditures with respect to the taxpayer, or

“(B) \$5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed \$50,000, and

“(2) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.”

(c) **TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.**—

(1) **IN GENERAL.**—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (3) and by amending paragraph (1) to read as follows:

“(1) **ALLOWANCE OF DEDUCTION.**—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

“(i) the amount of organizational expenses with respect to the partnership, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed \$50,000, and

“(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

“(2) **DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.**—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165.”

(2) **CONFORMING AMENDMENT.**—Subsection (b) of section 709 is amended by striking “AMORTIZATION” and inserting “DEDUCTION” in the heading.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 476. LIMITATION ON DEDUCTIONS ALLOWABLE TO PROPERTY USED BY GOVERNMENTS OR OTHER TAX-EXEMPT ENTITIES.

(a) **IN GENERAL.**—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by adding at the end the following new section:

“**SEC. 470. DEDUCTIONS ALLOCABLE TO PROPERTY USED BY GOVERNMENTS OR OTHER TAX-EXEMPT ENTITIES.**

“(a) **GENERAL RULE.**—The aggregate amount of deductions otherwise allowable to the taxpayer with respect to tax-exempt use property for any taxable year shall not exceed the aggregate amount of income includible in gross income of the taxpayer for the taxable year with respect to such property.

“(b) **DISALLOWED DEDUCTION CARRIED TO NEXT YEAR.**—Except as otherwise provided in this section, any deduction with respect to any tax-exempt use property which is disallowed under subsection (a) shall, subject to the limitation under subsection (a), be treated as a deduction with respect to such property in the next taxable year.

“(c) **TAX-EXEMPT USE PROPERTY.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘tax-exempt use property’ has the meaning given such term by section 168(h), except that such section shall be applied without regard to paragraphs (2)(C)(ii) and (3).

“(2) **SPECIAL RULES FOR SERVICE CONTRACTS AND SIMILAR ARRANGEMENTS.**—If tangible property is subject to a service contract or other similar arrangement between a taxpayer (or any related person) and any tax-exempt entity, such contract or arrangement shall be treated in the same manner as if it were a lease for purposes of determining whether such property is tax-exempt use property under paragraph (1).

“(d) **SPECIAL RULES.**—

“(1) **ALLOCABLE DEDUCTIONS.**—Subsection (a) shall apply to—

“(A) any deduction directly allocable to any tax-exempt use property, and

“(B) a proper share of other deductions that are not directly allocable to such property.

“(2) **PROPERTY CEASING TO BE TAX-EXEMPT USE PROPERTY.**—If property of a taxpayer ceases to be tax-exempt use property in the hands of the taxpayer—

“(A) any unused deduction allocable to such property under subsection (b) shall only be allowable as a deduction for any taxable year to the extent of any net income of the taxpayer allocable to such property, and

“(B) any portion of such unused deduction remaining after application of subparagraph (A) shall, subject to the limitation of subparagraph (A), be treated as a deduction allocable to such property in the next taxable year.

“(3) **DISPOSITION OF ENTIRE INTEREST IN PROPERTY.**—If during the taxable year a taxpayer disposes of the taxpayer’s entire interest in tax-exempt use property, rules similar to the rules of section 469(g) shall apply for purposes of this section.

“(e) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the provisions of this section.”

(b) **CONFORMING AMENDMENT.**—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by adding at the end the following new item:

“Sec. 470. Deductions allocable to property used by governments or other tax-exempt entities.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to leases and service contracts or similar arrangements entered into after the date of the enactment of this Act.

PART IV—ADMINISTRATIVE PROVISIONS
SEC. 481. CLARIFICATION OF RULES FOR PAYMENT OF ESTIMATED TAX FOR CERTAIN DEEMED ASSET SALES.

(a) **IN GENERAL.**—Paragraph (13) of section 338(h) (relating to tax on deemed sale not taken into account for estimated tax purposes) is amended by adding at the end the following: “The preceding sentence shall not apply with respect to a qualified stock purchase for which an election is made under paragraph (10).”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to transactions occurring after the date of the enactment of this Act.

SEC. 482. EXTENSION OF IRS USER FEES.

(a) **IN GENERAL.**—Section 7528(c) (relating to termination) is amended by striking “December 31, 2004” and inserting “September 30, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to requests after the date of the enactment of this Act.

SEC. 483. DOUBLING OF CERTAIN PENALTIES, FINES, AND INTEREST ON UNDERPAYMENTS RELATED TO CERTAIN OFFSHORE FINANCIAL ARRANGEMENT.

(a) GENERAL RULE.—If—

(1) a taxpayer eligible to participate in—

(A) the Department of the Treasury's Offshore Voluntary Compliance Initiative, or

(B) the Department of the Treasury's voluntary disclosure initiative which applies to the taxpayer by reason of the taxpayer's underreporting of United States income tax liability through financial arrangements which rely on the use of offshore arrangements which were the subject of the initiative described in subparagraph (A), and

(2) any interest or applicable penalty is imposed with respect to any arrangement to which any initiative described in paragraph (1) applied or to any underpayment of Federal income tax attributable to items arising in connection with any arrangement described in paragraph (1), then, notwithstanding any other provision of law, the amount of such interest or penalty shall be equal to twice that determined without regard to this section.

(b) DEFINITIONS AND RULES.—For purposes of this section—

(1) APPLICABLE PENALTY.—The term "applicable penalty" means any penalty, addition to tax, or fine imposed under chapter 68 of the Internal Revenue Code of 1986.

(2) VOLUNTARY OFFSHORE COMPLIANCE INITIATIVE.—The term "Voluntary Offshore Compliance Initiative" means the program established by the Department of the Treasury in January of 2003 under which any taxpayer was eligible to voluntarily disclose previously undisclosed income on assets placed in offshore accounts and accessed through credit card and other financial arrangements.

(3) PARTICIPATION.—A taxpayer shall be treated as having participated in the Voluntary Offshore Compliance Initiative if the taxpayer submitted the request in a timely manner and all information requested by the Secretary of the Treasury or his delegate within a reasonable period of time following the request.

(c) EFFECTIVE DATE.—The provisions of this section shall apply to interest, penalties, additions to tax, and fines with respect to any taxable year if as of the date of the enactment of this Act, the assessment of any tax, penalty, or interest with respect to such taxable year is not prevented by the operation of any law or rule of law.

SEC. 484. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking "satisfy liability for payment of" and inserting "make payment on", and

(B) by inserting "full or partial" after "facilitate".

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting "full" before "payment".

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159, as amended by this Act, is amended by redesignating subsections (d), (e), and (f) as subsections (e), (f), and (g), respectively, and inserting after subsection (c) the following new subsection:

"(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

SEC. 485. EXTENSION OF CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking "March 31, 2004" and inserting "September 30, 2013".

SEC. 486. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS.

(a) IN GENERAL.—Subchapter A of chapter 67 (relating to interest on underpayments) is amended by adding at the end the following new section:

"SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS, ETC.

"(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN AS PAYMENT OF TAX.—A taxpayer may make a cash deposit with the Secretary which may be used by the Secretary to pay any tax imposed under subtitle A or B or chapter 41, 42, 43, or 44 which has not been assessed at the time of the deposit. Such a deposit shall be made in such manner as the Secretary shall prescribe.

"(b) NO INTEREST IMPOSED.—To the extent that such deposit is used by the Secretary to pay tax, for purposes of section 6601 (relating to interest on underpayments), the tax shall be treated as paid when the deposit is made.

"(c) RETURN OF DEPOSIT.—Except in a case where the Secretary determines that collection of tax is in jeopardy, the Secretary shall return to the taxpayer any amount of the deposit (to the extent not used for a payment of tax) which the taxpayer requests in writing.

"(d) PAYMENT OF INTEREST.—

"(1) IN GENERAL.—For purposes of section 6611 (relating to interest on overpayments), a deposit which is returned to a taxpayer shall be treated as a payment of tax for any period to the extent (and only to the extent) attributable to a disputable tax for such period. Under regulations prescribed by the Secretary, rules similar to the rules of section 6611(b)(2) shall apply.

"(2) DISPUTABLE TAX.—

"(A) IN GENERAL.—For purposes of this section, the term 'disputable tax' means the amount of tax specified at the time of the deposit as the taxpayer's reasonable estimate of the maximum amount of any tax attributable to disputable items.

"(B) SAFE HARBOR BASED ON 30-DAY LETTER.—In the case of a taxpayer who has been issued a 30-day letter, the maximum amount of tax under subparagraph (A) shall not be less than the amount of the proposed deficiency specified in such letter.

"(3) OTHER DEFINITIONS.—For purposes of paragraph (2)—

"(A) DISPUTABLE ITEM.—The term 'disputable item' means any item of income, gain, loss, deduction, or credit if the taxpayer—

"(i) has a reasonable basis for its treatment of such item, and

"(ii) reasonably believes that the Secretary also has a reasonable basis for disallowing the taxpayer's treatment of such item.

"(B) 30-DAY LETTER.—The term '30-day letter' means the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

"(4) RATE OF INTEREST.—The rate of interest allowable under this subsection shall be the Federal short-term rate determined under section 6621(b), compounded daily.

"(e) USE OF DEPOSITS.—

"(1) PAYMENT OF TAX.—Except as otherwise provided by the taxpayer, deposits shall be treated as used for the payment of tax in the order deposited.

"(2) RETURNS OF DEPOSITS.—Deposits shall be treated as returned to the taxpayer on a last-in, first-out basis."

(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 67 is amended by adding at the end the following new item:

"Sec. 6603. Deposits made to suspend running of interest on potential underpayments, etc."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to deposits made after the date of the enactment of this Act.

(2) COORDINATION WITH DEPOSITS MADE UNDER REVENUE PROCEDURE 84-58.—In the case of an amount held by the Secretary of the Treasury or his delegate on the date of the enactment of this Act as a deposit in the nature of a cash bond deposit pursuant to Revenue Procedure 84-58, the date that the taxpayer identifies such amount as a deposit made pursuant to section 6603 of the Internal Revenue Code (as added by this Act) shall be treated as the date such amount is deposited for purposes of such section 6603.

SEC. 487. QUALIFIED TAX COLLECTION CONTRACTS.

(a) CONTRACT REQUIREMENTS.—

(1) IN GENERAL.—Subchapter A of chapter 64 (relating to collection) is amended by adding at the end the following new section:

"SEC. 6306. QUALIFIED TAX COLLECTION CONTRACTS.

"(a) IN GENERAL.—Nothing in any provision of law shall be construed to prevent the Secretary from entering into a qualified tax collection contract.

"(b) QUALIFIED TAX COLLECTION CONTRACT.—For purposes of this section, the term 'qualified tax collection contract' means any contract which—

"(1) is for the services of any person (other than an officer or employee of the Treasury Department)—

"(A) to locate and contact any taxpayer specified by the Secretary,

"(B) to request full payment from such taxpayer of an amount of Federal tax specified by the Secretary and, if such request cannot be met by the taxpayer, to offer the taxpayer an installment agreement providing for full payment of such amount during a period not to exceed 3 years, and

"(C) to obtain financial information specified by the Secretary with respect to such taxpayer,

"(2) prohibits each person providing such services under such contract from committing any act or omission which employees of the Internal Revenue Service are prohibited from committing in the performance of similar services,

"(3) prohibits subcontractors from—

"(A) having contacts with taxpayers,

"(B) providing quality assurance services, and

"(C) composing debt collection notices, and

"(4) permits subcontractors to perform other services only with the approval of the Secretary.

"(c) FEES.—The Secretary may retain and use an amount not in excess of 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract. The Secretary shall keep adequate records regarding amounts so retained and used. The amount credited as paid by any taxpayer shall be determined without regard to this subsection.

"(d) NO FEDERAL LIABILITY.—The United States shall not be liable for any act or omission of any person performing services under a qualified tax collection contract.

"(e) APPLICATION OF FAIR DEBT COLLECTION PRACTICES ACT.—The provisions of the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) shall apply to any qualified tax collection contract, except to the extent superseded by section 6304, section 7602(c), or by any other provision of this title.

"(f) CROSS REFERENCES.—

"(1) For damages for certain unauthorized collection actions by persons performing services under a qualified tax collection contract, see section 7433A.

"(2) For application of Taxpayer Assistance Orders to persons performing services under a qualified tax collection contract, see section 7811(a)(4)."

(2) CONFORMING AMENDMENTS.—

(A) Section 7809(a) is amended by inserting "6306," before "7651".

(B) The table of sections for subchapter A of chapter 64 is amended by adding at the end the following new item:

"Sec. 6306. Qualified Tax Collection Contracts."

(b) CIVIL DAMAGES FOR CERTAIN UNAUTHORIZED COLLECTION ACTIONS BY PERSONS PERFORMING SERVICES UNDER QUALIFIED TAX COLLECTION CONTRACTS.—

(1) IN GENERAL.—Subchapter B of chapter 76 (relating to proceedings by taxpayers and third parties) is amended by inserting after section 7433 the following new section:

"SEC. 7433A. CIVIL DAMAGES FOR CERTAIN UNAUTHORIZED COLLECTION ACTIONS BY PERSONS PERFORMING SERVICES UNDER QUALIFIED TAX COLLECTION CONTRACTS.

"(a) IN GENERAL.—Subject to the modifications provided by subsection (b), section 7433 shall apply to the acts and omissions of any person performing services under a qualified tax collection contract (as defined in section 6306(b)) to the same extent and in the same manner as if such person were an employee of the Internal Revenue Service.

"(b) MODIFICATIONS.—For purposes of subsection (a)—

"(1) Any civil action brought under section 7433 by reason of this section shall be brought against the person who entered into the qualified tax collection contract with the Secretary and shall not be brought against the United States.

"(2) Such person and not the United States shall be liable for any damages and costs determined in such civil action.

"(3) Such civil action shall not be an exclusive remedy with respect to such person.

"(4) Subsections (c), (d)(1), and (e) of section 7433 shall not apply."

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 76 is amended by inserting after the item relating to section 7433 the following new item:

"Sec. 7433A. Civil damages for certain unauthorized collection actions by persons performing services under a qualified tax collection contract."

(c) APPLICATION OF TAXPAYER ASSISTANCE ORDERS TO PERSONS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—Section 7811 (relating to taxpayer assistance orders) is amended by adding at the end the following new subsection:

"(g) APPLICATION TO PERSONS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—Any order issued or action taken by the National Taxpayer Advocate pursuant to this section shall apply to persons performing services under a qualified tax collection contract (as defined in section 6306(b)) to the same extent and in the same manner as such order or action applies to the Secretary."

(d) INELIGIBILITY OF INDIVIDUALS WHO COMMIT MISCONDUCT TO PERFORM UNDER CONTRACT.—Section 1203 of the Internal Revenue Service Restructuring Act of 1998 (relating to termination of employment for misconduct) is amended by adding at the end the following new subsection:

"(e) INDIVIDUALS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—An individual shall cease to be permitted to perform any services under any qualified tax collection contract (as defined in section 6306(b) of the Internal Revenue Code of 1986) if there is a final determination by the Secretary of the Treasury under such contract that such individual committed any act or omission described under subsection (b) in connection with the performance of such services."

(e) EFFECTIVE DATE.—The amendments made to this section shall take effect on the date of the enactment of this Act.

PART V—MISCELLANEOUS PROVISIONS

SEC. 491. ADDITION OF VACCINES AGAINST HEPATITIS A TO LIST OF TAXABLE VACCINES.

(a) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by redesignating subparagraphs (I), (J), (K), and (L) as subparagraphs (J), (K), (L), and (M), respectively, and by inserting after subparagraph (H) the following new subparagraph:

"(I) Any vaccine against hepatitis A."

(b) CONFORMING AMENDMENT.—Section 9510(c)(1)(A) is amended by striking "October 18, 2000" and inserting "May 8, 2003".

(c) EFFECTIVE DATE.—

(1) SALES, ETC.—The amendments made by this section shall apply to sales and uses on or after the first day of the first month which begins more than 4 weeks after the date of the enactment of this Act.

(2) DELIVERIES.—For purposes of paragraph (1) and section 4131 of the Internal Revenue Code of 1986, in the case of sales on or before the effective date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date.

SEC. 492. RECOGNITION OF GAIN FROM THE SALE OF A PRINCIPAL RESIDENCE ACQUIRED IN A LIKE-KIND EXCHANGE WITHIN 5 YEARS OF SALE.

(a) IN GENERAL.—Section 121(d) (relating to special rules for exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

"(10) PROPERTY ACQUIRED IN LIKE-KIND EXCHANGE.—If a taxpayer acquired property in an exchange to which section 1031 applied, subsection (a) shall not apply to the sale or exchange of such property if it occurs during the 5-year period beginning with the date of the acquisition of such property."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales or exchanges after the date of the enactment of this Act.

SEC. 493. CLARIFICATION OF EXEMPTION FROM TAX FOR SMALL PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) IN GENERAL.—Section 501(c)(15)(A) is amended to read as follows:

"(A) Insurance companies (as defined in section 816(a)) other than life (including inter-insurers and reciprocal underwriters) if—

"(i) the gross receipts for the taxable year do not exceed \$600,000, and

"(ii) more than 50 percent of such gross receipts consist of premiums."

(b) CONTROLLED GROUP RULE.—Section 501(c)(15)(C) is amended by inserting ", except that in applying section 1563 for purposes of section 831(b)(2)(B)(ii), subparagraphs (B) and (C) of section 1563(b)(2) shall be disregarded" before the period at the end.

(c) CONFORMING AMENDMENT.—Clause (i) of section 831(b)(2)(A) is amended by striking "exceed \$350,000 but"

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 494. DEFINITION OF INSURANCE COMPANY FOR SECTION 831.

(a) IN GENERAL.—Section 831 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) INSURANCE COMPANY DEFINED.—For purposes of this section, the term 'insurance company' has the meaning given to such term by section 816(a)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 495. LIMITATIONS ON DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF PATENTS AND SIMILAR PROPERTY.

(a) DEDUCTION ALLOWED ONLY TO THE EXTENT OF BASIS.—Section 170(e)(1)(B) (relating to certain contributions of ordinary income and capital gain property) is amended by striking

"or" at the end of clause (i), by adding "or" at the end of clause (ii), and by inserting after clause (ii) the following new clause:

"(iii) of any patent, copyright, trademark, trade name, trade secret, know-how, software, or similar property, or applications or registrations of such property."

(b) TREATMENT OF CONTRIBUTIONS WHERE DONOR RECEIVES INTEREST.—Section 170(e) is amended by adding at the end the following new paragraph:

"(7) SPECIAL RULES FOR CONTRIBUTIONS OF PATENTS AND SIMILAR PROPERTY WHERE DONOR RECEIVES INTEREST.—

"(A) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed under this section with respect to a contribution of property described in paragraph (1)(B)(iii) if the taxpayer after the contribution has any interest in the property other than a qualified interest.

"(B) CONTRIBUTIONS WITH QUALIFIED INTEREST.—If a taxpayer after a contribution of property described in paragraph (1)(B)(iii) has a qualified interest in the property—

"(i) any payment pursuant to the qualified interest shall be treated as ordinary income and shall be includible in gross income of the taxpayer for the taxable year in which the payment is received by the taxpayer, and

"(ii) subsection (f)(3) and section 1011(b) shall not apply to the transfer of the property from the taxpayer to the donee.

"(C) QUALIFIED INTEREST.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'qualified interest' means, with respect to any taxpayer, a right to receive from the donee a percentage (not greater than 50 percent) of any royalty payment received by the donee with respect to property described in paragraph (1)(B)(iii) (other than copyrights which are described in section 1221(a)(3) or 1231(b)(1)(C)) contributed by the taxpayer to the donee.

"(ii) SECRETARIAL AUTHORITY.—

"(I) IN GENERAL.—Except as provided in subclause (II), the Secretary may by regulation or other administrative guidance treat as a qualified interest the right to receive other payments from the donee, but only if the donee does not possess a right to receive any payment (whether royalties or otherwise) from a third party with respect to the contributed property.

"(II) EXCEPTIONS.—The Secretary may not treat as a qualified interest the right to receive any payment which provides a benefit to the donor which is greater than the benefit retained by the donee or the right to receive any portion of the proceeds from the sale of the property contributed.

"(iii) LIMITATION.—An interest shall be treated as a qualified interest under this subparagraph only if the taxpayer has no right to receive any payment described in clause (i) or (ii)(I) after the earlier of the date on which the legal life of the contributed property expires or the date which is 20 years after the date of the contribution."

(c) REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Section 6050L(a) (relating to returns regarding certain dispositions of donated property) is amended—

(A) by striking "If" and inserting:

"(1) DISPOSITIONS OF DONATED PROPERTY.—If"

(B) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively, and

(C) by adding at the end the following new paragraph:

"(2) PAYMENTS OF QUALIFIED INTERESTS.—Each donee of property described in section 170(e)(1)(B)(iii) which makes a payment to a donor pursuant to a qualified interest (as defined in section 170(e)(7)) during any calendar year shall make a return (in accordance with forms and regulations prescribed by the Secretary) showing—

"(A) the name, address, and TIN of the payor and the payee with respect to such a payment,

“(B) a description, and date of contribution, of the property to which the qualified interest relates,

“(C) the dates and amounts of any royalty payments received by the donee with respect to such property,

“(D) the date and the amount of the payment pursuant to the qualified interest, and

“(E) a description of the terms of the qualified interest.”.

(2) CONFORMING AMENDMENTS.—

(A) The heading for section 6050L is amended by striking “**certain dispositions of**”.

(B) The item relating to section 6050L in the table of sections for subpart B of part III of subchapter A of chapter 61 is amended by striking “**certain dispositions of**”.

(d) ANTI-ABUSE RULES.—The Secretary of the Treasury may prescribe such regulations or other administrative guidance as may be necessary or appropriate to prevent the avoidance of the purposes of section 170(e)(1)(B)(iii) of the Internal Revenue Code of 1986 (as added by subsection (a)), including preventing—

(1) the circumvention of the reduction of the charitable deduction by embedding or bundling the patent or similar property as part of a charitable contribution of property that includes the patent or similar property,

(2) the manipulation of the basis of the property to increase the amount of the charitable deduction through the use of related persons, pass-thru entities, or other intermediaries, or through the use of any provision of law or regulation (including the consolidated return regulations), and

(3) a donor from changing the form of the patent or similar property to property of a form for which different deduction rules would apply.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after October 1, 2003.

SEC. 496. REPEAL OF 10-PERCENT REHABILITATION TAX CREDIT.

Section 47 is amended by adding at the end the following new subsection:

“(e) TERMINATION.—This section shall not apply to expenditures described in subsection (a)(1) incurred in taxable years beginning after December 31, 2003.”.

SEC. 497. INCREASE IN AGE OF MINOR CHILDREN WHOSE UNEARNED INCOME IS TAXED AS IF PARENT'S INCOME.

(a) IN GENERAL.—Section 1(g)(2)(A) (relating to child to whom subsection applies) is amended by striking “age 14” and inserting “age 18”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, I am happy to be, once again, on the floor with a very important piece of legislation. With the cooperation of the Democratic leadership of the Senate Finance Committee, Senator BAUCUS, we bring to the floor a bill that was voted out of committee 19 to 2. Senator BAUCUS and I always work together as much as we can—that is, most of the time—to bring to the Senate a bill that can get through the Chamber because

as so many people who watch the Senate regularly know, the Senate, unlike the House of Representatives, can't function if it does not function in a bipartisan way.

So we proceed, then, with this bipartisan bill: the Jumpstart Our Business Strength Act. If I refer to the acronym JOBS, it is jumpstart our business strength.

Since March 2000, long before President Bush took office, the manufacturing sector has been under significant economic pressure. Obviously, that has affected manufacturing workers. A recent CBO study estimates that going way back to March 2000, an estimated 3 million workers have lost their manufacturing jobs.

The Congressional Budget Office attributes this job decline to the recession that began in November 2000 and the weak economy in demand that followed, part of it a result of September 11 and recovery not coming as normal as recoveries do.

But we always tend to look at bad news. Bad news tends to make the front pages of the newspaper. Good news tends to make the back pages, if there is good news printed at all.

There is good news on the horizon. That is, that new manufacturing orders, just this past December, surged to their highest levels in 50 years. They haven't been that high since July of 1950. And January was the sixth consecutive month that manufacturing activity expanded. In December, the manufacturing employment index grew for the second consecutive month, but the overall economy during that month added 1,000 jobs only. That was, of course, disappointing. But it wasn't disappointing from the standpoint of the manufacturing employment index growing because it seems that is the lagging sector of this recovery.

I believe we are on the right path for a strong recovery. In fact, there has been a recovery underway since economists ruled that the last recession ended October 1, 2001. But when a recovery ends, it is not always visible. Of course, it is visible in most segments of the economy by very strong indices that are there to prove that. But one area that is not is manufacturing employment. We do now have those 2 consecutive months of increased employment.

I believe we are on the right path to strong recovery, but we must do more to ensure manufacturing stays on the path of recovery. Manufacturing is so vital to the overall health of our economy, including follow-on sectors that benefit: the service and financial sectors.

As government policymakers, which we are, we have to act to revitalize the manufacturing sector. Today we have some good news on manufacturing, and that is, the legislation we bring to the Senate, because it is going to help enhance employment in the manufacturing sector.

As I have said previously, but I cannot emphasize too much, by a vote of

19 to 2 this bill was voted out of the Senate Finance Committee. Our bill is a bipartisan balance of domestic tax relief and international tax reforms, all meant to strengthen American business. Not as an end in itself, but as business strengthens, jobs are created. We are talking about jobs for Americans.

Most importantly, this bill is revenue neutral. That is important, when we read in the newspapers about facing a budget deficit. This bill then will not add one dime to the Federal deficit. The JOBS bill will repeal the current FSC/ETI regime and use all the money from repeal to provide a 3-point tax rate cut on income from U.S.-based manufacturing. I emphasize U.S.-based manufacturing. We start those cuts phasing in next year. This 3-point rate cut is only for manufacturing and only for manufacturing in the United States. This bill will not help American manufacturers that want to manufacture offshore.

I point out how our bill would approach this effort to help create jobs in American manufacturing and do it on American soil as opposed to the way that the Ways and Means Committee of the other body, and even other bills that will be offered in the upcoming debate, would face these issues. Our bill reducing taxes applies to all that manufacture in America.

I wish to make clear to our colleagues this is a bill to help manufacturing in the United States. American companies that manufacture overseas will not get the benefit of the corporate rate reduction. Foreign corporations that want to come over here to America and build plants and employ people in this country would get the benefit. But this bill is about helping American manufacturing that takes place in the United States of America.

I wish to differentiate the approach we use from the approach the Ways and Means Committee uses.

Unlike the pending Ways and Means bill, and other bills that will be offered during the upcoming debate, these cuts apply to all who manufacture in America, regardless of size. So this is going to include sole proprietors, partnerships, farmers, individuals, family businesses, multinational corporations, and foreign companies that set up manufacturing plants in the United States. All of these enterprises will benefit as long as they manufacture.

So the objectives of this bill are pretty simple. Three: Jobs, jobs, jobs, meaning jobs that pay money because of manufacturing in America.

Manufacturing is important to all States, and I want to point out some benefits. For my State of Iowa—the figures I have are for 2001—Iowa's gross State product was \$91 billion. Of that, \$19 billion or 21 percent of the State's wealth was created by manufacturing. From 2001 to 2002, Iowa's exports grew by nearly 15 percent. We shipped nearly \$5 billion of goods out of Iowa, and that was during the year 2002.

In Iowa, we have 222,000 jobs in manufacturing. So that shows how important it is for the United States to be competitive in manufacturing both home and abroad because of 222,000 jobs just in my State. Those kinds of export numbers translate into very good and lasting jobs at home. Many of our country's manufacturing jobs are dependent upon the current FSC/ETI international taxing regime.

I have a map behind me that makes this very clear. It shows by State the jobs that are existing today because of the current FSC/ETI provision: South Carolina, 47,000 jobs; my State of Iowa, 35,000 jobs; California, 429,000 jobs; Texas, 262,000; New York, 215,000; Illinois, 156,000; Washington State, 107,000 jobs generated by FSC/ETI.

As my colleagues probably know, FSC/ETI stands for Foreign Sales Corporation, extraterritorial income. This is what was determined to be contrary to our international trade agreements, and that is why we have this legislation before us because if we do not do something about this issue, these numbers of jobs that are dependent upon this legislation are in jeopardy because our manufacturing will not be competitive with our foreign competition.

Of course, what this is all about is passing legislation that will be in agreement with our trade agreements and, consequently, still protect American manufacturing as the FSC/ETI has done over the last 25 to 30 years.

FSC/ETI reduces the income tax on goods manufactured in the U.S. and sold overseas. FSC/ETI is critical to the manufacturing sector. It can reduce taxes on exports by as much as 3 to 8 tax rate percentage points.

The nonpartisan Joint Committee on Taxation says that 89 percent of the Foreign Sales Corporation benefits go to manufacturing companies. Many of those companies are the largest manufacturing employers in the Nation. This reduced rate of tax on exports of U.S.-manufactured goods keeps our companies competitive in the international marketplace. It allows our companies to compete with the European Union countries, which happen to have a taxing system where they get a rebate on their value-added tax on exports.

If we did not have the Foreign Sales Corporation, we would be exporting more of our taxes, making us uncompetitive with the European Community that has a different taxing system, value-added tax, that they do not export.

Several years ago, the European Union filed a claim with the World Trade Organization challenging FSC/ETI as an illegal export subsidy. Hence, we are here repealing such an important provision because under trading rules, according to the decision, we cannot have a subsidy if it is contingent upon the act of exporting. The World Trade Organization ruled that the FSC/ETI is an illegal export subsidy and has authorized the European

Union to impose up to \$4 billion a year of sanctions against U.S. exports.

The European Union has already started this because March 1, this year, was the date to do it. The sanctions start at 5 percent of the \$4 billion, and they are going to increase 1 percent for each month if we do not repeal the FSC/ETI provisions. They are going to cap out at 17 percent. So by November, these sanctions will be 12 percent. How are we going to compete when the tax benefits that were supposed to level the playing field are not only used, but the European Union, in a legal way under our trade agreements, is levying sanctions. Just as the United States when the European Union lost a case on our beef—they did not take our beef—we leveled sanctions against European products that are coming into this country, all in a legal way but not necessarily in the best way to conduct international trade.

So eventually, these sanctions are going to get up to 17 percent, and at that point the European Union will review the effectiveness of the sanctions, and further increases are possible.

The European Union has been consistent in its message, that the FSC/ETI must be repealed; the same way that we were insistent upon Europe and we won a case in the World Trade Organization that they take our beef.

This is a serious threat against American manufacturing, and Europe knows where to hit us. One of those is agricultural products, plus paper products, and also a number of important manufacturing industries, and they are hitting us right now in our soft underbelly.

These sanctions are going to undermine the economic recovery that is underway, as I indicated before—underway with 2 months in a row of a positive upturn in the manufacturing index. So I believe it is important for the United States to fulfill its obligations under our trading rules.

Now, it so happens that we win a lot more cases than we lose, and it also is true that the United States has been a leader—in fact, the entire world recognizes us as a leader, and they wait for us sometimes—in reducing trade barriers around the world. We have shown leadership for the last 60 or 70 years in this area going back to the reciprocity agreements of the 1930s of reducing trade barriers.

As we expect Europe to import our beef when we win a case, it seems to me that we must show leadership in complying with these rules. What the World Trade Organization is all about is to bring the rule of law to what would otherwise be a jungle of international trade. That is because we get more business activity when there is predictability and understanding of how we are going to do business. Just as that is true in our domestic policy for business expansion, it is true in international trade; if there is predictability, we will get more business expansion around the world.

Domestic law has made that possible within the United States. We need to support a regime that does the same thing in international trade because we have seen under that regime of rule of law in international trade for the last 50 or 60 years the expansion of the world economic pie.

We are not talking about something that is just good for the United States. It is good for the United States. But we are talking about something that is good for the entire world.

We have a growing world population. If you don't have a growing world economic pie, there will be less for more people and less for more people means political, economic, and social instability, and chaos.

So we have seen under this regime of rule of law in international trade that the world economic pie has grown tremendously, and to a great extent because of international trade.

The United States has led the way. We need to continue leading the way. There are some lobbyists who are suggesting this is no big deal, this doesn't have to be done now, it can be done tomorrow, it can be done next year, and somehow these sanctions don't mean anything. They do mean something because they are going to make our products uncompetitive and then we can't sell. If these were put on John Deere tractors in Waterloo, IA, one-fourth of the jobs could go.

One-fourth of the jobs at John Deere tractor in my home State are related to trade. But we do have to abide by the rule of law in international trade unless we want chaos, unless we want the jungle.

These lobbyists say sanctions don't matter. They argue: After all, sanctions only start at 5 percent. They would say: There has been a decline in the dollar. That is going to take care of that problem. With a decline in the dollar, add on 5 percent, no difference.

But I will bet these lobbyists who are spreading this word that Congress doesn't have to act don't represent anybody—any workers or any firms—on this retaliation list. But for those industries that I have already talked about, and there are a lot more, sanctions do matter because they will not be able to export if they can't compete. Five percent right now, and for sure 17 percent a year from now, is going to make a big difference.

In regard to the lower value of the dollar against the euro, that somehow merely restores the status quo of the 1990s for a lot of American companies so they can export more. The recent decline in the dollar helped these companies regain lost market share in Europe, and we have lobbyists saying they ought to be back in that position that they were in just a year ago, not being able to sell because of the high cost of the dollar?

Why would Congress want to deprive these companies and their employees, where these are good American jobs, of the opportunity to export? That is beyond me. These are good jobs, because

statistics show conclusively that jobs connected with exports pay 15 percent above the national average.

Besides, there is no guarantee that the value of the dollar will not go up tomorrow because our official policy is a strong dollar policy. Our official policy is also to let the marketplace decide the value of the dollar. But if it does go up, it is going to leave American exporters in even a worse situation than they are today with that 5 percent and next month 6 percent.

It is plain wrong for us in Congress, when we can do something about it—and this bill does something about it—to gamble the future of these American working men and women on the volatile international currency market.

There is another fancy suggestion from these high-paid lobbyists, that all we have to do is cut a Government check to these U.S. exporters that are hurt by the sanctions.

That suggestion is just as stupid as the previous one. First, it is likely that the World Trade Organization would find such a scheme to be a prohibited export subsidy anyway, just as they originally did. That would continue the cycle of noncompliance and retaliation.

These birds don't believe in the rule of law on international trade. They like the jungle of international trade. In fact, most lobbyists like a jungle because they are the ones who think they are smart enough to sort it out. We are not going to allow that jungle to grow just so lobbyists can prosper.

But this scheme, as the original suggestions, is unworkable. It would probably require a new government bureaucracy to administer. You know what. This JOBS bill is about creating manufacturing jobs, not jobs in a government bureaucracy.

It has also been suggested that the U.S. Government could simply pay compensation to some foreign government rather than comply with our international trade obligations. I suppose, in the era of foreign aid, you might say that suggestion is theoretically possible. But it is not very realistic.

Under the World Trade Organization dispute settlement system, there is only one way, just one way, a nation can bring itself into compliance with an adverse ruling, conforming with the WTO-inconsistent measure, and that is with a report adopted by the dispute settlement body. That would dictate that as long as FSC/ETI is not repealed, the United States remains in violation of these international trade commitments. So paying compensation to some government, in my reading of the obligations under the trade commitments, is not going to bring the United States into compliance.

Furthermore, it has to be remembered that compensation in lieu of retaliation is only a viable option if the prevailing parties agree.

I think that is something the European Union is not inclined to do.

Even if it were possible, I am not going to suggest on the Senate floor that the United States taxpayers ought to be writing a check to the country of France. I, for one, don't think Congress is going to buy these arguments that we don't have to deal with this now and there are other ways around. These proposals are shell games expounded by Washington lobbyists trying to confuse Congress, confuse the public, and thus avoiding a real permanent solution to a longstanding FSC/ETI dispute with the European Union. This is not realistic. They will not stop the imposition of European sanctions.

People suggesting these alternatives ought to face facts. Gambling America's exports on the volatile currency market won't work. Cutting government checks to U.S. exporters won't work. Transferring taxpayers' money to foreign governments such as France won't work. These are shell games. There is only one real solution for American workers. This is something that has been worked out in a bipartisan way for the Senate to consider by the Senator from Montana and this Senator. This is the JOBS Act that is before us, and the best solution is to pass the JOBS Act now. I hope my Senate colleagues and our counterparts in the House of Representatives will act on the Finance Committee's FSC/ETI legislation. It is all of our responsibility—Democrat and Republican alike—to pass this bipartisan legislation.

If we, as a body, fail to act, American workers will suffer with fewer jobs, and the United States will lose an opportunity to rejuvenate and remain globally competitive in the mainstay of its economy—the manufacturing sector of our economy.

Our majority leader, Senator FRIST, should be commended for bringing this bill to the floor so that the Senate can act now to end sanctions before they seriously damage the economy and before they damage our transatlantic relations. The bill needs to be passed so we can end the sanctions as soon as possible.

Repealing FSC/ETI raises around \$55 billion over 10 years. Eighty-nine percent of it comes from jobs in the manufacturing industry. If that money is not sent back to help the manufacturing sector to be competitive with Europe, FSC/ETI repeal will be a \$50 billion tax increase on manufacturing. The old rule of economics is if you tax something more, you get less of it. So there is going to be less jobs in manufacturing.

I think we can all agree that a \$50 billion tax increase on manufacturing will not stimulate job growth in that sector. That is why the JOBS bill passed by the Finance Committee uses every penny from the FSC/ETI bill repeal. To give this 3-percent tax rate cut on all income derived from manufacturing—that is done in the United States—there is no benefit to American companies manufacturing overseas.

There would be a benefit to international companies that come here to create jobs in America in manufacturing. Our 3-point rate reduction is not export contingent under the World Trade Organization rules. Unlike the FSC/ETI regime, this 3-point rate reduction applies to goods manufactured in the United States and which are sold domestically in the United States, or if they are exported for sale outside the United States. If you make it here, we cut your taxes regardless of whether you are a U.S. or foreign corporation—bringing those manufacturing jobs, then, to the United States of America. The JOBS bill starts phasing in the 3-point percentage tax rate reduction immediately in 2004.

If you look at this next chart behind me, you see on average, European Union manufacturing income is taxed at 21 percent but U.S. manufacturing income is taxed at 24 percent. As you can see, the 3-point rate cut on manufacturing income in the JOBS bill keeps us even with the European Union on manufacturing tax burdens.

We included in the JOBS bill several international tax reforms that are aimed specifically to help manufacturing. The whole JOBS bill is slanted towards manufacturing. Flaws in our international tax rules seriously undermine America's ability to compete in the global marketplace. International tax reform, like doing something with FSC/ETI, is long overdue.

Our current system is built upon a framework dating back to President Kennedy in the early 1960s. We clean up problems that cause foreign earnings to be double taxed by the United States and the foreign countries where those profits are earned. We reform subpart (f) to ensure that active foreign businesses are taxed when the money is brought home and not when the United States companies are locked in battle with foreign companies that do not pay taxes.

You will hear a lot of noise in the upcoming debate about these international provisions. But let me tell you right now that the international provisions in our bipartisan JOBS bill are targeted to benefit U.S. manufacturing companies. Members may be surprised to learn our international provisions can actually harm a company's expansion in the United States of America where we want companies to expand so that jobs are created here and so that those jobs are not exported. It is a simple thing to do. Just fix our tax laws so that jobs are created in America as opposed to overseas.

We will have plenty of opportunity to talk about that issue in the upcoming debate.

In an era of expanding global markets, in an era of falling trade barriers, and in an era of technological innovations that melt away traditional notions of national borders, it is critical that our international tax laws keep pace with these new business realities.

We also include a provision for manufacturing that is not making money

right now. We allow a 3-year net operating loss carryback. This will allow companies to reclaim prior taxes paid. This will give them cash liquidity to weather the current storm.

I understand there may be some effort to expand this 3-year carryback to a 5-year carryback.

The JOBS bill also includes the Homeland Reinvestment Act sponsored by Senator SMITH of Oregon, Senator ENSIGN of Nevada, and Senator BOXER of California. That is a bipartisan group to which anybody ought to be drawn.

This subpart of our JOBS bill, which is sponsored by Senators Smith, Ensign, and Boxer, is intended to encourage companies to bring their foreign earnings back to the United States by temporarily providing the reduced rate of tax. This bill will tax foreign earnings at 5¼ percentage points instead of the 35 percent that would normally apply.

Advocates of this Homeland Investment Act claim that those moneys will be invested overseas instead of the United States, if we don't tax them at a lower rate than the 35 percent.

These colleagues view this measure as I do, very much stimulative to the economy and helping with our unemployment problem.

One last point I will make is that our bipartisan manufacturing tax bill is revenue neutral. I don't think it does harm to emphasize, sometimes we pass a tax bill and less money comes into the Federal Treasury and we might have a bigger deficit. This bill does not do that. Not one dime is added to the current deficit.

Thank God, the President has been in the forefront of this, asking for a bill that would be revenue neutral. We have delivered for our colleagues who believe in revenue neutrality of tax bills. We have delivered for the President.

The JOBS bill provides over \$112 billion in business tax relief which is paid for by shutting down tax shelters and by closing abusive loopholes. Let me emphasize that because people are reading about this every day in the newspaper, companies setting up shell corporations overseas, with nothing but a cabinet and maybe an address, a post office box, for the sole purpose of avoiding taxation. They dash and stash the cash, whereas we have all these other patriotic companies staying in America.

There are other schemes I will not go into, but we deal with those schemes in this legislation, bringing in additional revenue that can be used, then, to make our international taxing regime more fair and do it in a way that creates jobs in the United States of America, not overseas.

It is a fact of life with most bills that come to the Senate, there is never complete agreement on an approach. There is always 20 percent on the right and 20 percent on the left that might disagree with something that comes to this Senate. What this Senate is all

about is moving things to the center, to get a consensus to get something passed. In the process, there is never complete agreement.

For instance, some Members did not favor including this Homeland Reinvestment Act which Senators SMITH, ENSIGN, and BOXER have written. We have included it in this bill. So we may have votes on that.

Our bill contains a temporary haircut on the rate reduction some Members would like to remove and others would like to retain. We will probably have that divisive issue before the Senate. Some Members prefer a reduction in the top corporate rate in place of all these international tax reforms and manufacturing rate cut deductions. Now, that is a more simple approach than we have, but this approach misses a couple of factors.

First, the top level rate cut would only go to the biggest corporations of America. It would not go to the local family-held S corporation or partnership as our finance bill does. We think we ought to help small business in the process.

Second, FSC/ETI repeal will not create a large tax increase on the service industry. That repeal will be a \$50 billion tax increase on manufacturing. If we redirect the FSC/ETI repeal money to an across-the-board corporate cut, as a couple of my colleagues will offer an amendment to do, then the manufacturing sector will be the revenue offset for the services sector of tax cuts. It is a fact that we have a struggling manufacturing sector and I don't think a sector of our economy that is slowly recovering ought to be hit with this sort of a revenue offset for the benefit of the service industry. We have to face what is the current crisis in manufacturing.

Working families are living in financial fear. We owe a secure future to these hard-working men and women. For them, we have a secure future. Their employers must be able to compete and thrive both at home and abroad. Then their future is secure. Their employers cannot thrive if these companies are burdened with excessive tax rates at home and international tax barriers abroad.

Our bipartisan JOBS bill presents the best opportunity to end that burden and to make a downpayment on putting Americans back to work. Let's hope the Senate gets to work, puts American manufacturing back in the game. That is why I am here, urging my colleagues to support a bipartisan JOBS Act and cooperate to get this bill on the President's desk.

In closing, I have one message for the 39 Democrats who are not on the Finance Committee and may not see this, other than just a piece of legislation voted out of the Senate Finance Committee. I say to the 39 Democrats who are not on the committee, they have an opportunity to help us very quickly move a bill to the other body, very quickly help us pass a bill to help man-

ufacturing, help us pass a bill to create jobs for American men and women in manufacturing, which is slow to recover. They have an opportunity to help with bipartisanship in the other body because there are bills in the other body, but they are short of the number of votes they need. Part of the reason is maybe the other body does not see the need to pass a bipartisan bill as we do in the Senate. There are Republicans and Democrats in the other body who are working on a way to do this, a way that is not far removed from our legislation.

If we have a real strong vote over here and we get this done quickly, we might be able to help the House of Representatives pass some legislation and to do it in a bipartisan way. Helping to pass legislation in a bipartisan way is not a bad goal for Senators, since we practice that.

Also, those 39 Democrats will have an opportunity to help the Senate Finance Committee do something we want to do because we can get it done in this bipartisan way and it is not exactly the way the White House wants us to get it done. Here again, we share governing responsibilities with the President and with the House of Representatives, and so Democrats working with Senator BAUCUS and myself, Democrats who are not on the committee, can help get a bill to the President, help the President to see maybe the aspects about this bill they do not like, they ought to take a second look at to see the good work, and help get a bipartisan bill through the House of Representatives.

I don't say that in a defensive way because I don't know of any reason the other 39 Democrats do not want to help us accomplish what we want to accomplish. What I have just said is not for that purpose, but only said for the purpose of those Democrats who are not on this committee, there is a larger aspect than just the language of the legislation that is before the Senate. It benefits them for a lot of goals they want to accomplish that sometimes cannot be accomplished as a minority part of this body.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I would like to make a few remarks about the JOBS bill before the Senate. With this bill, we join in the work of improving the economic well-being of Americans.

This bill is about creating good jobs in America. This bill is about improving the standard of living of all Americans.

Let me begin with the economic context for this bill. In a series of statements over the coming week, I will address particular aspects of the legislation. We begin with the dignity and importance of work. Our jobs often define who we are. They are where we spend much of our waking hours. As the preacher teaches in the book Ecclesiastes, "A man can do nothing better than to . . . find satisfaction in his work. This . . . I see, is from the hand of God. . . ."

Job creation is fundamental to our ability to live a good life. It is through the creation of good jobs that Americans have come to enjoy remarkable advancements in income and comforts. The American job creation machine makes our shores the shores to which immigrants swarm. We don't see people heading for the door. Rather, people from around the world want to live in America.

Ours is a dynamic economy. This economic growth is the key to our Nation's success.

I point out this chart. I will raise it up so people can see it. This chart shows the picture I have just basically described. In 1900, in the wake of the industrial revolution, America already stood at the pinnacle of the world economy. Already in 1900, believe it or not, we had the highest per capita income in the world, slightly more than Britain or Australia, and almost double that of France or Germany.

But even adjusted for inflation in today's dollars, not 1900 dollars, America's per capita GDP—a rough measure of our average income—was only about \$5,000 a year in today's dollars. Measured by today's standards, we lived in poverty: Walking and horseback was how one got around; electricity lit only 3 percent of homes in 1900; only one-third of Americans had running water; only 15 percent had flush toilets; life expectancy was 47 years.

In 1900, America had one of the best educated populations in the world. But 1 in 10 were illiterate. The typical adult had left school after the eighth grade. There were only 382 Ph.D.s awarded in the entire country in 1900.

Even though in 1900 our economy was at the top of the world, Americans had an average income then that the average person in Mexico has today.

If our economy had not grown, our standard of living would be unacceptable by today's measures. Economic growth made a huge difference.

Because of economic growth, inflation-adjusted, our per capita income today is roughly seven times now what it was 104 years ago.

With economic growth, electricity became available across the country, and automobiles made us a mobile nation and made much more of the Nation within reach of work.

It is incredible to see how much we have grown in real per capita GDP since 1900. You can see a dip on the chart in 1929. But we have grown at a rapid rate.

The next chart is very interesting as well. This is private sector employment. American economic growth created 108 million new jobs, net, since 1900. In 1900, the American economy employed 27 million people in its civilian labor force. By January 2004, 104 years later, the American economy employed almost 140 million Americans.

Two-thirds of Americans participate in the labor force—substantially higher rates than in Europe. That is up from 55.5 percent in 1900. Americans are hard-working people. We work.

The American economy has, on average, created more than a million net new jobs every year since 1900. Since 1935, we have done better; America has created 1.5 million jobs every year. That is a net figure.

America's economic growth springs from our people, our freedom, our unity. The American people are smart and as hard working as any in the world. Our free market has given this great people the freedom to achieve their best potential. Our unity has protected its huge internal market from robbers, foreign and domestic.

We are lucky to be Americans, very lucky. Our Nation is still a magnet for immigrants. This country is still a beacon to countries around the world.

We can pride ourselves in our independent judiciary, which helped make this country strong. We can be proud of our system of government—this long-lived democracy. We have a dynamic, mobile society.

In a number of ways, America has it right. More times than not, Americans have struck about the right balance between government protections and private freedoms, to contribute to economic growth.

Our society provides an environment for success. Bill Gates, for example, might be a pauper in Sri Lanka. But America provides the environment and infrastructure and, of course, the political system and markets where a Bill Gates can succeed. We should not take this lesson for granted. This is not true in all countries. Our society, economy and, yes, the Government contributed to the successes of people such as Bill Gates.

Government does have a role to play, for good or evil, either to foster or to impede this economic growth.

Government can impede growth. By running large continuing budget deficits, the Government can suck vital capital out of the economy, robbing individuals and businesses of funds that can be used for investment.

Thus, the record budget deficits that the Government is now running pose a threat to our Nation's economic growth. We have to recognize that. These deficits decrease national savings, decrease private sector investment, and raise interest rates. The resulting slower economic growth and increased cost of borrowing harm businesses, large and small.

Foreign governments can impede our growth when they deny Americans access to their markets, when they don't let us sell products in their country, when they artificially depress the value of their currency, flooding our lands with their imports and denying our exports a fair opportunity to compete.

Our Government can foster growth by investing in education, by opening markets at home and abroad, and by removing barriers to our economic greatness. We can foster growth in America.

That is what this bill is about—removing barriers to economic growth and creating jobs.

It is no secret that in the past few years the engine of American job creation has ground to low gear; manufacturing has been particularly hard hit.

This next chart shows the story of private sector job creation in the American economy over the last decade. Beginning in March of 1993, here at the lower left, the American economy steadily created new jobs throughout the rest of the decade. The economy grew. People had jobs and families had more money in their pockets. In fact, from January of 1993 to January 2001, about 20 million—net jobs—were created in America.

Private sector employment peaked at 111.6 million jobs in December of 2000. The Bureau of Labor Statistics reports that since the end of the year 2000, the private sector of the American economy lost 3 million jobs. You can see that on the chart. Our peak was here in 2000 and we have lost jobs—3 million. Three million jobs were lost in the American economy since that peak in December of 2000. In January of this year—the month for which we have the latest statistics—the American economy employed 108 million private sector workers, which means 1 out of every 40 private sector jobs have disappeared since the end of 2000.

The manufacturing sector has disproportionately borne the brunt of these job losses.

This next chart shows the story. This is manufacturing jobs from 1993 to 2004. We can see the dramatic decline in roughly 2001, since July of 2000.

Since July of 2000, the American economy has lost 3 million manufacturing jobs. That is a net loss. The Bureau of Labor Statistics reports that in January, America employed 14.3 million workers in manufacturing, and that is down from the 42nd straight month from the high of 17.3 million in July of 2000. That is a drop of 17.5 percent in manufacturing employment. More than one in every six American manufacturing jobs has disappeared since July of 2000. Again, one in every six manufacturing jobs in America has disappeared since July of 2000.

Manufacturing jobs have disappeared in all 21 industries that constitute the manufacturing sector. It is in all sectors. We lost jobs in computer and electronics products. We lost jobs in transportation equipment. We lost jobs in machinery. We lost jobs in fabricated metals. We lost jobs across the board.

My home State of Montana has suffered more than most. It has had a 19-percent reduction in manufacturing jobs since January of 2000.

This next chart also shows job losses happening all across the country; not just across all manufacturing sectors but all across America. Every State in the Nation but one has lost manufacturing jobs since July 2000. The darker the shade, the greater the job loss; the lighter the shade—orange and yellow—there is less job loss. But every State in the Nation has lost jobs, except one.

The manufacturing jobs we are losing are good jobs. This next chart shows

manufacturing jobs pay more than service jobs on the average. We all know we are moving from a manufacturing society to a service job society. Regrettably, those new jobs, service jobs, pay quite a bit less than manufacturing jobs, and that has been true from 1994 all the way up through the current date.

This next chart shows manufacturing employment is now at its lowest absolute level since July of 1950. Fewer Americans are employed in manufacturing today than at any time in more than half a century. We can see from the line from 1950 to today there is essentially the same number of jobs. Clearly, we are not doing very well.

Why do I mention all this? First, it is fact. Second, we have to deal with it. We have to do something about it, and that brings us to the bill before us, the JOBS bill. We have targeted the provisions of this bill directly at manufacturing employment. Why? Because that has been the greatest problem.

This bill will not be a complete solution. By no stretch of the imagination will this bill be a complete solution to job loss in America. To help create and keep manufacturing jobs, we also need to do many other things in addition to passing this bill. We need to open foreign markets to American goods much more aggressively than we have done in the last couple of years. We need to improve education, to preserve the comparative advantage of American workers. Clearly, we have to be the smartest—hopefully at least try to be the smartest—in the world. To do that, we have to educate our kids and keep education at all levels, and to retrain workers.

We also need to make health care more affordable. Health care costs in the United States are too high. They place a big burden on employment, on businesses. The cost of health insurance and the cost of health care is way too high and should be lowered. We also need to provide assistance to displaced workers. They need to be retrained.

This bill will do two things that will make an important contribution to creating and keeping manufacturing jobs in America. This bill will contribute to economic growth and increased demand. This bill will help reduce manufacturers' tax burdens. It will reduce the tax rate for domestic manufacturers by 3 percentage points. Basically, it is a 9-percent reduction for domestic manufacturing income, which translates to about a 3-percent point break for corporations. The JOBS Act will thus help all manufacturers who produce goods in the United States.

Cutting taxes for domestic manufacturers will help prevent layoffs. It will help. It will not solve the entire problem, but it is going to certainly help. It will help preserve jobs, and this bill is paid for. It will not contribute to the deficit. It thus will not raise interest rates. It thus will not levy that hidden

tax of higher borrowing costs for business.

This is an important bill. It comes none too soon. American manufacturing is calling out for help. This bill is part of the answer.

To ensure continued prosperity and well-being, the American economy needs to start growing again, and this bill is part of that solution.

This bill is an important first step to address the economic circumstances in which we find our country. Over the days to come, I look forward to working with my colleagues on this bill. I particularly thank the chairman of the committee, Chairman GRASSLEY, who has done a terrific job in putting this bill together in a way that focuses directly on the problem.

We know we are here in large respect because of the WTO ruling which says we must repeal the so-called FSC/ETI regime because it is WTO illegal and replace it with a system that helps our domestic manufacturers in a way that is legal under WTO. There are various ways to fashion a replacement bill, and the other body has a replacement bill which gives the break to American corporations, C corporations, big corporations. We have a different bill. Our bill says if you are a C corporation, if you are an S corporation, sole proprietorship, partnership—whatever—if you manufacture products domestically in the United States of America, whether you export is irrelevant. You get the same reduction in your tax rate. That is to help small business as well as big business. So business together across the board is helped, not just big business.

We all know that is important because most new jobs are created by small businesses. There are many more small business people in this country than there are big business. Small business tends to be more creative in creating new jobs and expanding rather than big corporations.

I will stop here. There is much more to say about this bill.

One final point. I mentioned it is paid for. It is paid for by measures which in themselves should be good public policy and we should pass, anyway. What are they? They are corporate tax loophole closures. They are shelters legislation. They are post-Enron provisions that have not yet been enacted into law. There is something else called silos, to shut down another abusive international transaction.

Not only is this bill paid for, it is paid for in ways that will help restore consumer and investment confidence in American business which, in and of itself, will help create and keep jobs in America.

I yield the floor.

Mr. GRASSLEY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

Mr. BAUCUS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Madam President, I have a few more comments I would like to make about this bill. I hope, though, we can get an agreement put together, a list of several amendments that would then be in order. I know various Senators and leadership are now discussing that. It would be my hope we could reach that agreement fairly soon so we can get on with this bill.

Let me just discuss for a few minutes what this JOBS bill is really all about. It is a bill which the Finance Committee reported last November. It is something we simply must pass due to the WTO decision. I hope we can get it enacted into law as soon as possible.

I think this bill is important for three reasons. First of all, it will cut taxes for domestic manufacturers. That is important. The bill will also simplify taxes for American companies operating overseas. That, too, is important. And it will bring us into compliance with an unfavorable ruling of the World Trade Organization—no small matter. The JOBS bill, the bill before us, reduces the tax rate for domestic manufacturers by 3 percentage points. So if you are in the top bracket, it is 3 percentage points. If you are a company or corporation in a lower bracket, it is still about the same. Actually, it is a 9-percent deduction for the cost of producing or manufacturing products in the United States, which translates to about a 3-point reduction. Cutting taxes for domestic manufacturers will help prevent layoffs. It will help preserve jobs. As we all know, this country has lost 3 million—think of that, 3 million—manufacturing jobs since July of 2000. That is net loss. We have lost a lot more and gained some, but the net loss is 3 million manufacturing jobs lost since July of 2000.

When I talk to manufacturers in my home State, as I know the Presiding Officer does in her own State, they say the rising cost of doing business is one of the biggest impediments to business. It is a big problem business has. By cutting the cost of doing business, this bill will help alleviate the job loss.

This bill will help companies do their job. This bill helps small businesses as well as larger businesses. The Tax Code treats different kinds of businesses differently, as we all know. C corporations, as you well know, are companies that exist as a separate entity from their owners, thus limiting the owners' liability. The corporations can be liable for various actions, but the stockholders themselves, the owners, are not. That is the reason why companies organize themselves, very often, in that manner.

This chart shows about 26 percent of companies in the United States are organized as C corporations; that is, they limit their owners' liability, the shareholders themselves. The owners are not liable.

Sole proprietorships and partnerships are businesses where the owners of the

business are fully liable for its debts. S corporations are smaller businesses that are incorporated for liability purposes but taxed as a partnership. The S corporations, partnerships, and sole proprietorships are collectively known as passthrough entities. These are generally smaller businesses, while C corporations are larger concerns.

Why do I mention all of that? I mention all that because, as I earlier stated, about a quarter of companies are organized as C corporations, but about three-quarters of American companies are organized differently, either as sole proprietorships, as partnerships, or as S corporations. We want to make sure that not just standard, garden-variety C corporations get the benefit of this bill but that all companies that manufacture domestically get the benefit of this bill, so we have changed the underlying bill.

Currently, today, under the FSC/ETI regime, which has been declared illegal by the WTO, the C corporations are the ones that get the benefit of the tax break. It helps them export products overseas. But in the Finance Committee, we felt, not just big companies but all companies should get the benefit of reduced taxes.

Nearly three-fourths of the manufacturers in this country are S corporations, partnerships, and sole proprietorships. About three-quarters of all new jobs that are created are by these small businesses. This chart shows that. About one-half of all employees in this country are employed not by big C corporations, they are employed by the other passthrough entities I mentioned. About three-quarters of all the jobs created and held in the United States are not by the big companies but by all the other smaller companies.

That is why we have extended this bill to include so-called passthrough entities. Our smaller businesses are the backbone of my State's economy and certainly the backbone of the economy of the Presiding Officer's State. I think they deserve tax relief just as much as larger businesses do.

In addition, by including partnerships and sole proprietorships, more of our agricultural producers will become eligible for this tax relief.

The JOBS bill that is before us also includes long overdue international tax reform. We are not just talking about the domestic manufacturing reduction rate; we are also talking about international tax simplification. That is for bigger American companies that do operate overseas. We want to make sure our American companies are competing on equal ground with rivals from other countries. One way to do that is to limit double taxation. When our companies are taxed twice, that makes them less competitive. We have included international tax simplification and reform provisions that will help American companies compete with foreign companies overseas.

A number of provisions will help companies better utilize their foreign

tax credits. Foreign tax credits prevent income from being taxed twice. There is a repatriation provision that encourages companies to bring back overseas profits for investments in the United States. There is also a provision that will ease the tax compliance burden for small businesses looking to gain access to overseas markets. These are worthwhile, and they are measures that will help restore fairness and integrity to our American tax system.

As I mentioned, the bill repeals the current FSC/ETI laws. Why? To bring us into compliance with WTO obligations. Our bill replaces a tax incentive that was dependent on exports with a tax incentive that is not dependent on exports. A company can utilize this tax benefit in this bill whether the product it manufactures is exported. So long as it is manufactured in the United States, that company qualifies. We will partially offset the loss of tax benefits to U.S. exporting companies, therefore, by the repeal of the current law, which I said is inconsistent with WTO, and will also provide benefits to all American manufacturers, providing a needed boost to our economy.

Another point: This legislation is completely paid for. Repealing the old FSC/ETI regime will cover most of the cost for the new tax incentive. By repealing the current law, that almost pays for what we are doing here.

The international provisions are paid for; that is, the additional provisions of the bill are paid for with offsets that curb abusive tax shelters. We have offsets in this bill. They will not just create revenue, but they are also good provisions, good tax policy in and of themselves—clamping down on shelters, the inversions provisions, post-Enron reforms, something else called SILOs, which is a gimmick, frankly, that international American companies are using to shelter their income. All that is shut down, and that pays for the rest of the bill. Again, these shelter provisions are absolutely critical to be enacted.

Let me mention in a little bit more detail the three reasons for supporting this bill. I mentioned it is fully offset and the revenue goes to manufacturing. I think that is a principle we should maintain. We should not put incentives in this bill or change this bill in a way that deviates from that. We should also not change this bill in any way that reduces or diminishes stopping the abuses of tax shelters. That is a principle we should absolutely maintain.

I might say something about our budget deficit. Our current budget deficit is projected at about \$521 billion this year. We all know that is basically an understatement. It is going to be much worse. Why? Because the administration's budget, as well as the budget resolution pending in the Senate Budget Committee, does not include several factors which more accurately reflect the true deficit our country is facing. What are those? First, both the

budgets of the administration and the Budget Committee, which will be coming before the floor on Monday, will not include the cost of the war in Iraq. It will not include war costs. In fact, defense spending is going to be cut a little bit. One might wonder why, when costs are going up. My guess is the administration will come back with a supplemental next year with a big increase in Iraq costs and war costs. This budget does not include that and it should. That would be more honest.

Second, the budget does not include the cost of making expiring tax cuts permanent. That is the view of the administration, that they should be permanent. The budget does not include that.

It doesn't include providing alternative minimum tax relief. We all know this Congress is going to have to enact alternative minimum tax relief soon, and it is very expensive. That also is not included, to say nothing of the cost of paying for the baby boomers when they start to retire in the not too distant future.

Deficits are going to be a lot larger than contemplated in either the administration budget or the budget resolution that will come to the floor.

I say that because it is all the more reason why this bill must be budget neutral. I say that also because there are other Members of Congress who have a different view about that. They would not like this to be budget neutral. They would like there to be further tax cuts but not paid for. I think that is not wise. Frankly, psychologically, as well as actually, the American people will appreciate us having a budget-neutral bill and trying to work toward a balanced budget. That means people around the country are saying those guys and gals in Washington maybe have their heads screwed on straight. Maybe they are doing something right back there. Maybe they are not frittering away taxpayer money.

The more we do what is right, by keeping this budget neutral, not succumbing to the siren song of lowering taxes but not paying for them, the better off we will be in so many respects.

Another point: We have a heck of a job ahead of us, a huge challenge. What is it? It is how to create more jobs in America, how to keep jobs in America, and how to help those who have lost jobs—no easy task. It is extremely difficult. We all know the statistics. Three million manufacturing jobs lost in the last several years. We have to do something about that. The real question is, what do we do? What is the right thing to do? Some say it is OK. That is the way things are. That is international competition. That is globalization. It just happens. In the long run we are all better off. Some say that.

Essentially that was a statement of Mr. Mankiw the other day that has been bandied about so much. He said that is the way it is. There will be new

technologies. Companies will be able to compete better. They have to lower their costs, and they can lower their costs if they can compete any place in the world. If that means jobs overseas, lowering costs, that makes American companies more competitive.

I have a different view. I think we have to face up to the challenge of creating more jobs and retraining Americans so they can have jobs, and keeping those jobs in America. That is, we cannot be passive. We have two choices: try or do nothing.

I say we try to create more jobs in America; we try to keep more jobs in America; we try to retrain people and help people who have lost jobs. We have to do something about it.

The administration thus far has been passive. It has gone AWOL. It does not seem to really care. I do not see any affirmative programs to create jobs in America. We need them. It is a hugely complex problem in both the short term and long term. In the long term, it is education—science, math, engineering. Did you know we don't graduate nearly as many engineers as does Japan, Europe? And China graduates about three times the number of engineers we do. Did you know that? How long can we continue that? In the long term, we cannot. It is unsustainable.

I must also say the amount of financial aid or the amount of support in basic research has dropped tremendously in America. The number of engineers who graduate in America is now about 30 percent less than it was not too many years ago. The figure is worse than that. We are not going to be able to compete in the long run if we continue that. It can't be done. There are lots of other long-term measures we have to undertake.

There are also in the midterm things we could be doing and we are not. What are they? No. 1, we are not opening foreign markets. Look at India, look at other countries in the world that are closed to America, particularly the country of India. We hear about all the call centers going to India. We don't hear about goods being exported to India for a very good reason: India is by and large closed. They are closed to intellectual property rights, closed to so many markets, so many products. India is closed. What are we doing about that? Not much.

The same can be said for other countries—China. Remember the WTO? They are a member of the WTO. We gave them PNTR. China has a lot more to do.

What are we doing in trade? Basically looking to countries—with no disrespect—such as Bahrain and Morocco. These smaller countries don't have huge commercial benefit to the United States. It is easier to reach trade agreements with those countries. It is much more difficult to go after where the real problem is. As I mentioned, this country is not doing that, and it should do that. It should start working more aggressively to open markets so

we can sell products overseas. When we start selling products overseas, that means more jobs in America. It is pretty doggone simple, but it is not being done.

I might also add that there are other things we could be doing that we are not doing. I mentioned education. We are cutting education in this country. We are not fully financing No Child Left Behind. How are we going to compete in the world if we don't give full due to education? We have all gone overseas and visited high schools in countries worldwide. I have. The graduates in Pusan, Korea, are bright as the dickens, and they are hungry.

We have great schools and great teachers. But there is so much more we can do. In my State—and this may be true in other States—teachers are leaving because their salaries are so low. They cannot teach. A lot of schools in the country are cutting back on gifted children programs. They don't have any money. Why are we cutting back on gifted kids? That certainly helps all kids, including the underprivileged.

Madam President, I will yield the floor because I see our Democratic leader in the Chamber. He has a lot to tell us. Certainly, it will add immensely to this discussion. I urge us to think critically about the real problem. We cannot close our borders and put our heads in the sand. We have to meet this challenge head on. This is part of that effort.

I yield the floor.

The PRESIDING OFFICER. The Democratic leader is recognized.

Mr. DASCHLE. Madam President, I compliment the Senator from Montana for his words. I have not heard all of his remarks this morning, but I could not agree more that this is a problem that has to be addressed head on. As he noted, this legislation gives us an opportunity to do so. It may not be the ultimate solution, but it is a critical building block in our effort to restore the economy and create new jobs.

I hope that very shortly we can get on with the debate. We had an agreement not to offer amendments, of course, until people have had a chance to make opening statements. I intend to make a short one. I hope in the not too distant future we can begin the real debate. We don't have a lot of time. We have 3 days. Senator FRIST is right that we have a lot to do in a short period of time. If we are going to maximize the use of these 3 days, it is time to get on with amendments. I know Senator HATCH is prepared to offer the first one. We hope that certainly before the end of this noon hour, we will have offered the first amendment.

Mr. President, these are very difficult times for millions of American families.

Nine million Americans can't find jobs. We have the highest long-term unemployment rate in 20 years. And in the last 3½ years, our economy has lost 2.9 million jobs; 2.8 million of those jobs were manufacturing jobs.

These aren't abstract numbers. They have real world, dramatic impacts in South Dakota and across our country. And the millions of affected families are looking to us for answers. They don't want hand-outs; they want jobs.

Unfortunately, American has lost manufacturing jobs every month since this administration took office—every single month. This is unprecedented. It's also dangerous for our economy.

Manufacturing is more productive, it pays higher wages, and provides more benefits than other sectors of the economy. Manufacturing jobs are the kind of jobs you can raise a family on. They're the kind of jobs that make it possible for middle-class families to put their kids through college, and put something away for retirement.

We have clear choices in facing this problem. We can let jobs move overseas—or we can fight to keep them here. We can try to create jobs here, or we can do nothing in the face of globalization.

We can provide help for workers who are losing their jobs, or we can look the other way. And we can strengthen worker protections, or we can strip away overtime and other benefits that have been a hallmark of the American workplace.

A couple of weeks ago, President Bush and his economic advisors weighted in on this issue and told Americans it was a good idea to ship jobs overseas and we ought not worry about it. I don't see it that way, and I know people in South Dakota don't see it that way. And we need to do something about it.

Today's legislation is the second step in this process. The first step was the creation and the passage of a very important highway bill, which will create hundreds of thousands, if not millions, of new jobs over the course of the next 6 years. This is the second step.

The foreign sales corporation regime was created to counterbalance provisions in the Tax Code that create incentives to move operations overseas. It provided tax advantages for American companies that keep their jobs in America and ship their products overseas.

But the World Trade Organization has decided that these advantages were an unfair subsidy and needed to be eliminated. And if they weren't eliminated, international sanctions would follow. Those sanctions kicked in beginning March 1.

The question before us is what to replace the old export tax regime with?

The Bush administration is completely focused on overseas activities and has proposed nothing to encourage manufacturing job creation at home.

But thanks to Chairman GRASSLEY and Senator BAUCUS, we have another solution before us.

The centerpiece of their legislation is creating tax incentives for manufacturers that will keep and create good jobs in America. Their proposal is one of the most important opportunities we

will have this year to begin addressing America's manufacturing crisis.

Just as importantly, this bill gives us an overdue opportunity to do more.

We need to accelerate and increase domestic manufacturing tax incentives, and establish a strong job creation tax credit.

We need to prohibit tax deductions for outsourcing expenses, and require notice to employees about outsourcing plans. Every community has a right to know how many employees are losing their jobs, why then are losing their jobs, and where those jobs are being sent.

We need to restrict outsourcing of government contracts.

We need to help workers who are hurt by outsourcing, and make sure they have access to training and health care while they get back on their feet.

And we need to reverse some of the Bush administration's worst policies—like eliminating overtime for 8 million workers, including veterans who have been given training in the military and are now ineligible for overtime pay as a result of this regulation. We need to do that. American workers have the same rights they have always had. That fact needs to be reemphasized with the legislation we will offer on this bill.

We can't wait until next year to make these improvements. Millions of American families need them today. And I have seen firsthand, in South Dakota, why this is so important.

I recently toured a manufacturing plant in Sioux Falls. Graco Incorporated is the world's leading manufacturer of fluid-handling systems and equipment. They've been in business for 78 years. They employ about 165 people.

The plant manager showed me two, nearly identical parts. The first was made in Sioux Falls. The other—made overseas—wasn't quite as high-quality, but it cost a little less because the people who made it were paid less, with no benefits.

The manager showed me those two parts. Then he introduced me to the workers who would lose their jobs if Graco took the easy, offshoring route. He said, "I don't want to be the one to have to tell them they don't have jobs anymore."

The people at Graco are resisting the temptation to export their workers' jobs. They're doing everything they can think of to be good, responsible corporate citizens of my State. The last thing the Federal Government should do is make that job any harder.

Our responsibility is to make it easier for Graco and thousands of other companies to keep and create jobs here at home.

As I said, this bill is one step in a long process. By itself, it will not completely reverse the unprecedented decline in American manufacturing that has occurred since 2001. That will require a comprehensive plan and sustained bipartisan cooperation over a period of time.

In the short term, we have to work together to restore fiscal sanity to the budget.

The Federal deficit this year will be half-a-trillion dollars—with no end in sight to the red ink. This debt could cripple our economy and destroy our children's future.

In the longer term, our Government should assist people with education and training so they can seize the opportunities that rapid change creates. We need to help people who are displaced by change, and we need to make sure America remains on the cutting edge of innovation.

The administration is not facing either of these challenges. We have the largest budget deficits in all of American history, and the administration is drastically underfunding training and education.

The President's budget recommends \$9.3 billion less for the President's own educational reform plan than the new law calls for.

By choosing tax cuts for those at the top over assistance for States, the President has forced drastic increases in tuition at public colleges and universities.

The administration has fought Democratic efforts to help dislocated workers upgrade their skills at community colleges.

At a time when other countries are feverishly trying to challenge America's preeminence in critical technology, the administration, through neglect and politicization has weakened America's science and technology infrastructure and undercut America's scientific edge.

The decline in American manufacturing isn't just happening on President Bush's watch. It is happening in part because of President Bush's policies.

Our choices are clear. We can follow the administration's path and make it easier and cheaper for companies to ship American jobs overseas, or we can fight to keep good jobs in America. We can turn our back on millions of workers and families who cannot find jobs, or we can help them get back on their feet and get back to work.

It is our hope that, in a bipartisan way, we can find ways to ensure that these goals can be achieved, not only with this legislation but certainly beginning with the amendments we will offer throughout the debate on this bill and hopefully with final passage accorded this legislation someday soon.

I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, before the distinguished Democratic leader leaves the floor, I would like, through you, to pose this to him: We have been here now for approximately 2 hours on this very important legislation. The Democratic leader has talked about how important it is, the distinguished chairman of the committee has talked about how important it is, our ranking

member has talked about how important it is, and we are doing nothing. We have a gentleman's agreement that this would be for debate only, but I think the Democratic leader would agree with me, and I think everybody should be put on notice that this cannot go on all day long, that this is ridiculous; would the Senator agree to that?

Mr. DASCHLE. Madam President, I respond to the Senator from Nevada, the distinguished assistant Democratic leader, that the schedule is clear. We have this afternoon, we have tomorrow, and, let's face it, honestly, we only have Friday morning, and we will be under great pressure, I am sure, not to have any amendments offered beyond midmorning on Friday.

So for all intents and purposes, we have a little bit more than a day to debate this critical legislation prior to the time the majority leader has already indicated we are going to be moving to the budget, setting aside this legislation.

We are going to be assessed \$4 billion in tariffs beginning this week if we do not correct the current situation. So this legislation is urgent. It needs to be addressed.

I think we have some very critical amendments that ought to be offered in this very narrow window to accommodate concerns on both sides of the aisle. I hope we can do so. Frankly, as the Senator suggests with his question, we need to do it soon.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Madam President, it is true also, is it not, that we have made—and I would like to hear the Democratic leader respond to this—a fair response? The majority has an amendment they want to offer, sponsored by Senator HATCH, dealing with extension of some tax credits. We then said we would like to offer an amendment to stop what—it is not a crime but it is close to it in our country today with all the outsourcing of all these contracts, and we want to make sure the U.S. Government contracts are not outsourced unless there are certain limitations placed upon them.

Then they would come back with another amendment sponsored by Senator BUNNING. Then we would come back with another amendment sponsored by Senator HARKIN dealing with overtime, and this is no secret; this is an issue about which we have great concern as to what the administration is doing with American workers with overtime.

Is there anything in this agreement the Democratic leader sees that should prevent us from moving forward on this critical legislation? We have even agreed to time limits; is that not true?

Mr. DASCHLE. The Senator from Nevada is correct. We have agreed with our Republican colleagues to limit the amount of time devoted to each of these amendments.

I see the distinguished chair of the Finance Committee, and it looks as if

he may be about to propound a unanimous consent request. Perhaps we can yield the floor to accommodate his interests in doing so. I think we all hope to achieve the same goal. Let's move this bill forward. Let's have a good debate about amendments, up or down, and let's see if we can complete our work on this legislation in a timely way.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Madam President, I ask the following unanimous consent request. We have perfecting amendments that have been cleared on both sides. Therefore, I ask unanimous consent that the first-degree and second-degree perfecting amendments that are at the desk be considered and agreed to en bloc and that the motions to reconsider be laid upon the table; provided further that the committee substitute be agreed to and considered as original text for the purpose of further amendment. I further ask unanimous consent that the next first-degree amendments in order be the following: a Senator Hatch and Senator Murray amendment on R&D, with a Bingaman second-degree amendment which is relevant to the first degree; then Senator DODD dealing with outsourcing; then Senator BUNNING and Senator STABENOW dealing with accelerating manufacturers' tax cut; and then the fourth amendment will be Senator DASCHLE or his designee.

The PRESIDING OFFICER. Is there objection? The Senator from Nevada.

Mr. REID. Madam President, reserving the right object, I wish to express my appreciation to the chairman of the committee. He, in the statement he has made so far, along with the ranking member, underscored the importance of moving this legislation, and this is movement in that direction.

As we indicated in the dialog between Senator DASCHLE and this Senator, we will agree on time limits anytime the Senator wants to work something out in that regard. We will be happy to do that. This is a very good first step, and we do not object.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 2646) was agreed to.

(The amendment is printed in today's RECORD under "Text of Amendments.")

The amendment (No. 2645), as amended, was agreed to.

(The amendment is printed in today's RECORD under "Text of Amendments.")

The committee amendment in the nature of a substitute, as amended, was agreed to.

Mr. REID. Madam President, we now have an amendment that will be offered as soon as Senator HATCH arrives. Senator BYRD saw we were not doing a lot on the floor, and he asks, through me, that he be able to speak for up to 20 minutes at this time.

Mr. GRASSLEY. Madam President, I feel as if I owe that to the Senator

from West Virginia because I already made arrangements for him to speak before we completed this agreement.

Mr. REID. Madam President, I propound that in the form of a unanimous consent request, with the understanding that the first amendment be offered as soon as he finishes. That will be good.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from West Virginia.

Mr. BYRD. Madam President, I thank the distinguished Democratic whip and I thank the distinguished chairman of the committee for his courtesy.

INDEPENDENT COMMISSIONS ON NATIONAL SECURITY ISSUES

Most of us are familiar with the Aesop's fables, having read some of them at one or more times during our lives. Aesop once told the story of a jaybird that ventured into a yard where peacocks used to walk. There the jay found a number of feathers fallen from the majestic birds when they had last molted. He tied them all to his tail and strutted toward the peacocks. His cheat was quickly discovered, and the peacocks harassed the imposter until all his borrowed plumes had fallen away. When the jay could do no more than return to his own kind, having watched him from afar, they were equally affronted by the jay's actions.

The moral of the story, said Aesop, is that it takes more than just fine feathers to make fine birds.

It is an age-old lesson that the Congress should hold in its mind as we consider how best to investigate the distorted and misleading intelligence that the administration used to build its case for war in Iraq.

On February 6, the President announced the creation of his own commission to investigate our intelligence agencies to find out, in the words of Dr. David Kay, why we were almost all wrong about the administration's prewar claims of huge Iraqi stockpiles of weapons of mass destruction. If Congress is serious about getting to the bottom of this apparent intelligence failure and the administration's rush to war, we must realize that once stripped of its dazzling plumage, the White House proposal for its own so-called independent commission is a real, honest to goodness turkey. It is not only fine feathers that make fine birds.

The President has described the panel that he created as being an independent commission. Well, nothing could be further from the truth. This commission is 100 percent under the thumb of the White House. Who created the panel's charter? The President. Who chooses the panel members? The President. To whom does the panel report? The President. Whom shall the panel advise and assist? The President. Who is in charge of determining what classified reports the panel may see? The President. Who gets to decide whether the Congress may see the panel's report? The President.

To describe this commission as independent is to turn that word's definition on its head. In fact, the deeper one delves into the text of the Executive order that creates the President's so-called independent commission, the more one finds that the commission is ill-equipped to discover just what went wrong with the prewar intelligence on Iraq.

At first glance, the charter of the President's commission appears very broad. It is to assess whether the intelligence community of the United States is sufficiently authorized, organized, equipped, trained, and resourced to tackle the threats of terrorism and weapons of mass destruction. As part of that goal, the commission is to compare prewar intelligence on Iraq with what has so far been discovered.

That mission sounds like a mouthful, but it really misses the point of why the American people are calling for a commission to investigate in this matter.

The public has a right to know why our intelligence on Iraq was so wrong, how the administration may have misrepresented its intelligence, who is going to be held accountable for misleading our country into war, and what will be done to fix the problems with our intelligence. Those are exactly the questions an independent intelligence panel should be investigating, and yet the President's commission only skirts those key issues.

What is more, even though the President promised that his commission will investigate current intelligence on North Korea, Iran, and Pakistan, his Executive order, in fact, does not bother to direct the commission to review intelligence on those countries. Instead, the President's Executive order directs the commission to focus its energies on Libya and Afghanistan. Libya and Afghanistan are not countries that the President has labeled as part of his axis of evil. A real independent intelligence commission would shine new light on how we assess the threats of North Korea and Iran, not be distracted by sideshows that will keep the commission busy until March 31, 2005.

The President has carefully drafted this Executive order to allow himself to serve as the gatekeeper on what information the so-called independent commission might have access to. While the President directs Federal agencies to cooperate with this commission, he also has created a giant loophole that would prevent the most important intelligence products from being read by his commission.

The Executive order reads as follows: The President may at any time modify the security rules or procedures of the commission to provide the necessary protection to classified information.

I was born at night but not last night. All of America knows that the White House is in a dispute with the September 11 Commission over intelligence reports that were read by the President. The commission wants

them. The White House will not give them. The Executive order drafted by the President to create an intelligence commission makes sure that his own commission will never see documents that the President does not want them to see.

At least the 9/11 Commission has the power to issue subpoenas for critical information. The President's intelligence commission does not even have that power. The deck is being stacked against a full and open inquiry on the prewar intelligence on Iraq. Congress is not even assured of having access to the commission's report.

The President has required that the commission send its report to him in March 2005 and then within 90 days the President will consult with the Congress concerning the commission's report and recommendations.

Why can the Congress not simply read the commission's report? Why should the White House be given the opportunity to reword, reshape, redact, or even flat out censor the so-called independent commission's report before Congress can get their hands on it?

It is quite possible that if this so-called independent commission is allowed to proceed as the President has directed, Congress will never have the chance to review the commission's work.

Tucked away in the President's Executive order is a provision that intends to exempt this commission from judicial review. Let us not forget that the Office of the Vice President fought tooth and nail in Federal courts, and is still doing so, to keep the General Accounting Office, an arm of the Congress, from learning about the meetings of the Vice President's energy task force.

Could this provision be an attempt to hide the work of the President's intelligence commission from Congress? I would not put such a scheme beyond the White House, which has already demonstrated its zeal for secrecy.

The administration's case for war in Iraq appears to have been built upon cherry-picked intelligence, produced and massaged to hype the American people into going along with a war of choice. The President's so-called independent commission would allow the White House to do the exact same number on the commission's report as it did on prewar intelligence and analysis; namely, pick out only the parts that it wants the public to see and bury the rest.

It is bitter irony that a report on whether the administration covered up evidence that contradicted a rush to war might itself be covered up under the terms of the President's Executive order.

So what is next? An independent commission to investigate the President's own commission? Is that so? I wonder. Let us not make the mistake of ignoring the shortcomings of the White House's version of an intelligence commission on Iraq, only to be haunted by those problems later.

The revelation by Dr. Kay that he does not believe any stockpiles of weapons of mass destruction existed in Iraq has dealt a blow to the President's case for war. It has shaken the American people's faith in their Government. We owe it to the American people to get to the bottom of what went wrong with our intelligence agencies and whether the administration misused the intelligence that it was provided.

The President has simultaneously promised a commission to investigate these matters and stacked the deck against the independence of his very own panel. That is not the right way to gain the confidence of the American people in their Government. It is yet another in a string of attempts by this White House to mislead the American people on issues of national security.

Congress must step in and correct the grievous error that the President has made in creating a commission that is not equipped properly to do its job. Congress should use the independent 9/11 Commission, a commission that has shown itself to be fair, independent, and bipartisan, as a starting point for how to create an independent panel to investigate the Iraq intelligence failures. If the administration is serious about getting to the bottom of this debacle, this new commission might even be created in just a matter of days.

The American people deserve answers on why the administration relied on faulty intelligence to take this country to war without presence of an imminent threat. A commission that is designed to keep the inquiry under the thumb of the same White House that misled Congress and the public about the nature of the threat from Saddam Hussein will never be able to operate independently. So Congress should not allow the President to get away with posting a fox at the door to the hen house.

The structure of the 9/11 Commission is a solid foundation upon which to conduct an inquiry into the administration's prewar intelligence claims. The 9/11 Commission has been doing yeoman's work in digging into all of the events that led up to those catastrophic attacks on New York and Washington. In fact, the only real problem that the 9/11 Commission has faced is the lack of cooperation from the White House.

After refusing to meet with the full membership of the 9/11 Commission, the President and Vice President have reluctantly proposed to meet only with the chairman and vice chairman of the panel. And for how long? Just 1 hour.

The National Security Adviser has flatly refused to participate in any public discussions with the Commission. The White House position on dealing with the 9/11 Commission is so unreasonable that the administration is drawing criticism from both sides of that panel. There is even talk that former Senator Bob Kerrey, who once

served as Chairman of the Senate Intelligence Committee, could resign because of the administration's refusal to let the Commission do its work. What could possibly be the reason for this stonewalling by the White House?

It is as if a whole swath of the Washington establishment has completely forgotten the horror of the terrorist attacks that killed 3,000 innocent people. But the American people have not forgotten. The American people have their priorities straight. They place getting at the truth of how that tragedy was carried out above election year politics.

Enough with the stonewalling. Enough with the foot dragging. Enough with the election year politics. The Senate acted correctly a few days ago to extend the life of the 9/11 Commission so that it can get its work done, and the House should promptly follow suit. Now Congress should act quickly to create an independent Iraq intelligence commission. The confidence of the American people in their Government, the people's government, hangs in the balance.

Madam President, I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HAGEL). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 2647

Mr. HATCH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant journal clerk read as follows:

The Senator from Utah [Mr. HATCH], for himself, Mrs. MURRAY, Mr. BAUCUS, Ms. CANTWELL, Mr. SMITH, Mr. BUNNING, and Mr. GRASSLEY, proposes an amendment numbered 2647.

Mr. HATCH. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To extend and modify the research credit)

At the end of subtitle A of title III add the following:

SEC. __. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Section 41(h)(1)(B) (relating to termination) is amended by striking "June 30, 2004" and inserting "December 31, 2005".

(2) CONFORMING AMENDMENT.—Section 45C(b)(1)(D) is amended by striking "June 30, 2004" and inserting "December 31, 2005".

(b) INCREASE IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(1) by striking "2.65 percent" and inserting "3 percent",

(2) by striking "3.2 percent" and inserting "4 percent", and

(3) by striking "3.75 percent" and inserting "5 percent".

(C) ALTERNATIVE SIMPLIFIED CREDIT FOR QUALIFIED RESEARCH EXPENSES.—

(1) IN GENERAL.—Subsection (c) of section 41 (relating to base amount) is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

"(5) ELECTION OF ALTERNATIVE SIMPLIFIED CREDIT.—

"(A) IN GENERAL.—At the election of the taxpayer, the credit determined under subsection (a)(1) shall be equal to 12 percent of so much of the qualified research expenses for the taxable year as exceeds 50 percent of the average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined.

"(B) SPECIAL RULE IN CASE OF NO QUALIFIED RESEARCH EXPENSES IN ANY OF 3 PRECEDING TAXABLE YEARS.—

"(i) TAXPAYERS TO WHICH SUBPARAGRAPH APPLIES.—The credit under this paragraph shall be determined under this subparagraph if the taxpayer has no qualified research expenses in any 1 of the 3 taxable years preceding the taxable year for which the credit is being determined.

"(ii) CREDIT RATE.—The credit determined under this subparagraph shall be equal to 6 percent of the qualified research expenses for the taxable year.

"(C) ELECTION.—An election under this paragraph shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary. An election under this paragraph may not be made for any taxable year to which an election under paragraph (4) applies."

(2) COORDINATION WITH ELECTION OF ALTERNATIVE INCREMENTAL CREDIT.—

(A) IN GENERAL.—Section 41(c)(4)(B) (relating to election) is amended by adding at the end the following: "An election under this paragraph may not be made for any taxable year to which an election under paragraph (5) applies."

(B) TRANSITION RULE.—In the case of an election under section 41(c)(4) of the Internal Revenue Code of 1986 which applies to the taxable year which includes the date of the enactment of this Act, such election shall be treated as revoked with the consent of the Secretary of the Treasury if the taxpayer makes an election under section 41(c)(5) of such Code (as added by paragraph (1)) for such year.

(f) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to amounts paid or incurred after the date of the enactment of this Act.

(2) SUBSECTIONS (b) AND (c).—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2004.

Mr. HATCH. Mr. President, the amendment I am offering today is an important and appropriate one for any bill that has the word "jobs" in its title. It is a bill to extend and expand a tax provision that is central to creating and retaining U.S. jobs—the research credit. I am joined in this effort by Senators MURRAY, BAUCUS, CANTWELL, SMITH, BUNNING, and GRASSLEY.

This bipartisan amendment will help to ensure that businesses continue to increase research activities—and to create new jobs—in the United States. As many of our colleagues are aware,

the current research credit expires in just a few weeks, on June 30, 2004.

I believe that if we fail to act to extend this credit, we surely will see the negative effects manifest in lower economic growth, fewer jobs, fewer innovative products, and opportunities lost as research is taken from this country to other nations that offer more attractive incentives.

Our colleagues many times have expressed their resounding support for the research credit and I hope they will again. This amendment not only would extend the credit for 18 months, until December 31, 2005, but also would allow businesses to choose a new way to calculate the credit so that more research-intensive companies can lower their costs of U.S.-based research activities.

The American taxpayer relies on us to make the right policy choices for the long-term health of our economy. We have faced and are still facing major challenges both to our national security and to our economic security. Time and again we have looked to the industries on the cutting edge of new and improved technologies to help us meet those challenges.

My home State of Utah is a good example of how State economies benefit from the research tax credit. Utah is home to a large number of firms that invest a high percentage of their revenue on research and development.

In Utah, 5 percent of the workers—51,000 people—work in the research-intensive high technology sector. That includes over 10,000 people working just to design computer systems, and over 6,000 producing medical equipment. And there is a lot of R&D taking place outside of Utah's high-tech sector.

Just to give one example, more than 7,000 people work in Utah's chemical industry, and workers in that industry benefit from research and development taking place in Utah and throughout the country. Aerospace and the pharmaceutical industries are two more examples of big Utah employer groups that reap the benefits of R&D.

I want Utah companies to be able to buy better manufacturing equipment, more reliable electronics, and have access to more efficient quality control techniques. The workers who use new inventions will get just as many benefits as workers who create those new inventions. And the evidence clearly shows, that the research credit will increase innovation.

In short, there are tens of thousands of employees working in Utah's thousands of technology based companies, with tens of thousands more working in other sectors that engage in R&D. Beyond that, practically all of Utah's hundreds of thousands of workers benefit from higher productivity coming from the innovations that researchers both inside and outside of Utah produce. Research and development is clearly the lifeblood of our economy throughout the Nation.

Since 1981, when the research credit was first enacted, the Federal Govern-

ment has joined in partnership with businesses, large and small, in those industries to ensure that the research dollars were expended in the United States so that the jobs were created here. We as a nation have reaped the benefits of that research.

It seems clear to me that if we want to keep our Nation and our economy strong and growing, it is vital that we maintain and even enhance our position as the world leader in technological advances. Our Nation simply must continue to invest in research and development, especially in the private sector. And, the Federal Government must affirm its role as a partner in those private-sector endeavors.

I believe the best way to ensure that private-sector investment in R&D continues at the health rate needed to fuel further productivity gains is to extend the current-law research credit and make that credit more widely available. Ideally, the credit should be made permanent.

I have long advocated a permanent credit and this body is overwhelmingly on record for a permanent research credit. During the Senate's debate on the 2001 tax cut bill, I offered an amendment to provide for such a permanent credit that the Senate adopted. Unfortunately, that provision was dropped in conference and we lost a great opportunity.

Given our budget deficit situation, I do not believe it is possible politically to make the research credit permanent on this bill. Ironically, though, a permanent credit costs no more than one that is regularly extended. Because of the urgency and importance of this matter, however, this amendment seeks only a temporary extension.

Let me point out a few key points for our colleagues so they can understand the importance of the research credit. These are according to the staff of the Joint Committee on Taxation.

The primary category of expenditures that qualify for the research credit are wages paid to employees performing research in the United States. In 2001, more than 15,000 taxpayers claimed the research tax credit—42 percent of these businesses were engaged in manufacturing.

However, of the total \$6.5 billion in research credits claimed in 2001, 66 percent of those dollars were claimed by manufacturers. When you look at the size of the companies claiming the credit in 2001, you see that 68 percent of the firms claiming it had assets of \$10 million or less.

The research credit translates into real jobs in the United States and, as the statistics show, it is our small- and medium-size domestic manufacturers that most benefit from the research credit.

A great deal of the reason our economy grew so rapidly in the second half of the last decade was because of a strong surge in our productivity rate. This surge is continuing into the present and has been a marvel to most economists.

This increase in productivity has allowed the economy to continue to grow at a rapid pace without the increase in inflation that usually accompanies such growth. Moreover, increases in productivity growth are the key to future economic security, particularly in light of the huge entitlement challenges we face in the coming years. A very large factor in that productivity growth is innovation, which of course, requires R&D.

As I mentioned, this amendment would extend the current credit until December 31, 2005, giving businesses that utilize this important incentive some certainty in the short-term so that they can hire the needed personnel to take research activities off the drawing board now.

Over the years, the research credit has proven to be a powerful incentive for companies to increase their research and development activities. Unfortunately, it does not work perfectly. Part of the reason is that this is an incremental credit, designed to reward extra research efforts, not just what a company might do anyway. From a good tax policy point of view, I believe this is the best way to provide an incentive tax credit.

However, it is difficult to craft an incremental credit that works as it should in every case. While the regular credit works very well for many companies, it does not help some other firms that still incur significant research expenditures. This is because the credit's base period of 1984 through 1988 is growing more distant and some firms' business models have changed.

There is no good policy reason why research should be more expensive for some industries than it is for others. To partially solve this problem Congress enacted the alternative incremental research credit, AIRC, in 1996, and now we propose a way to address the rest of that problem.

In addition to increasing the AIRC rates, this amendment allows taxpayers to elect, in lieu of the regular credit or the AIRC, an alternative simplified credit that is based on a rolling average of the prior 3 years' qualified research expenses. This provides companies that are increasing their R&D with another way to take advantage of the credit when the 20-year-old base period proves to be irrelevant.

This is an important amendment. It is important to our economy, both now and in the future. It is important to good, high paying jobs in the United States.

We need to continue to be the world's leader in innovation. We cannot afford to allow other countries to lure away the research that has always been done in the United States. We cannot afford to have the lapses in the research pipeline that would result if we do not take care of extending this credit before it expires on June 30. I urge all of my colleagues to support this amendment. It is the right thing to do. We have done it before. We certainly should do it

now. I wish it were permanent. But under the circumstances, this is the best we can do. I have every confidence my fellow Members of the Senate will vote for this amendment.

I yield the floor.

The PRESIDING OFFICER. The Senator from Washington.

Mrs. MURRAY. I rise today to join with Senator HATCH to strengthen and extend the research and development tax credit. We are all concerned about our slow economy. Every day we learn of more American jobs that are being shipped overseas. We worry about American companies losing out in the global marketplace and the impact that has on our workers and on our economy.

Today, we are offering a way to fight back and help our workers and companies continue to lead the world in innovation. Today, I am proud to offer an amendment that will support high-wage jobs for American workers at home and make our products more competitive around the world.

Anyone who wants to support good-paying American jobs, and anyone who wants to help American companies compete and win in the global marketplace should vote for the Hatch-Murray amendment. We all know research and development is a critical part of any business's success, but investing in R&D is not cheap. Our foreign trade competitors offer substantial tax and financial incentives to encourage American companies to make their research investments elsewhere. But we need those jobs in the United States and this amendment gives us a chance to support American workers in the face of foreign competition.

That is why the R&D tax credit is so important. It provides a real incentive for companies to increase their investment in U.S.-based research and development. The credit helps stimulate innovation, wages, and exports which all contribute to a stronger economy and a higher standard of living for American workers.

This is about investing in America. Because this tax credit is only available for R&D performed in the United States, it provides a discount on qualifying expenditures, and it is a proven incentive for U.S. companies to increase their R&D investment in the United States.

Unfortunately, the existing research and development tax credit will expire this June. Unless we take action, in just a few months we will be throwing away one of the best incentives for spurring investments at home. I have always supported making the R&D tax credit permanent, but because of budget constraints, we are not in a position to do that today. But we can do the next best thing and extend and strengthen this incentive.

The Hatch-Murray amendment does three things: First, it extends the traditional credit for 18 months through December 31, 2005; second, it increases the alternative incremental credit rate

starting in January of 2005; and finally, again starting in January of 2005, it provides an alternative simplified credit to encourage even more research-intensive businesses to spend more on research in the United States.

The R&D tax credit is a great example of how we make the Tax Code work for American workers and American families right here at home.

I have a letter from the R&D Tax Credit Coalition, and I ask unanimous consent to have it printed in the RECORD after my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit No. 1)

Mrs. MURRAY. Mr. President, this letter is actually signed by over 500 companies and associations and urges Congress to permanently extend the R&D tax credit and make the modifications contained in S. 664.

I share with my colleagues a portion of the letter:

The technological innovations made possible by the R&D Credit enable companies to bring more products and services to market, increase employment, and raise the standard of living for all Americans.

R&D helps manufacturers and services companies with U.S. operations maintain a competitive edge over lower-cost foreign competitors.

It allows a small, medium or large company to reduce its financial risk in expensive, labor-intensive R&D investments.

Since the credit was created in 1981, investments in technology and innovation have spurred economic growth and contributed greatly to our country's high standard of living. Continued R&D spending is a necessary element in our country's ability to invest for our future.

This is not some abstract economic principle. It is a real incentive that creates jobs and helps workers in America. I have seen it firsthand at companies throughout Washington State. This year, Microsoft plans to invest \$6.8 billion on R&D. Because this tax credit is targeted almost exclusively at wages, the credit will translate into additional jobs in Washington State and in the United States. That will mean jobs not just at Microsoft but at many other local companies.

In fact, according to a February 25, 2003, article in the Seattle Times, one study found that every job at Microsoft supports 3.4 other jobs in the economy. It also found that from 1990 to 2001 Microsoft was responsible for more than a fourth, 28.3 percent, of King County's growth. That is an example of how one company's investment in R&D is supporting good family wage jobs throughout the region.

That is just one company. There are many other companies engaged in R&D in Washington State and in the United States. Their investment in R&D will help our workers and help our economy.

I want to share some other figures that show the importance of R&D investment, especially in Washington State.

In the year 2000, companies performed almost \$200 billion in R&D; \$9.8

billion of that research was performed in Washington State.

Let me shed some light on types of employers that are doing that work. Thirty-three percent of the research done in Washington State was performed by manufacturers. We have seen a terrible loss of manufacturing jobs over the years, and this credit is one way to help them stem the tide. Mr. President, 11.4 percent of the research done in Washington State was done in the professional, scientific, and technical service industries.

This is about moving our economy forward. Technological innovations have accounted for more than one-third of our Nation's economic growth during the last decade. We know innovation is critical to sustained growth in the future.

Extending and improving the R&D tax credit is one of the most important steps we can take right now to foster investment at home and job creation throughout the country.

I urge my colleagues to give American workers a fair shot in the global marketplace by voting for the Hatch-Murray amendment.

Mr. President, I yield the floor.

EXHIBIT 1

R&D CREDIT COALITION,
Washington, DC, February 9, 2004.

Hon. BILL THOMAS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Hon. CHARLES GRASSLEY,
Chairman, Committee on Finance, U.S. Senate,
Washington, DC.

Hon. CHARLES RANGEL,
Ranking Member, Committee on Ways and
Means, House of Representatives, Wash-
ington, DC.

Hon. MAX BAUCUS,
Ranking Member, Committee on Finance, U.S.
Senate, Washington, DC.

DEAR CHAIRMEN THOMAS AND GRASSLEY,
AND RANKING MEMBERS RANGEL AND BAUCUS:
We urge you to make the enactment of a per-
manent research tax credit (R&D Credit)
with the modifications contained in com-
panion bills H.R. 463/S. 664 an early legisla-
tive priority in 2004.

As you know, the technological innova-
tions made possible by the R&D Credit en-
able companies to bring more products and
services to market, increase employment,
and raise the standard of living for all Amer-
icans. R&D helps manufacturers and services
companies with U.S. operations maintain a
competitive edge over lower-cost foreign
competitors. It allows a small, medium or
large company to reduce its financial risk in
expensive, labor-intensive R&D investments.

Since the credit was created in 1981, invest-
ments in technology and innovation have
spurred economic growth and contributed
greatly to our country's high standard of liv-
ing. Continued R&D spending is a necessary
element in our country's ability to invest for
our future.

The growth of our economy is inextricably
tied to the ability to companies to make a
sustained commitment to long-term re-
search. Congress has consistently demon-
strated support for the R&D credit. This
year, in order to provide stability and to en-
sure that all companies performing intensive
research in the United States are able to
benefit from the credit, Congress should
make the credit permanent, increase the Al-
ternative Incremental Credit (AIRC) rates,

and provide an alternative simplified credit
calculation.

Mr. HATCH. Mr. President, I suggest
the absence of a quorum.

The PRESIDING OFFICER. The
clerk will call the roll.

The assistant journal clerk proceeded
to call the roll.

Mr. HARKIN. Mr. President, I ask
unanimous consent that the order for
the quorum call be rescinded.

The PRESIDING OFFICER. Without
objection, it is so ordered.

Mr. HARKIN. Mr. President, just a
parliamentary inquiry: I understand we
are on the FSC bill, and we are on an
amendment that has been laid down; is
that correct?

The PRESIDING OFFICER. The Sen-
ator is correct.

Mr. HARKIN. I thank the Chair.

America is stuck in a jobless recov-
ery and this jobless recovery is not an
accident. It is in large measure the re-
sult of failed economic policies, poli-
cies that the administration stub-
bornly clings to despite the loss of
nearly 3 million private sector jobs
over the last 3 years.

This administration has embraced
outsourcing. It is against extending un-
employment insurance for the long-
term unemployed. It is adamant
against raising the minimum wage.
And it is determined—any day now—to
eliminate time-and-a-half overtime pay
for millions of American workers.

It is time for Congress to step in and
chart a new course. It is time for Wash-
ington to listen to ordinary working
Americans. They are telling us loudly
and clearly that their No. 1 issue is
economic security. They are telling us
that they fear losing their jobs, health
care, and retirement.

Now they also fear losing their right,
which has been their right since 1938,
to time-and-a-half compensation for
work over 40 hours a week. They fear,
with good reason, that under the De-
partment of Labor's new rules, they
will be obligated to work a 50-, 55-, 60-
hour week with zero additional com-
pensation. For millions of working
Americans and their families, this is
unacceptable. It is, indeed, the last
straw.

Accordingly, at the appropriate time,
I will offer an amendment to this bill
that will stop the administration from
implementing its proposed new rules to
eliminate overtime pay protection for
millions of American workers.

This amendment will be very famil-
iar to my colleagues. Late last year a
similar amendment I offered passed the
Senate by a vote of 54 to 45. It was en-
dorsed in the House by a vote of 226 to
203. It also won the overwhelming sup-
port of the American public. Yet despite
this clear expression of the will of
Congress and of the public, my over-
time amendment was stripped from the
omnibus appropriations bill in con-
ference.

Today this overtime amendment is
back by popular demand. It amazes me
that wherever I travel, anywhere in the

country, people come up to me to talk
about this overtime issue. They know
now what the administration is trying
to do. They are upset. Working families
are angry and they want action. They
want us to take action to stop the im-
plementation of these new rules that
will take away their protection so that
they can get time and a half when they
work overtime.

Frankly, at this point the adminis-
tration has zero credibility on this
issue. The Department of Labor claims
that it simply wants to give employers
clear guidance as to who is eligible for
overtime pay. But ordinary Americans
are not buying this happy talk. They
know that the administration is pro-
posing a radical rewrite of the Nation's
overtime rules. They know these new
rules will strip millions of workers of
their right to fair compensation.

The people are right. They are cor-
rect. Plain and simply, the new over-
time rules are a frontal attack on the
40-hour workweek, pushed aggressively
by the administration without a single
public hearing. Yes, that is correct.
Last year these proposed rules came
out, drastically changing our overtime
pay protections, the rules that had
been implemented since 1938, without
one public hearing anywhere in the
United States.

These new proposed rules could effec-
tively end overtime pay in dozens of
occupations, including nursing, police
officers, firefighters, clerical workers,
air traffic controllers, social workers,
journalists. Indeed, the new criteria for
excluding employees from overtime are
deliberately vague and elastic so as to
stretch across vast swaths of the work-
force.

Listen to Mary Schlichte, a nurse in
Cedar Rapids, IA:

Many nurses just like me work long hours
in a field with very stressful working con-
ditions and little compensation. . . . Our pa-
tients rely on us. Our families depend on us.
We need overtime pay so we can stay in the
profession we love and still make our ends
meet.

Ms. Schlichte told me about her
Cedar Rapids nurse colleagues who also
rely on overtime pay. One nurse is
married to a struggling farmer. She re-
lies on her overtime pay to cover their
insurance premiums. They already fear
losing their farm, and now they fear
losing their health care coverage also.

Dixie Harms is a longtime trainer of
nurses in Des Moines. Ms. Harms told
me:

If overtime is changed for hospital nurses,
we will see a mass exodus of registered
nurses from the hospital setting because
they will get fed up and refuse to volunteer
so many hours to what they really love
doing.

Two and a half years ago, after the
terrible September 11 attacks, many in
this body spoke eloquently about the
heroism of our firefighters, police offi-
cers, public safety workers. Ever since,
America's first responders have worked
long hours to protect us from terrorists
threats. But now the administration
apparently wants to deny them time-

and-a-half compensation for those longer hours. Simply put, this is wrong.

Since passage of the Fair Labor Standards Act in 1938, overtime rights and the 40-hour workweek have been sacrosanct, respected by Presidents of both parties. But nothing, it seems, is sacred to this administration when it comes to workers' rights.

For 65 years, the 40-hour workweek has allowed workers to spend time with their families instead of toiling past dark and on weekends. At a time when the family dinner is becoming an oxymoron, this standard is more important than ever.

These radical revisions are antiworker and antifamily. Given the fact we are stuck in a jobless recovery, the timing of this attack on overtime could not be worse. It is yet another instance of this administration's economic malpractice.

Bear in mind that time-and-a-half pay accounts for some 25 percent of the total income of Americans who work overtime. With average U.S. incomes declining, the proposed changes would slash the paychecks of millions of American workers.

Moreover, the proposed new rules are all but guaranteed to hurt job creation in the United States. This is basic logic. If employers can more easily deny overtime pay, they will push their current employees to work longer hours without compensation.

With 9 million Americans currently out of work, these proposed regulations will give employers yet another disincentive to hire new workers. Why hire a new worker if you can get your present workers to work overtime and not have to pay them time and a half? That would be cheaper than hiring a new worker.

It is bad enough to deny 8 million workers their overtime rights, but what is really striking about these proposed rules is the mean-spiritedness of the language included in these proposed rules from the Department of Labor.

For example, the department is offering employers what amounts to kind of a cheat sheet—helpful hints on how to avoid paying overtime to the lowest paid workers, the same workers who are supposedly helped by the new rules.

Let me be clear about this. There is a part of the proposed changes that we all support, and that is raising the minimum pay level by which a worker would not be exempt from any overtime rules. For example, right now, if you make below about \$7,000 a year, no matter what your job is, you cannot be exempted from overtime, from overtime rules—even if you are a professional or if you fall into one of the exempt categories. If you make below about \$6,900 or \$7,000 a year, you have to be paid time and a half overtime, no matter what your job is. The administration is proposing to raise that to about \$21,900, close to \$22,000 a year. It has not been raised for a long time, so

that is all well and good. But, in so doing, the administration has put out technical advice to employers on how they can get around paying the lowest paid workers time and a half.

For example, the department suggested in writing that an employer might cut a worker's hourly wage so that any new overtime payments will not result in a net gain to the employee. It also recommends if the worker's salary is close to the threshold, you might want to raise their salary slightly to meet that threshold and then their protection for time and a half would end, and then they could be exempt.

This is kind of disgraceful. This would be like the IRS putting out advice to would-be scofflaws, or people or entities that might want to get around paying their fair share of taxes, telling them how to avoid paying their taxes, saying here is how you can effectively cheat. What would we say if the IRS started putting out advice to employers, saying here is how to get around paying your fair share of taxes?

That is what they are doing on overtime. They are putting out advice to employers, saying here is how you get around it. It is disgraceful. There is one part of this new proposed rule that I find probably more disgraceful than just about anything. I know that when I say this, people are going to say: HARKIN, this cannot be right, this cannot happen.

The more I dig into the nuts and bolts and fine print of this proposed rule for changing overtime, the more astounded I am at what we are finding, in terms of who is now being exempted, or trying to be exempted from overtime pay.

Would you believe it if I told you that the administration, for the first time since 1938, is changing the rules to make it harder for veterans to get overtime pay than their counterparts who did not serve in the military? Let me repeat that. Mr. President, generally, people would not believe me if I told them this administration, in their proposed rules, is making it harder for a veteran to qualify for overtime than someone who didn't serve in the military. People say: HARKIN, that cannot be right.

Read the proposed regulation. I have the old one. Here is the old rule that covers overtime pay. There is a section called "Learned Professions," and it is talking about who basically would be not barred from exemption. It talks about members of the professions, such as graduates of law school and different things like that. It says here the word "customarily" implies that in the vast majority of cases a specific academic training is a prerequisite for entrance into the profession. It makes the exemption available to the lawyer, the chemist, and things like that. But it does not in any way mention veterans in the old rule. There is no mention of veterans.

Here is the new rule. I have it blown up on the chart. It says:

However, the word "customarily" means that the exemption is also available to employees in such professions who have substantially the same knowledge level as the degreed employees, but who attained such knowledge through a combination of work experience, training in the Armed Forces, attending a technical school.

Et cetera, et cetera. These words, "training in the Armed Forces" have never been in the rules before. In other words, since 1938, we have gone through World War II, the Korean war, cold war, Vietnam war, the gulf war, Dominican Republic war, Grenada, and a whole bunch of other things. And our veterans—people who have served in the military, who went in there, who the Army asks to "be all that you can be in the U.S. Army." How many ads do we see enticing young people to come into the military because they can get training which will increase their ability to earn more money later on in life, after they get out of the military—specialized training that will make them more desirable in the workforce?

Well, guess what. They are running those same ads to be all you can be, learn a specialized training, and be more valuable in the workforce, and at the same time the administration is promulgating a rule saying: Wait a minute, if you get training in the Armed Forces, guess what. You are now covered under this new rule that says you can be exempted from the overtime pay protection because now you fall into the same kind of category as lawyers and architects and people who went to school for a long time to receive specialized training.

Again, don't take my word for it. Read it. "Training in the Armed Forces"—those five words have never been in the rules before, never. We said before if you get training in the Armed Forces, you can now be exempt from overtime pay. That is what is coming down the pike. That is what is in these rules. That is why so many of us feel so strongly that this proposed overtime rule should not be adopted.

According to the proposed rules, employers can consider specialized training and knowledge gained in the military as equivalent to what is learned in professional schools. This will allow employers to reclassify veterans as ineligible for overtime. I started looking at some of the comments made regarding this. I wondered where it is coming from. Here are comments on behalf of the Boeing company:

Boeing observes that many of its most skilled technical workers received a significant portion of their knowledge and training outside the university classroom, typically in a branch of the military service, where through a combination of classroom training and field experience they become "learned experts" on very sophisticated aerospace products or services. Oftentimes, such experts are actually more knowledgeable than colleagues with advanced degrees—Master's degrees and Ph.D.s.

and are viewed by the customers as the company's experts on the product. Boeing thus supports the Department's—

That is the Department of Labor—focus on the knowledge used by the employee in performing her job, rather than the source of the knowledge or skill.

What Boeing is saying is we have a lot of people who work for us who got their training in the military. They have become skilled in their profession. But because they did not go to graduate school, because they got their training in the military, we still have to pay these people overtime. We have to pay them time and a half, and we do not want to pay them time and a half. We want to treat them just like Ph.D.s and all those other people. So, therefore, they support the proposed rule change that would allow them, Boeing, to reclassify these former veterans as being exempt from overtime pay protections.

This is a letter from Thomas Corey, the national president of the Vietnam Veterans of America:

Therefore, we would like to make you aware that the proposed modification of the rules would give employers the ability to prohibit veterans from receiving overtime pay based on the training they received in the military. . . . The proposed rule changes will make these veterans and their families unfairly economically vulnerable in comparison with their non-veteran peers.

Let me repeat that:

The proposed rule changes will make these veterans and their families unfairly economically vulnerable in comparison with their non-veteran peers. We hope you will agree that the men and women who have served our Nation so well in military service should not be penalized for having served.

That is Thomas Corey, national president, Vietnam Veterans of America. I think that is the crux of it. You could have two people, both skilled in a certain area, let's say aerospace or whatever it might be. One got his training in the military and one got his training in some other way outside the military. So the person outside the military would be covered under overtime. The person who served in the military would not be covered by overtime.

I wish someone would make some sense out of that. It is just a slap in the face to the men and women who served in the military and were told: Be all you can be, get specialized training in the military, but what they are not telling them is once you do that, they are going to take away your right to overtime pay once you get out of the military.

This is outrageous—outrageous not just to our veterans but to most Americans. Veterans organizations are deeply disturbed by this, not just the Vietnam veterans but all veterans organizations.

Picture this: The Commander in Chief has mobilized thousand of reservists and National Guard troops from Iowa and from across America. They left their regular jobs as police officers, firefighters, nurses, clerical workers, on and on, and are deployed in Iraq for a year or more. But if the administration has its way, when these troops

come back home from Iraq or wherever to resume their civilian jobs, they are going to find that if they received specialized training in the military, they have been stripped of their right to time-and-a-half overtime pay.

It is punishing veterans precisely because they were dedicated soldiers who pursued specialized instruction and training while in the military. The Department of Labor is preparing quite a welcome home present for many of the guardsmen and reservists returning from Iraq. It might read this way:

Dear Returning Veteran: While you were away we reclassified your job so that you no longer qualify for time-and-a-half overtime pay. Thank you for serving our country.

There is another group I talked about last year—and it is still true this year—who are disproportionately harmed by the proposed new overtime rules—women.

The fact is, women tend to dominate in retail services and sales positions which would be particularly affected by the new rules. Married women in America increased their working hours by nearly 40 percent from 1979 to 2000. As women have increased their time in the paid labor market, their contribution to family income has also risen. These contributions are especially important to lower and middle-income families—important for housing, health care, heating bills and, of course, for sending kids to school.

Yet now the administration's new rules would take away overtime protections from millions of American women. Women in the paid workforce would be forced to work longer hours for less pay and, of course, this means more time away from families, more childcare expenses with no additional compensation. Not surprising, prominent women's groups are adamantly opposed to the new overtime rules.

The American Association of University Women, the National Organization of Women, the National Partnership for Women and Families, the YWCA, and Nine to Five, and the National Association of Working Women are all strongly supporting my amendment to stop the administration from implementing these new overtime rules.

There is a broader context to this discussion of overtime. There is a bigger picture. As I said, the No. 1 issue for Americans today is economic security, and with good reason, because it is abundantly clear that America is stuck in a jobless recovery.

Since this administration took office, nearly 3 million private sector jobs have been lost, including one in every seven jobs in manufacturing. George W. Bush has presided over the largest job loss of any President since Herbert Hoover. Yet the President remains wedded to policies that are making the problem worse. He remains wedded to policies that are destroying jobs, driving down wages, and threatening the economic security of the American people.

A couple of weeks ago, the White House issued its annual economic re-

port signed by the President explaining why we should welcome the "offshoring" of U.S. jobs. The President's top economic adviser assured us that the outsourcing of high-end, white-collar jobs to Asia is "a plus for the economy in the long run."

The President's economic report praises the virtues of a "level playing field for goods and services," arguing that when a good or service is produced more cheaply abroad, it makes more sense to import it than to make or provide it domestically. That is from the President's report.

We have a very serious question to ask ourselves: Do we really want American workers competing on a "level playing field," head to head with factory workers in China working for 20 cents an hour, with software engineers in India working for \$10,000 a year, going head to head with countries that employ abusive child labor to make products?

In reality, is this not a race to the bottom, with nations competing to slash salaries and benefits in order to win more jobs? Outsourcing is not the only thing hurting job creation and suppressing wages. These new overtime rules will have the same effect. Eight million workers will be stripped of their right and their protection to overtime pay.

Of course, the employers can deny overtime pay. As I said, they simply push their current employees to work longer hours without compensation. This is a powerful disincentive to hire new workers. So as with outsourcing, the idea of sending so many of these jobs overseas, where they are paying 20 cents an hour, no health benefits, no retirement benefits, no Social Security, no environmental protections, killing overtime pay is the same thing. Just keep in mind if an employer can work an employee more than 40 hours and not pay time and a half, we can see that an employer would then say, well, why should I hire new workers? I will just work my present workers longer. If I can get 4 or 5 more hours a week out of each employee and not pay time and a half overtime, that is better than hiring somebody else.

That is exactly what this proposed overtime rule is all about. It is terrible for job creation. I do not know why this administration does not see that. Yet in the face of facts, in the face of all of the reports we have gotten, in the face of what Americans are saying, which is that they want their overtime protected, the administration is surging ahead. They are going to strip people in this country of their right to overtime pay.

Since we have had no public hearings on it, we are not certain why the administration is doing this. Why are they moving ahead with the most profound change in our overtime laws since 1938? Now, I use my words carefully. I said the "most profound change." There have been changes in overtime rules and laws since 1938,

since the Fair Labor Standards Act was passed, of course. Many occupations that existed then no longer exist, and they were taken off. I understand.

New occupations came in like computer software writers, computer engineers, which were not around in the late 1930s, 1940s, 1950s, or 1960s. So there have been changes.

Every time we have made a change in the overtime rules, we have done it through open hearings, through open collaboration between the administration and Congress and labor, all working together to do what is right for our people and our country.

So, yes, we have made a number of changes since 1938, but as far as my research shows, this is the first time since 1938 that an administration has made this profound a change, and it is the first time since 1938 that the administration has proposed these changes without having one public hearing. It is the first time since 1938 that any administration, Republican or Democrat, has proposed changes such as this in the overtime rules without consultation and working closely with Congress to develop a consensus as to what has to be done.

I am left with, perhaps, some conclusions: The administration really does not want to create a lot of new jobs; that by driving down labor costs, perhaps we can increase corporate profitability. It allows corporations to export cheap labor overseas with outsourcing. The administration puts pressure on U.S. workers to accept lower wages, less generous benefits, longer working hours. This is true of outsourcing, and it is true of eliminating overtime.

Right now, American workers work longer than any workers in any industrialized country in the world. We now work longer than workers in Japan, Germany, Great Britain, and our neighbor to the north, Canada. Guess what we are being told. Guess what our workers are being told by this administration. That they are going to work even longer, and they will not have any right to overtime pay.

There is more. The President refuses to extend benefits for the long-time unemployed, and opposes any increase in the minimum wage. It has been frozen at \$5.15 an hour for years. This is not a living wage; it is a poverty wage. It keeps downward pressure on wages all across the spectrum.

All this means, again, is fewer jobs for U.S. citizens. It means downward pressure on wages for all of our workers.

Something is missing. What is missing is ordinary, hard-working Americans are not participating in this so-called economic recovery. More and more Americans live in fear of losing their jobs, their health benefits, and losing their retirement. The truth is, we cannot build a sustainable recovery by exporting jobs, by driving down wages, and by making Americans work longer hours without compensation.

Moreover, such a recovery, if it even could take place, is not desirable. As one individual said, my time with my family in the evenings and on the weekends is premium time. Yes, I work during the week to make a living, but the time with my family is premium time. If I am going to be asked to give up my premium time with my family, do I not deserve to have premium pay, time and a half, something out of the ordinary?

As this person said to me, I get my wages, which are ordinary, for my ordinary working hours that I have agreed to work, but I should not get ordinary pay for my premium time, which is the time I spend with my family. That is why I say a recovery that means that our American workers are going to work longer, spend more time away from their families, and not get paid any more for it is not a desirable recovery.

A true recovery must include all working Americans. It can only be built on a foundation of good jobs with good wages in America, not overseas. It can only be built on a foundation that includes a minimum wage that is a living wage, not a poverty wage. It can only be built on a foundation that preserves American workers' rights to time and a half overtime pay.

Shortly, I will be offering this amendment. Obviously, this FSC bill is touted as a JOBS bill. That is all well and good. Let us have an open and good discussion about that. We have some amendments to offer that a number of us believe will help increase jobs in this country. The one I will be offering will be protecting the overtime rights of American workers. So I am hopeful we can move on to that.

On this issue, the administration ignores the pleas of the public. It has brushed aside the clear wishes of both Houses of Congress. Last year, we passed the amendment in the Senate to disallow the Bush regulations on taking away overtime pay protections. The House emphatically approved of that. Yet it was stripped out in conference. Again, this is not acceptable. I hope we can have a strong bipartisan vote in support of my amendment that would disallow taking away overtime pay protection for American workers. We can save the administration from making a terrible mistake. We can protect American workers' time-honored right to overtime compensation, and we can support an economic recovery that includes all Americans, a recovery that respects and preserves the American way.

I yield the floor.

The PRESIDING OFFICER (Mr. SUNUNU). The Senator from New Mexico.

AMENDMENT NO. 2651 TO AMENDMENT NO. 2647

Mr. BINGAMAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN] proposes an amendment numbered 2651 to amendment No. 2647.

Mr. BINGAMAN. I ask unanimous consent the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Purpose: To expand the research credit)

At the end of the amendment add the following:

SEC. . . . EXPANSION OF RESEARCH CREDIT.

(a) CREDIT FOR EXPENSES ATTRIBUTABLE TO CERTAIN COLLABORATIVE RESEARCH CONSORTIA.—

(1) IN GENERAL.—Section 41(a) (relating to credit for increasing research activities) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) 20 percent of the amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the taxable year (including as contributions) to a research consortium.”.

(2) RESEARCH CONSORTIUM DEFINED.—Section 41(f) (relating to special rules) is amended by adding at the end the following new paragraph:

“(6) RESEARCH CONSORTIUM.—

“(A) IN GENERAL.—The term ‘research consortium’ means any organization—

“(i) which is—

“(I) described in section 501(c)(3) and is exempt from tax under section 501(a) and is organized and operated primarily to conduct energy research, or

“(II) organized and operated primarily to conduct research in the public interest (within the meaning of section 501(c)(3)),

“(ii) which is not a private foundation,

“(iii) to which at least 5 unrelated persons paid or incurred during the calendar year in which the taxable year of the organization begins amounts (including as contributions) to such organization for research, and

“(iv) to which no single person paid or incurred (including as contributions) during such calendar year an amount equal to more than 50 percent of the total amounts received by such organization during such calendar year for research.

“(B) TREATMENT OF PERSONS.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as related persons for purposes of subparagraph (A)(iii) and as a single person for purposes of subparagraph (A)(iv).”.

(3) CONFORMING AMENDMENT.—Section 41(b)(3)(C) is amended by inserting “(other than a research consortium)” after “organization”.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—Section 41(b)(3) (relating to contract research expenses) is amended by adding at the end the following new subparagraph:

“(D) AMOUNTS PAID TO ELIGIBLE SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

“(i) IN GENERAL.—In the case of amounts paid by the taxpayer to—

“(I) an eligible small business,

“(II) an institution of higher education (as defined in section 3304(f)), or

“(III) an organization which is a Federal laboratory,

for qualified research which is energy research, subparagraph (A) shall be applied by substituting ‘100 percent’ for ‘65 percent’.

“(ii) ELIGIBLE SMALL BUSINESS.—For purposes of this subparagraph, the term ‘eligible

small business' means a small business with respect to which the taxpayer does not own (within the meaning of section 318) 50 percent or more of—

“(I) in the case of a corporation, the outstanding stock of the corporation (either by vote or value), and

“(II) in the case of a small business which is not a corporation, the capital and profits interests of the small business.

“(iii) SMALL BUSINESS.—For purposes of this subparagraph—

“(I) IN GENERAL.—The term ‘small business’ means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the person was in existence throughout the year.

“(II) STARTUPS, CONTROLLED GROUPS, AND PREDECESSORS.—Rules similar to the rules of subparagraphs (B) and (D) of section 220(c)(4) shall apply for purposes of this clause.

“(iv) FEDERAL LABORATORY.—For purposes of this subparagraph, the term ‘Federal laboratory’ has the meaning given such term by section 4(6) of the Stevenson-Wylder Technology Innovation Act of 1980 (15 U.S.C. 3703(6)), as in effect on the date of the enactment of the Energy Tax Incentives Act of 2003.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2004.

Mr. BINGAMAN. Mr. President, I thank my colleagues, Senator HATCH and Senator MURRAY, for their leadership on extending and strengthening the research and development, R&D tax credit. The ability of our Nation to remain a world leader in technology and innovation is directly related to the investment we make in research and development. The R&D tax credit is an important component of this strategy as it creates an incentive for private companies to invest in research they might not otherwise have invested in but for that tax credit. This is an efficient way to accomplish a goal in our society that is increasing funding for research.

Senator DOMENICI and I have been working here for the last several years to make some changes in the R&D tax credit law. The amendment I have sent to the desk incorporates those changes we have worked on. The amendment is based on legislation we filed in each of the last several Congresses, most recently S. 515 in the 107th Congress. This amendment addresses two weaknesses in the current R&D tax credit.

The first part of the amendment provides participants in a research consortium with a flat 20-percent research credit. A consortium is defined as a group of five or more unrelated companies which are working together on a specific type of mutually beneficial research. Under current law, these companies are unable to take advantage of the full R&D tax credit. That does not make good sense. We should be encouraging companies to work together to share the costs of research instead of requiring that each of them bear the full capital expenditure to which they would be entitled in order to get the research tax credit. The amendment I

have sent to the desk which Senator DOMENICI and I have been working on would correct this and would encourage this type of private research teaming.

The second part of the amendment would be to get rid of a restriction that allows companies to only consider 65 percent of their research expenses for purposes of calculating their tax credit when the funds are paid to an outside party such as a Federal laboratory or university or a small business.

Again, as with consortiums, this provision makes no sense as it exists in current law. In many if not most cases it is far more efficient and economical for a company to have their research done at a facility that is already equipped to do this type of experimentation and development. We ought to be encouraging businesses to utilize these resources instead of discouraging that use. For this reason, the amendment would allow a company to consider 100 percent of all of their expenses when contracting with a lab or university or small business to handle their research projects.

The amendment would come into effect at the end of the year. It would continue for as long as the R&D provisions are in effect which, under the Hatch-Murray amendment which is what this proposal would amend, is the end of 2005.

I look forward to working with my colleagues, Senators HATCH and MURRAY, on their R&D amendment. I very much appreciate their support for these small changes Senator DOMENICI and I would like to see made in this bill.

I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. REID. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ALEXANDER. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection?

Mr. REID. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. ENSIGN. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ENSIGN. I ask unanimous consent the time until 3:30 be equally divided in the usual form and that if the Bingaman amendment has not been previously disposed of, the Senate would then vote in relation to the Bingaman second-degree, to be followed immediately by a vote in relation to the Hatch first-degree, as amended if amended, provided further no additional second degrees be in order prior to the vote.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ENSIGN. Mr. President, I understand the Senator from Tennessee is going to seek recognition. I ask unanimous consent that following the Senator from Tennessee, I be recognized to speak on the R&D amendment.

Mr. REID. Reserving the right to object, we have no problem with that except we now have an hour and 10 minutes. We don't want those two Senators to use the entire 70 minutes so we should have some idea how long they are going to speak.

Mr. ENSIGN. For myself, I would only need 5 minutes.

Senator ALEXANDER?

Mr. REID. I think it would be appropriate if my friends agree the time be equally divided between now and 3:30 between the proponents and opponents of the measure.

The PRESIDING OFFICER. Under the order, the time is equally divided.

Mr. ENSIGN. I ask to be recognized after Senator ALEXANDER.

The PRESIDING OFFICER. Without objection, it is so ordered. Who yields time?

Mr. ENSIGN. I yield to Senator ALEXANDER.

Mr. ALEXANDER. Mr. President, my intention was to ask unanimous consent to speak as in morning business for 7 or 8 minutes, which may not be appropriate at this moment.

The PRESIDING OFFICER. Under controlled time that is the Senator's right. The Senator is recognized.

Mr. ALEXANDER. I ask unanimous consent to speak as in morning business for up to 7 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The remarks of Mr. ALEXANDER are printed in today's RECORD under "Morning Business.")

Mr. ALEXANDER. I thank the Chair. I yield the floor.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. ENSIGN. Mr. President, I want to speak on the R&D tax credit that is in this bill—the proposal to extend that tax credit which is scheduled to expire. I want to talk about some of the benefits.

This is a tax credit that has been supported by both sides of the aisle and by both bodies. There are many benefits to keeping this R&D tax credit as part of our Tax Code; first of all, the industries that benefit from this tax credit. I am the chairman of the Republican High-Tech Task Force in the Senate, and I hear about this issue all the time from very important parts of our economy and how important it is to the creation of jobs.

The industries that benefit from this include—it is not limited to the aerospace industry—the agriculture industry, biotechnology, chemical industry, electronic, energy, information technology, manufacturing, medical technology, pharmaceuticals, software and telecommunications, as well as others.

It is not just big business that benefits from this R&D tax credit; it is also many small businesses. The companies that perform significant amounts of R&D perform that research and development in the United States. They pay very good wages to the people who do the research and development.

This tax credit should be made permanent in the long run. That is my goal—to someday make this tax credit permanent. We keep extending it. I think it has been extended 10 different times over the years. It was allowed to actually lapse once, but it has never been made permanent. I believe it should be made permanent. Unfortunately, we can't do that in the context of what we are doing today. But we should at least make sure that R&D tax credit is extended for the 18 months the bill calls for.

Why is it important? New vaccines, faster Internet, and other communications capabilities, safer transportation, enhanced energy-efficient appliances, higher quality entertainment, better homes, improved national security. The list of societal benefits as a result of R&D is endless.

R&D is the lifeblood of the U.S. economy. We really should encourage not only adoption of the extension but also eventually making permanent this tax credit.

The revenue analysis, according to the economic benefit of the R&D tax credit prepared by Coopers & Lybrand in 1998 says:

In the long run, \$1.75 of additional tax revenue would be generated for each dollar the Federal Government spends on the credit, creating a win-win situation for both the taxpayers and the government.

I will conclude with this: We should do the right thing for the economy and allow companies some level of predictability. We keep telling them we are going to extend it, we are going to extend it. But, frankly, it is hard when research and development is usually planned long term. It is hard to do that when we keep coming up to the deadline and then finally extending the tax credit.

I encourage us to do what we are doing today—extending it for 18 months but also be looking for ways to make this R&D tax credit permanent.

I yield the floor.

Mr. BAUCUS. Mr. President, I yield myself about 10 minutes.

The PRESIDING OFFICER. The Senator is recognized for 10 minutes.

Mr. BAUCUS. Mr. President, I ask my friend from Wyoming how much time he has. It is my understanding that there was an agreement before I came to the floor.

The PRESIDING OFFICER. Under the previous order, the time until 3:30 is equally divided between the majority and minority leader.

Mr. BAUCUS. Mr. President, I will be very brief.

I am very happy to be supporting the pending amendment. This is an amendment that the author of the amend-

ment, Senator HATCH, and I have introduced many times over many years. I have been a cosponsor of this amendment for years. Senator HATCH has been a cosponsor of this amendment for years. It is critically important that we finally get a major research and development tax stimulus enacted into law. This provision has been in law for various years, but it has always been extended—on and off again. It has been a yo-yo tax provision—a yo-yo incentive. Sometimes companies get it, sometimes they don't. Sometimes we enact it—all the way back to the expiration previous times—sometimes we don't. It is very irresponsible, in my judgment, for this Congress not to give permanent research and development tax credit to American companies. Other countries do. The Government of Canada, for example, has a R&D tax credit which is much more generous than the one we give to American companies.

There are other countries that also have stimulus incentives to research and development—more generous than we have in our country.

I urge adoption of this amendment.

I also agree with my good friend from Nevada. This provision should be permanently extended. It makes no sense not to be permanently extended. It should be a permanent fixture in the law.

I say that because the stakes are getting so high. We are losing jobs to overseas companies in lots of ways.

One way to create jobs in America is to have a very aggressive research and development tax credit for research and development in America. It is clear that jobs tend to be where the research is. The more research we have in America, the more likely it is we will have more jobs in America. It will also help to maintain jobs.

We do not want jobs to go overseas. This will help us maintain jobs in America. We should not erect barriers to our companies going overseas. We should not stick our heads in the sand. That does not work. We are facing an immense challenge, and one good way is to pass this amendment.

In addition to passing the underlying bill, this JOBS bill before the Senate is not going to be the silver bullet many would like but it will help significantly.

With respect to the R&D credit, 62 percent of total industry research and development is performed in manufacturing industries. That includes computer and electronic products, transportation, equipment, and chemicals. It is disproportionately helpful to manufacturing jobs. We clearly want more manufacturing jobs in this country. Manufacturing jobs are important to the entire economy.

The multiplier effect in manufacturing jobs is extremely high. For every 16 million manufacturing jobs in this country, another 9 million are created in retail, wholesale, finance, and other sectors. That is not as true in

other sectors. Most of the R&D effect is manufacturing, and manufacturing has a very high multiplier effect, which is all the more reason to get this passed.

Workers employed in manufacturing plants with more technologies also earn 63 percent more than workers in plants using lower level technologies. It is a question not only of the number of jobs but the wages the jobs pay, the amount of income those workers will receive.

I can go on at great length as to why this is so important. I am not going to expand anymore on it because I think Senators realize how important it is. I expect this to pass by a very large margin, and well it should.

Once we pass this amendment, it is incumbent upon us to start looking for other ways we can help give stimulus and help American companies keep jobs in America. I am certainly going to be a part of this. It is something we desperately have to do.

What is the remaining time?

The PRESIDING OFFICER. The majority has 27 minutes remaining and the minority has 30 minutes remaining.

Mr. BAUCUS. I yield the floor.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. ENZI. I will talk about an amendment that has not been laid down. There were comments about overtime a while ago, and I want people to know the rest of the story.

The bill we are on has the catchy name of FSC/ETI. What we are trying to do is comply with some World Trade Organization requirements that allow penalties to be put on our exports overseas and agricultural products are a big one. They always get targeted when this sort of thing happens. We need to correct our law so we are not being penalized, so we do not eliminate business that the United States can have.

Penalties went into effect on March 1 and go up 1 percent per month on U.S. businesses if we do not change the law. We are trying to change the law. It needs to be done quickly. It should be done pretty cleanly. It obviously is not going to be.

We keep talking about jobs, but our actions do not match our words. I point out one very important jobs program we have that affects Americans who want to improve their skills and get a better job. We have the Workforce Investment Act, and that has the potential each and every year to retrain 900,000 people so they have the skills and talents to handle the jobs available, the well-paying jobs available in this country that we are having to fill from overseas.

Do you know what has happened to that bill? Let me give Members a brief history. We passed it out of the Health, Education, Labor, and Pensions Committee unanimously. How often do you think that happens in that committee? It can be a very contentious committee. It passed out of the committee unanimously. What happened in the Senate? We passed it in the Senate by

unanimous consent. That means not one person in the Senate wanted to amend the bill; not one person in the Senate wanted to vote against the bill. It was unanimous. That is as bipartisan as we can possibly get.

Where is that bill now? We cannot appoint a conference committee. That is the committee made up of Republicans and Democrats who would meet with Republicans and Democrats from the House to work out differences between what they passed and what we passed. We cannot have a conference committee to do that.

That is 900,000 jobs in this country that are being stalled out; 900,000 opportunities we are not going to give to Americans. Instead, we are going to talk about a whole bunch of amendments to this bill that are going to slow down this bill and increase penalties on American businesses trying to ship goods overseas. In fact, all American businesses.

Keep that in mind. If we want to take care of jobs in this country and make sure jobs stay in this country, we would get a conference committee appointed on the Workforce Investment Act and get that thing resolved and get people trained and to work.

One of the examples of what will happen on this is the overtime amendment that we have been promised. I could wait until it actually came up, but there were some comments made and there is a need to respond on the 40 minutes we have already heard about the overtime amendment.

It is time to strip the rhetoric from the reality and consider who is really helped and hurt by this amendment which prohibits the Department of Labor from updating the rules exempting white-collar employees from overtime pay. It is not all that simple.

When I am back in Wyoming, I like to hold town meetings to find out what is on the minds of my constituents. At each town meeting, there is usually someone in attendance who is quite concerned about government regulations. I am often told to rein big government in, keep the rules and regulations simple, keep them current and responsive, and make sure they make sense in today's ever changing workplace.

Most of the people I talk to are small businessmen, but that is most of business in this country. They are being killed by the rules and regulations, and, in some cases, by trial attorneys.

Today we are reviewing an amendment that takes the opposite approach. Instead of keeping it simple and current, it will prohibit the Secretary of Labor from updating the rules exempting white-collar employees from the Fair Labor Standards Act and overtime requirement in some cases, an attempt to reject the new, turn back the clock, and look to yesterday for the answer to tomorrow's problems. It is an approach that is doomed to failure before it is even applied. I am opposed to the amendment.

There is no question that the workplace has dramatically changed during the last half century. The regulations governing white-collar exemptions remain substantially the same as they were 50 years ago. The existing rules take us back to the time when workers held titles such as straw boss, key-punch operator, legman, and other occupations that no longer exist today.

Our economy has evolved. New occupations have emerged that were not even contemplated when the regulations were written. A 1999 study by the General Accounting Office recommended that the Department of Labor: Comprehensively review current regulations and restructure white-collar exemptions to better accommodate today's workplace and to anticipate future workplace trends. That is precisely what the Department of Labor's proposal to update and clarify the white-collar regulations will do.

While the Department's proposal will update and clarify, this amendment will do neither. Instead, it will set the clock back to 1954 and try to force the square peg of the 21st century jobs into the round hole of the workplace of 50 years ago.

I am a former shoe salesman and I know how to tell when something will not fit. This just will not fit. It is like trying to force a size 10 foot into a size 6 shoe. It will not fit no matter how hard you try.

Through the course of the debate on overtime over the next several days, we will hear a lot of numbers. Some of them are statistics and we know how statistics work. I am an accountant so I will try to give some good numbers and hope you will put up with me with the numbers, but there are numbers you need to know.

Let us be clear about what this amendment will do. The amendment will undermine the Department of Labor's efforts to extend overtime protection to 1.3 million low-wage workers. Under the current rules, only those rare workers earning less than \$8,060 a year are protected for overtime pay. That is how old this rule is. You are protected if you are making less than \$8,060 a year. Now the administration's proposed rule will raise that threshold to \$22,100 a year.

Doesn't that sound more common sense in today's market? Doesn't that sound like a number that covers more people? If the old rule covered those making less than \$8,060, a new rule, covering those making less than \$22,100, would cover more people.

As a result, 20 percent of the lowest paid workers would be guaranteed overtime pay. The overtime provisions of the Fair Labor Standards Act were originally intended to protect lower income workers. The proposed rules will provide lower income workers with the protection they deserve.

That also makes it easier for businesses to know when they are complying with the law. And that is important, particularly for small businesses.

They need to know. They should not have a bunch of different criteria that they need a special accountant or attorney to interpret for them so they can tell whether they are violating the law.

This rule, the one proposed—proposed; it is not finalized yet—by the Department of Labor will make it easier for businesses to know when they are complying.

By undermining the administration's efforts to better protect lower income workers, who will this amendment protect? The supporters of the amendment—the amendment that is going to be laid down, I guess—claim that an estimated 8 million workers will become ineligible for overtime under the proposed rules. However, this estimate is based on a study by the Economic Policy Institute, and it is riddled with errors. For example, the study includes in its calculations at least 18 percent of the workforce who work 35 hours or less a week. These part-time workers do not work more than 40 hours a week and, therefore, they do not receive overtime in the first place.

The study also claims the proposed rule will deny overtime pay to white-collar employees earning more than \$65,000 a year. However, not all the employees earning over \$65,000 are exempt under the proposed rules—only those performing office or nonmanual work and one or more exempt duties. This means workers, such as police officers, firefighters, plumbers, Teamsters, carpenters, and electricians will not—will not—lose their overtime pay. The Department of Labor acknowledges the possibility that 644,000 highly educated workers making over \$65,000 a year might lose their overtime. Mr. President, 1.3 million get picked up on the bottom end; 644,000 drop out on the top.

Supporters of this amendment claim that the proposed rules will strip overtime pay for first responders and nurses. If we look behind the rhetoric, we find there will be virtually no change in status for first responders and nurses under the Department of Labor proposal. Under both the current and proposed regulations, only registered nurses are exempt from overtime pay.

Supporters of this amendment claim that military personnel and veterans will lose their overtime pay under the proposed rules. However, military personnel and veterans are not affected by the proposed rules by virtue of their military status or training. Nothing in the current or proposed regulation makes any mention of veteran status.

Who will this amendment protect, if not low-income workers, first responders, nurses, veterans, or millions of other working Americans? The antiquated and confusing white-collar exemptions have created a windfall—a windfall—for trial lawyers. Ambiguities and outdated terms have generated significant confusion regarding which employees are exempt from the overtime requirements. The confusion

has generated significant litigation and overtime pay awards for highly paid, white-collar employees. Wage and hour cases now exceed discrimination suits as the leading type of employment law class action. Let me repeat that again. Wage and hour cases now exceed discrimination suits as the leading type of employment law class action.

This amendment—the amendment that Senator HARKIN is going to put in—will not preserve overtime for millions of working Americans. The amendment will not help employers and employees clearly and fairly determine who is entitled to overtime. The only clear winners from this amendment will be the trial lawyers who will continue to benefit from the current state of confusion. We are spending taxpayers' dollars sorting through what could be solved with clarity.

I stress that these are proposed rules—proposed rules. The Department of Labor has received, and is currently reviewing, around 80,000 comments to their proposed regulations. We should allow the regulatory process to continue and give the Department a chance to complete its review of the proposed rules. Once the review is completed, the Department will align the white-collar regulations with the realities of the 21st century workplace, the intent of the Fair Labor Standards Act, and—this is most important—what they have learned from the comments.

They have 80,000 comments. I expect them to read those. I expect them to react to those, and make sure that it becomes a part of the rule.

Now, supporters of this amendment are, in effect, denying the public a voice in the regulatory process. This amendment will deny the Department of Labor an opportunity to respond to public comments. I happen to believe that public comments play a critical role in the regulatory process.

I will tell you, I go back to Wyoming most weekends. I go out on Friday, travel to a different part of the State, and come back on Sunday. It is the most valuable thing I do around here, and that is because I get to talk to the person who has the problem firsthand. Do you know what? They are working on that all day, every day. And the advantage is they have usually thought of some kind of a solution. Now, when I bring it back, quite often, the comment is: It is too simple. It will never work. Where did you come up with a crazy idea like that? And I have to explain: From the guy with the problem who works on this every day and knows the commonsense approach to solving that problem.

Those are the people writing in with comments. Those are the people who are saying: This is where it is right. This is where it is wrong. Fix it where it is wrong. Leave it in the new context where it is right. That is how the process is supposed to work.

We want the Department of Labor to look at those comments and respond—

respond by changing the rule, or respond by letting the people know how that will not work or how it is covered a different way. We have to have that process work.

Now, I hope if there are substantial changes it gets put out one more time for comments. There is not anything around that says they cannot reissue them for comment. The public comments are what help us get it right. We do not do these jobs, so we do not know all the right answers. But the people out there working on them do. The answers can be made right.

Now, if the final rule has gone astray, after all of this process, we can use the Congressional Review Act to reverse it. And we have done that before. That is where we say: You did not pay attention to the process. You did not pay attention to the comments. We are going to jerk you back to reality. But now is not the time or the vehicle for making that determination.

I hope my colleague will not put down the amendment, but if he does, I hope my other colleagues will support me in allowing the Department to move forward with the review and response that they need to be doing. They do need to be paying attention to all of this debate. But we do need to bring that rule into the current century and make sure people are working at jobs and the rules are understandable, particularly with small businesses that are trying to provide a service, not figure out Government regulations.

I yield the floor and reserve the remainder of my time.

THE PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, I ask unanimous consent to yield myself such time as I may consume from the time under the control of the Democratic side.

THE PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DODD. Let me say to those who may be listening in the offices of Members who want to come over and wish to be heard on this matter, I will be prepared to yield some time. I am here to discuss an amendment that will come up after 3:30. I thought I would move things along while we have this dead time, while we are waiting for this vote to occur, to discuss upcoming amendments and encourage those who may want to participate in some of those debates to come to the floor and share some of their thoughts.

I will be offering at the appropriate time, sometime after 3:30, an amendment that deals with the outsourcing of jobs. I note the presence of the Presiding Officer who comes from the same region of the country I do. We have all been feeling it in our States, not just in the Northeast, but across the country, the tremendous pinch that is occurring as a result of job loss and the growing number of jobs that are being outsourced. I am told by those who cover these issues that the

coalition opposed to any legislative efforts to stop outsourcing is coming up with some new language. They don't like the word, "outsourcing," so they are calling it worldwide sourcing, to take some of the sting out of the language. They may succeed in taking the sting out of the language by changing the vocabulary, but you cannot take the sting out of finding out that your job has been lost and that others offshore are taking those jobs because it enhances the bottom line in a quarterly report someplace. We need to address that.

I fully understand that outsourcing to some degree is going to go on. I expect that to be the case. But I don't think the Federal Government ought to be subsidizing that effort. I am one who has believed in and supported free and fair trade agreements over the years. I take great pride in that. In a global economy, you have to do that. But I also understand if we don't have the services or provide the manufactured goods with which to trade globally because we have given up a significant part of our manufacturing base or given up a critical area of technology in the service areas, for instance, we are necessarily going to be great competitors in a global marketplace in the 21st century.

You may say we are nowhere near that yet. The rest of the world doesn't even come close to producing the quality and high value goods we do in the United States. They can't come close to providing the high technology we do.

I think we have all learned over the last number of years that technology and productivity is highly portable, and it is moving at warp speed. What was true a year ago, 5 years ago, certainly 10 years ago, is no longer the case. I suspect this rate of speed of change is going to continue to grow.

At this particular juncture, I think it is important that we speak to this issue and that we try to find some balance on how we maintain our global leadership role, continue to provide opportunities for American workers, while simultaneously not allowing the exportation of jobs overseas.

I was terribly disheartened to read a report, the Economic Report of the President, February 2004, just last month, this publication that comes out. It is designed to give an overall economic report of the Nation, with various suggestions and ideas. I am not making up these quotes from some news article or some demagogue or pundit out there when talking about these issues. These are actual conclusions reached by the top economic advisers to the President of the United States when it comes to the issue of manufacturing and outsourcing.

First on outsourcing, chapter 12, on page 229 of this economic report of President Bush and his economic team, it says:

When a good or a service is produced more cheaply abroad, it makes more sense to import it than to make or provide it domestically.

I would suggest that is a conclusion with which some economists may agree. Some have drawn the conclusion that that is inherently a far better idea, just thinking in terms of quarters or yearly reports, I suppose, and the bottom line. That may be OK. But if you are worried about generational change, if you are worried about trying to establish a bedrock of job opportunities, stability, and security in the 21st century, then it absolutely makes no sense to export that job rather than to provide it domestically.

I note in this morning's Wall Street Journal—so you don't think these ideas are merely being spouted by a Democrat in disagreement with the President's economic report—a March 3, 2004, article, "Lesson in India." I ask unanimous consent to print the full article in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, Mar. 3, 2004]
LESSON IN INDIA: NOT EVERY JOB TRANSLATES
OVERSEAS

(By Scott Thurm)

When sales of their security software slowed in 2001, executives at ValiCert Inc. began laying off engineer in Silicon Valley to hire replacements in India for \$7,000 a year.

ValiCert expected to save millions annually while cranking out new software for banks, insurers and government agencies. Senior Vice President David Jevans recalls optimistic predictions that the company would "cut the budget by half here and hire twice as many people there." Colleagues would swap work across the globe every 12 hours, helping ValiCert "put more people on it and get it done sooner," he says.

The reality was different. The Indian engineers, who knew little about ValiCert's software or how it was used, omitted features Americans considered intuitive. U.S. programmers, accustomed to quick chats over cubicle walls, spent months writing detailed instructions for overseas assignments, delaying new products. Fear and distrust thrived as ValiCert's finances deteriorated, and co-workers, 14 time zones apart, traded curt e-mails. In the fall of 2002, executives brought back to the U.S. a key project that had been assigned to India, irritating some Indian employees.

"At times, we were thinking, 'What have we done here?'" recalls John Vigouroux, who joined ValiCert in July 2002 and became chief executive three months later.

Shifting work to India eventually did help cut ValiCert's engineering costs by two-thirds, keeping the company and its major products alive—and saving 65 positions which remained in the U.S. But not before ValiCert experienced a harrowing period of instability and doubt, and only after its executives significantly refined the company's global division of labor.

The successful formula that emerged was to assign the India team bigger projects, rather than tasks requiring continual interaction with U.S. counterparts. The crucial jobs of crafting new products and features stayed in Silicon Valley. In the end, exporting some jobs ultimately led to adding a small but important number of new, higher-level positions in the U.S.

In F2003, ValiCert agreed to be acquired by Tumbleweed Communications Corp., a maker of antispam software with its own offshore operation in Bulgaria. Today, the combined Tumbleweed is growing, and again hiring software architects in Silicon Valley with six-figure salaries, as well as engineers overseas. Without India, Mr. Vigouroux says, "I don't know if we'd be around today."

ValiCert's experience offers important insights into the debate over the movement of service jobs to lower-cost countries, such as India. Such shifts can save companies money and hurt U.S. workers. But the process is difficult, and the savings typically aren't as great as a simple wage comparison suggests. Some jobs cannot easily or profitably be exported, and trying to do so can risk a customer backlash: In recent months, Dell Inc. and Lehman Brothers Holdings Inc., for example, moved several dozen call-center and help-desk jobs back to the U.S., after employee and customer complaints.

Founded in 1996, ValiCert specializes in software to securely exchange information over the Internet. Banks use ValiCert's software to safeguard electronic funds transfers, health insurers to protect patient medical records. Although still unprofitable, ValiCert conducted an initial public offering in July 2000, in the dying embers of the dot-com boom. In two months, the stock doubled to \$25.25.

In 2001, however, sales growth slowed, as corporate customers reduced technology purchases. ValiCert had projected that it would break even with quarterly revenue of \$18 million, according to Srinivasan "Chini" Krishnan, founder and then-chairman. Quarterly expenses had grown to \$14 million, but revenue was stalled at less than half that figure. Executives began considering shifting work to India. The "motivation was pure survival," says Mr. Krishnan, who left the company after the Tumbleweed merger.

India was a natural choice because of its large pool of software engineers. Moreover, both Mr. Krishnan and ValiCert's then-head of engineering grew up in India and were familiar with large tech-outsourcing firms.

Some, including Mr. Jevans, harbored doubts. The Apple Computer Inc. veteran says he preferred "small teams of awesome people" working closely together. Nonetheless, that summer, ValiCert hired Infosys Technologies Ltd., an Indian specialist in contract software-programming, to supply about 15 people in India to review software for bugs, and to update two older products.

With no manager in India, ValiCert employees in the U.S. managed the Infosys workers directly, often late at night or early in the morning because of the time difference. ValiCert also frequently changed the tasks assigned to Infosys, prompting Infosys to shuffle the employees and frustrating ValiCert's efforts to build a team there.

Within a few months, ValiCert abandoned Infosys and created its own Indian subsidiary, with as many as 60 employees. Most employees would be paid less than \$10,000 a year. Even after accounting for benefits, office operating costs and communications links back to the U.S., ValiCert estimated the annual cost of an Indian worker at roughly \$30,000. That's about half what ValiCert was paying Infosys per worker, and less than one-sixth of the \$200,000 comparable annual cost in Silicon Valley.

To run the new office in India, ValiCert hired Sridhar Vutukuri, an outspoken 38-year-old engineer who had headed a similar operation for another Silicon Valley start-up. He set up shop in January 2002 in a ground-floor office in bustling Bangalore, the tech hub of southern India. The office looked much like ValiCert's California

home, except for the smaller cubicles and Indian designs on the partitions. There were no savings on the rent. At \$1 a square foot, it matched what ValiCert paid for its Mountain View, Calif., home offices, amid a Silicon Valley office glut.

Misunderstandings started right away. U.S. executives wanted programmers with eight to 10 years of experience, typical of ValiCert's U.S. employees. But such "career programmers" are rare in India, where the average age of engineers is 26. Most seek management jobs after four or five years. Expertise in security technology, key to ValiCert's products, was even rarer.

By contrast, Mr. Vutukuri quickly assembled a group to test ValiCert's software for bugs, tapping a large pool of Indian engineers that had long performed this mundane work.

But the Indian manager heading that group ran into resistance. It was ValiCert's first use of code-checkers who didn't report to the same managers who wrote the programs. Those U.S. managers fumed when the team in India recommended in June 2002 delaying a new product's release because it had too many bugs.

By midsummer, when Mr. Vutukuri had enough programmers for ValiCert to begin sending bigger assignments to India, U.S. managers quickly overwhelmed the India team by sending a half-dozen projects at once.

Accustomed to working closely with veteran engineers familiar with ValiCert's products, the U.S. managers offered only vague outlines for each assignment. The less-experienced Indian engineers didn't include elements in the programs that were considered standard among U.S. customers. U.S. programmers rewrote the software, delaying its release by months.

In India, engineer grew frustrated with long silences, punctuated by rejection. Suresh Marur, the head of one programming team, worked on five projects during 2002. All were either cancelled for delayed. Programmers who had worked around the clock for days on one project quit for new jobs in Bangalore's vibrant market. Of nine people on Mr. Marur's team in mid-2002, only three still work for ValiCert. "The first time people understand," he says. "The second time people understand. The third time it gets to be more of a problem."

In the U.S., executives lurched from crisis to crisis, as ValiCert's revenue dipped further. Each quarter brought more layoffs. By year end, the California office, which once employed 75 engineers, was reduced to 17; the India office, meanwhile, swelled to 45. Engineers "felt the sword of Damocles was swinging above their cube," recalls John Thielens, a product manager.

Executives knew they could save more money by exporting more jobs. But they were developing a keener sense of how critical it was to keep core managers in the U.S. who knew ValiCert, its products, and how they were used by customers. "Even if you could find someone" with the right skills in India, says Mr. Krishnan, the ValiCert founder, "it wouldn't make business sense to move the job."

Frustrations came to a head in September 2002, when a prospective customer discovered problems with the log-on feature of a ValiCert program. The anticipated purchase was delayed, causing ValiCert to miss third-quarter financial targets. The India team had recently modified the program, and the glitch prompted U.S. managers to question ValiCert's entire offshore strategy.

Relations had long been strained between the U.S. and Indian product teams. John Hines, the Netscape Communications Corp. veteran who headed the tight-knit U.S. product team, thrives on quick responses to customer requests. As his team shrank to six

engineers from 20, Mr. Hines was assigned three engineers in India. But he viewed the Indians' inexperience and the communication delays, as more a hindrance than a help. "Things we could do in two days would take a week," he says.

Mr. Vigouroux, who became CEO in October 2002, admits to a touch of "panic" at this point. ValiCert's cash was running low. "We didn't have a lot of time," he says. He conferred with Mr. Hines, who said he wanted to be rid of India, even if it meant a smaller team. Mr. Vigouroux agreed to hire one engineer in California. When he learned of the decision, Mr. Vutukuri says he felt as if he had failed.

By contrast, Matt Lourie, who heads ValiCert's other big programming group, welcomed additional help in India. He was struggling to keep pace with customer demands for new features on his product and new versions for different types of computers.

At the same time, ValiCert executives were streamlining operations and changing how they divided work between California and India. They gave the India team entire projects—such as creating a PC version of a program initially built for bigger workstations—rather than small pieces of larger projects. U.S. managers began writing more detailed specifications for each assignment to India.

ValiCert also killed its three smallest-selling products to focus resources on the remaining two. To improve morale in the U.S., Mr. Vigouroux crowded the remaining employees into one corner of the half-vacant office and installed a ship's bell that he rang each time ValiCert recorded \$10,000 in revenue. He made sure the India employees received company-wide e-mails, and conducted multiple sessions of monthly employee meetings so the India group could listen at a convenient hour. Engineering-team leaders began conferring twice a week by telephone, shifting the time of the calls every six months so that it's early morning in one office and early evening in the other.

Toward the end of 2002, Mr. Vigouroux began to ring the bell daily, as customers such as Washington Mutual Inc. and MasterCard International Inc. purchased ValiCert's software.

By early the next year, ValiCert executives believed the company had stabilized. Revenue increased to \$3 million in the fourth quarter of 2002, up 27% from the previous quarter. Expenses declined, and the company neared profitability. Investors detected a pulse, and the stock rose to 46 cents on the Nasdaq Stock Market at the end of January, from a low of 20 cents in August 2002.

But with just \$3 million in cash, ValiCert remained precarious. Mr. Vigouroux started meeting with potential new investors and began talks with Tumbleweed CEO Jeffrey C. Smith.

Tumbleweed also had been through significant layoffs and retrenchment, and in February 2003, the companies agreed to merge. The combined Redwood City, Calif., company's 150 engineers today are almost evenly divided among California, the Tumbleweed operation in Bulgaria, and the India office started by ValiCert. In Bulgaria, engineers write and test software, and scan millions of e-mails daily for traces of spam. In India, engineers test software, fix bugs and create new versions of one product. Last September, Tumbleweed released its first product developed entirely in India, a program that lets two computers communicate automatically and securely. Mr. Marur's team had worked on it for over 18 months.

Core development for new products remains in California, where engineers are closer to marketing teams and

Tumbleweed's customers. Since July, Mr. Lourie's U.S. team has grown to nine engineers, from six.

Tumbleweed's fourth-quarter revenue grew 69% from a year earlier, as its net loss shrank to \$700,000, and cash increased by \$2.4 million. Shares have risen five-fold in the past year.

Brent Haines, 36, is a new hire. He joined in October as a \$120,000-a-year software architect, charged largely with coordinating the work of the U.S. and India teams. That often means exchanging e-mail from home with engineers in India between 11 p.m. and 3 a.m. California time, as Mr. Haines reviews programming code and suggests changes. Such collaboration requires extensive planning, he says, "something very unnatural to people in software."

"Nine months ago, people would have said [moving offshore] was the biggest . . . disaster," says Mr. Thielens, the product manager. "Now we're starting to understand how we can benefit."

Mr. DODD. This is a story written by Scott Thurm. It is about a company, ValiCert, that learned key roles must remain in the U.S. for outsourcing to work. And the thrust of the article is this company rushed, like everybody else. Forty percent of the top 1,000 companies in America are now outsourcing their jobs, sort of like chasing into Mexico back in the 1980s when the financial service sector thought that was the place to be, without much thought. Once these trends begin, they are sort of like sheep following one after another without much thought involved.

This company ValiCert went racing off to outsource its jobs, reduced its employment, saved a lot of money, according to the article, expected to save millions annually while cranking out new software for banks.

I am quoting from the article now:

When sales of their securities software slowed in 2001, executives at ValiCert began laying off engineers in Silicon Valley to hire replacements in India for \$7,000 a year.

ValiCert expected to save millions while cranking out new software for banks and insurers and government agencies. Senior Vice President David Jevans recalls optimistic predictions that the company would "cut the budget by half here and hire twice as many people there [in India]." Colleagues would swap work across the globe every 12 hours, helping ValiCert "put more people on it and get it done sooner," he says.

The reality was different. The Indian engineers, who knew little about ValiCert's software or how it was used, omitted features Americans considered intuitive. U.S. programmers, accustomed to quick chats over cubicle walls, spent months writing detailed instructions for overseas assignments, delaying new products. Fear and distrust thrived, and ValiCert's finances deteriorated and co-workers, 14 time zones apart, traded curt e-mails. In the fall of 2002, executives brought back to the U.S. a key project that had been assigned to India, irritating some Indian employees.

"At times we were thinking, what have we done here?" . . .

The article goes on; I won't read all of it; the point being sort of buyer beware. This notion that you might be hiring people for a fraction of what it would cost to hire someone in the Silicon Valley and it is going to allow you

to make millions because of laid-off American workers and you hire someone 8 or 10 time zones away, has been, certainly in the case of this particular company, proven to be untrue.

So to the point that when a good or service is produced more cheaply abroad, it makes more sense to import it than to provide it domestically, I would suggest that the people who wrote the economic report for the President may want to talk to the people at ValiCert. I don't suspect that is one company. I suspect that is true of many companies. So it is not Biblical.

I agree that in certain cases you will make a lot more money by firing people in the United States and getting rid of them. Why should you worry about that? Your job is to provide a bottom line. That is your job.

My job is a little different than your job. My job, as a Senator, is to not only watch out for you and your company, to make sure you live in an environment where you can make a profit, I have an obligation to those people who work for you as well. I didn't get elected to the Senate just to guarantee you a bottom line. My job is setting public policy, not quarter by quarter, not just bottom line and yearly report to yearly report, but longer than that. That is what we are supposed to do in a Chamber such as this, to think a little longer, to worry about this country, those who are the children of the 21st century and what kind of a Nation are they going to inherit after you and I have left. They are going to ask us about what we did at the beginning of the 21st century when we saw the trend lines reaching out to cause literally millions of people to lose their jobs.

One report indicates that in the next 10 years or so we may lose as many as 4 million jobs, a loss of \$140 billion in wages, just by outsourcing alone.

That number may be low, according to those who have done this. I will get to the charts in a minute and identify the source of that. I will get to the amendment at an appropriate time and talk about the specifics of it. I know I am going to hear that your amendment goes too far, it is too heavyhanded, because I am going to suggest that maybe the use of Federal tax dollars—we ought to have second thoughts about subsidizing this rushing to go overseas to outsource. I cannot stop a private company with its own dollars deciding to do that. You can make it less of an attractive thing through the Tax Code or more attractive for people to stay here, but I certainly cannot stop you from doing it.

But I ought to be able to say something about how American taxpayer money is being used. If their money is being used to cause somebody to lose their job and to hire someone for the attraction of the salary someplace else, maybe taxpayers have a right to be heard on this issue. This amendment says Federal tax, for the purpose of outsourcing—with the exceptions of national security and other provisional

waivers, which I will explain—ought not to be something we are supporting. If you want to do it as a private company, that is your business. I don't think you ought to necessarily have a right to Uncle Sam's taxpayer money to do that at the expense of critical jobs that are important for this Nation's future.

I will go on in this economic report because I may not have time, when we get to the amendment, to talk about it. I cited chapter 12, page 229, where you have this emphatic statement that it automatically, in every case, as I read this, makes more sense to import. They don't talk about outsourcing. They act as if it were a good or a service. I know economists like to suggest that is all it is. But I think people in Ohio, Connecticut, or Pennsylvania are more than a good or a service. They may have a family, a home mortgage they are trying to pay, and they may have other obligations; and they worry about their future retirement and health care. So to have the cold eye of an economist saying a person out there who has a job in America may find it gone because the quarterly report would look a lot better if we can hire that person for \$7,000 a year rather than paying you \$40,000, \$50,000, \$60,000, or \$70,000 a year, and you are really nothing more than a good or a service—I think many of us here believe otherwise.

These are not just goods or services; these are human beings who help to strengthen this country, provide us the kinds of liberties and opportunities we enjoy as Americans. I think it is about time we stood up for them and what their interests may be—not at the expense of others, but to merely strike a balance. This is not about being against trade, being an isolationist at all. It is merely saying strike some balance before this sort of giddy trend, where company after company is sort of playing follow the leader and runs amuck as they send these jobs willy-nilly offshore; we ought to say let's look at what we are doing and at what ultimate price we may pay.

The second point I want to make out of this economic report is a reference with regard to what is manufacturing. I don't have the page number, unfortunately, on this, but I will get it before I finish my remarks. It is a highlighted box, and the title of the box that is framed out here is "What Is Manufacturing?" This economic report says the definition of a manufactured product, however, is not straightforward. When a fast food restaurant sells a hamburger, for example, is it providing a service or manufacturing a product? You may say that is only a question. You know, if this is your question and the example you would cite in your question, what are you thinking of? Do you think it is a debatable item as to whether or not producing a hamburger or a hot dog involves manufacturing? This is not some op-ed piece; this is the official economic report of this admin-

istration's economic policy. In bold print in this economic report they suggest there is a legitimate question over whether or not working at McDonald's or Burger King flipping hamburgers ought to be classified as a manufacturing job. If you don't think we are in trouble on these issues, just read that.

That is an example of the kind of terribly naive at best, at worst rather callous, thinking when it comes to talking about the importance of manufacturing. I don't belittle a job somebody holds down working in a fast food restaurant. For many people out there, that is the only job they can get to provide for themselves and their families. They would be the first to tell you that they hardly think of themselves as being in the manufacturing business. Yet, in the administration's official report, it raises the question of whether or not it is a manufacturing job. At least this Member gets a sense they are lost on this issue, when they raise questions as foolish as that.

Let me go to some of these charts, if I may. Let me just give you a suggestion of what is happening on the issue of manufacturing. The first chart I raise here points to the fact that in the last 36 months, we have now lost in the United States of America 2.8 million manufacturing jobs—since January 2001, up until now, the winter of 2004. That is 2.8 million manufacturing jobs that have gone in this country. I believe that is the single largest loss of manufacturing jobs that has occurred since the Great Depression. I understand transitions in the economy. Things happen and move in different directions. But I don't think you can wash your hands of this and say I am sorry, but that is the trend line and that is the way life is—sort of a *laissez-faire* approach.

We ought to analyze why things are happening, where are the jobs going, and what are the implications for our country. I understand where the CEO of a company is coming from, and the board of directors or the administration of a company. Their concern is the bottom line and whether you have a profit to show the next quarter. I think Members of Congress ought to have a different set of questions from whether the quarterly report is all right—whether this trend line is going to continue, and what it means to our country. If this trend line continues and we end up losing a manufacturing sector, we will deeply regret it.

I come from a State where I have 5,400 small manufacturers—or I did—in Connecticut. Most of them are small operators, with 5, 10, 15 people, third and fourth generation, producing not just flowers or some other item but, rather, significant products, many of which are used in the aircraft engine industry of my State, the manufacture of the sophisticated submarines we produce in Connecticut, or other high value products. These manufacturers employ highly skilled people, producing very valuable pieces of equip-

ment used in some of our most sophisticated defense and nondefense products. So when I see these jobs and these businesses going, I have to be reminded that we are not going to create this overnight. You don't reconstitute the manufacturing base overnight. Again, I accept we have to make changes and you cannot say we are going to stop this altogether. But I think we have an obligation to express our concerns and worries about where we are headed, if we don't speak up and begin to address what this may mean for our country.

I am very worried about where these trend lines are going and what it may mean. If we end up continuing to lose jobs and manufacturers, I am concerned about what it may mean for our country if we end up having to import not only the jobs but the products themselves. That is another subject matter we can discuss later. We ought to worry about it as a country. If we don't do something soon in this area, that is going to be a continuing problem.

Let me point out further, to give some idea of where this is all happening, because it is not, as I mentioned, just my State of Connecticut. I mentioned my friend and colleague, the Presiding Officer, comes from New Hampshire up in our area. Just to highlight, his small New England State as well had some 22,300 jobs in the manufacturing sector lost in New Hampshire. In my State of Connecticut, it is about 32,800, about 10,000 more. That is in the last 36 months.

The trend lines are: Pennsylvania, 132,000; Ohio, 153,000 jobs have been lost; California, 272,000 manufacturing jobs lost; the State of Washington, 59,000; Oregon, 21,000; Texas, 149,000; Florida, 52,000; Georgia, 67,000; 142,000 jobs lost in the small State of North Carolina. This is all in the last 36 months.

I won't go through State after State, but you get some sense of this. It is not isolated to our corner in Connecticut, our small State, or the area of New England: New York State, 115,000 jobs; Michigan, 121,000; Wisconsin, 168,000; Illinois, 115,000 jobs. It is a worrisome trend. It is going on all across the country.

Again, we cannot say this is transitional, I am sorry, America, you are going to have to live with this. We ought to respond in a way that acknowledges this trend and tries to offer some ideas on how we might turn this trend around.

I will be glad to share with my colleagues, if they are curious about their States—I will not go through all 50 States, but there is not a State in the country that has not lost manufacturing jobs. Some have lost very few. The State of Wyoming lost 700 jobs; North Dakota, 500. That may be the lowest. Arizona, 34,000; New Mexico, 5,000; Colorado, 37,000; Kansas, 19,000; Arkansas, 29,000; Missouri, 38,000. These job losses have been very painful.

We talk about these jobs, and I think the tendency is to talk about them in

and of themselves, the job loss in any manufacturing sector in any given State. Each manufacturing job supports three other U.S. jobs. When we end up losing these jobs in the manufacturing sector, there is a ripple effect.

I won't dwell on this, but I think most of my colleagues are aware of this already. When someone loses their source of income in the area of manufacturing, the effects are felt in retail trade, personal/business services, and other manufacturing sectors with the inability of people to purchase goods. It is not as if these jobs exist or, when they are lost, the only people paying that price are the people who lost the job. In effect, it is being felt across the economy as well.

Mr. President, 14 million additional jobs are in danger.

Now we get into the question of jobs going offshore. I want to give some indication of what is happening. Let's get back to the outsourcing question. I mentioned manufacturing because a lot of these jobs are moving in that area.

We are told—and this is from Time magazine in their February 22 issue—that by the year 2015, more than 3 million American jobs are projected to be shipped overseas. We begin to see these trend lines. In 2005, it moves up to 588,000 which will be outsourced overseas. A few years later that number of jobs goes to 1.6 million, and projections are, with no effort being made to change this direction, the number gets up to 3 million. We are worried that if we do not speak up now and do something about this trend, we are going to find a continued erosion and continued loss of these jobs overseas.

Let me point out where they are coming from because this may be helpful as well to those interested in this subject matter. There are 14 million additional jobs in danger of being shipped overseas, as I mentioned. Where are they coming from? Office support areas, some 8 million jobs; business and financial support, 2 million; in the area of computer and math professionals, close to 3 million; in the area of paralegal, legal assistance, diagnostic support, medical transcriptions and the like, the numbers are in the thousands, to give some idea where we are going with all of this.

It isn't just these low-wage jobs that are going. They are also going in the more sophisticated areas as well. I mentioned earlier the story in the Wall Street Journal talking about ValiCert. They were talking about jobs in Silicon Valley. I guarantee you we are not talking about low-wage jobs at all. Those are jobs that are fairly well paid, and they are being lost. The trend lines are not good in just raw numbers, but also in sectors of the economy where these jobs are being lost.

At the appropriate time, I will offer a very specific amendment to address the issue. Very briefly, the amendment would do the following: It will restrict

anyone from using Federal tax dollars to ship jobs offshore in three different ways. First, the Federal Government may not use Federal taxpayer dollars to procure goods or services to fulfill contracts that use overseas workers at the expense of American jobs.

Second, we tell State and local governments that any Federal dollars they receive in the form of a grant or in the form of an appropriation by formula or in any other way are not to be used to promote the loss of American jobs.

I point out that today 40 States outsource jobs. I am told that in the State of Minnesota, if you lose your job and you call up the unemployment office, you are going to talk to someone in India about what your rights and benefits are. I do not need to tell you the reaction of those people in that State who lost their job and they are talking to someone offshore to tell them what their benefits are.

The third way is, any agency seeking to privatize a government contract being paid with U.S. taxpayer dollars may not enter that contract if it again displaces American workers in favor of offshore workers.

In all these cases, we have exceptions on the grounds of national security and we allow the Governor or a Federal agency head to, in effect, waive these provisions if there is bona fide lack of goods and services in the United States. There is an escape clause here.

The obvious question arises, one, on national security, or, two, if no one is producing these goods and services here, what are we supposed to do? Rather than have the President have to waive the provision, we allow a Governor or head of an agency who would be in charge of this particular area to do so.

Let me take a few minutes to explain why this is a timely amendment and why it is deserving of our support. A gentleman by the name of John Bowman dedicated 25 years of his life to becoming an information technology professional, and he was very good at it, I might add. He, like hundreds of thousands of Americans, lost his job because of outsourcing. John looked around and realized what happened to him was not an isolated incident. It was part of a massive trend, and he decided to do something about it.

John will tell you he would be the last person in the world leading a grassroots organization that has practically become a grassroots movement in this country, not just in my State but all across the Nation. These are white-collar professional people, highly trained, who are watching their jobs lost day after day, flying offshore, being outsourced.

Fortunately, John is now being joined in this fight from people of all walks of life—labor unions, small business owners, Republicans and Democrats alike. I had a meeting in my State a few days ago on this issue. I had people in the same room that I could not put in the same town in Con-

necticut a year ago—people from the manufacturing sector, from labor unions, and the private sector coming together. They differ on a lot of issues, but on this one they are joined in common cause. They recognize what we are experiencing is different from what we experienced before.

Today, advances in technology and fewer trade restrictions have made it far easier to move goods, information, and jobs around the globe. Foreign countries are aggressively enticing American businesses with promises of lower wages, lax worker protections, and weak environmental laws. Countries such as India and China have figured out if you want to compete in the global marketplace in the best jobs, you need to invest in the best education and training of your workers. Rather than trying to find a meaningful way to address these new circumstances, this administration would rather pretend the world is still functioning as it always did and actually that our economy is on a path to recovery. As a matter of fact, our country is hemorrhaging jobs at an alarming rate. As I mentioned already, according to one estimate, by the year 2015, 3.3 million, close to 4 million jobs and \$136 billion in annual wages will have moved offshore if we do not do something about it. Four hundred of the largest 1,000 companies are already sending jobs offshore, with more planning to do so every single day.

In a short time I will get a chance to go into this in more detail as to why I think this is an important amendment and why I hope my colleagues will support it.

I realize it is a loud shout at this moment, and I know others will argue that maybe it is louder than it need be, but I do not know any other way to express my deep concern about what is happening in my State and all across this country if we do not begin to say that at least with taxpayer money you are going to have to act differently. You may decide to do it on your own dime, but you are not going to do it on the dimes of my taxpayers, to send jobs overseas when they are not necessary. You do not need to do that in order to survive.

I see my colleague from Montana in the Chamber. I yield the floor and at an appropriate time I will come back to this discussion.

The PRESIDING OFFICER. Under the previous order, the time for the minority has expired. The majority controls an additional 9 minutes 20 seconds.

Who yields time?

Mr. GRASSLEY. I suggest the absence of a quorum and that it come off of our time.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 2647

Mr. HATCH. Mr. President, there are several aspects of U.S. job creation and retention on which many of us may disagree. I do not believe, however, that the need for an effective research credit is one of them. It will do more for workers, more for jobs, more for high technology, more for opportunities, and more for the economy than most anything else we could pass. In this jobs bill it seems very appropriate for us to add this particular amendment to it.

This amendment has strong support from both sides of the aisle. It has the unified support of the whole business community. It is the right thing to do for U.S. workers, for the U.S. economy, and for our children and our grandchildren. This amendment will open a door for small businesses, where most of the jobs are created anyway, to create more jobs, more opportunities, more good products, more high technology, more ways of keeping the United States at the forefront, economically, in this world than almost anything else we could do.

This jobs bill, which itself is an excellent bill that will do a lot for jobs, will be much better for having this amendment added to it. I hope my colleagues will all vote for it. It is a worthwhile thing to do. It is something that every one of us ought to vote for.

I thank those who have cosponsored this with me, those who have amended it with their excellent suggestions and the members of the Senate Finance Committee who have been champions of this for many years. I believe over the long run this type of amendment is going to pay off in great dividends.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

VOTE ON AMENDMENT NO. 2651

The PRESIDING OFFICER. Under the previous order, the hour of 3:30 having arrived, the question is on agreeing to amendment No. 2651.

The amendment (No. 2651) was agreed to.

VOTE ON AMENDMENT NO. 2647

The PRESIDING OFFICER. The question is on agreeing to amendment No. 2647, as amended.

Mr. BAUCUS. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The clerk will call the roll.

The assistant journal clerk called the roll.

Mr. REID. I announce that the Senator from Louisiana (Mr. BREAU), the Senator from North Carolina (Mr. EDWARDS), the Senator from Florida (Mr. GRAHAM), the Senator from South Dakota (Mr. JOHNSON), the Senator from Massachusetts (Mr. KERRY), and the Senator from Florida (Mr. NELSON) are necessarily absent.

I further announce that the Senator from Delaware (Mr. BIDEN) is absent on official business.

I further announce that, if present and voting, the Senator from South Dakota (Mr. JOHNSON) and the Senator from Massachusetts (Mr. KERRY) would each vote "yea."

The PRESIDING OFFICER (Mr. CORNYN). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 93, nays 0, as follows:

[Rollcall Vote No. 31 Leg.]

YEAS—93

Akaka	Dodd	Lott
Alexander	Dole	Lugar
Allard	Domenici	McCain
Allen	Dorgan	McConnell
Baucus	Durbin	Mikulski
Bayh	Ensign	Miller
Bennett	Enzi	Murkowski
Bingaman	Feingold	Murray
Bond	Feinstein	Nelson (NE)
Boxer	Fitzgerald	Nickles
Brownback	Frist	Pryor
Bunning	Graham (SC)	Reed
Burns	Grassley	Reid
Byrd	Gregg	Roberts
Campbell	Hagel	Rockefeller
Cantwell	Harkin	Santorum
Carper	Hatch	Sarbanes
Chafee	Hollings	Schumer
Chambliss	Hutchison	Sessions
Clinton	Inhofe	Shelby
Cochran	Inouye	Smith
Coleman	Jeffords	Snowe
Collins	Kennedy	Specter
Conrad	Kohl	Stabenow
Cornyn	Kyl	Stevens
Corzine	Landrieu	Sununu
Craig	Lautenberg	Talent
Crapo	Leahy	Thomas
Daschle	Levin	Voinovich
Dayton	Lieberman	Warner
DeWine	Lincoln	Wyden

NOT VOTING—7

Biden	Graham (FL)	Nelson (FL)
Breaux	Johnson	
Edwards	Kerry	

The amendment (No. 2647) was agreed to.

Mr. GRASSLEY. I move to reconsider the vote.

Mr. BAUCUS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, may I inquire what is the business before the Senate?

The PRESIDING OFFICER. The bill, as amended, is currently pending.

AMENDMENT NO. 2660

Mr. DODD. I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD] proposes an amendment numbered 2660.

Mr. DODD. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(Data not supplied.)

Mr. DODD. Mr. President, I offer this amendment on behalf of myself, Senator COLEMAN of Minnesota, Senator KENNEDY, Senator CORZINE, Senator MIKULSKI, and others.

Let me say to the floor managers, if I may, I know they are interested in the time. I am prepared to agree to a 1-hour time agreement. I do not necessarily expect to take the hour. I know there are others who may want to be heard. I know you want to move things along, so I am prepared to have a time agreement and move on my amendment, give my remarks, and then others can speak, and then vote on it, if you would like.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, with this amendment, we are moving along on this bill. I very much appreciate the Senator's generosity in suggesting a time agreement. At this point, apparently, that is not advisable. But I thank the Senator for making his generous offer and for proceeding nevertheless.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, I will move forward. If, at any moment you would like to have a time agreement, let me know and I will try to accommodate you so you can move on to other matters.

I have already spoken about the amendment during the time between 2:30 and around 3:30, describing, in a sense, what the amendment would do and the rationale for the amendment. I will be glad to go back over this amendment again for my colleagues and then engage in any debate or discussion about it.

In a sense, I am preaching to the choir when I talk about this issue to my colleagues on both sides of the aisle because we all painfully know what has happened in the last 36 months in our country. We have lost around 2.8 million manufacturing jobs in the United States. I have laid out on this chart I have in the Chamber how that breaks down State by State across the country.

In my home State of Connecticut, we have lost some 32,000 jobs in the manufacturing sector; California, 272,000; Ohio has lost around 153,000 jobs; in Illinois, 115,000; Texas—the Presiding Officer's State—150,000 jobs.

So certainly we all appreciate the fact there has been a tremendous erosion in a very critical area in our economy.

We also know there is another phenomena occurring, and at an accelerated pace; that is, the outsourcing of many jobs, including some manufacturing jobs, around the globe, and it is accelerating at warp speed.

We now know there are literally 400 of the top 1,000 companies in the United States outsourcing their jobs to India or China or other nations around the globe. Mr. President, 40 of the 50 States now outsource jobs.

My amendment simply says—and there are waivers in here and the like. I understand, although I do not like it, if a company decides on its own dime it is going to outsource a job. I disagree with that. I think they are wrong to do it, but it certainly is their right to do it. We can offer tax incentives to encourage people to stay here, tax disincentives so they do not go offshore, but ultimately a company can decide for itself.

It is another matter with taxpayer money, with the money that American taxpayers send to Washington. The idea that we would use their dollars to outsource an American job is something on which I think we ought to speak loudly and clearly. We ought to say: Look, we disagree with that. We don't think you ought to be able to do that.

So this amendment, in three different areas, very simply says: First, the Federal Government may not use Federal taxpayer money to procure goods and services to fulfill contracts that use overseas workers at the expense of American jobs. Second, we tell State and local governments that any Federal dollars they receive in the form of a grant, in the form of an appropriation, or any other way, that they are not to use those Federal dollars to promote the loss of American jobs for the creation of offshore jobs. And, third, we say any agency seeking to privatize a Government contract being paid with U.S. taxpayer dollars may not enter into that contract if it, again, displaces American workers in favor of offshore workers.

Now, very quickly, in anticipation of some of the arguments we may hear, we provide waivers and exceptions on grounds of national security, and we also allow Governors or Federal agency heads to waive these provisions if there is a bona fide lack of comparable goods or services in the United States.

In this legislation, we also, of course, make it clear that the Government procurement agreements between the United States and some 27 other nations, that are predominantly Western Europe countries, are not affected by the prohibitions contained in this bill. Those 27 nations do not include, I would point out, India or the People's Republic of China.

So the major sources of outsourcing are not affected by those provisions. Thus, we are in complete compliance with the WTO and every other formal agreement we have. We are not in violation of any of those agreements as a result of this amendment.

Now, I had a meeting in my State—and I assume my colleagues may have had similar kinds of gatherings—where people came together who you could not have put in the same county a year

ago on this issue. I am talking about my chambers of commerce, my manufacturing associations, and my labor unions—all coming together saying: When is Washington going to say something about this outsourcing that is going on?

If we continue to allow these jobs to flow out of our country, then I think we run the risk, at critical junctures, of having the human talent necessary for us to provide those services and to produce those goods which will allow us to compete effectively in the 21st century. Once you lose jobs, particularly in the manufacturing sector, or some of the high-skilled areas, it is very difficult to go back and re-create those jobs, to re-create those manufacturing centers.

Let me point out an article that appeared in the Wall Street Journal this morning. In fact, I have already included it in the RECORD. But the ValiCert company—and I think this is a front-page story or nearly a front-page story in the Wall Street Journal—discovered that outsourcing was no great success for them. They did it and discovered that the value they were getting for the jobs and products being produced did not equal that produced here in the United States. They have reversed that decision.

So when you read in this economic report, prepared for the President of the United States, last month, in February—and I will quote the report for my colleagues where they state, in absolute terms, on page 229 of this report:

When a good or service is produced more cheaply abroad, it makes more sense to import it than to make or provide it domestically.

Well, tell that to the ValiCert company. They did not discover that. Certainly, while that may be true of a bottom line of a company, if you are trying to preserve jobs in this country, which is a responsibility we bear in this body, and not just to those companies but to the people who work for them—an American job is not just a good or a service. An American job has implications that go beyond just the dollar amount lost of income in wages or salaries. It means also that a family may not pay their home mortgage and may not be able to provide the goods and services that allow our economy to grow and expand. It means families are under more strain and stress because they have lost the source of income to provide for themselves.

So this ought not be a partisan issue. This ought to be something on which we stand united. This is not being an isolationist. I am a free trader. I have been so in the years I have been here. I have supported many, many free trade agreements, and I opposed some as well, but I honestly believe if you are going to be an effective trader, a free and fair trader in the 21st century, then you ought not squander and give up the very jobs that make it possible for you to compete in this global economy.

So I am deeply concerned that if we do not say something, particularly with U.S. taxpayer money that is being used to subsidize this outsourcing of jobs, then we are failing to understand what is going on across this country. In State after State after State, the trend lines are there in manufacturing. It is also occurring in other sectors in the economy.

Let me share with my colleagues, as shown on this chart, indication of where the outsourcing of these jobs is occurring. Presently, it is occurring in areas such as office support. The estimate is 14 million additional jobs, by the way, will be lost and shipped overseas over the next several years. The estimates are about 8 million will occur in office support areas; in computer and math professionals, close to 3 million jobs lost in that area; business and financial services, over 2 million jobs; paralegals, diagnostic support services, medical transcriptions, over 94,000.

So it is not just low-wage, low-salary jobs that are going but very sophisticated, high-technology jobs that could be leaving our country as well. That makes us weaker. It is not in the national security interests of the United States to be losing these critical jobs at a time when we need them most in order to provide for the economic growth of our own Nation.

So while I understand, from a business perspective, your job is to look at quarterly reports, to try to improve the bottom line, our job in the Senate and the Congress of the United States goes beyond looking at quarterly reports.

We should look generationally. I don't want my generation to be the first generation of Americans which leaves the coming generation less well off than every other succeeding generation has left their children and their grandchildren. We are at risk of doing that if we don't step up at this juncture and say we need to stop or at least discourage this outsourcing of jobs that is occurring at a rapid pace every single day.

It is hard not to pick up a U.S. newspaper in any city and read where one corporation, one business after another, is making the decision to outsource more jobs. I think we ought to say, let's slow down. Let's have some balance. Let's not use taxpayer money to allow these jobs to be lost. That is the thrust of the amendment.

I hope we will have overwhelming support for this idea. This bill is an appropriate place to be debating it. It is something that could make a huge difference for those who are worrying whether we are paying attention at all. We have just debated over the last 5 weeks medical malpractice, providing immunization for gun manufacturers. We have had a bill on pensions. But we have not spent 5 minutes debating the issue of what is happening to America's jobs. That is the big issue.

Look at any survey right now. Ask the American people what they worry

about the most. It is the loss of jobs. They are outraged we have nothing to say when it comes to outsourcing of jobs to other nations, and we are not standing up and defending our own workforce.

In this same economic report I cited earlier, to give you some idea of why people get discouraged, I mentioned earlier the quote suggesting it was an automatic thing that outsourcing of jobs was good or, as they call it, importing of jobs. That is the way they describe it. I mentioned already a company identified in a Wall Street Journal article this morning, "Lesson in India, Not Every Job Translates Overseas." I encourage my colleagues to look at that article as one example of a company that discovered outsourcing was bad for business, not good.

In this same economic report prepared by the President's top economic advisors, they raised the following question:

The definition of a manufactured product, however, is not straightforward. When a fast food restaurant sells a hamburger, for example, is it providing a service or inputs for manufacturing a product?

If this was some sort of cartoon in the paper, I might have laughed at it, but it is part of an official document, an economic report prepared by the President's top economic advisers which suggests through the question that flipping a hamburger or cooking a hot dog is a manufacturing job. You get some idea and sense of where the outrage of the American public is coming on why we are unable to speak to this issue.

Again, I don't care if you are a Democrat or Republican, what your politics or ideology is. We have to stand up and defend our country in a moment like this. I worry about losing these jobs.

I mentioned earlier I had some 5,400 manufacturers in my State employing well over 240,000 people. We have lost about 35,000 jobs in the last 36 months. My manufacturers produce critical components for some of the most sophisticated defense technologies in the Nation. If you lose that manufacturing base, it is not just the loss of a manufacturing job or the loss of a good little company, it is also a critical issue when it comes to national security needs. Many of these small manufacturers produce critical components and parts for some of the most sophisticated defense technologies in our Nation.

I mentioned earlier my friend and colleague from Texas. The number of jobs there, 150,000. I know this Senator has many of these small companies that are producing those parts for defense companies, defense technologies. There is a ripple effect. We know as well, beyond the implications for our national security, for every one of these jobs that are lost in the manufacturing sector, there are jobs lost in other sectors. It is not just that job that is lost or that family that is affected. Each manufacturing job sup-

ports three other U.S. jobs. So when we lose these jobs, we also feel it in the retail trade, in the professional services, and in manufacturing as well.

I apologize if I get heated about this subject, but it is painful to read some of this cold-eyed analysis that suggests somehow you just have to stomach this or weather this, that this is just one of these cyclical or structural occurrences in the national economy, and these statistics, as troublesome as they are, are nothing more than that, statistics.

Behind every one of those statistics, behind every one of those numbers I cite, is usually a head of household or people trying to keep their families together. They are not just statistics. These are American citizens. These are human beings who are doing everything they can to live by the rules and provide for their families. They want to know whether their Congress—they don't identify themselves when they get up in the morning as a Democrat or Republican; they get up in the morning and worry about their families and their future—gets it, if we understand it, and whether we are willing to do anything about it.

This is an attempt by myself and my colleague from Minnesota and others to say at least when it comes to your tax dollar, we are going to say to the States, localities, and other businesses with waiver provisions here, you are not going to use those dollars to outsource an American job, not on our watch. You may decide to do it with your own money, but you will not do it with American taxpayer money. That is why we offer this amendment.

I yield the floor to my colleague from Minnesota for any comments he would like to make.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. COLEMAN. Mr. President, I rise in support of the amendment offered by my colleague from Connecticut. I am proud of working with the President to grow jobs. I firmly believe, from my days as a mayor, when you cut taxes, you shape an environment in which folks invest. And when they invest, mom and dad have a job. The best welfare program is a job. The best housing program is a job. Access to health care comes with a job, most often. So we have to do what is necessary to grow jobs. We are moving in that direction. Clearly, more needs to be done.

Changing the economy at times reminds me of turning around one of those oar boats in Lake Superior: You have to get it moving in the right direction. I believe we are moving in the right direction, but more has to be done.

We have an opportunity with the Dodd amendment to do more, to make sure we use taxpayer dollars wisely, in a way that prevents the outsourcing of American jobs and grows jobs here.

The underlying bill we are dealing with, the Jumpstart JOBS Act, is moving us in that direction. We have to do more. We are doing it right here.

I am one who has supported and supports expanding markets. I understand the importance of trade in terms of growing jobs. This initiative is not designed to step in the way of our efforts to expand and broaden our capacity to find new markets for our products. On the contrary, what it does is ensures those firms which have exemplary goods and services to sell have a fair shake at contracts involving Federal dollars.

This issue has come up in Minnesota. From conversations with my Governor, it is clear—and I understood this when I was a former mayor—we have an obligation to get the best possible value for taxpayers. We have to look at the bottom line. But at the same time we have to be concerned about the impact on our State and national economy of foreign offshoring when other options are available, when the work can be done here.

I call this commonsense legislation. Again, I support trade as a way to create wealth and jobs. But for a government at any level to contract out with foreign entities for delivery of federally funded U.S. programs is tantamount to Detroit, MI buying a fleet of foreign-made squad cars. It doesn't make any sense. It flies in the face of common sense.

Recent news reports noted that under a \$16.8 million contract with an Arizona firm, calls to a Minnesota toll-free number for help with lost and stolen food stamp cards are being routed to Bombay, India. Under a \$13.3 million contract, software programs in India are helping build a Web-based system to automate eligibility for Medicaid and other health care benefits to low-income Minnesotans.

The administration of U.S. Government programs ought to be done here at home in the U.S. Even if some of the work is outsourced to private vendors, the thought of our Medicaid or food stamp programs being run out of someplace in India would offend most Minnesotans' sensibilities, and it offends mine.

We have an opportunity to talk about what we do with taxpayer dollars. Would you use those taxpayer dollars in a way that fosters the growth and development of American jobs or do we send them overseas? I think common sense says we use them here.

My colleague and I may disagree at times on tax policy or on a range of issues. But this is an issue that should cut across partisan lines. We have an interest in growing jobs in this country and this is a way to make commonsense use of taxpayer dollars. I am proud to stand in support of my colleague's amendment to this bill.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

Mr. CORZINE. Mr. President, I also rise to support the amendment of the Senator from Connecticut. It is very hard for people in my State and across this country to read the President's

economic report and hear economic theory that is pronounced in economics 101, that somehow or another 19th century comparative advantage is the basis on which we ought to be working jobs in this country.

Folks are very concerned when they don't have work. That is a very simple principle of economics. We are seeing so many of our manufacturing jobs go, and now 40 out of 50 of our States are taking jobs that are government jobs and shipping them overseas and undermining our economy here. That is not highfalutin economics. That is taking money out of the pockets of people who drive our economy and make a difference in our communities. It has all those multiplier effects other economists might talk about. Then you don't collect tax revenues, you don't have people spending money back into the economy and driving it. A Senator talked about manufacturing jobs, but there is a leverage or multiplier effect on government jobs as well.

This is really out of touch with the American people, when we believe our policy ought to be to encourage outsourcing. Here, with taxpayer dollars, in the Federal Government, we have an opportunity to say, no, this is not the direction we ought to take. We should not be moving jobs overseas that would be very properly done here at home. We see it in the manufacturing sector. I am not sure I totally agree we ought to let everybody look at their quarterly bottom line and move. I think we need to understand there are national security interests at stake on jobs we have right here at home. We need to make sure we have a manufacturing sector that can actually produce steel, manufacture the weapons that protect our men and women when they go to war. We need to have that strength and it needs to be substantial.

We need to work to make sure our technology is under our control, the privacy of the information that flows in. I think we ought to push back against all this outsourcing for a lot of reasons that don't just deal with economics. But it is absolutely unfathomable that we would take State and local folks, Federal Government people, and ship their jobs overseas at the cost of not being able to have the overall economic impact of this. I think, particularly with the waivers the Senator from Connecticut has built into these programs, we have a program that will make a difference.

It is not enough to talk about translating hamburger-flipping jobs into reclassifying manufacturing as a means to solve an outsourcing problem. It is incredible, absolutely incredible, the illogic we see running through this economic report.

I think the Senator from Connecticut has put together a response that makes sense. We are going to use U.S. taxpayer dollars to make sure when we have Government jobs, they stay here. I am proud to be a cosponsor. I think it

is absolutely essential the American people know we are fighting for their best interests at home on the floor of the Senate. This is the most direct, clear method of pushing back against what is a very wrongheaded approach to creating jobs in America.

Again, I am pleased to be a cosponsor.

Mr. DODD. If my colleague will yield, I thank my colleague from New Jersey for his support, and my colleague from Minnesota as well.

My colleague from New Jersey is no stranger to these issues. I made note before of what is happening in Minnesota and other States. In Connecticut, we have lost 32,000 manufacturing jobs. New Jersey has lost over 55,000 manufacturing jobs.

Mr. CORZINE. If the Senator will yield for a quick statement, on Friday, we closed the last Ford production facility in New Jersey, and we are on track to have complete closure of the auto industry in New Jersey, which used to be one of the heartlands of auto production, outside of Michigan. It is very much reflected in the kinds of numbers the Senator is talking about.

We were supposed to be replacing those jobs with technology, information systems and telecommunications equipment, and now we see those jobs moving offshore just as much, and some are reflected in those numbers. That is why it is so important to stanch some of that movement by the kind of action that would be taken in reflection of the amendment of the Senator.

Mr. DODD. I mentioned earlier there was an article in this morning's Wall Street Journal entitled "Lesson in India: Not Every Job Translates Overseas." I want to ask my colleague a question. Because of his background in business, he understands those issues better than most of us. This reads:

When sales of their security software slowed in 2001, executives at ValiCert Inc. began laying off engineers in Silicon Valley to hire replacements in India for \$7,000 a year.

It says:

The reality was different. The Indian engineers, who knew little about ValiCert's software or how it was used, omitted features Americans considered intuitive. U.S. programmers, accustomed to quick chats over cubicle walls, spent months writing detailed instructions for overseas assignments, delaying new products. Fear and distrust thrived as ValiCert's finances deteriorated, and co-workers, 14 time zones apart, traded curt e-mails. In the fall 2002, executives brought back to the U.S. a key project that had been assigned to India, irritating many Indian employees.

"At times, we are thinking, 'What have we done here?'" recalls John Vigouroux, who joined ValiCert in July 2002 and became chief executive three months later.

Tell me a bit about this. I think the assumption is made automatically, and certainly in this economic report prepared for the President by his administration, it makes a categorical statement that outsourcing of jobs is always a good thing because it improves the

bottom line. Here is an example of a company which had a very different example. Aside from the obvious reduction in payroll by hiring people in another country to do the job, and firing Americans, are there also examples where this kind of activity has actually been bad for business and not necessarily automatically good for business, as suggested by this report?

Mr. CORZINE. Well, the Senator from Connecticut raises a good point because I think when business decides it wants to outsource 14 time zones away or 12 time zones away, there are enormous synergies in business that are lost—the ability for people to work in similar space, to get the economies of the consolidation of ideas, working with people. It doesn't work nearly as well. As a matter of fact, a lot of businesses are consolidating so they can make a lot of their operations much more sympathetic with each other. These are business principles a lot of folks follow.

I don't think it is as obvious as is commented in the economic report of the President, but I guarantee sometimes the short-term benefits that somebody might see on a quarterly report, because they have lowered their loss, are grossly offset by long-term costs because they lose the technological innovation of having people work together. They lose the economies of scale, and the potential long-term costs, aside from the social costs the Senators from Connecticut, Minnesota, and New Jersey have been talking about, are huge.

Mr. DODD. I thank my colleague for those comments. They are very enlightening. It is further indication that these trend lines are moving forward.

There has been a report in Time magazine that indicates we are looking at, some indicate over the coming years as many as 14 million, 15 million jobs to be outsourced if we do not begin to do something about it. In the near term, I think the number is between 3 and 4 million with a loss, by the way, just looking at revenue loss, of wages lost—forget everything else, forget what happens when a person loses their job and the ripple effects that occur—just in lost wages it is about \$140 billion.

We know what kind of budget deficit we are in already. I don't think this figure has been projected onto those numbers at all. We look at revenues coming in, and we look at what expenditures for which we have to account, and a loss of \$136 billion to \$140 billion in wages, lost because of outsourcing over the next decade or less, ought to be a matter of deep concern, even if you are not affected or moved by what happens to families or heads of households who are trying to provide for the needs of their families.

The fact that we lose that much salary and wages going out ought to be of great concern. I mention that as an additional implication of what is caused by outsourcing.

Again, I said earlier, we can offer incentives for people to stay, we can offer

disincentives in the Tax Code for them not to go, but I don't know, for the life of me, why we ought to be taking American taxpayers' money—we insult the taxpayer to say, I am going to use your money to fire someone in this company and hire someone someplace else to do the job at a fraction of the cost because it is going to improve your bottom line.

I don't know how the Senator feels, but the societal implications are profound. Our job is not only to make sure there is wealth creation in the country, but also we bear a responsibility beyond quarterly reports to see to it, from a generational standpoint, that we are going to leave this country at least as in good a shape as we inherited from our parents.

Mr. CORZINE. Will the Senator yield?

Mr. DODD. I will be happy to yield.

Mr. CORZINE. The \$140 billion the Senator from Connecticut spoke about with regard to salaries on the chart the Senator previously showed, there is a multiplier effect. It is almost three times that value to the economy. The Senator had the chart which showed the full implications. It is remarkable what is given up when our Nation loses these jobs overseas. It is not just those salaries. When you take the full implication, because you also have to look at the tax revenues that come back into the coffers of State, local, and Federal governments, these numbers could be even larger. This is just showing the impact of what the multiplier effect is for the economy.

These numbers are huge. So the undermining of the well-being of our economy by this outsourcing element is just way more profound than I think is being discussed and is an extraordinary misrepresentation and a mistake for the administration to believe that this is something we ought to be embracing and encouraging.

There is another element that needs to be thought about. Every time those outsourcing jobs cost an American job, then that individual has to compete for another job. Right now, for all but the top 20 percent of our economy, we are seeing declining real wages.

The fact is, people are competing for lesser quality jobs that pay less than the jobs that are leaving. I think we have seen estimates that it is about 20 percent less that an individual makes in the next job they take after they have been laid off. It is profoundly wrong for the administration to embrace such a dangerous idea both for the economic power and also the real hurt that I think it brings to the individual loss.

Mr. DODD. I thank my colleague. It is worthwhile to make the point that actually watching the buying power, the wealth of individuals being reduced, overall our country suffers from that—obviously the families do—but when you reduce that buying power, that wealth, implications are being felt throughout our economy.

These happen from a structural standpoint. But when you allow it to go on with Federal money being used—again, as I say, I would not be party, as much as I may object, to companies that want to do this. I think they are wrong to do it. They are making a mistake. It is harmful to our country. On their dime, I guess they have a right to do it. But on our dime, they ought not have the right to do it, and this is the American taxpayers' dime.

I don't think we ought to be saying to them, You can take your Federal taxpayer money and pay somebody offshore to do it, losing an American job that could be done here. I don't think that is right, and that is the purpose of this amendment. I thank my colleague.

Mr. BAUCUS. My good friend from New Jersey has to leave the floor. I compliment the Senator for what he is trying to do. This clearly is the issue, the problem that faces our country as it will certainly for the rest of the year and probably for the indefinite future.

I am wondering, in addition to the approach suggested today—and there probably are additional proposals, too. This is a complex problem and requires a complex solution. It reminds me of a quote I am fond of making. H.L. Menckin once said: For every complicated problem there is a simple solution, and it is usually wrong.

In my judgment, this administration not only is sort of laissez-faire but kind of going AWOL on this issue. I don't see a plan. I don't see a way to deal with job loss that passes the smell test. In addition, wouldn't it help to be much more aggressive in enforcing our trade laws?

One thing that bothers me, frankly, is that we are going about getting trade agreements with minuscule economies. The big bang for the buck is enforcing our trade laws, say, with respect to India or China or maybe the European Union. There are lots of examples.

We hear about all the call centers in India. We don't hear much about many products by American companies being sold in India, and the Indians are very much violating the intellectual property agreements. Billions of dollars are being lost to American companies that could be spent in America because other countries are not living up to their international obligations.

I was wondering if the Senators agree that is one of the additional ways we can take to keep more jobs in America? Let's open up markets in other countries so we can export more.

Mr. CORZINE. The Senator from Montana is exactly right, some of the regulatory restrictions or ability to actually penetrate some of these markets, while they may meet the letter of the law with regard to trade agreements, are virtually impossible, particularly in the services where we supposedly have the comparative advantage.

I think unless we are prepared to deal on all fronts—enforcing our trade

agreements, particularly with large economies—we are not going to see even the theoretical benefits coming back of open trade markets. The situation is very true in the old industry that I worked in, financial services. It is very hard to penetrate these large economies about which the Senator has talked.

So we give up the jobs in outsourcing, but we are not getting the ability to actually provide the services that would make up for some of those jobs back here at home.

It goes back to a miscast presentation of a concept that is fine in Economics 101 books on comparative advantage but makes no sense in the everyday lives of working men and women in America.

Mr. BAUCUS. The point I am trying to make is, we Americans pride ourselves on being fair and open, but I don't know that other countries are as fair and open when it comes to trade.

We are not pure. We do not wear a white hat. Other countries are not necessarily Darth Vaders and wear black hats. But I think it is also true the shade of gray of our hat is a lot lighter shade of gray than the shade of gray of their hats. They do not agree to fair trade in the main. I am talking about the bigger countries. India is the best example, the most blatant example.

Mr. DODD. I thank my colleague from Montana, as well, for his comments. I think they are poignant. While we do not specifically address those issues, he is absolutely correct. It is another piece of this puzzle on which we need to do a far better job. I have had some recent discussions with ambassadors from some of the Latin American countries and have suggested to them they ought to start talking to us about having labor standards and environmental standards from their perspective.

Mr. BAUCUS. Absolutely.

Mr. DODD. If free and fair trade is to work well, it ought to be raising the quality of life and the level of wealth accumulation by people in these countries with whom we are about to enter into trading agreements. That is good for us, and it is good for them. Instead of us having to fight for it here, they ought to be fighting for it and insisting upon it on behalf of their own constituents.

Mr. BAUCUS. Let me ask the Senator a question on that same point. Would the Senator agree that in the main, most of the countries we are talking about—we are talking about environmental standards and labor standards in these countries—generally do not most of those countries want to sign free trade agreements with the United States because it adds to their prestige; it helps them market their products and helps them gain standing in the world? Would the Senator agree with that?

Mr. DODD. I say to my friend from Montana, it is as obvious as anything. These are the shelves—this is the marketplace you want to be. If you are any

other country in the world, you want to be able to access the greatest consumer market in the history of mankind, which is the United States of America. This is the most inviolable place to which you can sale your services and your goods.

Mr. BAUCUS. Would the Senator also agree that it is the case that most of these countries probably want to enjoy the status or the prestige of having a free trade agreement with the United States? Certainly we are not going to negotiate an agreement that gives away the store. This is a bargain for an exchange. Is it not also true that it therefore is a mistake for the United States to in effect be negotiating against itself; that is, for some in the administration to say, no, we do not want those labor standards, we do not want those environmental standards, whereas in truth those countries, frankly, are the ones we should be talking with because they themselves want these agreements and would be much more willing to agree to them?

Mr. DODD. Absolutely. The whole point of these trading agreements, because we are a high value country, obviously, and we do not want to dumb down our system, we want to see improving quality products, you need to sell them to somebody. If the countries with whom you are entering trading agreements do not have a population that can afford to buy your higher value goods and services, then the trading arrangement is going to be all one way and not the other. So it is very much in our own interest, from a larger perspective, to be able to have it.

Too often it is U.S. interests that are insisting that labor and environmental agreements not be included because they want to be able to enter those markets and hire people at those depressed wages and be able to operate plants that do not face environmental regulations. So they see it as advantageous for them. They then turn around and sell those goods back here.

They are not thinking about an American corporation that wants to sell its quality product there. It is very shortsighted and, of course, it only leads to further encourage the outsourcing of jobs, which is exactly what is going on.

Mr. BAUCUS. The point being that the other countries themselves are much less concerned about this.

Mr. DODD. And they should be more concerned about it.

Mr. BAUCUS. Exactly.

Mr. DODD. My colleague would be interested to know, in my conversations, very informally at this point, but I am finding a great deal of receptivity to the point the Senator from Montana is making; that, in fact, they should be insisting upon these points. The politics of their own countries are changing and they are insisting if you are going to enter these agreements, that this be a part of it as well.

Mr. BAUCUS. Absolutely.

Mr. DODD. We may be looking at a new era where it is not going to be just

people in this Chamber calling for these kinds of things, but, in fact, people in these other countries are going to be insisting upon it as well.

Mr. BAUCUS. I do not know how much time the Senator has, but I might ask, if the Senator does not mind, to address another subject with respect to jobs. Would the Senator agree, as we try to find a solution to this problem, that one of the issues we have to face and have to focus on is high health care costs that American companies pay and face? It is a very complex problem, clearly, but a lot of companies unfortunately are lowering their employee health benefits or their retiree health benefits because they say it is necessary in order to do business; the world is just so competitive.

The first casualty is those who lose their health benefits. They are scared to death, frankly, about lowered health benefits or no health benefits. On top of that, it is partly, it seems to me, because we do have high health care costs in America.

In fact, the last study I saw is that we pay twice as much per capita on health than does the next highest country. I do not know if we are twice as healthy as people in other countries, but we pay a lot, and that has to be the cost of doing business.

What I am getting at, is part of the solution of this some way to address efficiencies in health care and quality of health care, recognizing that employees of companies in other countries have their health covered by the government, where that is not true in our country; that that, too, is a part of the problem here? If we are honest with ourselves, we are going to have to figure out some way to get our hand on that one, too.

Mr. DODD. I appreciate the comments of my colleague from Montana. He is absolutely correct. I did not even get into the issue of what happens here. Obviously, when you fire someone, lay someone off, you hire someone offshore to do the job, there is absolutely no requirement that the fired or laid-off worker is necessarily going to be able to get any kind of health care coverage from the former employer. Even when you have retired with full benefits there is no guarantee, as we learned through the discussion of the Medicare bill that was before us only a few months ago.

So in addition to the lost jobs and wages—that is all I have been talking about today—there are benefits that are incredible, and when people lose those benefits it adds to the roles of the 44 million people in this country who have no health insurance.

They get health care. It might be showing up in an emergency room, which increases the costs of everyone else who has health care, as we all know. Fortunately, in this country if people get sick they can show up someplace and get some kind of coverage.

Mr. BAUCUS. Usually that is true.

Mr. DODD. It is not free, and it adds tremendously to the cost of others as

well. So the implications, in addition to laying someone off—as we see now the thousands of jobs that have gone—the Senator from Montana is very accurate in pointing this out when looking at this issue.

Here we are taking Federal taxpayer money. That is what my amendment addresses. It says: With Federal taxpayer money you can lay someone off and hire someone else and pay them basically with Federal dollars. So we are, in a sense, not only causing that person to lose their job in this country but also their health care benefits and other benefits they may have, not to mention what it does to a family.

Talk about keeping families together, the single largest reason why families break up is economics. Every study in the world that has been done on that institution says it is economics.

As a matter of Federal policy, in effect we are saying we are going to outsource these jobs, causing a great disruption in America and families' lives. The Senator from Montana is so right to point out that the health care implications, because we have not yet sorted this out, are huge.

Again, I come back to the point, I do not accept it, I do not like it, but if someone on their dime wants to lay someone off and hire someone else, I do not like it and I wish I could do something about it and I certainly want to support measures that I know of the Senator from Montana and the Senator from California, such as giving tax incentives to encourage people to stay here, but when someone does it with Uncle Sam's nickel, with the taxpayers' money, then I say, no. I have some control over that.

I am offering an amendment today that says when it comes to U.S. taxpayer money, you are not going to lay somebody off and hire somebody else 12 time zones away to do the job. You may do it on your dime but not on their dime.

I will mention one other subject matter that I know my colleague from Montana and my colleague from California care about, and that is privacy. That is one of the things we have not talked about at all on this issue.

I pointed out earlier—I apologize to my colleague from California because she cannot see this chart, but I was talking earlier about where these jobs are going, from what sectors of our economy they are coming from, the 14 million additional jobs in danger of being shipped overseas. One of the areas we are talking about is in the area of medical, diagnostic and medical services. This covers a little more than almost 300,000 jobs in that area.

We all know what is happening. Today, with information technology, x-rays can be transmitted at the speed of light or faster.

Mr. BAUCUS. We are going to give you a Nobel Prize for that.

Mr. DODD. All sorts of medical information.

We have provisions of law in this country that say you cannot share certain private medical information with insurance companies or employers without consent. Medical information is now being processed by someone who has been hired 12 time zones away—all of a sudden that information is no longer well-protected. So as we see the increase in these diagnostic support services and medical transcriptions going offshore, then the very protections we ought to have as Americans are also being lost. I don't cover that in my amendment here, but we may offer some language on this bill at some point that would say you have to give people at least the opportunity to say I don't want my medical records being processed or handled by someone offshore. I want it kept in the United States because I don't want someone to be able to go in and find out highly sensitive information about me and my family that could be used against me.

Today the laws of the United States do not adequately protect you when this information is being processed and handled offshore. That is one of the major areas we are seeing these jobs moving.

Mrs. BOXER. Will my colleague yield for a question?

Mr. DODD. I am happy to yield.

Mrs. BOXER. First let me say how happy I am to hear you and our ranking member have this conversation. This is so important. In a way it is kind of a problem that snuck up on us. I took a look at the loss of manufacturing jobs in California and my heart sank.

Mr. DODD. There were 272,000 jobs lost.

Mrs. BOXER. Think about it, 272,000 jobs.

There is one area covered in your amendment. Since no one has mentioned it, I want to read into the record a letter and then answer the comment, and then I am done with my role here today other than to say thank you again for your leadership.

This is an interesting issue. It is covered. Your amendment is not reflected on the charts because it deals with agriculture, something in your State you don't have as much of as I have.

I want to read a letter I just wrote to Ann Veneman. I believe this will get you a lot of votes from agriculture country.

DEAR MADAM SECRETARY: I was shocked to learn that the U.S. Department of Agriculture purchased 70,000 metric tons of rice for the Iraqi people from abroad rather than purchasing this product from U.S. sources. At a time when U.S. farmers are facing increased economic pressures and food surpluses, our taxpayer money should be spent on U.S. commodities, not the commodities of other nations.

California, like many other States across our nation, is experiencing a surplus of commodities such as rice that could provide valuable nutrition to the Iraqi people while alleviating potential crop losses for our nation's farmers.

Then I talk about California's high quality of rice.

As we work to alleviate food shortages experienced by the Iraqi people, we have a unique opportunity to assist our own farmers. I request USDA reconsider this decision and instead purchase the needed quantity of rice from U.S. farmers. In the future, USDA should use taxpayer dollars to purchase U.S. rice before it spends taxpayer dollars on foreign commodities.

I wrote this letter on February 24. I am so pleased. I discussed this with your staff. Your amendment would cover this.

Here we have the sons and daughters of America's working people, including people on the farms for sure, going off to Iraq and putting their lives on the line. Now their families either see their jobs going abroad or in this case they are ready and willing to feed the Iraqi people. They are excited about it, they have great products, they have surpluses, and our administration, the Bush administration, goes outside.

I wanted to first of all ask if you were aware of this issue, and, second, say to you whether you were or you were not, I thank you on behalf of the people who make a living from agriculture, because we have our serious problems. We have the best products in the world and we have farmers who are ready to feed the hungry.

Mr. DODD. Let me say to my colleague I was not aware of it. I apologize for not being aware of it.

I know agriculture is a huge industry in the State of California, particularly in the area of rice. It is significant. So I am pleased to know we are covering this kind of activity as well.

Again, this is not being isolationist.

Mrs. BOXER. No.

Mr. DODD. Every time you try to stand up for an American job you are called an isolationist. There is a new coalition. They want to change the language, by the way. There was an article this morning that says, "Business coalition rewrites lexicon for jobs outsourcing." They point out, they say the coalition is now rallying around "worldwide sourcing" as a less provocative term.

I apologize for sounding provocative, but we didn't make this up. What ought to be provocative is the fact that people like my colleague from California have constituents who are losing their jobs because we are not doing enough to protect these jobs—not from a protectionist standpoint, but protect them when in fact there is no loss to be incurred as a result of standing up and saying we ought to be doing what we can to protect these positions in our country. I commend her for it.

I thank you for raising it. It is an important point and I am glad our amendment covers it.

Mrs. BOXER. I will talk to those from agriculture states because they may not be aware this administration is taking the dollars this body voted on—I had problems with voting on it, but most people voted for it—they are taking that taxpayer money and taking it right out of this country. It is outrageous.

I thank you again for your leadership.

Mr. DODD. My staff gave me some other information. I have mentioned others. Tax experts now say Indian-chartered accountants, the subcontinent version of certified professional accountants, will prepare somewhere between 150,000 and 200,000 tax returns this year. That is up from 20,000 last year.

I am not making up these numbers. The trend lines are moving at a very rapid pace. In this case here I am not suggesting these are necessarily being paid for with Federal tax dollars. I don't know that. If it is not, obviously we are not covering the situation and these firms that want to continue doing it unfortunately will be able to continue. But if they were doing it with Federal tax money, I say no, just as my colleague from California says no.

If someone with their own dime wants to decide they are going to ship rice or whatever products and use someone else offshore, that is one thing. But when they are using taxpayer money to do that, that is when we have an obligation to stand up and say no.

Mrs. BOXER. Thank you.

Mr. DODD. I appreciate her very much for raising that issue.

Let me say I see my colleague from Iowa on the floor, and others. This Senator is prepared to vote. I talked about this. I have had colleagues come over and share some thoughts on it. I know there are other matters. I know Senators want to move on. I am certainly not engaged in any filibuster. I am prepared to ask for the yeas and nays and vote on this amendment and move on to other questions. Is there some opportunity? I don't want to go into a quorum call if other Members want to come over and discuss other matters, but if we want to vote on it, I would like to do it. What chance do we have, I ask my friend from Iowa?

Mr. GRASSLEY. I will be glad to respond to that. Some Members on our side have not studied the amendment as much as they felt they should and have some questions about it. I would say there are two things. One is understanding completely the impact of your amendment, which obviously is a legitimate concern. The other is that kind of makes a determination whether some Members on our side would want to take some action, maybe with an amendment to the amendment. That decision has not been made. My guess is that decision is not going to be made today. That decision will be made tomorrow.

Mr. DODD. I appreciate that.

Mr. GRASSLEY. Maybe I am being more candid than a Republican ought to be, but that is the way it looks to me. You have always been transparent with me. I think I ought to be transparent with you.

Mr. DODD. I thank my colleague and the manager of this bill for his candor

on the subject matter. He will certainly understand if I share with him—I know these were not his views, he is expressing the views of others who didn't understand the impact of this amendment. Let me say to him, my good friend—and he is a good friend. We have been in Congress together for many years—the impact of not doing something here is huge, on workers losing their jobs. I know my colleague knows that and shares my concern about it as well.

It is not terribly complicated what I am suggesting here. It is straightforward. It says when it comes to taxpayer money, it can't be used to subsidize someone offshore at the cost of an American job.

I know the coalition of the Chamber of Commerce and the National Association of Manufacturers and some other groups out there don't particularly like this amendment because 400 of the top 1,000 corporations are now outsourcing jobs, and I am sorry if they are disappointed by this amendment, but there are an awful lot of people losing their jobs.

That is the only reason I raise it. I have to wait until tomorrow. We will have to wait, obviously. I am disappointed because I thought it was pretty straight forward. Nonetheless, I appreciate my friend's candor.

I see my colleague from California.

Mrs. BOXER. Mr. President, I wanted to ask a question of my friend. I would be happy to defer.

Mr. GRASSLEY. Mr. President, I think maybe I answered too casually when I answered the Senator's question—that maybe I have a feeling there were not legitimate concerns by people on my side. There are a couple legitimate concerns. No. 1, the Senator's amendment does have some mandate on States. That creates a lot of concern—I will bet not only on my side but on his side as well. That is a very philosophical point of view of the impact which we make in the Senate on 50 States, and how many subdivisions I don't know. The other one is the extent to which this might lead to legitimate legal retaliation as a result of the Senator's amendment. That seems to me to be a reasonable, free, and fair trade consideration in any action this body takes.

I want to make clear that it is not strictly political. There are some concerns about his amendment. I enunciated at least two.

Mr. DODD. Mr. President, I yield to my colleague from California.

Mrs. BOXER. I have a question of my friend, Senator GRASSLEY.

While the Senator was out, I was telling the Senate that I had written to Ann Veneman because with taxpayer dollars the USDA went out and bought rice from a foreign country instead of from my rice farmers. I think that is wrong.

I ask this question of my friend: If there are legitimate concerns, I am sure my friend will sit down and work

them out with somebody because you have been here a long time. There is no one who is more patient and more willing to sit down and figure things out. But I have a feeling it is deeper than that. I have a feeling you have touched a nerve today which is a very important nerve to be touched. I think it is being touched in the Presidential campaign. I think it is being touched in the campaigns across our country, and it is being touched here today.

If we don't stand up and do something about this, as my friend pointed out in his very chilling chart—and say there is some complication, there is a message being sent, it may be too late.

I say to my friend, if he is willing and if there is some concerns around the edges which can be worked out, I just hope he won't back off this amendment in a substantial way. If there is a difference between the parties, bring it on, I say. This is what people care about in my State, and I know also in my friend's State. Can he give me a sense of the thinking on how he is going to proceed since the majority will not allow a vote today?

Mr. DODD. I will make two points.

I appreciate my friend from Iowa telling me what the substantive concerns are about the amendment, one which I think we have addressed.

On the second question he raised, we included language which very specifically makes clear that the government procurement agreements between the United States and 27 other predominantly western European countries would not be affected by this legislation. India and China are not part of that problem. The major culprit in all of this is outsourcing of jobs. But my colleague from Montana raised the question that we could be found in violation of World Trade Organization policies, if we didn't include this language. So I think we addressed the concerns about whether or not we are going to run afoul of some international agreements to which we are a signatory.

The second part about mandating States, if you are going to use Federal money to lay off workers in your State and hire someone 12 time zones away to do the job, I don't consider that a mandate. That is Federal money. If you want to do it with State money, I can't keep you from doing that. That is your choice. If you are going to do it with Federal money that comes from grants and so forth, I think the American taxpayer would like to know that Federal dollars are being used to lay off one person in your State and hire someone 12 time zones away. You can call that a mandate, but I call it common sense at this particular juncture.

I think we have gone as far as we can go on this issue. We have covered the ground.

I thank my colleague from Wisconsin, Senator KOHL, for joining me in a bipartisan fashion on this amendment.

Today, 40 States outsource jobs. That is pretty alarming.

If you are unemployed in a State and you call up your unemployment office to find out about your rights, and you are talking to someone 14 time zones away to find out your rights, that is offensive to people in this country. They want to know what we are going to do about it. Do we understand what they are going through?

This is the first opportunity we have had since we have been back over the last 5 or 6 weeks to raise the one issue here. Night after night, Lou Dobbs on CNN, to his great credit, is talking about this issue. He is not talking about it and speaking to an audience that is not interested. The audience across this country is deeply interested in this subject matter. They want to know whether or not anybody is doing anything about it. I can't stop a private company from outsourcing with their own money. But I can stop you from using Federal taxpayer money to fire somebody here and hire somebody 14 time zones away. That I can try. I may not win, but I can try to do it. And that is what we are trying to do.

Mrs. BOXER. I am really relieved to hear my friend's response to the Senator from Iowa. As I understand his amendment, he has already gone a very long way in answering the concerns that were raised. I hope we will stick with it. I think the people in this country are watching. They are not only watching CNN, but they want to know what we are doing. It is an amendment that I have been looking forward to for a long time. We have to make a stand, and I think what my friend is doing is not overreaching.

I rise to say thank you to the Senator for sticking with it, and I will do all I can to help him get it passed.

The PRESIDING OFFICER (Ms. COLLINS). The Senator from Iowa.

Mr. GRASSLEY. Madam President, first of all, the Senator from Connecticut has been right in the sense that we have raised some concerns, and we are working with him. He has made some modifications. We are still hearing about some more concerns. I have expressed two of those already. I would like to express another concern that I have heard.

Yes, it preserves jobs in America if there is not outsourcing of service jobs that are involved. But this is a legitimate concern on our side: The extent to which there might be retaliation by countries that outsource some things to the United States. That goes on as well. We want to make sure if we are losing jobs, we don't have a greater loss of jobs in retaliation for Americans who are already employed by a company outside the United States which is using the services of American people in America.

These are concerns that need to be addressed. These are things that will be brought out in debate, and it may be possible to work on continuing modifications of the Dodd amendment so that hopefully we can get it passed without a great deal of opposition.

At this point, we are not prepared to vote.

Mr. DODD. Madam President, I don't believe I yielded the floor.

The PRESIDING OFFICER. The Senator from Connecticut has the floor.

Mr. DODD. My colleague from Nevada is in the Chamber. I didn't know if he wanted to speak.

Mr. REID. If I could make a brief statement without the Senator losing the floor—

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. REID. For the minority, the majority leader has indicated there will be no votes tonight. Everyone should know that.

Mr. GRASSLEY. That is what my Blackberry said 5 minutes ago.

Mr. DODD. For the purposes of those who don't know what a Blackberry is, we will explain that.

I do not know whether my colleague from Texas has a question of me or not. I know he would like to speak on the issue. Does he have a question for this Senator on the subject matter?

Mr. CORNYN. If the Senator will yield, I will have a brief response but not so much a question at this time.

Mr. DODD. I will wrap up myself. I would like to come back, if I could.

Again, maybe I am wrong. But every survey I have seen over the last number of weeks has indicated that people—even people who have jobs—are worried about this issue.

To give you some indication of the disconnect that occurs when it comes to this issue, I quote from the Los Angeles Times story, which appeared elsewhere, but talking about this question, it says:

"The movement of American factory jobs and other white collar work to other countries is part of a positive transformation that will enrich the United States economy over time even if it causes short term pain and dislocation," the Bush administration said the other day.

It goes down and says from the economic report:

"Outsourcing is just a new way of doing international trade," said Gregory Mankiw, Chairman of the President's Council of Economic Advisers.

They prepared the report.

More things are tradable than were tradable in the past, and that is a good thing.

The article goes on.

I remember the statement being made; Mr. Mankiw apologizing. He said it was a bad choice of words, and we certainly accept his apology. The problem is, it was not the words. It is not a bad choice of words; it is a bad idea.

The idea of saying I am sorry I said only indicated to me they were sorry they said it out loud. They did not change their mind about the subject matter but merely said we got caught at something we should not have said because it was bad politics to say it. I misspoke politically but not substantively, and there is a fundamental

disagreement on this point that outsourcing is a good thing.

These are not just goods and services to be tradable in the open marketplace. These are critical jobs which mean a huge difference to the families affected. We bear no greater responsibility in this Chamber than to do what we can to protect American families. When they are being threatened by unnecessarily shipping their job overseas, it is our obligation to speak out and try to do something about it that is responsible.

I made the point over and over again, and I will make it again, I have supported far more free trade agreements over my course of service here than not because I believe that is where you have to be in the 21st century. But they have to be fair agreements. We have to negotiate them far better.

The Senator from Montana and I have talked about how we might achieve those desired results. I don't subscribe to the notion that it is isolationist or protectionist to stand in the Senate and say I think it is wrong to use Federal taxpayer money to cause someone in this country to lose their job and hire someone 14 time zones away. I don't think that is a good idea. Others may say that is their right, but we will have a vote on whether you think it is right.

Examine it until you are blue in the face and try every cockamamie idea to undermine what we are doing, but it is a bad idea to federally subsidize the exportation of jobs that ought to be kept here, not for protectionist reasons but if we provide services and jobs in the global marketplace in the 21st century, you better have the people here who can do it.

If we give up that kind of human capital that is so critical to our long-term success of people, we are putting our Nation in jeopardy. It is not a great quarterly answer. For that company which wants to make more money next quarter, this is a dreadful idea. But if you are thinking more than quarters, if you are thinking down the road about what kind of a Nation we will be leaving the next generation who will inhabit these seats we hold today as Members—we have an obligation to them, as well. We owe an obligation, just as others who sat in these seats bore an obligation to us and left us a pretty decent country—not a perfect one, but a good one. We should see to it that coming generations have the equal opportunity to bear the fruits we have provided for two centuries.

We do not do it by remaining silent or giving phony reasons about why jobs are being outsourced unnecessarily around the globe. That is why I bring it up and that is why I hope we can have a vote and move on it. It is not that difficult to understand.

I yield the floor, as I know my friend from Texas wants to be heard.

The PRESIDING OFFICER. The Senator from Texas.

Mr. CORNYN. Madam President, the distinguished Senator from Con-

necticut has spoken passionately and eloquently about our concern about job loss in this country and certainly it is something we are all concerned and want to do something about. But I am sure none of us would want to endorse a cure which is worse than the disease or cause other problems that perhaps we have not thought through or that are not intended.

I do detect a whiff of politics. I notice the chart says manufacturing jobs lost under President Bush. Perhaps since the time when we had primarily an agrarian economy, we have seen tremendous shifts in our economy because of the efficiency of a flow market system that is far more efficient than the command-and-control economy that is used in other parts of the world that is inefficient and stifles competition and innovation and the productivity that we have in this country.

I certainly would not want to see us do anything that would harm the good things we had going on in the economy in the effort to address a real problem but perhaps with the wrong solution.

I appreciate the Senator from Wyoming mentioning this is something I and no doubt other Members would like to study a little further to see exactly what the details may be before we were asked to vote on it.

I am not an economist. I do understand why companies outsource, to find a cheaper way of producing their product. Even though the distinguished Senator from Connecticut says it is a bad idea, I am not sure what you can do or what we could do, short of erecting a wall around this country and saying we are no longer interested in international trade. I don't know what we can do to avoid companies who are seeking to produce a cheaper product in a more competitive environment from outsourcing some of those jobs. I do think there is an answer, but I am not sure the answer is what the distinguished Senator from Connecticut is proposing.

In fact, by prohibiting the outsourcing of jobs we are basically saying the American taxpayer has to pay a higher price than they would otherwise have to pay. Certainly, that is something we need to explore, whether the higher price is worth the proposed cure.

Also, the Senator from Iowa mentioned we are a country that has a policy of free and fair trade. Of course, there is a question of retaliation. But the truth is, we have seen a loss of manufacturing jobs in this country for a lot of reasons other than outsourcing or competition with China, India—now with the movement of white-collar jobs particularly in the service sector to that country—and that is simply because we have increased productivity. Technology has made it possible to do the same or, indeed, more work using less people. That is just a fact of life. I don't think anyone would want to go back to the last century and say we are

not going to seek further improvements in technology or innovation because we do not want to put people out of work.

The truth is, the solution is, we need to make sure we continue to educate our workforce and not for minimum-wage jobs but for good high-paying jobs. Members may recall the President addressed this issue in his State of the Union speech and talked about the importance of Americans competing in a global economy by educating and perhaps retraining our workforce for new and better-paying jobs.

He mentioned his initiative, working with community colleges. I took the President's words to heart because I am concerned—as no doubt all 100 Members of this body are—about job loss in this country. I went to the community colleges in my State. I said, Tell me what you are doing to train the American worker or perhaps to retrain the American worker for good, high-paying jobs. I went to Amarillo in the Panhandle where I found that Bell Helicopter and the Amarillo College helped create a curriculum to train people to work on the V-22 Osprey which is produced in that plant.

I remember a young woman, a single mom, Hispanic woman, with two children, formerly working as a prison guard making about \$9 an hour. As a result of this program with Amarillo College and Bell Helicopter—this is just one example—she is now working on a production line, contributing to the transformation of our military and also improving her standard of living, making about \$16 an hour in a good job.

I have done the same thing in Austin where I went to the Austin Community College and learned about partnerships they had entered into to train nurses, surgical techs, dental hygienists. At the San Jacinto Community College near Houston they have partnerships with Boeing and NASA and others to train people for good, high-paying jobs.

Now, I realize we are in the political season, and I understand that perhaps nothing said in this body or anywhere else in Washington is perhaps totally devoid of politics, but the truth is, Americans can and will always be willing to compete and win in the global competition in this new economy.

Now is not the time for us to wring our hands and say: Oh, woe is us. We just can't quite do it. We have to erect protectionist walls. We have to come up with solutions which, perhaps maybe actually increase prices to the American consumer while not actually solving the problem that we are all concerned about; that is, job loss.

So I say as part of this debate—and, again, I know the Senator from Connecticut has the best of intentions, and we share the same concern—now is not the time for the American worker or for the Members of the Congress to lose faith in free markets and the capitalist economy which has made this Nation the envy of the world.

We are talking now again, thankfully, about addressing our immigra-

tion issues in this country. I will note that there are not people trying to get out of the United States of America because things are so bad. To the contrary, people are risking life itself to come here because we are still a beacon in terms of the opportunities provided, in terms of the freedom, in terms of the ability of people, working hard in this country, to have a good standard of living and a better quality of life.

I hope the election year does not consume us so much that we look at the glass always as half empty rather than half full, or look at something as a lemon rather than an opportunity to make lemonade.

I think the President is exactly on the right track. I think if we commit resources to train the American worker to be part of the innovation that has always characterized and been the hallmark of the American economy and the business providers in this country, to make sure those workers are trained in this constantly evolving economy, which is very efficient, and sometimes brutal, but to make sure we are there and are working with local and State and Federal governments to do everything we can to assist business partners and the education community to train the American worker for good, high-paying jobs, I think we have nothing to fear.

Finally, where I was raised we were taught that we would get our formal education and then we would go to work and maybe even stay in the same job for the rest of our adult life. But the truth is, today that is just not possible. We need to change our frame of mind so that we teach our younger people, look, learning is a lifetime endeavor, and it may be that you will change jobs at different times during your adult life because you want to improve your circumstances, you want to get a better paying job to better provide for your family, and you can do it in a free country where there is an opportunity to retrain, to get an education throughout the course of your life.

I firmly believe now is not the time for the American people to lose faith in the good thing we have going in this country, and that, as I said a moment ago, is the envy of the entire world. I believe our focus ought to be on that education, lifetime job training, and not on erecting barriers around this country or perhaps other solutions, although well intended, which will have a detrimental impact.

With that, Madam President, I yield the floor.

Mr. DODD. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk proceeded to call the roll.

Mr. REID. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. Madam President, I think the American people need to look at

what has transpired in recent weeks with this administration. Senator DODD has brought to the Senate's attention one issue; that is, a high-ranking member of this administration has said that outsourcing jobs—what does it mean? Shipping jobs overseas—is good for our economy. That is what he said. Well, if that were the end of it, you could well say, maybe that was just somebody who made a mistake.

Then we have today Tommy Thompson who says: We should not have Americans be concerned about all the money we are giving to Iraq to establish a health care system because we really have, in the United States, a universal health care system because those people who have no insurance get taken care of. That is what a Cabinet officer of this President said.

Now, should we stop there? Let's go on and talk about what another Cabinet officer said 2 weeks ago, the Secretary of Education. The Secretary of Education said, to a group of assembled Governors, that the National Education Association were terrorists. He did not say it once to the Governors but twice. I have talked to Governors who were there: The National Education Association are terrorists; the largest teacher organization in the world, based in the United States, are terrorists.

I think that is something I cannot comprehend: How the Secretary of Education can say this about teachers.

Someone I went to high school with—we played baseball together; we were on the first State championship baseball team in the history of the State of Nevada; He was a pitcher; I was a catcher—Reynaldo Martinez and I have been friends for these many years. He was my chief of staff in the Senate. He retired a few years ago. He was a longtime organizer for the National Education Association. To call Rey Martinez a terrorist because he was a member of that organization is difficult for me to comprehend.

For me personally, what is transpiring in Congress, because of the position the administration has taken regarding highway transportation—the former chairman of the Environment and Public Works Committee, the former chairman of the Finance Committee, now the ranking member of the Finance Committee, has worked, as I have worked, on a number of highway bills. There is no bill we do in the Senate, in the Congress, that is more important than a highway bill. It creates millions of jobs over a 6-year bill. We produced a bill based on the budget we passed a year ago. We have there, in the bill that we were able to report out of committee, in keeping with the budget, and as passed the Senate of the United States, a bill that is a very good bill, that does not raise one penny of taxes, that takes care of transit and highways. The President says he is going to veto the bill.

Outsourcing is good; 44 million Americans, don't worry, you have universal

coverage because if you get sick, you can go to an emergency room, if you are lucky, if there is one there; the National Education Association personnel are terrorists; and he is going to veto the transportation bill. Is there somebody in the bowels of the White House trying to destroy the President? I cannot imagine the President would come up with these ideas himself. I certainly hope not.

I commend and applaud my friend from Connecticut, the senior Senator from Connecticut. He has brought to the attention of the Senate the importance of focusing on the disastrous loss of manufacturing jobs. Since this President has been in office, our Nation has lost a total of 2.8 million jobs. Every single month, with no exception, manufacturing jobs are lost.

I guess I should be leading the cheers here because out of the 50 States, the great State of Nevada is the only one in white on this chart. We hold the record. We created 200 new jobs in the last 3½ years. That is certainly better than losing 200, and it is certainly better than the State of Texas, which has lost 150,000 jobs, or the State of New York, 115,000 jobs. Even a small State such as Wyoming lost 700 jobs. California has lost 273,000 jobs. So 200 may not look like much, but for us in Nevada, we will take it.

Two hundred manufacturing jobs in 3½ years were created in the State of Nevada—not much, until you compare it to the rest of the country. Then we are doing pretty well. We are the only State in the Union that had a net gain of manufacturing jobs during this Presidency.

Where have these jobs gone? Some are gone forever, but lots of them have gone overseas. Our country cannot remain strong if we can't manufacture steel, automobiles, airplanes, and appliances. I am very happy that we do wonderfully well with our service industry. No place represents that better than the State of Nevada, especially Las Vegas. But we cannot remain the superpower of the world by flipping hamburgers, which is something I forgot to mention.

Somebody in the administration suggested 2 weeks ago that we should create a new manufacturing category; that is, people who work in fast food restaurants. I am not making that up. They want to turn people who work in McDonald's preparing meat patties, putting the sandwiches together, into manufacturers.

Mr. DODD. If my colleague will yield, in chapter 2, page 73 of the Economic Report of the President—this was prepared by the President's economic advisors—they raise the issue here as if it were a legitimate question. They say: The definition of a manufactured product, however, is not straightforward. When a fast food restaurant sells a hamburger, for example, is it providing a service or is it manufacturing a product? They think that is a legitimate question, that manufacturing a ham-

burger might actually be a manufacturing job. My colleague from Nevada is absolutely right to raise this point.

Mr. REID. Mr. President, I have only talked about what has happened in the last few weeks: Outsourcing is good, teachers are terrorists, veto the transportation bill. We have universal coverage in America because if you are one of the 44 million, you get taken care of some day somewhere. That is universal coverage. That was the Secretary of Health and Human Services who said that. And now they are trying to develop a new category of manufacturing.

This reminds me of my friend Greg Maddux. In Las Vegas we are so proud of him. He has won the Cy Young Award 4 years. He is slightly built and my size. He is one of the greatest pitchers of all size. His hands are smaller than mine. He is now going to Chicago. He needs to win 11 more games to become a 300-game winner, which is a big deal in baseball. Just a handful of people have done that. So he needs 11 more games. Based on the President's assumption of how we can create manufacturing jobs, maybe we can get him to 11 more quickly. What I suggest is having four strikes instead of three. With four strikes—he has great control—I guarantee you, even though he will be 37 years old next month, I think he could win his 11 games much more quickly.

That is what is going on with this administration. If you don't like what goes on, change the rules.

I have said before, I have two brothers older than I. One of them was working in a Standard station in a place called Ashfork, AZ. He wanted to take his little brother away from Searchlight. So we went to what I thought was the big town of Ashfork, AZ. Frankly, it was not a lot of fun for me because my brother had a girlfriend, and he didn't spend a lot of time with me. So I was pushed off on his girlfriend's brother. I could not beat him at anything. It didn't matter what it was. I never beat him at anything because he always changed the rules in the middle of the game. That is what is going on here with the administration. We are going to change the definition of manufacturing.

The loss of jobs in our country is very bad. If it were only manufacturing jobs that were going overseas, I would not like it, I would complain about it. But this has been compounded because the loss of manufacturing jobs is not the only problem. The Senator from Connecticut and I were looking earlier today at a chart. I am sure he has shown it. This chart talked about some of the diagnostic procedures that were going overseas. Look at some of these things: 14 million jobs in danger of being shipped overseas.

Mr. DODD. These charts belong to Senator KENNEDY. He feels very strongly about these charts. I wanted to make sure the record reflects we are borrowing Senator KENNEDY's charts. They are very good charts.

Mr. REID. As I was saying, Senator DODD and I were looking at this earlier today. We don't need to go through all of this, about the 14 million jobs, some of which have already been shipped overseas and some going overseas. Diagnostic support services, we already know what these are. They are actually shipping medical records to other countries and having them catalogued. But they are also having some of these medical records reviewed. Take, for example, a CAT scan. Ship it overseas. They can have somebody there review it very quickly. Take, for example, an X-ray, a simple X-ray, ship it overseas. They can do it quickly. You will get the results back soon. I don't feel very good about that. I go to my doctor in Las Vegas or Reno, Boulder City, Elko in Nevada. They are shipping the X-rays they take of my body to India or some foreign country to have somebody over there call my doctor or the hospital staff and tell them what is wrong with me? I don't think so.

The additional problem with that, just from a basic fairness standpoint, I won't disclose the Senator's name, but a Senator told me she had two complaints from constituents in that State that privacy was being violated, people had information that came from overseas about her health condition. I hope the people making these decisions for our President were not trained during the Reagan years.

Reagan, for whom I have the highest respect, didn't continue this. He learned early on it was not a good idea when someone in his administration said, let's have ketchup considered a vegetable for the school lunch programs. Maybe that person is still around here someplace and giving these great recommendations to this administration. I hope not. Or if it is true that that person is around, maybe they should put a stop to it. We do not want people who are being X-rayed, medical records, lawyers who research cases and write briefs, technological specialists to keep virtually every company running—all these jobs are fleeing America in a mad global case for cheap labor.

Every time a job goes overseas, it hurts an American family.

It used to be that if you lost a job, you would find one pretty quickly. Now the average time for getting a new job after losing a job in America is almost 1 year. Losing the job is bad enough because you lose self-esteem, you lose a sense of pride, you believe you have not been appreciated, even though you were doing the best job you could, but also that family probably loses their health insurance because they cannot pay for the COBRA; they don't have money to do so.

My son left to go to Vegas, and he needed coverage of insurance for 2 weeks. It cost him \$2,200. He is married, has two little girls, his wife was pregnant. He had no choice. He had the money to pay for it. If he had not had it, I would have helped him. That is not

the way it is with everybody. Many people are not able to buy insurance for periods of time when they don't have it. Maybe they are buying a home or were going to buy one and they lose the sense of a dream of owning a home.

What about college? College is so expensive. It used to be that when I was growing up, I could work in the summers and during the school year to pay for my education. My parents were not in a position to help me, and I basically educated myself with a few little scholarships I had. You cannot do that anymore. You cannot work during the off-season—unless you rob banks—to pay for a college education. It is too expensive. So that is another thing a family would lose—the ability to prepare for their children to attend college. That is why the loss of American jobs is a crisis in our country. We need a real plan to address that issue. We cannot afford to wait until the next business cycle because the flight of jobs overseas is a result of powerful economic forces.

American workers are not afraid of fair competition. I am not against that, but I am against the mentality of chasing cheap labor around the globe with no regard to long-term implications. When American companies choose cheap labor, they are saying our environment doesn't matter. They are saying conditions for their own workers do not matter, and they are forgetting the great lesson learned from Henry Ford. Henry Ford was not a person I liked everything he did or said, but he was a good businessman. He realized in order for his company to sell cars, the people who build them should be able to also buy those cars. In other words, workers are also customers. A worker who earns a decent living can afford to buy the products and services American companies are selling. So every time a so-called American company chases cheap labor by moving jobs overseas, we are all diminished. The market for goods and services in our country is damaged.

As I have said, the President's top economic advisers said the outsourcing of jobs is a good thing. Every day someone in the administration says the economy is getting better. It might be looking up to those who have the Wall Street Journal and the Financial Times delivered to their homes but not to middle class Americans. They feel that inside something is happening that goes beyond the normal business cycle.

Middle class Americans are deeper in debt than ever. Consumer debt is at an all-time high. Middle class Americans are afraid the Social Security benefits will be swallowed in the sink hole of a half-trillion-dollar deficit. And they are right. The debt would be much bigger for the 3 years that this President has been in office but for the fact that the debt is being disguised by the Social Security surplus. Middle class Americans are worried their jobs might be outsourced. They are being hit hard

by the skyrocketing cost of health care. Their deductibles and copayments keep going up, and they wonder whether they are going to lose coverage entirely.

There are 77,000 people on strike in California who work in grocery stores. They are not on strike because of working conditions, not because of wages or hours; they are striking for one simple reason, health benefits. They could not make ends meet by having to pay what they were going to be told by their employer they had to pay for health costs, so they went on strike—one of the longest strikes in modern history.

All these problems are deeper than the business cycle. They all demand a real economic plan, and part of that plan is the amendment offered by the Senator from Connecticut. It is not everything. If we had the opportunity, we could come up with a better plan. This is a step in the right direction. What we have to do in Congress today is understand that we are not going to completely rewrite Superfund, endangered species, clean air and clean water, or the economic situation this country faces. But we have the ability to do things to improve Superfund and endangered species. We can do a little here and a little there to help the economic situation in this country.

The amendment by the Senator from Connecticut is a good amendment. It is a step in the right direction. That is why we chose this as our first amendment. It sends a message to the American people that we want to do something to stop the outflow of these jobs. Focusing on Federal Government outsourcing is one of the things at which we need to take a closer look.

We can start trying to improve our economy now, today, by cutting off Government contracts to companies that plan to outsource their work. Two years ago, the State of Florida ordered a \$280 million contract to a company that outsources its work to India. If Florida wants to do that, it is their business. But when the American taxpayers hire somebody to do a job, it should be done by an American worker who is also a taxpayer.

For the fourth time in the last few minutes, I commend Senator DODD for this amendment and urge all of my colleagues to support it. I also say this to the majority: If tomorrow, when we come back in session, there is an effort made to prevent the Senator from Connecticut from having a vote on this, we are going to keep offering it and offering it until we get a vote on it. If we don't get it done on this bill, we will get it done on the next bill. If we don't get it done on the next bill, it will be offered on the next bill. This is our No. 1 amendment, and we are going to continue pushing it.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Madam President, I thank my colleague from Nevada for his comments. He is absolutely right

about changing the rules. I have worried about that, when all of a sudden—and I have seen it happen in the past—you don't like the numbers you have, so you come up with a whole new definition and expand the numbers. That is what it looks like when you start talking about what clearly are fast food service jobs, manufacturing jobs, and we have seen those efforts being made.

This wasn't the first administration trying games like that. We have had others in the past doing that. I appreciate his comments, and I thank him for his support as well.

I have just a couple of other points. My friend and colleague from Texas cited earlier some of the efforts in the area of job training, vocational education. I wanted to respond by saying I don't disagree. I think that is an important element. But the problem is that one of the frustrations is the outsourcing of jobs that is occurring at a rather remarkable rate now, and it seems to be accelerating and very little is being offered to try to do something about this.

In fact, even in the area of protecting manufacturing jobs and doing something about retraining, let me share with my colleagues what is going on. In the manufacturing extension partnership, which is a very important issue for the manufacturing firms of this country, this is going to mean less help to an estimated 11,000 small businesses; 28,000 workers will either lose their jobs or not be hired as a result of these cuts.

So there is cutting back in this area. Outsourcing is going to have a huge impact on the manufacturing sector.

The Small Business Administration is being cut by \$79 million, hurting hundreds of thousands of small businesses struggling to create jobs for Americans. There is a cut of \$316 million for vocational education. This is in addition to the more than \$1.5 billion in proposed cuts to job training and vocational education made over the last 3 years. We are also cutting \$448 million for the Workforce Investment Act programs.

My point is, as we watch these outsourcing of jobs and the loss of 2.8 million manufacturing jobs, I would be heartened if I thought we were making an effort at least to commit additional resources to help provide training for people who find themselves under normal cyclical circumstances losing a job, but here we are in an abnormal situation where there is an extraordinary loss of manufacturing jobs occurring across the country in the last 36 months and we have an extraordinary acceleration of outsourcing of jobs occurring over the same period of time—I pointed out that now 400 of the top 1,000 businesses in America are outsourcing, 40 of the 50 States, all for a very obvious reason. You can save a lot of money right off the top by doing it. When you can hire somebody in India at \$7 a day as opposed to paying someone a salary in Silicon Valley, you

do not have to have a Ph.D. in mathematics to know the outcome.

I understand the motivation behind it. The question I have is, are we going to sit back and allow this to continue at the expense of losing the kind of human investments that we ought to be making to guarantee that we have a workforce capable of doing jobs and providing the services that America ought to be providing in the coming years?

In addition to that, even if we were not doing an amendment or were not going to support language that would say that Federal taxpayer money ought not be used for this purpose, I would like to think that in the area of vocational education, small business assistance, manufacture extension partnerships, and certainly Workforce Investment Act—all of these areas—that the administration would say: Look, this is our answer to this. We don't agree with you, Senator, about not using Federal funds.

Madam President, I ask unanimous consent that an article from the Los Angeles Times be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Nation; Feb. 10, 2004]

BUSH SUPPORTS SHIFT OF JOBS OVERSEAS

(By Warren Vieth and Edwin Chen)

WASHINGTON.—The movement of American factory jobs and white-collar work to other countries is part of a positive transformation that will enrich the U.S. economy over time, even if it causes short-term pain and dislocation, the Bush administration said Monday.

The embrace of foreign outsourcing, an accelerating trend that has contributed to U.S. job losses in recent years and has become an issue in the 2004 elections, is contained in the president's annual report to Congress on the health of the economy.

"Outsourcing is just a new way of doing international trade," said N. Gregory Mankiw, chairman of Bush's Council of Economic Advisers, which prepared the report. "More things are tradable than were tradable in the past. An that's a good thing."

The report, which predicts that the nation will reverse a three-year employment slide by creating 2.6 million jobs in 2004, is part of a weeklong effort by the administration to highlight signs that the recovery is picking up speed. Bush's economic stewardship has become a central issue in the presidential campaign, and the White House is eager to demonstrate that his policies are producing results.

In his message to Congress on Monday, Bush said the economy "is strong and getting stronger," thanks in part to his tax cuts and other economic programs. He said the nation had survived a stock market meltdown, recession, terrorist attacks, corporate scandals and war in Afghanistan and Iraq, and was finally beginning to enjoy "a mounting prosperity that will reach every corner of America."

The president repeated that message during an afternoon discussion about the economy at SRC Automotive, an engine-rebuilding plant in Springfield, Mo., where he lashed out at lawmakers who oppose making his tax cuts permanent.

"When they say, 'We're going to repeal Bush's tax cuts,' that means they're going to raise your taxes, and that's wrong. And that's bad economics," he said.

Democrats who want Bush's job were quick to challenge his claims.

Sen. John F. Kerry of Massachusetts, the front-runner for the Democratic presidential nomination, supports a rollback of Bush's tax cuts for the wealthiest Americans and backs the creation of tax incentives for companies that keep jobs in the United States—although he supported the North American Free Trade Agreement, which many union members say is responsible for the migration of U.S. jobs, particularly in the auto industry, to Mexico.

Campaigning Monday in Roanoke, Va., Kerry questioned the credibility of the administration's job-creation forecast.

"I've got a feeling this report was prepared by the same people who brought us the intelligence on Iraq," Kerry said. "I don't think we need a new report about jobs in America. I think we need a new president who's going to create jobs in America and put Americans back to work."

In an evening appearance at George Mason University in Fairfax, Va., Sen. John Edwards of North Carolina mocked the Bush administration's economic report.

Edwards, who also supports repealing tax cuts for the richest Americans and offering incentives to corporations that create new jobs in the United States, said it would come as a "news bulletin" to the American people that the economy was improving and that the outsourcing of jobs was good for America.

"These people," he said of the Bush administration, "what planet do they live on? They are so out of touch."

The president's 411-page report contains a detailed diagnosis of the forces the White House says are contributing to America's economic slowdown and a wide-ranging defense of the policies Bush has pursued to combat it.

It asserts that the last recession actually began in late 2000, before the president took office, instead of March 2001, as certified by the official recession-dating panel of the National Bureau of Economic Research.

Much of the report repeats the administration's previous economic prescriptions.

For instance, it says the Bush tax cuts must be made permanent to have their full effect on the economy.

Social Security also must be restructured to let workers put part of their retirement funds in private accounts, the report argues. Doing so could add nearly \$5 trillion to the national debt by 2036, the president's advisors note, but the additional borrowing would be repaid 20 years later and the program's long-term health would be more secure.

The report devotes an entire chapter to an issue that has become increasingly troublesome for the administration: the loss of 2.8 million manufacturing jobs since Bush took office, and critics' claims that his trade policies are partly to blame.

His advisors acknowledge that international trade and foreign outsourcing have contributed to the job slump. But the report argues that technological progress and rising productivity—the ability to produce more goods with fewer workers—have played a bigger role than the flight of production to China and other low-wage countries.

Although trade expansion inevitably hurts some domestic workers, the benefits eventually will outweigh the costs as Americans are able to buy cheaper goods and services and as new jobs are created in growing sectors of the economy, the report said.

The president's report endorses the relatively new phenomenon of outsourcing high-end, white-collar work to India and other countries, a trend that has stirred concern within such affected occupations as

computer programming and medical diagnostics.

"Maybe we will outsource a few radiologists," Mankiw told reporters. "What does that mean? Well, maybe the next generation of doctors will train fewer radiologists and will train more general practitioners or surgeons. . . . Maybe we've learned that we don't have a comparative advantage in radiologists."

Government should try to salve the short-term disruption by helping displaced workers obtain the training they need to enter new fields, such as health-care, Mankiw said, not by erecting protectionist barriers on behalf of vulnerable industries or professions. "The market is the best determination of where the jobs should be," he said.

Bush's quick visit to Missouri—his 15th to a state considered a critical election battleground—was the first of several events this week intended to underscore recent economic gains. Although U.S. job creation remains relatively sluggish, the nation's unemployment rate fell from 6.4% in June to 5.6% in January, and the economy grew at the fastest pace in 20 years during the last half of 2003.

The format of his visit to SRC Automotive—one that he particularly likes—involved several employees and local business owners sharing the stage with the president to discuss their perspectives on the economy, with Bush elaborating on their stories to emphasize particular aspects of his economic program.

Today, Bush is scheduled to meet with economic leaders at the White House. On Thursday, he goes to Pennsylvania's capital, Harrisburg—in another swing state that he has already visited more than two dozen times since becoming president.

Mr. DODD. The headline in the Los Angeles Times—it is a viewpoint—says: "Bush Supports Shift of Jobs Overseas." It goes on to talk about the report that I talked about all afternoon, this economic report prepared by the Council of Economic Advisers, where they conclude that the outsourcing of jobs is a good thing. The author of that language apologized for his use of those words, but he has not apologized, and I understand why, because he believes it is good economic policy to be outsourcing.

There are some of us—I do not know if it is a majority—who disagree with that conclusion, that outsourcing is necessarily good.

I cited already from the Wall Street Journal companies that painfully discovered when they outsourced, while they thought they were going to save money, it actually cost them dearly. It is not only not good, but it fails to take into account—watching somebody's job be lost because there is a cheaper labor pool that you don't have to pay health care benefits to, despite the fact the person here is going to lose them—if it is really good for America.

I am suggesting while this rush is occurring that we ought to put on the brakes and stop, look, and listen so we will not necessarily be caught up in a situation where a year or two or five from now we will look back and say: Why didn't somebody say something or do something when we knew this was happening, when we could sit, watch, and read on a daily basis the pouring of

jobs out of this country to 14 time zones away, depriving people of benefits and income they needed for their families; what did you do on your watch? What did you do?

If the answer is we thought it was a good thing for the American economy, then I think we will be suffering an indictment historically.

I see my colleague from Kentucky who wants to move on to matters of the day. I yield the floor, with the right to be recognized at the conclusion of his remarks.

Mr. MCCONNELL. I say to my friend from Connecticut, he will hardly have to hold his breath and he will be back up waxing eloquent to all of our colleagues who I am sure, back in their offices, are watching his speech and listening carefully to every word.

ELIMINATING THE "HAIRCUT" PROVISION

Mr. SMITH. Madam President, I rise today in support of S. 1637, the JOBS Act, which will halt European Union trade sanctions against American industries and provide immediate tax relief for domestic manufacturers.

U.S. manufacturing has experienced a crisis over the last three years due to the global economic downturn, sharply diminished capital spending, global overcapacity, and steady price declines for manufactured goods. S. 1637 provides a strong incentive for companies to keep and create jobs in the U.S.

However, I believe we can improve S. 1637 by eliminating the "haircut" provision that increases the taxes on U.S. manufacturers for their U.S. companies merely because these companies also manufacture products abroad. This concept is totally at odds with the purpose of this legislation—to cut taxes on manufacturers that employ American workers. U.S. companies with global operations employ more than 23 million Americans—9 million of which are manufacturing jobs. Foreign-owned companies with U.S. operations employ more than 2 million manufacturing workers in the U.S.

The haircut is structured so that the more a company manufactures abroad, the less of a manufacturing rate cut it gets. The "haircut" makes the U.S. a less competitive location for current and future investment. Thus, it is less likely that multinational manufacturing companies will site new plants and new high-paying jobs in the U.S.

Furthermore, I am concerned that the "haircut" invites mirror legislation in other countries. In this time of crisis for the U.S. manufacturing industry, we cannot afford to let any more manufacturing jobs slip away, particularly due to bad tax policy.

With my colleague, Senator BREAUX, I am offering an amendment to the JOBS Act which will eliminate the "haircut" and provide an equal tax benefit for all manufacturers that employ American workers. Congress should be in the business of rewarding all well-paid manufacturing jobs that are created in the U.S.—not just those

created by certain domestic manufacturers.

Mr. KENNEDY. Madam President, we call this bill the "Jumpstart Our Business Strength Act"—the JOBS Act, because that is exactly what we are debating this week—the critical issue facing so many millions of Americans, the lack of jobs.

To hear President Bush, you would never know there was a problem with jobs. According to the Bush administration, everything is sunshine and roses.

Over and over again, the President says things that show he is out of touch with the lives of ordinary Americans and can't understand the economic hardships they are facing. Happy talk about economic recovery doesn't jibe with the daily lives of the people on Main Street.

In his State of the Union Address in January, the President said ". . . this economy is strong, and growing stronger . . . Productivity is high, and jobs are on the rise."

A week later he said: "The economy is growing, people are finding work. There's an excitement in our economy . . . You can tell I'm upbeat, and I've got reason to be. Not only the numbers say things are looking pretty good, the American people are telling me they feel pretty good."

Then came his annual economic report and its ringing endorsement of sending jobs overseas.

At the National Governors Association meeting last Monday, he said he thinks the 5.6 percent unemployment rate is "a good national number."

Yesterday, Vice President CHENEY said, "The economy's in very good shape, and going forward there's every reason to be optimistic that we will have the kind of growth that we need to create jobs out there."

In fact, he went on to say that if "Democratic policies had been pursued over the last two or three years. . . we would not have had the kind of job growth that we've had."

Job growth? Someone should tell the Vice President that we have lost over two million jobs in the Bush economy.

The reality of the Bush economic record is very different from the rhetoric.

Just a few weeks ago, the President said in his economic report that the economy will create 2.6 million new jobs this year. The reality is that no one in the White House or the Cabinet will endorse the 2.6 million number.

President Bush said his first tax cuts in 2001 would create 800,000 additional jobs by the end of 2002. The reality is, we lost 1.9 million jobs instead.

His 2002 economic report predicted 3 million jobs would be created in 2003. Instead, more than 300,000 were lost.

He said the tax breaks enacted last year would create 510,000 additional jobs by the end of the year, but we lost 53,000 jobs last year.

Even the few jobs being created are not as good as the jobs we have lost.

The new jobs pay on average \$8,000 less than jobs lost in the Bush economy. In 48 of the 50 States, jobs being created pay 21 percent less than had been paid by industries losing jobs.

Employees have smaller paychecks, and are even less able to keep up with the rising costs of education, let alone pay the bill for food, rent and health care.

A big part of the job problem is the worsening crisis in manufacturing. We have lost nearly 3 million manufacturing jobs since the Bush administration took office. It is a nationwide problem, affecting almost every State in the Union. Forty-nine of the 50 States have lost manufacturing jobs under this President.

That is only part of the story. Fourteen million other jobs are newly at risk of being sent overseas as well. Every day, we hear more stories about how white collar jobs and service sector jobs in health care, financial services, and information technology are going to other countries.

What is the President's response? More empty rhetoric and broken promises. Last year on Labor Day, the President met with workers and promised to appoint a manufacturing czar to deal with the loss of manufacturing jobs. How typical of the President to make a promise like that on Labor Day and then forget all about it.

Six months later, there is still no manufacturing czar. Administration officials say they're working on it, but the economy is still hemorrhaging manufacturing jobs.

American workers deserve better than this. They deserve better than to have their jobs exported with the President, as cheerleader in chief, waving good bye.

We need to do more, to encourage good-paying manufacturing jobs to stay here, and discourage corporations from sending jobs and new investment overseas.

This bill contains provisions to encourage manufacturing in the United States, and I commend Senator GRASSLEY and Senator BAUCUS for their bipartisan work on this bill. But we can do more and we must do more.

We need to provide incentives now for companies to keep and create manufacturing jobs in the United States. A key weakness in this bill is that the tax benefits for domestic manufacturing are phased in too slowly. These companies and their workers need help now.

We need to stop rewarding multinational corporations that send jobs to other countries.

This bill not only fails to do that, it creates \$35 billion in new or larger tax breaks for companies doing business abroad. Why on earth do we want to make exporting of American jobs more attractive to corporations? These international provisions should be removed from the bill, and the tax dollars should be used to make the tax benefits for domestic manufacturing more robust.

In many respects, the tax code already gives a greater subsidy to profits from foreign operations over domestic plants. We ought to change that too, instead of kowtowing to the clout of multinational corporations. Our corporate tax laws should be rewritten to increase the cost of exporting jobs and decrease the cost of maintaining jobs in America.

And what about the urgent needs of Americans who have already lost their jobs and their long-term unemployment benefits too?

Solid majorities in the Senate and the House have already sent a message loud and clear to the White House and the Republican leadership in Congress that we want to reinstate those benefits, which expired on December 31st. Ninety thousand workers a week have lost their benefits and still can't get a job. They're moving in with friends or family, giving up health care, and struggling to pay every bill. Yet our Republican colleagues say, in their best imitation of Marie Antoinette, "let them eat cake."

They tell the unemployed to look harder for work. They treat them as slackers, and say they won't subsidize their idleness any longer. That attitude is wrong. The unemployment insurance extension we enacted when the economy began to decline has expired, and I urge my colleagues to fix it, before these hard-working employees who have lost their jobs through no fault of their own suffer any longer.

I also urge my colleagues to join me in strengthening this legislation. We must improve incentives in the manufacturing industries and give working Americans a chance for the jobs and the better future they deserve.

Mr. SMITH. Madam President, I will offer an amendment which would allow commercial fishermen to use income tax averaging to help mitigate the negative effects of their fluctuating incomes.

Progressive tax systems, like the Federal income tax, often penalize farmers and others whose incomes vary greatly from year to year. Recognizing this fact, Congress, in 1997, gave farmers the option to calculate their taxes by averaging their income over a 3-year period. This was an important change in the Tax Code and has helped many in our agriculture communities weather the up-and-downs of a sometimes erratic farm economy.

Like farmers, our fishermen are often subject to dramatic swings in income. Whether it's changing ocean conditions, harvest restrictions, or bad weather that keeps them in port, the change in income can be severe and beyond their control. For example, fishermen in Coos Bay, OR have struggled with regulatory restrictions and reduced stocks over the last several years. Unfortunately, our Tax Code doesn't allow for flexibility, and fishermen, who experience both good and bad years, are forced to pay more taxes than if they had steady income levels.

My amendment would resolve some of this inequality by extending to commercial fishermen the same income averaging benefit given to farmers. It would also fix a technical error in the original provision that has led to some farmers being caught under alternative minimum tax.

I thank the chairman for his leadership on this issue in the past and including this important provision in his bill, the Tax Empowerment and Relief for Farmers and Fishermen, TERFF, Act. I am pleased to see that portions of the TERFF Act were incorporated into the bill now before us, and I am hopeful that we will be able to address the issue of income averaging for fishermen also at this time.

Our farmers and fishermen represent an important sector of our economy. Unfortunately, they and their families often have to deal with more than their fair share of challenges. Making the Tax Code more consistent and more reflective of the variable nature of resource industries will also make it more fair and provide some measure of stability for these hard working individuals.

I encourage the Senate to consider and pass this important amendment.

The PRESIDING OFFICER (Mr. ALEXANDER). The Senator from Kentucky.

MORNING BUSINESS

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Senate now proceed to a period for the transaction of morning business, with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMEMORATING DANIEL BOORSTIN

Mr. ALEXANDER. Over the weekend, the United States of America lost one of its great teachers of what it means to be an American. Daniel Boorstin died at the age of 89. He served as Librarian of Congress and director of the Smithsonian Institution's National Museum of Science and Technology. Daniel Boorstin's books about the American experience earned a Pulitzer Prize in 1974. He believed America's success came largely because we have been free from the "virus of ideology," free to be flexible and responsive, "free to take clues from the delightful, unexplored and uncongested world around us." Free from ideology, being an American became its own ideology.

Daniel Boorstin celebrated Americans for always trying the new. He believed we have been at our best when we have been "on the verge," encountering new territory—whether it was creating new schools, new crops, new planting techniques, new towns, a new form of the English language, new technologies, new cars and trains, or John Winthrop's new City on the Hill.

He observed during these encounters with new circumstances, we have been

more aware of our Americanness, that our appetite for the new has been whetted, and that we have leaned on one another for support, often organizing new forms of communities to deal with new circumstances. Boorstin believed America works community by community. He argued that the prototype early American was not the solitary trailblazer but a wagon train community.

Despite his erudition and his Pulitzer, Dr. Boorstin was not especially popular with professional historians. Perhaps it was because he was such a booster, as have been most Americans. Perhaps it was because he contented himself with being an "amateur" historian, not shackled by the ruts along which professionals often trudge. Or, perhaps it was because he was a member of a diminishing band of public figures—the late Senator Pat Moynihan and American Federation of Teachers President Albert Shanker were two others—who believed passionately in American exceptionalism. A growing number of history professionals today reject this idea of exceptionalism. To them, our country is fortunate, rich and large, but not more exceptional than many other countries. These professionals prefer social studies to U.S. history. They take snapshots of our national experience instead of teaching the steady drumbeat of a work in progress toward grand goals. In their enthusiasm for overlooked victims, they themselves overlook heroes.

Because of their growing influence we now find American history courses watered down, the great controversies of race and religion "sensitized" from textbooks. Civics is often dropped entirely from the curriculum. As one result, our high school seniors score worse on U.S. history tests than on any other subject.

Daniel Boorstin's writings have reminded us of what is truly exceptional about America, warts and all. He emphasized that our greatest accomplishment is that, more than any other country, we have united people from everywhere into a single nation, united by beliefs in a few principles rather than by race, creed, and color. He taught that we may be proud of where we came from, but should be prouder to be Americans.

He left us one other very special insight. In an essay written in 1962, Dr. Boorstin foresaw that television would create a world in which we would have a hard time telling the difference between heroes—those worth paying attention to because we might learn from their nobility—and celebrities who are "famous primarily for being famous." He invented the term pseudo event, which most of us will recognize as today's photo opportunity.

My favorite of Daniel's Boorstin's books was not his Pulitzer winner. It was *The Discoverers*, a stream of stories about men and women in history who challenged dogma and created a better life for mankind.

As we are poised on yet another verge in our national experience, we would do well to remember Dr. Boorstin's advice about what has served us well before: be more aware of our Americanness, whet our appetites for the new, and form new communities so that we might rely better on one another as we deal with changing circumstances.

REPORT PURSUANT TO WAR POWERS RESOLUTION

Mr. STEVENS. Mr. President, I ask unanimous consent that the attached statement from the President of the United States be printed in the RECORD, consistent with the War Powers Resolution.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, March 2, 2004.

Hon. TED STEVENS,
President pro tempore of the Senate,
Washington, DC.

DEAR MR. PRESIDENT: In my report to the Congress of February 25, 2004, I provided information on the deployment of combat-equipped U.S. Armed Forces to Haiti. I am providing this additional report, consistent with the War Powers Resolution, to help ensure that the Congress is kept fully informed on U.S. military activities in Haiti.

On February 29, 2004, approximately 200 additional U.S. combat-equipped, military personnel from the U.S. Joint Forces Command deployed to Port-au-Prince, Haiti, to secure key facilities, to facilitate the continued repatriation of Haitian migrants, to help create conditions in the capital for the anticipated arrival of the Multinational Interim Force, to protect American citizens as may be required, and for other purposes consistent with United Nations Security Council Resolution 1529 (2004). I anticipate additional combat-equipped military personnel will be deployed to Haiti until the situation in Haiti stabilizes. The forces that the United States deployed and continues to deploy will be part of the Multinational Interim Force.

The United Nations Security Council unanimously adopted Resolution 1529 on February 29, 2004. It authorized the deployment of a Multinational Interim Force to contribute to a more secure and more stable environment in the Haitian capital and elsewhere, to facilitate the provision of humanitarian assistance and the access of humanitarian aid workers to the Haitian people, and for other purposes.

It is anticipated U.S. forces will redeploy when the Multinational Interim Force has transitioned to a follow-on United Nations stabilization force.

I have taken this action pursuant to my constitutional authority to conduct U.S. foreign relations and as Commander in Chief and Chief Executive. I am providing this report as part of my efforts to keep the Congress informed, consistent with the War Powers Resolution.

Sincerely,

GEORGE W. BUSH

LOCAL LAW ENFORCEMENT ACT OF 2003

Mr. SMITH. Mr. President, I speak about the need for hate crimes legislation. On May 1, 2003, Senator KENNEDY

and I introduced the Local Law Enforcement Enhancement Act, a bill that would add new categories to current hate crimes law, sending a signal that violence of any kind is unacceptable in our society.

In February, 2003, in Antioch, CA, a 15-year-old teen was charged with assault and battery and for committing a hate crime. He viciously assaulted and taunted another teenager because he believed he was gay.

I believe that Government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act is a symbol that can become substance. By passing this legislation and changing current law, we can change hearts and minds as well.

CHANGES TO DISCRETIONARY CAPS

Mr. NICKLES. Mr. President, section 421 of H. Con. Res. 95, the 2004 Budget Resolution, requires the chairman of the Senate Budget Committee to make appropriate adjustments in the appropriate allocations and aggregates to reflect the difference between Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act of 2003—and the corresponding levels assumed in the resolution.

As enacted, the Emergency Wartime Supplemental Appropriations Act of 2003 contains budgetary authority, outlays and revenues that differ from those assumed in the budget resolution. On May 5, 2003, the allocations and aggregates were revised, but the discretionary caps were not appropriately adjusted to reflect the changes.

I ask unanimous consent to have printed in the RECORD a table which reflects the revised discretionary caps for 2005. These revised caps are the appropriate levels to be used for enforcement of the 2004 Budget Resolution.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

Category	2005 cap	Adjustment	New 2005 cap
Discretionary:			
BA	812.598	0.175	812.773
OT	817.883	0.402	818.285
Highway:			
BA	0.000	0.000	0.000
OT	33.393	0.000	33.393
Mass Transit:			
BA	1.488	0.000	1.488
OT	6.726	0.000	6.726
Total:			
BA	814.086	0.175	814.261
OT	858.002	0.402	858.404

ADDITIONAL STATEMENTS

DISCOVERY BY JULIAN "JAY" W. MCNEIL II

• Mr. BUNNING. Mr. President, today I would like to take the opportunity to honor Mr. Jay McNeil of Paducah, KY. On January 23, 2004, Mr. McNeil discovered a new nebula while examining the night sky over Western Kentucky.

Mr. McNeil immediately established himself as an extremely capable amateur astronomer. The discovery was made with a relatively small telescope. His discovery was a very rare occurrence. According to experts in the field, such a discovery by an amateur of this magnitude has not occurred since 1939.

The discovery, later named McNeil's Nebula, was verified by the International Astronomical Union in February of 2004. The nebula is believed to contain a newborn star and is about 1,500 light years from earth. This means that what Mr. McNeil saw actually occurred a millennium and a half ago, and is just now being seen on earth.

I salute Mr. McNeil for his discovery. The thirst for knowledge and appreciation for science that he has shown serves as an example for all Kentuckians.●

LEWISTON ELKS LODGE NO. 896 CELEBRATES 100-YEAR ANNIVERSARY

• Mr. CRAIG. Mr. President, it is with great honor that I congratulate the Lewiston Elks Club, Lodge No. 896, on its 100-year anniversary. The organization has overcome multiple obstacles in its efforts to continue the fellowship among its members, and more important, its consistent and significant contributions to the local community.

Lodge No. 896 was first chartered on March 8, 1904 by just eight members. The organization envisioned by the original eight founders has grown to include more than 13,000 members over the past century. Today it is the largest Elks Club in Idaho. Successful recruitment efforts bring in 15 to 18 new members each month, making the Lewiston lodge one of the Nation's best. Together, the Elks have made countless positive impacts on the Lewiston area, and have been stellar ambassadors of our great State.

The Lewiston Elks Lodge has endured two devastating fires, the first of which occurred in 1904 after the club's second meeting. The second fire happened in 1969, and spurred the group to move the lodge to a new location overlooking the beautiful Snake River, which passes through Lewiston. It was at its present location that disaster made a third attempt. In 1998, the lodge was closed for more than 18 months after a landslide on the hillside below threatened the structure. Despite these obstacles, the Lewiston Elks have continued their community service.

The service projects carried out by the Lewiston Elks are significant. They serve people of all ages, and from every walk of life. Some projects include making Christmas baskets, supporting a drug awareness program, poster contests, and an annual food caravan for needy families. The Elks also express their support for individuals and groups in the community by sponsoring a number of awards recognizing Boy Scouts, Cub Scouts, Special

Olympics, and Teenager of the Month and Year. Education is another area that the Elks are firm in their support. The Lewiston club offers yearly scholarships to local youth ranging from \$100 to \$1,000.

Perhaps one of the greatest contributions from this organization is the support it offers to the Idaho State Elks Rehabilitation Hospital. The modern hospital, located in Boise, serves nearly 12,000 patients a year and is working on a proposal to provide rehabilitation services to military veterans returning from war zones. With the support of the Lewiston Elks and other organizations, the hospital plans to open a new Hearing and Balance Center in the next few months.

On behalf of the citizens of the Lewiston area, and the entire State of Idaho, I thank Lodge No. 896 for their commitment to their community. It is the standard set by the Lewiston Elks that encourages local youth to strive to improve themselves, and for neighbors to help one another. Their selflessness has allowed everyone in the community to benefit. Congratulations to the Lewiston Elks for their endurance and dedication for the past 100 years.●

MESSAGE FROM THE PRESIDENT

A message from the President of the United States was communicated to the Senate by Ms. Evans, one of his secretaries.

EXECUTIVE MESSAGE REFERRED

As in executive session the Presiding Officer laid before the Senate a message from the President of the United States submitting a nomination which was referred to the Committee on Environment and Public Works.

(The nomination received today is printed at the end of the Senate proceedings.)

NOTIFICATION OF THE CONTINUATION OF THE NATIONAL EMERGENCY BLOCKING PROPERTY OF PERSONS UNDERMINING DEMOCRATIC PROCESSES OR INSTITUTIONS IN ZIMBABWE—PM 69

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Banking, Housing, and Urban Affairs:

To the Congress of the United States:

Section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)) provides for the automatic termination of a national emergency unless, prior to the anniversary date of its declaration, the President publishes in the *Federal Register* and transmits to the Congress a notice stating that the emergency is to continue in effect beyond the anniversary date. In accordance with this provision, I have sent the enclosed notice

to the *Federal Register* for publication. It states that the national emergency blocking the property of persons undermining the democratic processes or institutions in Zimbabwe is to continue in effect beyond March 6, 2004.

The crisis caused by the actions and policies of certain members of the Government of Zimbabwe and other persons to undermine Zimbabwe's democratic processes or institutions has not been resolved. These actions and policies pose a continuing, unusual, and extraordinary threat to the foreign policy of the United States. For these reasons, I have determined that it is necessary to continue the national emergency declared on March 6, 2003, blocking the property of persons undermining democratic processes or institutions in Zimbabwe and to maintain in force the sanctions to respond to this threat.

GEORGE W. BUSH,
THE WHITE HOUSE, March 2, 2004.

MESSAGE FROM THE HOUSE

At 10:30 a.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate.

H.R. 3769. An act to designate the facility of the United States Postal Service located at 137 East Young High Pike in Knoxville, Tennessee, as the "Ben Atchley Post Office Building".

ENROLLED BILL SIGNED

The message also announced that the Speaker has signed the following enrolled bill:

S. 714. An act to provide for the conveyance of a small parcel of Bureau of Land Management land in Douglas County, Oregon, to the county to improve management of and recreational access to the Oregon Dunes National Recreation Area, and for other purposes.

The enrolled bill was signed subsequently by the President pro tempore (Mr. STEVENS).

MEASURES REFERRED

The following bill was read the first and the second times by unanimous consent, and referred as indicated:

H.R. 3769. An act to designate the facility of the United States Postal Service located at 137 East Young High Pike in Knoxville, Tennessee, as the "Ben Atchley Post Office Building"; to the Committee on Governmental Affairs.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, March 3, 2004, she had presented to the President of the United States the following enrolled bill:

S. 714. An act to provide for the conveyance of a small parcel of Bureau of Land Management land in Douglas County, Or-

egon, to the county to improve management of and recreational access to the Oregon Dunes National Recreation Area, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, and were referred as indicated:

EC-6569. A communication from the President and Chairman, Export-Import Bank of the United States, transmitting, pursuant to law, the report of a transaction involving U.S. exports to the Grand Duchy of Luxembourg; to the Committee on Banking, Housing, and Urban Affairs.

EC-6570. A communication from the Deputy Secretary, Securities and Exchange Commission, transmitting, pursuant to law, the report of a rule entitled "Shareholder Reports and Quarterly Portfolio Disclosure of Registered Management Investment Companies" (RIN3235-AG64) received on March 2, 2004; to the Committee on Banking, Housing, and Urban Affairs.

EC-6571. A communication from the Attorney Advisor, Maritime Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Amended Service Obligation Reporting Requirements for U.S. Merchant Marine Academy and State Maritime Academy Graduates" (RIN2133-AB57) received on March 2, 2004; to the Committee on Commerce, Science, and Transportation.

EC-6572. A communication from the Attorney, National Highway Traffic Safety Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Upper Interior Impact" (RIN21270-AH61) received on March 2, 2004; to the Committee on Commerce, Science, and Transportation.

EC-6573. A communication from the Assistant General Counsel for Regulatory Law, Office of Energy Efficiency and Renewable Energy, Department of Energy, transmitting, pursuant to law, the report of a rule entitled "Alternative Fuel Transportation Program; Private and Local Government Fleet Determination" (RIN1904-AA98) received on March 2, 2004; to the Committee on Energy and Natural Resources.

EC-6574. A communication from the Assistant General Counsel for Regulatory Law, Office of Energy Efficiency and Renewable Energy, Department of Energy, transmitting, pursuant to law, the report of a rule entitled "Human Reliability Program" (RIN1992-AA29) received on March 2, 2004; to the Committee on Energy and Natural Resources.

EC-6575. A communication from the Secretary of Energy, transmitting, a draft of proposed legislation to authorize the reclassification of fees paid into the Nuclear Waste Fund as offsetting collections, in an amount equal to appropriations for nuclear waste disposal; to the Committee on Energy and Natural Resources.

EC-6576. A communication from the Attorney Advisor, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Federal Lands Highway Program; Transportation Planning Procedures and Management Systems Pertaining to the Forest Service, Including the Forest Highways Programs" (RIN2125-AE55) received on March 2, 2004; to the Committee on Environment and Public Works.

EC-6577. A communication from the Attorney Advisor, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Federal Lands Highway Program;

Transportation Planning Procedures and Management Systems Pertaining to the Forest Service, Including the Park Roads and Parkways Program" (RIN2125-AE52) received on March 2, 2004; to the Committee on Environment and Public Works.

EC-6578. A communication from the Attorney Advisor, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Federal Lands Highway Program; Transportation Planning Procedures and Management Systems Pertaining to the Forest Service, Including the Refuge Roads Program" (RIN2125-AE54) received on March 2, 2004; to the Committee on Environment and Public Works.

EC-6579. A communication from the Attorney Advisor, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled "Federal Lands Highway Program; Transportation Planning Procedures and Management Systems Pertaining to the Forest Service, Including the Indian Reservations Road Program" (RIN2125-AE53) received on March 2, 2004; to the Committee on Environment and Public Works.

EC-6580. A communication from the Secretary of the Treasury, transmitting, pursuant to law, the Financial Report of the United States Government for Fiscal Year 2003; to the Committee on Finance.

EC-6581. A communication from the United States Trade Representative, Executive Office of the President, transmitting, pursuant to law, the 2004 Trade Policy Agenda and 2003 Annual Report on the Trade Agreements Program as prepared by the Administration; to the Committee on Finance.

EC-6582. A communication from the Chief Executive Officer, Corporation for National and Community Service, transmitting, the Corporation's Performance and Accountability Report for Fiscal Year 2003; to the Committee on Governmental Affairs.

EC-6583. A communication from the Chairman, International Trade Commission, transmitting, pursuant to law, the Commission's Program Performance Report for Fiscal Year 2003; to the Committee on Governmental Affairs.

EC-6584. A communication from the Chairman, Federal Energy Regulatory Commission, transmitting, pursuant to law, the Commission's Fiscal Year 2003 Performance Report; to the Committee on Governmental Affairs.

EC-6585. A communication from the Secretary of Education, transmitting, pursuant to law, a report relative to surplus Federal real property disposed of to educational institutions; to the Committee on Governmental Affairs.

EC-6586. A communication from the Chairman, Federal Election Commission, transmitting, a report relative to the Commission's internal management control and financial management control systems; to the Committee on Governmental Affairs.

EC-6587. A communication from the Chairman, National Transportation Safety Board, transmitting, pursuant to law, a report relative to the Board's compliance with the Federal Manager's Integrity Act or the year 2003; to the Committee on Governmental Affairs.

EC-6588. A communication from the Chairman, Board of Governors, United States Postal Service, transmitting, pursuant to law, the Board's report under the Government in Sunshine Act for calendar year 2003; to the Committee on Governmental Affairs.

EC-6589. A communication from the Director, Office of Personnel Management, transmitting, pursuant to law, the Office's Federal Activities Inventory Reform Act Inventory as of June 30, 2003; to the Committee on Governmental Affairs.

EC-6590. A communication from the Administrator, General Services Administration, transmitting, pursuant to law, a report relative to the transfer of the Nebraska Avenue Complex from the U.S. Navy to the General Services Administration; to the Committee on Governmental Affairs.

EC-6591. A communication from the Chairman, Merit Systems Protection Board, transmitting, pursuant to law, the Board's Fiscal Year 2002 Performance Report; to the Committee on Governmental Affairs.

EC-6592. A communication from the Comptroller General of the United States, transmitting, pursuant to law, the GAO's Performance and Accountability Highlights Fiscal 2003; to the Committee on Governmental Affairs.

EC-6593. A communication from the Director of the Peace Corps, transmitting, pursuant to law, the report of the Office of Inspector General for the period from April 1, 2003 through September 30, 2003; to the Committee on Governmental Affairs.

EC-6594. A communication from the Acting Chief Executive Officer, Corporation for National and Community Service, transmitting, pursuant to law, the report of a nomination confirmed for the position of Chief Executive Officer, Corporation for National and Community Service, received on February 24, 2004; to the Committee on Governmental Affairs.

EC-6595. A communication from the Deputy Associate Administrator, Office of Acquisition Policy, National Aeronautics and Space Administration, transmitting, pursuant to law, the report of a rule entitled "Federal Acquisition Regulation; Federal Acquisition Circular 2001-18" (FAC2001-18) received on February 24, 2004; to the Committee on Governmental Affairs.

EC-6596. A communication from the Deputy Executive Director, Neighborhood Reinvestment Corporation, transmitting, pursuant to law, the Corporation's Fiscal Year 2002 Annual Program Performance Report; to the Committee on Governmental Affairs.

EC-6597. A communication from the Regulations Coordinator, Food and Drug Administration, transmitting, pursuant to law, the report of a rule entitled "Bar Code Label Requirements for Human Drug Products and Biological Treatments" (Doc. No. 2002N-0204) received on February 24, 2004; to the Committee on Health, Education, Labor, and Pensions.

EC-6598. A communication from the Regulations Coordinator, Food and Drug Administration, transmitting, pursuant to law, the report of a rule entitled "Final Rule Declaring Dietary Supplements Containing Ephedrine Alkaloids Adulterated Because They Present an Unreasonable Risk" (RIN0910-AA59) received on February 24, 2004; to the Committee on Health, Education, Labor, and Pensions.

EC-6599. A communication from the Director, Occupational Safety and Health Administration, Department of Labor, transmitting, pursuant to law, the report of a rule entitled "Commercial Diving Operations" (RIN1218-AB97) received on February 24, 2004; to the Committee on Health, Education, Labor, and Pensions.

EC-6600. A communication from the Chairman, Railroad Retirement Board, transmitting, pursuant to law, the Board's Annual Report for Calendar Year 2003; to the Committee on Health, Education, Labor, and Pensions.

EC-6601. A communication from the Secretary of Labor, transmitting, a draft of proposed legislation entitled the "Black Lung Disability Trust Fund Debt Restructuring Act"; to the Committee on Health, Education, Labor, and Pensions.

EC-6602. A communication from the General Counsel, National Science Foundation,

transmitting, pursuant to law, the report of a rule entitled "Governmentwide Debarment and Suspension (Nonprocurement) and Requirements for Drug-Free Workplace (Grants)" (RIN3145-AA41) received on February 24, 2004; to the Committee on Health, Education, Labor, and Pensions.

EC-6603. A communication from the Acting Clerk of Court, United States Court of Federal Claims, transmitting, pursuant to law, two copies of the report of the Court; to the Committee on the Judiciary.

EC-6604. A communication from the Administrator, Federal Aviation Administration, transmitting, pursuant to law, the Federal Aviation Administration and National Air Traffic Controllers Association Collective Bargaining Impasse Submission to Congress; to the Committee on Commerce, Science, and Transportation.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second times by unanimous consent, and referred as indicated:

By Mr. SESSIONS (for himself, Mr. KYL, Mr. ENZI, Mr. MCCONNELL, and Mr. NICKLES):

S. 2159. A bill to amend section 1951 of title 18, United States Code (commonly known as the Hobbs Act), and for other purposes; to the Committee on the Judiciary.

By Mr. WYDEN (for himself, Mr. STEVENS, and Ms. MURKOWSKI):

S. 2160. A bill to regulate interstate commerce by prohibiting the sale of children's personally identifiable information for commercial marketing purposes; to the Committee on Commerce, Science, and Transportation.

By Mrs. BOXER:

S. 2161. A bill to amend title 5, United States Code, to establish a national health program administered by the Office of Personnel Management to offer Federal employee health benefits plans to individuals who are not Federal employees, and for other purposes; to the Committee on Finance.

By Mr. CRAPO:

S. 2162. A bill to implement the Inland Northwest Economic Adjustment Strategy, and for other purposes; to the Committee on Environment and Public Works.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. SPECTER (for himself, Mr. ALLEN, Mr. BENNETT, Mr. BIDEN, Mr. BINGAMAN, Mrs. BOXER, Mr. BREAUX, Mr. CARPER, Mr. CHAFEE, Mrs. CLINTON, Mr. COCHRAN, Mr. CORZINE, Mr. DASCHLE, Mr. DAYTON, Mr. DEWINE, Mr. DODD, Mr. DOMENICI, Mr. DORGAN, Mr. DURBIN, Mr. EDWARDS, Mrs. FEINSTEIN, Mr. FITZGERALD, Mr. GRAHAM of South Carolina, Mr. GRASSLEY, Mr. GREGG, Mr. HAGEL, Mr. HARKIN, Mr. HOLLINGS, Mr. INHOFE, Mr. JOHNSON, Mr. KENNEDY, Mr. KOHL, Ms. LANDRIEU, Mr. LAUTENBERG, Mr. LEVIN, Mr. LIEBERMAN, Mr. LOTT, Mr. LUGAR, Ms. MIKULSKI, Mr. MILLER, Ms. MURKOWSKI, Mrs. MURRAY, Mr. NELSON of Florida, Mr. NICKLES, Mr. REED, Mr. REID, Mr. ROCKEFELLER, Mr. SANTORUM, Mr. SARBANES, Mr. SCHUMER, Mr. SESSIONS, Mr. SMITH, Ms. SNOWE, Ms. STABENOW, Mr. STEVENS, Mr. VOINOVICH, Mr. WARNER, Mr. WYDEN, and Mr. FEINGOLD):

S. Res. 308. A resolution designating March 25, 2004, as "Greek Independence Day: A National Day of Celebration of Greek and American Democracy"; to the Committee on the Judiciary.

By Mr. CRAIG (for himself, Mrs. FEINSTEIN, Mr. CAMPBELL, Mrs. BOXER, Mr. FITZGERALD, Ms. LANDRIEU, Mr. INHOFE, Mr. FEINGOLD, Mr. COCHRAN, Mr. JOHNSON, Mr. LIEBERMAN, Ms. MIKULSKI, Mr. DURBIN, and Mr. KOHL):

S. Res. 309. A resolution designating the week beginning March 14, 2004 as "National Safe Place Week"; to the Committee on the Judiciary.

ADDITIONAL COSPONSORS

S. 68

At the request of Mr. LAUTENBERG, his name was added as a cosponsor of S. 68, a bill to amend title 38, United States Code, to improve benefits for Filipino veterans of World War II, and for other purposes.

S. 596

At the request of Mr. ENSIGN, the name of the Senator from Tennessee (Mr. ALEXANDER) was added as a cosponsor of S. 596, a bill to amend the Internal Revenue Code of 1986 to encourage the investment of foreign earnings within the United States for productive business investments and job creation.

S. 623

At the request of Mr. WARNER, the name of the Senator from Arizona (Mr. KYL) was added as a cosponsor of S. 623, a bill to amend the Internal Revenue Code of 1986 to allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis and to allow a deduction for TRICARE supplemental premiums.

S. 738

At the request of Mrs. BOXER, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 738, a bill to designate certain public lands in Humboldt, Del Norte, Mendocino, Lake, Napa, and Yolo Counties in the State of California as wilderness, to designate certain segments of the Black Butte River in Mendocino County, California as a wild or scenic river, and for other purposes.

S. 846

At the request of Mr. SMITH, the name of the Senator from Kentucky (Mr. BUNNING) was added as a cosponsor of S. 846, a bill to amend the Internal Revenue Code of 1986 to allow a deduction for premiums on mortgage insurance, and for other purposes.

S. 874

At the request of Mr. TALENT, the names of the Senator from South Carolina (Mr. HOLLINGS) and the Senator from Connecticut (Mr. DODD) were added as cosponsors of S. 874, a bill to amend title XIX of the Social Security Act to include primary and secondary preventative medical strategies for children and adults with Sickle Cell Disease as medical assistance under the medicaid program, and for other purposes.

S. 983

At the request of Mr. CHAFEE, the name of the Senator from Arizona (Mr. MCCAIN) was added as a cosponsor of S. 983, a bill to amend the Public Health Service Act to authorize the Director of the National Institute of Environmental Health Sciences to make grants for the development and operation of research centers regarding environmental factors that may be related to the etiology of breast cancer.

S. 1420

At the request of Mr. CRAIG, the name of the Senator from Wyoming (Mr. THOMAS) was added as a cosponsor of S. 1420, a bill to establish terms and conditions for use of certain Federal land by outfitters and to facilitate public opportunities for the recreational use and enjoyment of such land.

S. 1888

At the request of Mr. SPECTER, the name of the Senator from Wisconsin (Mr. FEINGOLD) was added as a cosponsor of S. 1888, a bill to halt Saudi support for institutions that fund, train, incite, encourage, or in any other way aid and abet terrorism, and to secure full Saudi cooperation in the investigation of terrorist incidents.

S. 2035

At the request of Mr. GRAHAM of South Carolina, the name of the Senator from Maryland (Mr. SARBANES) was added as a cosponsor of S. 2035, a bill to amend title 10, United States Code, to revise the age and service requirements for eligibility to receive retired pay for non-regular service; to expand certain authorities to provide health care benefits for Reserves and their families, and for other purposes.

S. 2056

At the request of Mr. BROWNBACK, the name of the Senator from Georgia (Mr. CHAMBLISS) was added as a cosponsor of S. 2056, a bill to increase the penalties for violations by television and radio broadcasters of the prohibitions against transmission of obscene, indecent, and profane language.

S. 2057

At the request of Ms. CANTWELL, her name was added as a cosponsor of S. 2057, a bill to require the Secretary of Defense to reimburse members of the United States Armed Forces for certain transportation expenses incurred by the members in connection with leave under the Central Command Rest and Recuperation Leave Program before the program was expanded to include domestic travel.

At the request of Mr. COLEMAN, the name of the Senator from Wyoming (Mr. ENZI) was added as a cosponsor of S. 2057, supra.

S. 2065

At the request of Mrs. MURRAY, her name was added as a cosponsor of S. 2065, a bill to restore health care coverage to retired members of the uniformed services, and for other purposes.

At the request of Mr. DASCHLE, the name of the Senator from Vermont

(Mr. LEAHY) was added as a cosponsor of S. 2065, supra.

S. 2158

At the request of Ms. COLLINS, the names of the Senator from Arizona (Mr. MCCAIN), the Senator from Illinois (Mr. FITZGERALD), and the Senator from Maryland (Ms. MIKULSKI) were added as cosponsors of S. 2158, a bill to amend the Public Health Service Act to increase the supply of pancreatic islet cells for research, and to provide for better coordination of Federal efforts and information on islet cell transplantation.

S.J. RES. 26

At the request of Mr. ALLARD, the name of the Senator from Wyoming (Mr. ENZI) was added as a cosponsor of S.J. Res. 26, a joint resolution proposing an amendment to the Constitution of the United States relating to marriage.

S.J. RES. 28

At the request of Mr. CAMPBELL, the names of the Senator from New Hampshire (Mr. SUNUNU) and the Senator from Wyoming (Mr. THOMAS) were added as cosponsors of S.J. Res. 28, a joint resolution recognizing the 60th anniversary of the Allied landing at Normandy during World War II.

S. CON. RES. 88

At the request of Mr. SARBANES, the name of the Senator from Washington (Ms. CANTWELL) was added as a cosponsor of S. Con. Res. 88, a concurrent resolution expressing the sense of Congress that there should continue to be parity between the adjustments in the pay of members of the uniformed services and the adjustments in the pay of civilian employees of the United States.

S. CON. RES. 91

At the request of Mr. BROWNBACK, the name of the Senator from Georgia (Mr. MILLER) was added as a cosponsor of S. Con. Res. 91, a concurrent resolution designating the month of April 2005 as "American Religious History Month."

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. WYDEN (for himself, Mr. STEVENS, and Ms. MURKOWSKI):

S. 2160. A bill to regulate interstate commerce by prohibiting the sale of children's personally identifiable information for commercial marketing purposes; to the Committee on Commerce, Science, and Transportation.

Mr. WYDEN. Mr. President and colleagues, there is now clear evidence that it is open season for large-scale commercial marketing to the Nation's smallest children. As a result, today I am introducing with the distinguished chairman of the Senate Appropriations Committee, Senator STEVENS, legislation to protect the privacy of America's children.

I suspect parents of very young children would not want their children's names and addresses, their e-mail addresses, their ages and other data

treated as a simple marketplace commodity to be freely bought and sold for a profit with no questions asked. Yet that is exactly what happens every day.

Parents may not be aware of it, but large list brokers routinely advertise and sell information on very young children for marketing purposes. Their lists cover millions of children and often include such data as ethnicity, family income, and hobbies or interests. In short, commercial trafficking in personal information about very young children is surprisingly commonplace.

How extreme has it gotten? Take a look at this example. The broker of this list says on their Web site that they have more than 15 million names of children from the ages of 2 to 13. They said they update it monthly. That is why it is clear it is open season for large-scale marketing to the country's smallest children, which has concerned Senator STEVENS and I. The list brokers break it down for the marketers, as well, to help them target the very young.

On this next graphic, a list broker offers marketing lists that only contain the names of preschool children ages 2 to 5. If that is too young for a particular marketer's needs, the marketer could pursue lists of elementary school children ages 5 through 11 or junior high school kids age 11 to 13. These lists of young children are advertised openly on the Internet for anyone who is interested.

We can see the details promised: Full name, address, and age. My view is that is not information about youngsters that parents want available for sale without the consent of the parents. But it is happening now all the time because there is big money in marketing to the very young. Children, of course, influence the purchases of their parents. Sometimes they have money to spend of their own. As a result, an estimated \$12 billion per year is spent on marketing to these very young children.

Unfortunately, with all the money involved, the ethics of direct marketing to children and appropriate limits get short shrift. The very young are not likely to understand the intent and tactics of marketing pitches the way adults do and may be more vulnerable to influence, manipulation, and questionable and deceptive tactics. The wholesale trafficking of specific information about individual youngsters and the use of that information to target and contact those children for marketing purposes is something that most parents find very troubling.

The suggested use for these lists runs the gamut. Here is another list broker that has 20 million names of children in preschool through eighth grade. They have all kinds of suggestions. We can see a few of the examples on the chart that make it clear exactly how great this potential market is.

That is why I am introducing today, with the bipartisan support of our col-

league, the distinguished chairman of the Senate Appropriations Committee, Senator STEVENS, a privacy act to protect our youngsters.

The bill's premise is simple: Trafficking in data on very young children for the purpose of commercial marketing should not be permitted in our country. Specifically, the bill bans the selling or purchasing of personal information about people that the seller and purchaser know to be very young. There would be an exception for cases where the parent is given express consent, provided that the parent had notice of what he or she was consenting to and was not required to grant consent as a condition of obtaining a desired product or service.

There would also be an exception for the sale of information for nonmarketing purposes as long as the purchaser certifies it will neither use the information for marketing nor allow others to do so. This exception would allow, for example, health care officials to still use available data to track the spread of a disease or for students, of course, to get information about various academic activities. The list buyers would have to certify that lists are not being purchased or resold for marketing; otherwise they will be in violation of the law.

The bill's enforcement provisions track those of the Children's Online Privacy Protection Act. Primary enforcement authority would rest with the Federal Trade Commission, and State attorneys general would be authorized to bring enforcement actions as well.

I think we all understand marketers have products they want to get out, and lists are a big part of their trade. But it is one proposition when the person on the list is an adult; it is quite another to be buying and selling and trafficking in all of this data and all of these lists on the very young.

I say to the Senate, if you just spend a little time on the Internet, you will see what I have concluded; that it is open season for the large-scale marketing that is targeted at very small children, and we ought to make an effort to draw some lines.

Yes, marketing is accepted and important with respect to adults. But I hope my colleagues will join me and Senator STEVENS today in supporting a commonsense effort to limit the way in which data is used and commercialized about America's smallest children.

Mr. President, I ask unanimous consent that the text of the legislation I am introducing today with Senator STEVENS be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 2160

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Children's Listbroker Privacy Act".

SEC. 2. FINDINGS.

The Congress finds the following:

(1) Commercial list brokers routinely advertise and sell detailed information on children, including names, addresses, ages, and other data, for use in marketing. This data is commonly available on children as young as two years old, enabling marketers to target specific demographics such as junior high school, elementary school, or even preschool.

(2) Commercially available marketing databases can be very large, covering millions of children.

(3) Commercially available marketing databases can include a variety of information on the children they cover, from ethnicity to family income to hobbies and interests.

(4) Money spent on marketing to children has been estimated at \$12 billion per year.

(5) Several Federal statutes, including section 1061 of the No Child Left Behind Act, the Children's Online Privacy Protection Act, and the Family and Educational Rights and Privacy Act, restrict the collection and disclosure of information about children or students under specified circumstances. When data on children is collected in a manner that is outside the scope of those statutes, however, Federal law does not significantly restrict the commercial sale or resale of such data.

(6) The ability to sell information about children to marketers for a profit creates an economic incentive to find new and creative ways to collect and compile such information, and possibly to circumvent or subvert the intent of those Federal statutes that do govern the collection of information about children or students. There are a variety of means and sources that marketers and list brokers can and do use to compile names, addresses, and other data about children.

SEC. 3. RESTRICTION ON SALE OR PURCHASE OF CHILDREN'S PERSONAL INFORMATION.

(a) IN GENERAL.—It is unlawful—

(1) to sell personal information about an individual the seller knows to be a child;

(2) to purchase personal information about an individual identified by the seller as a child, for the purpose of marketing to that child; or

(3) for a person who has provided a certification pursuant to subsection (b)(2), in connection with the purchase of personal information about an individual identified by the seller as a child, to engage in any practice that violates the terms of the certification.

(b) EXCEPTIONS.—

(1) PARENTAL CONSENT.—Subsection (a) does not apply to any sale, purchase, or use of personal information about a child if the parent of the child has granted express consent to that sale, purchase, or use of the information.

(2) CERTIFICATION.—Subsection (a)(1) shall not apply to the sale of personal information about a child if the purchaser certifies to the seller, electronically or in writing, before the sale is completed—

(A) the purpose for which the information will be used by the purchaser; and

(B) that the purchaser will neither—

(i) use the information for marketing that child; nor

(ii) permit the information to be used by others for the purpose of marketing to that child.

SEC. 4. ADMINISTRATION AND ENFORCEMENT.

(a) IN GENERAL.—Except as provided in subsection (b), this Act shall be enforced by the Commission as if the violation of section 3 of this Act were an unfair or deceptive act or practice proscribed under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)).

(b) ENFORCEMENT BY CERTAIN OTHER AGENCIES.—Compliance with this Act shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), in the case of—

(A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;

(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act (12 U.S.C. 601 and 611), by the Board; and

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;

(2) section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), by the Director of the Office of Thrift Supervision, in the case of a savings association the deposits of which are insured by the Federal Deposit Insurance Corporation;

(3) the Federal Credit Union Act (12 U.S.C. 1751 et seq.) by the National Credit Union Administration Board with respect to any Federal credit union;

(4) part A of subtitle VII of title 49, United States Code, by the Secretary of Transportation with respect to any air carrier or foreign air carrier subject to that part;

(5) the Packers and Stockyards Act, 1921 (7 U.S.C. 181 et seq.) (except as provided in section 406 of that Act (7 U.S.C. 226, 227)), by the Secretary of Agriculture with respect to any activities subject to that Act; and

(6) the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) by the Farm Credit Administration with respect to any Federal land bank, Federal land bank association, Federal intermediate credit bank, or production credit association.

(c) EXERCISE OF CERTAIN POWERS.—For the purpose of the exercise by any agency referred to in subsection (b) of its powers under any Act referred to in that subsection, a violation of section 3 of this Act is deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under section 3 of this Act, any other authority conferred on it by law.

(d) ACTIONS BY THE COMMISSION.—The Commission shall prevent any person from violating section 3 of this Act in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this Act. Any entity that violates any provision of that section is subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act in the same manner, by the same means, and with the same jurisdiction, power, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of that section.

(f) PRESERVATION OF COMMISSION AUTHORITY.—Nothing contained in this section shall be construed to limit the authority of the Commission under any other provision of law.

SEC. 5. ACTIONS BY STATES.

(a) IN GENERAL.—

(1) CIVIL ACTIONS.—In any case in which the attorney general of a State has reason to believe that an interest of the residents of that State has been or is threatened or adversely affected by the engagement of any person in a practice that section 3 of this Act, the State, as *parens patriae*, may bring a civil action on behalf of the residents of the State in a district court of the United States of appropriate jurisdiction—

(A) to enjoin that practice;

(B) to enforce compliance with the rule;

(C) to obtain damage, restitution, or other compensation on behalf of residents of the State; or

(D) to obtain such other relief as the court may consider to be appropriate.

(2) NOTICE.—

(A) IN GENERAL.—Before filing an action under paragraph (1), the attorney general of the State involved shall provide to the Commission—

(i) written notice of that action; and

(ii) a copy of the complaint for that action.

(B) EXCEPTION.—

(i) IN GENERAL.—Subparagraph (A) shall not apply with respect to the filing of an action by an attorney general of a State under this subsection, if the attorney general determines that it is not feasible to provide the notice described in that subparagraph before the filing of the action.

(ii) NOTIFICATION.—In an action described in clause (i), the attorney general of a State shall provide notice and a copy of the complaint to the Commission at the same time as the attorney general files the action.

(b) INTERVENTION.—

(1) IN GENERAL.—On receiving notice under subsection (a)(2), the Commission shall have the right to intervene in the action that is the subject of the notice.

(2) EFFECT OF INTERVENTION.—If the Commission intervenes in an action under subsection (a), it shall have the right—

(A) to be heard with respect to any matter that arises in that action; and

(B) to file a petition for appeal.

(c) CONSTRUCTION.—For purposes of bringing any civil action under subsection (a), nothing in this subtitle shall be construed to prevent an attorney general of a State from exercising the powers conferred on the attorney general by the laws of that State to—

(1) conduct investigations;

(2) administer oaths or affirmations; or

(3) compel the attendance of witnesses or the production of documentary and other evidence.

(d) ACTIONS BY THE COMMISSION.—In any case in which an action is instituted by or on behalf of the Commission for violation of section 2 of this Act, no State may, during the pendency of that action, institute an action under subsection (a) against any defendant named in the complaint in that action for violation of that section.

(e) VENUE; SERVICE OF PROCESS.—

(1) VENUE.—Any action brought under subsection (a) may be brought in the district court of the United States that meets applicable requirements relating to venue under section 1391 of title 28, United States Code.

(2) SERVICE OF PROCESS.—In an action brought under subsection (a), process may be served in any district in which the defendant—

(A) is an inhabitant; or

(B) may be found.

SEC. 6. DEFINITIONS.

In this Act:

(1) CHILD.—The term “child” means an individual under the age of 16.

(2) COMMISSION.—The term “Commission” means the Federal Trade Commission.

(3) EXPRESS CONSENT.—

(A) IN GENERAL.—The term “express consent” means an affirmative indication of

permission in writing or electronic form. The term “express consent” does not include consent inferred from a failure to indicate affirmatively that consent is denied or withheld.

(B) PREREQUISITES.—Express consent is not valid unless—

(i) before granting the consent the individual granting the consent was informed of the purpose for which the information would be sold, purchased, or used; and

(ii) consent was not granted as a condition for making a product, service, or warranty available to the individual or the child to which the information pertains.

(4) MARKETING.—The term “marketing” means making a communication to encourage the purchase or use of a commercial product or service. For purposes of this paragraph, a product or service shall be considered to be commercial if some or all of the proceeds from the sale inure to the benefit of an enterprise conducted for profit.

(5) PARENT.—The term “parent” includes a legal guardian.

(6) PERSONAL INFORMATION.—The term “personal information” means identifiable information about an individual, including—

(A) a name;

(B) a home or other physical address including street name and name of a city or town;

(C) an e-mail address or online username;

(D) a telephone number;

(E) a Social Security number; or

(F) any other information that permits a specific individual to be identified.

(7) PURCHASE; SELL; SALE.—In section 3, the terms “purchase”, “sell”, and “sale” include the purchase and sale of the right to use personal information, without regard to whether—

(A) the right is limited or unlimited;

(B) the transaction is characterized as a purchase, sale, lease, or otherwise; and

(C) the consideration for the transaction is monetary, goods, or services.

SEC. 7. EFFECTIVE DATE.

This Act takes effect 6 months after the date of enactment.

Mr. STEVENS. Mr. President, I am proud to introduce, with my colleague from Oregon, a bill which protects children from being strategically targeted by commercial advertising.

I was shocked to learn that presently there is no law that restricts companies from purchasing databases which contain information about children.

In fact, websites have been brought to my attention that actually sell lists of children as young as pre-school.

The thought of companies acquiring lists of information about kids that are barely past the toddler stage is appalling.

These companies actually market that the lists can be selected and purchased by sorting according to different age groups. They suggest possible commercial uses for the lists such as for magazines, amusement parks, child care services, etc.

One of the websites even points out that many high school students have their own credit cards or have use of their parents' credit cards. The website then suggests that companies could buy these lists so they could market to children various products such as clothing, computers, etc.

The bill that we are introducing today will deter entities from selling

these lists of personal information about children to be used for commercial purposes.

The bill will prohibit anyone from selling or buying personal information about a person who is known to be under 16 years of age unless: 1. The parent has given express consent; or 2. The buyer certifies that the information is being obtained for strictly non-marketing purposes. If that is the case, they can't subsequently sell the information to a commercial marketing group.

The enforcement will be by the Federal Trade Commission and the 50 attorney generals.

I look forward to working with my colleague from Oregon and others on this bill.

By Mrs. BOXER:

S. 2161. A bill to amend title 5, United States Code, to establish a national health program administered by the Office of Personnel Management to offer Federal employee health benefits plans to individuals who are not Federal employees, and for other purposes; to the Committee on Finance.

Mrs. BOXER. Mr. President, over 43 million Americans are uninsured, which means that one in every 7 Americans has no health insurance. It is not surprising that two-thirds of the uninsured are low-income. What may be surprising to some is that most of the uninsured—8 in 10—come from working families. Most of these uninsured are not eligible for public health insurance programs, such as Medicaid or SCHIP.

Lack of health insurance too often means poorer health care. The uninsured receive less preventive care, are diagnosed at more advanced disease stages, and once diagnosed, tend to receive less therapeutic care. The Institute of Medicine estimates that 18,000 Americans die prematurely each year due to the effects of a lack of health insurance.

The plight of the uninsured has consequences that reach beyond the uninsured. In 2001, the uninsured amounted to about \$35 billion in uncompensated care. Those costs are borne by all of us through higher health care costs and government-funded reimbursements.

Furthermore, the Institute of Medicine suggests that the reduced health and higher mortality of the uninsured costs society between \$65 billion and \$130 billion a year, and concludes that public programs are likely to have higher budgetary costs than they would if everyone under 65 had health insurance. In addition, the Urban Institute recently found that if people were covered by insurance, there could be savings to Medicare and Medicaid of \$10 billion a year.

Even those who have health insurance find it extremely expensive and of poor quality. It is time to expand access to affordable, quality health insurance for all Americans.

The bill I am introducing today, the "Universal Access to Affordable Insur-

ance for All Americans Act of 2004," is a partial solution that will give Americans access to the same health insurance program as Members of Congress.

It establishes a separate risk pool within the Federal Employee Health Benefit Program for individuals who wish to purchase individual or family coverage. The Office of Personnel Management would make at least one private health insurance plan available through the FEHBP to non-Federal employees. While individuals will have access to the same program as Federal employees, the entry of others into FEHBP will not affect Federal employees at all.

My bill also makes this insurance affordable by establishing advanceable, refundable tax credits for certain low and middle-income participants. For those below poverty, the credit is 100 percent. The credit is gradually decreased up to 400 percent of poverty. So a family of 4 making \$18,850 or less would receive a 100 percent credit. A family of 4 making \$75,000 would receive a 30 percent credit.

We need to begin implementing measures to provide all Americans with access to affordable health coverage. My bill is a step toward this goal.

SUBMITTED RESOLUTIONS

SENATE RESOLUTION 308—DESIGNATING MARCH 25, 2004, AS "GREEK INDEPENDENCE DAY: A NATIONAL DAY OF CELEBRATION OF GREEK AND AMERICAN DEMOCRACY"

Mr. SPECTER (for himself, Mr. ALLEN, Mr. BENNETT, Mr. BIDEN, Mr. BINGAMAN, Mrs. BOXER, Mr. BREAUX, Mr. CARPER, Mr. CHAFEE, Mrs. CLINTON, Mr. COCHRAN, Mr. CORZINE, Mr. DASCHLE, Mr. DAYTON, Mr. DEWINE, Mr. DODD, Mr. DOMENICI, Mr. DORGAN, Mr. DURBIN, Mr. EDWARDS, Mrs. FEINSTEIN, Mr. FITZGERALD, Mr. GRAHAM of South Carolina, Mr. GRASSLEY, Mr. GREGG, Mr. HAGEL, Mr. HARKIN, Mr. HOLLINGS, Mr. INHOFE, Mr. JOHNSON, Mr. KENNEDY, Mr. KOHL, Ms. LANDRIEU, Mr. LAUTENBERG, Mr. LEVIN, Mr. LIEBERMAN, Mr. LOTT, Mr. LUGAR, Ms. MIKULSKI, Mr. MILLER, Ms. MURKOWSKI, Mrs. MURRAY, Mr. NELSON of Florida, Mr. NICKLES, Mr. REED, Mr. REID, Mr. ROCKEFELLER, Mr. SANTORUM, Mr. SARBANES, Mr. SCHUMER, Mr. SESSIONS, Mr. SMITH, Ms. SNOWE, Ms. STABENOW, Mr. STEVENS, Mr. VOINOVICH, Mr. WARNER, Mr. WYDEN, and Mr. FEINGOLD) submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 308

Whereas the ancient Greeks developed the concept of democracy, in which the supreme power to govern was vested in the people;

Whereas the Founding Fathers of the United States drew heavily on the political experience and philosophy of ancient Greece in forming our representative democracy;

Whereas Greek Commander in Chief Petros Mavromichalis, a founder of the modern Greek state, said to the citizens of the United States in 1821, "it is in your land that liberty has fixed her abode and... in imitating you, we shall imitate our ancestors and be thought worthy of them if we succeed in resembling you";

Whereas Greece is one of only three nations in the world, beyond the former British Empire, that has been allied with the United States in every major international conflict for more than 100 years;

Whereas Greece played a major role in the World War II struggle to protect freedom and democracy through such bravery as was shown in the historic Battle of Crete that presented the Axis land war with its first major setback, setting off a chain of events that significantly affected the outcome of World War II;

Whereas the price for Greece in holding our common values in their region was high, as hundreds of thousands of civilians were killed in Greece during the World War II period;

Whereas President George W. Bush, in recognizing Greek Independence Day, said, "Greece and America have been firm allies in the great struggles for liberty. Americans will always remember Greek heroism and Greek sacrifice for the sake of freedom... [and] as the 21st Century dawns, Greece and America once again stand united; this time in the fight against terrorism. The United States deeply appreciates the role Greece is playing in the war against terror... America and Greece are strong allies, and we're strategic partners.";

Whereas Greece is a stabilizing force by virtue of its political and economic power in the volatile Balkan region and is one of the fastest growing economies in Europe;

Whereas Greece, through excellent work and cooperation with United States and international law enforcement agencies, arrested and convicted key members of the November 17 terrorist organization;

Whereas President Bush stated that Greece's successful "law enforcement operations against a terrorist organization [November 17] responsible for three decades of terrorist attacks underscore the important contributions Greece is making to the global war on terrorism";

Whereas the Olympic Games will be coming home in August 2004 to Athens, Greece, the land of their ancient birthplace 2,500 years ago and the city of their modern revival in 1896;

Whereas the unprecedented Olympic security effort in Greece, including a record-setting expenditure of over \$850,000,000 and assignment of over 50,000 security personnel, as well as the utilization of a 7-country Olympic Security Advisory Group which includes the United States, will contribute to a safe and secure environment for staging the 2004 Olympic Games in Athens, Greece;

Whereas Greece, geographically located in a region where Christianity meets Islam and Judaism, maintains excellent relations with Muslim nations and Israel;

Whereas Greece has had extraordinary success in recent years in furthering cross-cultural understanding and reducing tensions between Greece and Turkey;

Whereas Greece and the United States are at the forefront of the effort for freedom, democracy, peace, stability, and human rights;

Whereas those and other ideals have forged a close bond between our two nations and their peoples;

Whereas March 25, 2004, marks the 183d anniversary of the beginning of the revolution that freed the Greek people from the Ottoman Empire; and

Whereas it is proper and desirable to celebrate with the Greek people and to reaffirm the democratic principles from which our two great nations were born: Now, therefore, be it

Resolved, That the Senate—

(1) designates March 25, 2004, as "Greek Independence Day: A National Day of Celebration of Greek and American Democracy"; and

(2) requests that the President issue a proclamation calling on the people of the United States to observe the day with appropriate ceremonies and activities.

SENATE RESOLUTION 309—DESIGNATING THE WEEK BEGINNING MARCH 14, 2004 AS "NATIONAL SAFE PLACE WEEK"

Mr. CRAIG (for himself, Mrs. FEINSTEIN, Mr. CAMPBELL, Mrs. BOXER, Mr. FITZGERALD, Ms. LANDRIEU, Mr. INHOFE, Mr. FEINGOLD, Mr. COCHRAN, Mr. JOHNSON, Mr. LIEBERMAN, Ms. MIKULSKI, Mr. DURBIN, and Mr. KOHL) submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 309

Whereas today's youth are vital to the preservation of our country and will be the future bearers of the bright torch of democracy;

Whereas youth need a safe haven from various negative influences such as child abuse, substance abuse and crime, and they need to have resources readily available to assist them when faced with circumstances that compromise their safety;

Whereas the United States needs increased numbers of community volunteers acting as positive influences on the Nation's youth;

Whereas the Safe Place program is committed to protecting our Nation's most valuable asset, our youth, by offering short term "safe places" at neighborhood locations where trained volunteers are available to counsel and advise youth seeking assistance and guidance;

Whereas the Safe Place program combines the efforts of the private sector and non-profit organizations uniting to reach youth in the early stages of crisis;

Whereas the Safe Place program provides a direct way to assist programs in meeting performance standards relative to outreach and community relations, as set forth in the Federal Runaway and Homeless Youth Act guidelines;

Whereas the Safe Place placard displayed at businesses within communities stands as a beacon of safety and refuge to at-risk youth;

Whereas more than 700 communities in 42 states and more than 14,000 locations have established Safe Place programs;

Whereas more than 68,000 young people have gone to Safe Place locations to get help when faced with crisis situations;

Whereas through the efforts of Safe Place coordinators across the country each year more than one-half million students learn that Safe Place is a resource if abusive or neglectful situations exist;

Whereas increased awareness of the program's existence will encourage communities to establish Safe Places for the Nation's youth throughout the country: Now, therefore, be it

Resolved, That the Senate—

(1) proclaims the week of March 14 through March 20, 2004 as "National Safe Place Week" and

(2) requests that the President issue a proclamation calling upon the people of the

United States and interested groups to promote awareness of and volunteer involvement in the Safe Place programs, and to observe the week with appropriate ceremonies and activities.

AMENDMENTS SUBMITTED AND PROPOSED

SA 2638. Mr. SANTORUM (for himself, Mr. BAYH, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table.

SA 2639. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2640. Mr. INOUE submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2641. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2642. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2643. Mrs. LINCOLN (for herself and Mr. COLEMAN) submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2644. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2645. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill S. 1637, supra.

SA 2646. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to amendment SA 2645 proposed by Mr. GRASSLEY (for himself and Mr. BAUCUS) to the bill S. 1637, supra.

SA 2647. Mr. HATCH (for himself, Mrs. MURRAY, Mr. BAUCUS, Ms. CANTWELL, Mr. SMITH, Mr. BUNNING, and Mr. GRASSLEY) proposed an amendment to the bill S. 1637, supra.

SA 2648. Ms. CANTWELL submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2649. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2650. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2651. Mr. BINGAMAN (for himself and Mr. DOMENICI) proposed an amendment to amendment SA 2647 proposed by Mr. HATCH (for himself, Mrs. MURRAY, Mr. BAUCUS, Ms. CANTWELL, Mr. SMITH, Mr. BUNNING, and Mr. GRASSLEY) to the bill S. 1637, supra.

SA 2652. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2653. Mr. REID submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2654. Mr. WARNER submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2655. Mr. BUNNING submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2656. Mr. BUNNING (for himself and Mr. BOND) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2657. Mr. BUNNING (for himself, Mr. GRAHAM, of Florida, and Mr. NELSON, of Florida) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2658. Mr. BUNNING submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2659. Mr. BUNNING (for himself and Mr. SCHUMER) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2660. Mr. DODD (for himself, Mr. COLEMAN, Mr. KENNEDY, Mr. CORZINE, Ms. MIKULSKI, and Mr. FEINGOLD) proposed an amendment to the bill S. 1637, supra.

SA 2661. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2662. Mr. AKAKA submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2663. Ms. CANTWELL (for herself, Mr. THOMAS, Mr. DURBIN, and Mr. LEAHY) submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2664. Ms. LANDRIEU (for herself and Ms. CANTWELL) submitted an amendment intended to be proposed by her to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2665. Mr. LAUTENBERG submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2666. Mr. VOINOVICH submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2667. Mr. SMITH (for himself, Mr. LAUTENBERG, and Ms. MURKOWSKI) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2668. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2669. Mr. HOLLINGS submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2670. Mr. SANTORUM (for himself and Mr. LIEBERMAN) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2671. Mr. SMITH (for himself and Mr. BREAUX) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2672. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2673. Mr. BINGAMAN submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2674. Mr. BINGAMAN (for himself and Mr. ALLEN) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

SA 2675. Mr. DURBIN (for himself, Mr. GRAHAM, of South Carolina, Mr. REID, and

Mrs. MURRAY) submitted an amendment intended to be proposed by him to the bill S. 1637, supra; which was ordered to lie on the table.

TEXT OF AMENDMENTS

SA 2638. Mr. SANTORUM (for himself, Mr. BAYH, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. . . . MODIFICATIONS TO WORK OPPORTUNITY CREDIT AND WELFARE-TO-WORK CREDIT.

- (a) EXTENSION OF CREDIT.—
- (1) Subparagraph (B) of section 51(c)(4) is amended by striking "December 31, 2003" and inserting "December 31, 2005".
- (2) Subsection (f) of section 51A is amended by striking by striking "December 31, 2003" and inserting "December 31, 2005".
- (b) ELIGIBILITY OF EX-FELONS DETERMINED WITHOUT REGARD TO FAMILY INCOME.—Paragraph (4) of section 51(d) is amended by adding "and" at the end of subparagraph (A), by striking ", and" at the end of subparagraph (B) and inserting a period, and by striking all that follows subparagraph (B).
- (c) INCREASE IN MAXIMUM AGE FOR ELIGIBILITY OF FOOD STAMP RECIPIENTS.—Clause (i) of section 51(d)(8)(A) is amended by striking "25" and inserting "40".
- (d) INCREASE IN MAXIMUM AGE FOR DESIGNATED COMMUNITY RESIDENTS.—
- (1) IN GENERAL.—Paragraph (5) of section 51(d) is amended to read as follows:
 - "(5) DESIGNATED COMMUNITY RESIDENTS.—
 - "(A) IN GENERAL.—The term 'designated community resident' means any individual who is certified by the designated local agency—
 - "(i) as having attained age 18 but not age 40 on the hiring date, and
 - "(ii) as having his principal place of abode within an empowerment zone, enterprise community, or renewal community.
 - "(B) INDIVIDUAL MUST CONTINUE TO RESIDE IN ZONE OR COMMUNITY.—In the case of a designated community resident, the term 'qualified wages' shall not include wages paid or incurred for services performed while the individual's principal place of abode is outside an empowerment zone, enterprise community, or renewal community."
- (2) CONFORMING AMENDMENT.—Subparagraph (D) of section 51(d)(1) is amended to read as follows:
 - "(D) a designated community resident."
- (e) CLARIFICATION OF TREATMENT OF INDIVIDUALS UNDER INDIVIDUAL WORK PLANS.—Subparagraph (B) of section 51(d)(6) (relating to vocational rehabilitation referral) is amended by striking "or" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", or", and by adding at the end the following new clause:
 - "(iii) an individual work plan developed and implemented by an employment network pursuant to subsection (g) of section 1148 of the Social Security Act with respect to which the requirements of such subsection are met."
- (f) EFFECTIVE DATES.—

- (1) EXTENSION OF CREDITS.—The amendments made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2003.
- (2) MODIFICATIONS.—The amendments made by subsections (b), (c), (d), and (e) shall apply to individuals who begin work for the employer after December 31, 2004.
- SEC. 503. CONSOLIDATION OF WORK OPPORTUNITY CREDIT WITH WELFARE-TO-WORK CREDIT.**
- (a) IN GENERAL.—Paragraph (1) of section 51(d) is amended by striking "or" at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting ", or", and by adding at the end the following new subparagraph:
 - "(I) a long-term family assistance recipient."
- (b) LONG-TERM FAMILY ASSISTANCE RECIPIENT.—Subsection (d) of section 51 is amended by redesignating paragraphs (10) through (12) as paragraphs (11) through (13), respectively, and by inserting after paragraph (9) the following new paragraph:
 - "(10) LONG-TERM FAMILY ASSISTANCE RECIPIENT.—The term 'long-term family assistance recipient' means any individual who is certified by the designated local agency—
 - "(A) as being a member of a family receiving assistance under a IV-A program (as defined in paragraph (2)(B)) for at least the 18-month period ending on the hiring date,
 - "(B)(i) as being a member of a family receiving such assistance for 18 months beginning after August 5, 1997, and
 - "(ii) as having a hiring date which is not more than 2 years after the end of the earliest such 18-month period, or
 - "(C)(i) as being a member of a family which ceased to be eligible for such assistance by reason of any limitation imposed by Federal or State law on the maximum period such assistance is payable to a family, and
 - "(ii) as having a hiring date which is not more than 2 years after the date of such cessation."
- (c) INCREASED CREDIT FOR EMPLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPIENTS AND QUALIFIED EX-FELONS.—Section 51 is amended by inserting after subsection (d) the following new subsection:
 - "(e) CREDIT FOR SECOND-YEAR WAGES FOR EMPLOYMENT OF LONG-TERM FAMILY ASSISTANCE RECIPIENTS AND QUALIFIED EX-FELONS.—
 - "(1) IN GENERAL.—With respect to the employment of a long-term family assistance recipient or a qualified ex-felon—
 - "(A) the amount of the work opportunity credit determined under this section for the taxable year shall include 50 percent of the qualified second-year wages for such year, and
 - "(B) in lieu of applying subsection (b)(3), the amount of the qualified first-year wages, and the amount of qualified second-year wages, which may be taken into account with respect to such a recipient shall not exceed \$10,000 per year.
 - "(2) QUALIFIED SECOND-YEAR WAGES.—For purposes of this subsection, the term 'qualified second-year wages' means qualified wages—
 - "(A) which are paid to a long-term family assistance recipient or a qualified ex-felon, and
 - "(B) which are attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such recipient determined under subsection (b)(2).
 - "(3) SPECIAL RULES FOR AGRICULTURAL AND RAILWAY LABOR.—If such recipient is an employee to whom subparagraph (A) or (B) of subsection (h)(1) applies, rules similar to the rules of such subparagraphs shall apply except that—

- "(A) such subparagraph (A) shall be applied by substituting '\$10,000' for '\$6,000', and
- "(B) such subparagraph (B) shall be applied by substituting '\$833.33' for '\$500'."
- (d) REPEAL OF SEPARATE WELFARE-TO-WORK CREDIT.—
- (1) IN GENERAL.—Section 51A is hereby repealed.
- (2) CLERICAL AMENDMENT.—The table of sections for subpart F of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 51A.
- (e) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after December 31, 2004.

2639. Mr. ALLEN submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end add the following:
TITLE III—HOMESTEAD PRESERVATION ACT

- SEC. 301. SHORT TITLE.**
- This title may be cited as the "Homestead Preservation Act".
- SEC. 302. MORTGAGE PAYMENT ASSISTANCE.**
- (a) ESTABLISHMENT OF PROGRAM.—The Secretary of Labor (referred to in this section as the "Secretary") shall establish a program under which the Secretary shall award low-interest loans to eligible individuals to enable such individuals to continue to make mortgage payments with respect to the primary residences of such individuals.
- (b) ELIGIBILITY.—To be eligible to receive a loan under the program established under subsection (a), an individual shall—
- (1) be—
- (A) an adversely affected worker with respect to whom a certification of eligibility has been issued by the Secretary of Labor under chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2271 et seq.); or
- (B) an individual who would be an individual described in subparagraph (A) but who resides in a State that has not entered into an agreement under section 239 of such Act (19 U.S.C. 2311);
- (2) be a borrower under a loan which requires the individual to make monthly mortgage payments with respect to the primary place of residence of the individual; and
- (3) be enrolled in a job training or job assistance program.
- (c) LOAN REQUIREMENTS.—
- (1) IN GENERAL.—A loan provided to an eligible individual under this section shall—
- (A) be for a period of not to exceed 12 months;
- (B) be for an amount that does not exceed the sum of—
- (i) the amount of the monthly mortgage payment owed by the individual; and
- (ii) the number of months for which the loan is provided;
- (C) have an applicable rate of interest that equals 4 percent;
- (D) require repayment as provided for in subsection (d); and
- (E) be subject to such other terms and conditions as the Secretary determines appropriate.
- (2) ACCOUNT.—A loan awarded to an individual under this section shall be deposited into an account from which a monthly mortgage payment will be made in accordance with the terms and conditions of such loan.

(d) REPAYMENT.—

(1) IN GENERAL.—An individual to which a loan has been awarded under this section shall be required to begin making repayments on the loan on the earlier of—

(A) the date on which the individual has been employed on a full-time basis for 6 consecutive months; or

(B) the date that is 1 year after the date on which the loan has been approved under this section.

(2) REPAYMENT PERIOD AND AMOUNT.—

(A) REPAYMENT PERIOD.—A loan awarded under this section shall be repaid on a monthly basis over the 5-year period beginning on the date determined under paragraph (1).

(B) AMOUNT.—The amount of the monthly payment described in subparagraph (A) shall be determined by dividing the total amount provided under the loan (plus interest) by 60.

(C) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed to prohibit an individual from—

(i) paying off a loan awarded under this section in less than 5 years; or

(ii) from paying a monthly amount under such loan in excess of the monthly amount determined under subparagraph (B) with respect to the loan.

(e) REGULATIONS.—Not later than 6 weeks after the date of enactment of this section, the Secretary shall promulgate regulations necessary to carry out this section, including regulations that permit an individual to certify that the individual is an eligible individual under subsection (b).

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section, \$10,000,000 for each of fiscal years 2004 through 2008.

SA 2640. Mr. INOUE submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. 312. EXTENSION OF POSSESSION TAX CREDIT WITH RESPECT TO AMERICAN SAMOA.

Subparagraph (A) of section 936(j)(8) of the Internal Revenue Code of 1986 (relating to special rules for certain possessions) is amended by inserting before the period at the end the following: “(January 1, 2016, in the case of American Samoa)”.

SA 2641. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . REPEAL OF ESTATE TAX ON FAMILY-OWNED BUSINESSES AND FARMS.

(a) REPEAL OF QUALIFIED FAMILY-OWNED BUSINESS INTEREST.—Part IV of subchapter A

of chapter 11 (relating to taxable estate) is amended by striking section 2057.

(b) CARRYOVER BUSINESS INTEREST EXCLUSION.—Part IV of subchapter A of chapter 11 (relating to taxable estate) is amended by inserting after section 2058 the following new section:

“SEC. 2059. CARRYOVER BUSINESS INTERESTS.

“(a) GENERAL RULES.—

“(1) ALLOWANCE OF DEDUCTION.—For purposes of the tax imposed by section 2001, in the case of an estate of a decedent to which this section applies, the value of the taxable estate shall be determined by deducting from the value of the gross estate the adjusted value of the carryover business interests of the decedent which are described in subsection (b)(2).

“(2) APPLICATION OF CARRYOVER BASIS RULES.—With respect to the adjusted value of the carryover business interests of the decedent which are described in subsection (b)(2), the rules of section 1023 shall apply.

“(b) ESTATES TO WHICH SECTION APPLIES.—

“(1) IN GENERAL.—This section shall apply to an estate if—

“(A) the decedent was (at the date of the decedent’s death) a citizen or resident of the United States,

“(B) the executor elects the application of this section under rules similar to the rules of paragraphs (1) and (3) of section 2032A(d) and files the agreement referred to in subsection (e), and

“(C) during the 8-year period ending on the date of the decedent’s death there have been periods aggregating 5 years or more during which—

“(i) the carryover business interests described in paragraph (2) were owned by the decedent or a member of the decedent’s family, and

“(ii) there was material participation (within the meaning of section 2032A(e)(6)) by the decedent, a member of the decedent’s family, or a qualified heir in the operation of the business to which such interests relate.

“(2) INCLUDIBLE CARRYOVER BUSINESS INTERESTS.—The carryover business interests described in this paragraph are the interests which—

“(A) are included in determining the value of the gross estate (other than qualified spousal property with respect to which an aggregate spousal property basis increase is allocated under section 1023(c)),

“(B) are acquired by any qualified heir from, or passed to any qualified heir from, the decedent (within the meaning of section 2032A(e)(9)), and

“(C) are subject to the election under paragraph (1)(B).

“(3) RULES REGARDING MATERIAL PARTICIPATION.—For purposes of paragraph (1)(C)(ii)—

“(A) in the case a surviving spouse, material participation by such spouse may be satisfied under rules similar to the rules under section 2032A(b)(5),

“(B) in the case of a carryover business interest in an entity carrying on multiple trades or businesses, material participation in each trade or business is satisfied by material participation in the entity or in 1 or more of the multiple trades or businesses, and

“(C) in the case of a lending and finance business (as defined in section 6166(b)(10)(B)(ii)), material participation is satisfied under the rules under subclause (I) or (II) of section 6166(b)(10)(B)(i).

“(c) ADJUSTED VALUE OF THE CARRYOVER BUSINESS INTERESTS.—For purposes of this section—

“(1) IN GENERAL.—The adjusted value of any carryover business interest is the value of such interest for purposes of this chapter (determined without regard to this section), as adjusted under paragraph (2).

“(2) ADJUSTMENT FOR PREVIOUS TRANSFERS.—The Secretary may increase the value of any carryover business interest by that portion of those assets transferred from such carryover business interest to the decedent’s taxable estate within 3 years before the date of the decedent’s death.

“(d) CARRYOVER BUSINESS INTEREST.—

“(1) IN GENERAL.—For purposes of this section, the term ‘carryover business interest’ means—

“(A) an interest as a proprietor in a trade or business carried on as a proprietorship, or

“(B) an interest in an entity carrying on a trade or business, if—

“(i) at least—

“(I) 50 percent of such entity is owned (directly or indirectly) by the decedent and members of the decedent’s family,

“(II) 70 percent of such entity is so owned by members of 2 families, or

“(III) 90 percent of such entity is so owned by members of 3 families, and

“(ii) for purposes of subclause (II) or (III) of clause (i), at least 30 percent of such entity is so owned by the decedent and members of the decedent’s family.

For purposes of the preceding sentence, a decedent shall be treated as engaged in a trade or business if any member of the decedent’s family is engaged in such trade or business.

“(2) LENDING AND FINANCE BUSINESS.—For purposes of this section, any asset used in a lending and finance business (as defined in section 6166(b)(10)(B)(ii)) shall be treated as an asset which is used in carrying on a trade or business.

“(3) LIMITATION.—Such term shall not include—

“(A) any interest in a trade or business the principal place of business of which is not located in the United States,

“(B) any interest in an entity, if the stock or debt of such entity or a controlled group (as defined in section 267(f)(1)) of which such entity was a member was readily tradable on an established securities market or secondary market (as defined by the Secretary) at any time,

“(C) that portion of an interest in an entity transferred by gift to such interest within 3 years before the date of the decedent’s death, and

“(D) that portion of an interest in an entity which is attributable to cash or marketable securities, or both, in any amount in excess of the reasonably anticipated business needs of such entity.

In any proceeding before the United States Tax Court involving a notice of deficiency based in whole or in part on the allegation that cash or marketable securities, or both, are accumulated in an amount in excess of the reasonably anticipated business needs of such entity, the burden of proof with respect to such allegation shall be on the Secretary to the extent such cash or marketable securities are less than 35 percent of the value of the interest in such entity.

“(4) RULES REGARDING OWNERSHIP.—

“(A) OWNERSHIP OF ENTITIES.—For purposes of paragraph (1)(B)—

“(i) CORPORATIONS.—Ownership of a corporation shall be determined by the holding of stock possessing the appropriate percentage of the total combined voting power of all classes of stock entitled to vote and the appropriate percentage of the total value of shares of all classes of stock.

“(ii) PARTNERSHIPS.—Ownership of a partnership shall be determined by the owning of the appropriate percentage of the capital interest in such partnership.

“(B) OWNERSHIP OF TIERED ENTITIES.—For purposes of this section, if by reason of holding an interest in a trade or business, a decedent, any member of the decedent’s family,

any qualified heir, or any member of any qualified heir's family is treated as holding an interest in any other trade or business—

“(i) such ownership interest in the other trade or business shall be disregarded in determining if the ownership interest in the first trade or business is a carryover business interest, and

“(ii) this section shall be applied separately in determining if such interest in any other trade or business is a carryover business interest.

“(C) INDIVIDUAL OWNERSHIP RULES.—For purposes of this section, an interest owned, directly or indirectly, by or for an entity described in paragraph (1)(B) shall be considered as being owned proportionately by or for the entity's shareholders, partners, or beneficiaries. A person shall be treated as a beneficiary of any trust only if such person has a present interest in such trust.

“(e) AGREEMENT.—The agreement referred to in this subsection is a written agreement signed by each person in being who has an interest (whether or not in possession) in any property designated in such agreement consenting to the application of this section with respect to such property.

“(f) OTHER DEFINITIONS AND APPLICABLE RULES.—For purposes of this section—

“(1) QUALIFIED HEIR.—The term ‘qualified heir’ means a United States citizen who is—

“(A) described in section 2032A(e)(1), or

“(B) an active employee of the trade or business to which the carryover business interest relates if such employee has been employed by such trade or business for a period of at least 10 years before the date of the decedent's death.

“(2) MEMBER OF THE FAMILY.—The term ‘member of the family’ has the meaning given to such term by section 2032A(e)(2).

“(3) APPLICABLE RULES.—Rules similar to the following rules shall apply:

“(A) Section 2032A(b)(4) (relating to decedents who are retired or disabled).

“(B) Section 2032A(e)(10) (relating to community property).

“(C) Section 2032A(e)(14) (relating to treatment of replacement property acquired in section 1031 or 1033 transactions).

“(D) Section 2032A(g) (relating to application to interests in partnerships, corporations, and trusts).

“(4) SAFE HARBOR FOR ACTIVE ENTITIES HELD BY ENTITY CARRYING ON A TRADE OR BUSINESS.—For purposes of this section, if—

“(A) an entity carrying on a trade or business owns 20 percent or more in value of the voting interests of another entity, or such other entity has 15 or fewer owners, and

“(B) 80 percent or more of the value of the assets of each such entity is attributable to assets used in an active business operation,

then the requirements under subsections (b)(1)(C)(ii) and (d)(3)(D) shall be met with respect to an interest in such an entity.”.

(c) MODIFICATION OF TREATMENT OF MARITAL DEDUCTION; LIMITATION ON STEP-UP IN BASIS.—Section 2056 (relating to bequests, etc., to surviving spouses) is amended by adding at the end the following new subsection:

“(e) APPLICATION OF CARRYOVER BASIS RULES.—With respect to the value of the interests of the decedent which are described in subsection (a), the rules of section 1023 shall apply.”.

(d) CARRYOVER BASIS RULES FOR CARRYOVER BUSINESS INTERESTS AND SPOUSAL PROPERTY.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1022 the following new section:

“SEC. 1023. TREATMENT OF CARRYOVER BUSINESS INTERESTS AND SPOUSAL PROPERTY.

“(a) IN GENERAL.—Except as otherwise provided in this section—

“(1) qualified property acquired from a decedent shall be treated for purposes of this subtitle as transferred by gift, and

“(2) the basis of the person acquiring qualified property from such a decedent shall be the lesser of—

“(A) the adjusted basis of the decedent, or

“(B) the fair market value of the property at the date of the decedent's death.

“(b) QUALIFIED PROPERTY.—For purposes of this section, the term ‘qualified property’ means—

“(1) the carryover business interests of the decedent with respect to which an election is made under section 2059(b)(1)(B), and

“(2) the qualified spousal property.

“(c) ADDITIONAL BASIS INCREASE FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—

“(1) IN GENERAL.—In the case of property to which this subsection applies and which is qualified spousal property, the basis of such property under subsection (a) shall be increased by its spousal property basis increase.

“(2) SPOUSAL PROPERTY BASIS INCREASE.—For purposes of this subsection—

“(A) IN GENERAL.—The spousal property basis increase for property referred to in paragraph (1) is the portion of the aggregate spousal property basis increase which is allocated to the property pursuant to this section.

“(B) AGGREGATE SPOUSAL PROPERTY BASIS INCREASE.—In the case of any estate, the aggregate spousal property basis increase is \$3,000,000.

“(3) QUALIFIED SPOUSAL PROPERTY.—For purposes of this section, the term ‘qualified spousal property’ means any interest in property which passes or has passed from the decedent to the decedent's surviving spouse with respect to which a deduction is allowed under section 2056.

“(4) DEFINITIONS AND SPECIAL RULES.—

“(A) PROPERTY TO WHICH SUBSECTION APPLIES.—The basis of property acquired from a decedent may be increased under this subsection only if the property was owned by the decedent at the time of death.

“(B) RULES RELATING TO OWNERSHIP.—

“(i) JOINTLY HELD PROPERTY.—In the case of property which was owned by the decedent and another person as joint tenants with right of survivorship or tenants by the entirety—

“(I) if the only such other person is the surviving spouse, the decedent shall be treated as the owner of only 50 percent of the property,

“(II) in any case (to which subclause (I) does not apply) in which the decedent furnished consideration for the acquisition of the property, the decedent shall be treated as the owner to the extent of the portion of the property which is proportionate to such consideration, and

“(III) in any case (to which subclause (I) does not apply) in which the property has been acquired by gift, bequest, devise, or inheritance by the decedent and any other person as joint tenants with right of survivorship and their interests are not otherwise specified or fixed by law, the decedent shall be treated as the owner to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants with right of survivorship.

“(ii) REVOCABLE TRUSTS.—The decedent shall be treated as owning property transferred by the decedent during life to a qualified revocable trust (as defined in section 645(b)(1)).

“(iii) POWERS OF APPOINTMENT.—The decedent shall not be treated as owning any property by reason of holding a power of appointment with respect to such property.

“(iv) COMMUNITY PROPERTY.—Property which represents the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State or possession of the United States or any foreign country shall be treated for purposes of this section as owned by, and acquired from, the decedent if at least one-half of the whole of the community interest in such property is treated as owned by, and acquired from, the decedent without regard to this clause.

“(C) PROPERTY ACQUIRED BY DECEDENT BY GIFT WITHIN 3 YEARS OF DEATH.—

“(i) IN GENERAL.—This subsection shall not apply to property acquired by the decedent by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth during the 3-year period ending on the date of the decedent's death.

“(ii) EXCEPTION FOR CERTAIN GIFTS FROM SPOUSE.—Clause (i) shall not apply to property acquired by the decedent from the decedent's spouse unless, during such 3-year period, such spouse acquired the property in whole or in part by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth.

“(D) STOCK OF CERTAIN ENTITIES.—This subsection shall not apply to—

“(i) stock or securities of a foreign personal holding company,

“(ii) stock of a DISC or former DISC,

“(iii) stock of a foreign investment company, or

“(iv) stock of a passive foreign investment company unless such company is a qualified electing fund (as defined in section 1295) with respect to the decedent.

“(E) FAIR MARKET VALUE LIMITATION.—The adjustments under this subsection shall not increase the basis of any interest in property acquired from the decedent above its fair market value in the hands of the decedent as of the date of the decedent's death.

“(d) PROPERTY ACQUIRED FROM THE DECEDENT.—For purposes of this section, the following property shall be considered to have been acquired from the decedent:

“(1) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent.

“(2) Property transferred by the decedent during his lifetime—

“(A) to a qualified revocable trust (as defined in section 645(b)(1)), or

“(B) to any other trust with respect to which the decedent reserved the right to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust.

“(3) Any other property passing from the decedent by reason of death to the extent that such property passed without consideration.

“(e) COORDINATION WITH SECTION 691.—This section shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 691.

“(f) CERTAIN LIABILITIES DISREGARDED.—

“(1) IN GENERAL.—In determining whether gain is recognized on the acquisition of property—

“(A) from a decedent by a decedent's estate or any beneficiary other than a tax-exempt beneficiary, and

“(B) from the decedent's estate by any beneficiary other than a tax-exempt beneficiary, and in determining the adjusted basis of such property, liabilities in excess of basis shall be disregarded.

“(2) TAX-EXEMPT BENEFICIARY.—For purposes of paragraph (1), the term ‘tax-exempt beneficiary’ means—

“(A) the United States, any State or political subdivision thereof, any possession of the United States, any Indian tribal government (within the meaning of section 7871), or any agency or instrumentality of any of the foregoing,

“(B) an organization (other than a cooperative described in section 521) which is exempt from tax imposed by chapter 1,

“(C) any foreign person or entity (within the meaning of section 168(h)(2)), and

“(D) to the extent provided in regulations, any person to whom property is transferred for the principal purpose of tax avoidance.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.”.

(e) CLERICAL AMENDMENTS.—

(1) The table of sections for part IV of subchapter A of chapter 11 is amended by striking the item relating to section 2057 and by inserting after the item relating to section 2058 the following new item:

“Sec. 2059. Carryover business exclusion.”.

(2) The table of sections for part II of subchapter O of chapter 1 of such Code is amended by inserting after the item relating to section 1022 the following new item:

“Sec. 1023. Treatment of carryover business interests and spousal property.”.

(f) EFFECTIVE DATES.—The amendments made by this section shall apply to estates of decedents dying, and gifts made—

(1) after December 31, 2003, and before January 1, 2010, and

(2) after December 31, 2011.

SA 2642. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____. **RESTORATION OF EXCLUSION FOR AMOUNTS RECEIVED UNDER QUALIFIED GROUP LEGAL SERVICES PLANS.**

(a) INCREASE OF EXCLUSION.—Subsection (a) of section 120 (relating to exclusion by employee for contributions and legal services) is amended by striking the last sentence thereof.

(b) RESTORATION OF EXCLUSION.—Section 120 is amended by striking subsection (e) and by redesignating subsection (f) as subsection (e).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004, and before December 31, 2009.

SA 2643. Mrs. LINCOLN (for herself and Mr. COLEMAN) submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to re-

form and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. ____. **PAYMENT OF DIVIDENDS ON STOCK OF COOPERATIVES WITHOUT REDUCING PATRONAGE DIVIDENDS.**

(a) IN GENERAL.—Subsection (a) of section 1388 (relating to patronage dividend defined) is amended by adding at the end the following new sentence: “For purposes of paragraph (3), net earnings shall not be reduced by amounts paid during the year as dividends on capital stock or other proprietary capital interests of the organization to the extent that the articles of incorporation or bylaws of such organization or other contract with patrons provide that such dividends are in addition to amounts otherwise payable to patrons which are derived from business done with or for patrons during the taxable year.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

SA 2644. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 177, strike lines 13 through 16, and insert the following:

“(I) SPECIAL RULE.—In the case of a net operating loss for any taxable year ending after December 31, 2002, and before February 1, 2004, subparagraph (A)(i) shall be applied by substituting ‘3’ for ‘2.’.”.

On page 178, strike lines 9 through 15, and insert the following:

(1) IN GENERAL.—Section 56(d)(1)(A)(ii)(I) (relating to general rule defining alternative tax net operating loss deduction) is amended—

(A) by striking “or 2002” and inserting “, 2002, or after December 31, 2002, and before February 1, 2004.”, and

(B) by striking “and 2002” and inserting “, 2002, and after December 31, 2002, and before February 1, 2004”.

On page 179, line 17, strike “during 2003” and inserting “after December 31, 2002, and before February 1, 2004”.

SA 2645. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; as follows:

Strike title IV and insert the following:

TITLE IV—ADDITIONAL PROVISIONS

Subtitle A—Provisions Designed To Curtail Tax Shelters

SEC. 401. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (n) as subsection

(o) and by inserting after subsection (m) the following new subsection:

“(n) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

“(1) GENERAL RULES.—

“(A) IN GENERAL.—In any case in which a court determines that the economic substance doctrine is relevant for purposes of this title to a transaction (or series of transactions), such transaction (or series of transactions) shall have economic substance only if the requirements of this paragraph are met.

“(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—A transaction has economic substance only if—

“(I) the transaction changes in a meaningful way (apart from Federal tax effects) the taxpayer’s economic position, and

“(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

In applying subclause (II), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

“(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

“(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

“(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

“(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

“(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

“(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

“(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

“(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party’s economic income or gain, or

“(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person’s liability under subtitle A.

“(C) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(D) TREATMENT OF LESSORS.—In applying paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease—

“(i) the expected net tax benefits with respect to the leased property shall not include the benefits of—

- “(I) depreciation,
- “(II) any tax credit, or
- “(III) any other deduction as provided in guidance by the Secretary, and

“(ii) subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

“(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

SEC. 402. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

“SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

“(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be \$50,000.

“(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be \$100,000.

“(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

“(A) IN GENERAL.—In the case of a failure under subsection (a) by—

- “(i) a large entity, or
- “(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

“(B) LARGE ENTITY.—For purposes of subparagraph (A), the term ‘large entity’ means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of \$10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3)

of section 448(c) shall apply for purposes of this subparagraph.

“(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term ‘high net worth individual’ means, with respect to a reportable transaction, a natural person whose net worth exceeds \$2,000,000 immediately before the transaction.

“(c) DEFINITIONS.—For purposes of this section—

“(1) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

“(2) LISTED TRANSACTION.—Except as provided in regulations, the term ‘listed transaction’ means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

“(d) AUTHORITY TO RESCIND PENALTY.—

“(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

“(A) the violation is with respect to a reportable transaction other than a listed transaction,

“(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

“(C) it is shown that the violation is due to an unintentional mistake of fact;

“(D) imposing the penalty would be against equity and good conscience, and

“(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

“(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner’s sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

“(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

“(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

“(A) the facts and circumstances of the transaction,

“(B) the reasons for the rescission, and

“(C) the amount of the penalty rescinded.

“(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

“(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

“(B) a description of each penalty rescinded under this subsection and the reasons therefor.

“(e) PENALTY REPORTED TO SEC.—In the case of a person—

“(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

“(2) which—

“(A) is required to pay a penalty under this section with respect to a listed transaction,

“(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

“(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

“(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.”

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

“Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 403. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

“SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

“(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘reportable transaction understatement’ means the sum of—

“(A) the product of—

“(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer’s treatment of such item (as shown on the taxpayer’s return of tax), and

“(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

“(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer’s treatment of an item to which this section applies (as shown on the taxpayer’s return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

“(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

“(A) any listed transaction, and

“(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

“(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

“(1) IN GENERAL.—Subsection (a) shall be applied by substituting ‘30 percent’ for ‘20 percent’ with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

“(2) RULES APPLICABLE TO ASSERTION AND COMPROMISE OF PENALTY.—

“(A) IN GENERAL.—Only upon the approval by the Chief Counsel for the Internal Revenue Service or the Chief Counsel’s delegate at the national office of the Internal Revenue Service may a penalty to which paragraph (1) applies be included in a 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals. If such a letter is provided to the taxpayer, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(B) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

“(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).

“(e) SPECIAL RULES.—

“(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

“(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

“(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

“(2) COORDINATION WITH OTHER PENALTIES.—

“(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

“(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

“(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

“(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term ‘noneconomic substance transaction understatement’ has the meaning given such term by section 6662B(c).

“(5) CROSS REFERENCE.—

“**For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).**”

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

“The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.”

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

“(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

“(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

“(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

“(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

“(B) there is or was substantial authority for such treatment, and

“(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

“(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

“(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

“(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

“(ii) relates solely to the taxpayer’s chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

“(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

“(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

“(I) the tax advisor is described in clause (ii), or

“(II) the opinion is described in clause (iii).

“(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

“(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

“(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

“(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

“(IV) as determined under regulations prescribed by the Secretary, has a disqualifying financial interest with respect to the transaction.

“(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

“(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

“(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

“(III) does not identify and consider all relevant facts, or

“(IV) fails to meet any other requirement as the Secretary may prescribe.”

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting “FOR UNDERPAYMENTS” after “EXCEPTION”.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking “(as defined in section 6662(d)(2)(C)(iii))” in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

“(C) TAX SHELTER.—For purposes of subparagraph (B), the term ‘tax shelter’ means—

“(i) a partnership or other entity,

“(ii) any investment plan or arrangement,

or

“(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.”

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking “this part” and inserting “section 6662 or 6663”.

(5) Subsection (b) of section 7525 is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(6)(A) The heading for section 6662 is amended to read as follows:

“**SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS.**”

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

“Sec. 6662. Imposition of accuracy-related penalty on underpayments.

“Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 404. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

“**SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.**

“(a) IMPOSITION OF PENALTY.—If a taxpayer has an noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

“(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting ‘20 percent’ for ‘40 percent’ with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

“(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘noneconomic substance transaction understatement’ means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

“(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term ‘noneconomic substance transaction’ means any transaction if—

“(A) there is a lack of economic substance (within the meaning of section 7701(n)(1)) for the transaction giving rise to the claimed benefit or the transaction was not respected under section 7701(n)(2), or

“(B) the transaction fails to meet the requirements of any similar rule of law.

“(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

“(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(2) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

“(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

“(f) CROSS REFERENCES.—

“(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

“(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).”.

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

“Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

SEC. 405. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NON-REPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

“(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

“(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000), or

“(ii) \$10,000,000.”.

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

“(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable be-

lief that the tax treatment was more likely than not the proper treatment, or”.

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

“(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 406. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

“(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

“(1) between a federally authorized tax practitioner and—

“(A) any person,

“(B) any director, officer, employee, agent, or representative of the person, or

“(C) any other person holding a capital or profits interest in the person, and

“(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 407. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

“SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

“(1) information identifying and describing the transaction,

“(2) information describing any potential tax benefits expected to result from the transaction, and

“(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

“(b) DEFINITIONS.—For purposes of this section—

“(1) MATERIAL ADVISOR.—

“(A) IN GENERAL.—The term ‘material advisor’ means any person—

“(i) who provides any material aid, assistance, or advice with respect to organizing, managing, promoting, selling, implementing, or carrying out any reportable transaction, and

“(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

“(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

“(i) \$50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

“(ii) \$250,000 in any other case.

“(2) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ has the meaning given to such term by section 6707A(c).

“(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

“(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

“(2) exemptions from the requirements of this section, and

“(3) such rules as may be necessary or appropriate to carry out the purposes of this section.”.

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6111. Disclosure of reportable transactions.”.

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

“SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

“(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

“(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

“(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.”.

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting “written” before “request” in paragraph (1)(A), and

(ii) by striking “shall prescribe” in paragraph (2) and inserting “may prescribe”.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.”.

(3)(A) The heading for section 6708 is amended to read as follows:

“SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.”.

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

“Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.”.

(c) REQUIRED DISCLOSURE NOT SUBJECT TO CLAIM OF CONFIDENTIALITY.—Subparagraph (A) of section 6112(b)(1), as redesignated by subsection (b)(2)(B), is amended by adding at the end the following new flush sentence:

“For purposes of this section, the identity of any person on such list shall not be privileged.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

(2) NO CLAIM OF CONFIDENTIALITY AGAINST DISCLOSURE.—The amendment made by subsection (c) shall take effect as if included in the amendments made by section 142 of the Deficit Reduction Act of 1984.

SEC. 408. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

“SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

“(1) fails to file such return on or before the date prescribed therefor, or

“(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be \$50,000.

“(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

“(A) \$200,000, or

“(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the listed transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting ‘75 percent’ for ‘50 percent’ in the case of an intentional failure or act described in subsection (a).

“(c) CERTAIN RULES TO APPLY.—The provisions of section 6707A(d) shall apply to any penalty imposed under this section.

“(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).”

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking “tax shelters” and inserting “reportable transactions”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 409. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

“(a) IMPOSITION OF PENALTY.—

“(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary’s request, such person shall pay a penalty of \$10,000 for each day of such failure after such 20th day.

“(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 410. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by strik-

ing subsections (a) and (b) and inserting the following new subsections:

“(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

“(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

“(1) that the person has engaged in any specified conduct, and

“(2) that injunctive relief is appropriate to prevent recurrence of such conduct,

the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

“(c) SPECIFIED CONDUCT.—For purposes of this section, the term ‘specified conduct’ means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.”

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

“SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.”

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item relating to section 7408 and inserting the following new item:

“Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.”

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 411. UNDERSTATEMENT OF TAXPAYER’S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking “realistic possibility of being sustained on its merits” in paragraph (1) and inserting “reasonable belief that the tax treatment in such position was more likely than not the proper treatment”,

(2) by striking “or was frivolous” in paragraph (3) and inserting “or there was no reasonable basis for the tax treatment of such position”, and

(3) by striking “UNREALISTIC” in the heading and inserting “IMPROPER”.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking “\$250” in subsection (a) and inserting “\$1,000”, and

(2) by striking “\$1,000” in subsection (b) and inserting “\$5,000”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 412. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

“(5) FOREIGN FINANCIAL AGENCY TRANSACTION VIOLATION.—

“(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

“(B) AMOUNT OF PENALTY.—

“(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed \$5,000.

“(ii) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subparagraph (A) with respect to any violation if—

“(I) such violation was due to reasonable cause, and

“(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

“(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

“(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

“(I) \$25,000, or

“(II) the amount (not exceeding \$100,000) determined under subparagraph (D), and

“(ii) subparagraph (B)(ii) shall not apply.

“(D) AMOUNT.—The amount determined under this subparagraph is—

“(i) in the case of a violation involving a transaction, the amount of the transaction, or

“(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided with respect to an account, the balance in the account at the time of the violation.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to violations occurring after the date of the enactment of this Act.

SEC. 413. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

“(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of \$5,000 if—

“(1) such person files what purports to be a return of a tax imposed by this title but which—

“(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

“(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

“(2) the conduct referred to in paragraph (1)—

“(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(B) reflects a desire to delay or impede the administration of Federal tax laws.

“(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

“(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of \$5,000.

“(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

“(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term ‘specified frivolous submission’ means a specified submission if any portion of such submission—

“(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(ii) reflects a desire to delay or impede the administration of Federal tax laws.

“(B) SPECIFIED SUBMISSION.—The term ‘specified submission’ means—

“(i) a request for a hearing under—

“(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

“(II) section 6330 (relating to notice and opportunity for hearing before levy), and

“(ii) an application under—
“(I) section 6159 (relating to agreements for payment of tax liability in installments),
“(II) section 7122 (relating to compromises), or
“(III) section 7811 (relating to taxpayer assistance orders).

“(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

“(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

“(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

“(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.”.

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

“(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking “(A)” and inserting “(A)(i)”;

(B) by striking “(B)” and inserting “(ii)”;

(C) by striking the period at the end of the first sentence and inserting “; or”;

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

“(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).”.

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”, and

(2) in subsection (c), by striking “and (e)” and inserting “(e), and (g)”.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

“(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section

6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

“Sec. 6702. Frivolous tax submissions.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 414. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting “, or censure,” after “Department”, and

(B) by adding at the end the following new flush sentence:

“The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure of the representative.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

“(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.”.

SEC. 415. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: “Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 416. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH REQUIRED LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(c) (relating to exceptions) is amended by adding at the end the following new paragraph:

“(10) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return

or statement, the time for assessment of any tax imposed by this title with respect to such transaction shall not expire before the date which is 1 year after the earlier of—

“(A) the date on which the Secretary is furnished the information so required; or

“(B) the date that a material advisor (as defined in section 6111) meets the requirements of section 6112 with respect to a request by the Secretary under section 6112(b) relating to such transaction with respect to such taxpayer.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years with respect to which the period for assessing a deficiency did not expire before the date of the enactment of this Act.

SEC. 417. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

“(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

“(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions in taxable years beginning after the date of the enactment of this Act.

SEC. 418. AUTHORIZATION OF APPROPRIATIONS FOR TAX LAW ENFORCEMENT.

There is authorized to be appropriated \$300,000,000 for each fiscal year beginning after September 30, 2003, for the purpose of carrying out tax law enforcement to combat tax avoidance transactions and other tax shelters, including the use of offshore financial accounts to conceal taxable income.

Subtitle B—Other Corporate Governance Provisions

SEC. 421. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: “In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.”.

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation §1.1502-20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

SEC. 422. SIGNING OF CORPORATE TAX RETURNS BY CHIEF EXECUTIVE OFFICER.

(a) IN GENERAL.—Section 6062 (relating to signing of corporation returns) is amended by inserting after the first sentence the following new sentences: “The return of a corporation with respect to income shall also include a declaration signed by the chief executive officer of such corporation (or other

such officer of the corporation as the Secretary may designate if the corporation does not have a chief executive officer), under penalties of perjury, that the chief executive officer ensures that such return complies with this title and that the chief executive officer was provided reasonable assurance of the accuracy of all material aspects of such return. The preceding sentence shall not apply to any return of a regulated investment company (within the meaning of section 851)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns filed after the date of the enactment of this Act.

SEC. 423. DENIAL OF DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.

(a) IN GENERAL.—Subsection (f) of section 162 (relating to trade or business expenses) is amended to read as follows:

"(f) FINES, PENALTIES, AND OTHER AMOUNTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), no deduction otherwise allowable shall be allowed under this chapter for any amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or entity described in paragraph (4) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

"(2) EXCEPTION FOR AMOUNTS CONSTITUTING RESTITUTION.—Paragraph (1) shall not apply to any amount which the taxpayer establishes constitutes restitution (including remediation of property) for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law. This paragraph shall not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

"(3) EXCEPTION FOR AMOUNTS PAID OR INCURRED AS THE RESULT OF CERTAIN COURT ORDERS.—Paragraph (1) shall not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (4) is a party.

"(4) CERTAIN NONGOVERNMENTAL REGULATORY ENTITIES.—An entity is described in this paragraph if it is—

"(A) a nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) in connection with a qualified board or exchange (as defined in section 1256(g)(7)), or

"(B) to the extent provided in regulations, a nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) as part of performing an essential governmental function."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after April 27, 2003, except that such amendment shall not apply to amounts paid or incurred under any binding order or agreement entered into on or before April 27, 2003. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained on or before April 27, 2003.

SEC. 424. DISALLOWANCE OF DEDUCTION FOR PUNITIVE DAMAGES.

(a) DISALLOWANCE OF DEDUCTION.—

(1) IN GENERAL.—Section 162(g) (relating to treble damage payments under the antitrust laws) is amended by adding at the end the following new paragraph:

"(2) PUNITIVE DAMAGES.—No deduction shall be allowed under this chapter for any amount paid or incurred for punitive damages in connection with any judgment in, or settlement of, any action. This paragraph shall not apply to punitive damages described in section 104(c)."

(2) CONFORMING AMENDMENTS.—

(A) Section 162(g) is amended—

(i) by striking "If" and inserting:

"(1) TREBLE DAMAGES.—If", and

(ii) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively.

(B) The heading for section 162(g) is amended by inserting "OR PUNITIVE DAMAGES" after "LAWS".

(b) INCLUSION IN INCOME OF PUNITIVE DAMAGES PAID BY INSURER OR OTHERWISE.—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding at the end the following new section:

"SEC. 91. PUNITIVE DAMAGES COMPENSATED BY INSURANCE OR OTHERWISE.

"Gross income shall include any amount paid to or on behalf of a taxpayer as insurance or otherwise by reason of the taxpayer's liability (or agreement) to pay punitive damages."

(2) REPORTING REQUIREMENTS.—Section 6041 (relating to information at source) is amended by adding at the end the following new subsection:

"(f) SECTION TO APPLY TO PUNITIVE DAMAGES COMPENSATION.—This section shall apply to payments by a person to or on behalf of another person as insurance or otherwise by reason of the other person's liability (or agreement) to pay punitive damages."

(3) CONFORMING AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end the following new item:

"Sec. 91. Punitive damages compensated by insurance or otherwise."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to damages paid or incurred on or after the date of the enactment of this Act.

SEC. 425. INCREASE IN CRIMINAL MONETARY PENALTY LIMITATION FOR THE UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.

(a) IN GENERAL.—Section 7206 (relating to fraud and false statements) is amended—

(1) by striking "Any person who—" and inserting "(a) IN GENERAL.—Any person who—", and

(2) by adding at the end the following new subsection:

"(b) INCREASE IN MONETARY LIMITATION FOR UNDERPAYMENT OR OVERPAYMENT OF TAX DUE TO FRAUD.—If any portion of any underpayment (as defined in section 6664(a)) or overpayment (as defined in section 6401(a)) of tax required to be shown on a return is attributable to fraudulent action described in subsection (a), the applicable dollar amount under subsection (a) shall in no event be less than an amount equal to such portion. A rule similar to the rule under section 6663(b) shall apply for purposes of determining the portion so attributable."

(b) INCREASE IN PENALTIES.—

(1) ATTEMPT TO EVADE OR DEFEAT TAX.—Section 7201 is amended—

(A) by striking "\$100,000" and inserting "\$250,000".

(B) by striking "\$500,000" and inserting "\$1,000,000", and

(C) by striking "5 years" and inserting "10 years".

(2) WILLFUL FAILURE TO FILE RETURN, SUPPLY INFORMATION, OR PAY TAX.—Section 7203 is amended—

(A) in the first sentence—

(i) by striking "misdemeanor" and inserting "felony", and

(ii) by striking "1 year" and inserting "10 years", and

(B) by striking the third sentence.

(3) FRAUD AND FALSE STATEMENTS.—Section 7206(a) (as redesignated by subsection (a)) is amended—

(A) by striking "\$100,000" and inserting "\$250,000",

(B) by striking "\$500,000" and inserting "\$1,000,000", and

(C) by striking "3 years" and inserting "5 years".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to underpayments and overpayments attributable to actions occurring after the date of the enactment of this Act.

Subtitle C—Enron-Related Tax Shelter Provisions

SEC. 431. LIMITATION ON TRANSFER OR IMPORTATION OF BUILT-IN LOSSES.

(a) IN GENERAL.—Section 362 (relating to basis to corporations) is amended by adding at the end the following new subsection:

"(e) LIMITATIONS ON BUILT-IN LOSSES.—

"(1) LIMITATION ON IMPORTATION OF BUILT-IN LOSSES.—

"(A) IN GENERAL.—If in any transaction described in subsection (a) or (b) there would (but for this subsection) be an importation of a net built-in loss, the basis of each property described in subparagraph (B) which is acquired in such transaction shall (notwithstanding subsections (a) and (b)) be its fair market value immediately after such transaction.

"(B) PROPERTY DESCRIBED.—For purposes of subparagraph (A), property is described in this subparagraph if—

"(i) gain or loss with respect to such property is not subject to tax under this subtitle in the hands of the transferor immediately before the transfer, and

"(ii) gain or loss with respect to such property is subject to such tax in the hands of the transferee immediately after such transfer.

In any case in which the transferor is a partnership, the preceding sentence shall be applied by treating each partner in such partnership as holding such partner's proportionate share of the property of such partnership.

"(C) IMPORTATION OF NET BUILT-IN LOSS.—For purposes of subparagraph (A), there is an importation of a net built-in loss in a transaction if the transferee's aggregate adjusted bases of property described in subparagraph (B) which is transferred in such transaction would (but for this paragraph) exceed the fair market value of such property immediately after such transaction."

"(2) LIMITATION ON TRANSFER OF BUILT-IN LOSSES IN SECTION 351 TRANSACTIONS.—

"(A) IN GENERAL.—If—

"(i) property is transferred by a transferor in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

"(ii) the transferee's aggregate adjusted bases of such property so transferred would (but for this paragraph) exceed the fair market value of such property immediately after such transaction,

then, notwithstanding subsection (a), the transferee's aggregate adjusted bases of the property so transferred shall not exceed the fair market value of such property immediately after such transaction.

"(B) ALLOCATION OF BASIS REDUCTION.—The aggregate reduction in basis by reason of subparagraph (A) shall be allocated among the property so transferred in proportion to their respective built-in losses immediately before the transaction.

"(C) EXCEPTION FOR TRANSFERS WITHIN AFFILIATED GROUP.—Subparagraph (A) shall not apply to any transaction if the transferor owns stock in the transferee meeting the requirements of section 1504(a)(2). In the case of property to which subparagraph (A) does not apply by reason of the preceding sentence, the transferor's basis in the stock received for such property shall not exceed its

fair market value immediately after the transfer."

(b) COMPARABLE TREATMENT WHERE LIQUIDATION.—Paragraph (1) of section 334(b) (relating to liquidation of subsidiary) is amended to read as follows:

"(1) IN GENERAL.—If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 applies (or in a transfer described in section 337(b)(1)), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that the basis of such property in the hands of such distributee shall be the fair market value of the property at the time of the distribution—

"(A) in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, or

"(B) in any case in which the liquidating corporation is a foreign corporation, the corporate distributee is a domestic corporation, and the corporate distributee's aggregate adjusted bases of property described in section 362(e)(1)(B) which is distributed in such liquidation would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after February 13, 2003.

SEC. 432. NO REDUCTION OF BASIS UNDER SECTION 734 IN STOCK HELD BY PARTNERSHIP IN CORPORATE PARTNER.

(a) IN GENERAL.—Section 755 is amended by adding at the end the following new subsection:

"(c) NO ALLOCATION OF BASIS DECREASE TO STOCK OF CORPORATE PARTNER.—In making an allocation under subsection (a) of any decrease in the adjusted basis of partnership property under section 734(b)—

"(1) no allocation may be made to stock in a corporation (or any person which is related (within the meaning of section 267(b) or 707(b)(1)) to such corporation) which is a partner in the partnership, and

"(2) any amount not allocable to stock by reason of paragraph (1) shall be allocated under subsection (a) to other partnership property in such manner as the Secretary may prescribe.

Gain shall be recognized to the partnership to the extent that the amount required to be allocated under paragraph (2) to other partnership property exceeds the aggregate adjusted basis of such other property immediately before the allocation required by paragraph (2)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after February 13, 2003.

SEC. 433. REPEAL OF SPECIAL RULES FOR FASITS.

(a) IN GENERAL.—Part V of subchapter M of chapter 1 (relating to financial asset securitization investment trusts) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (6) of section 56(g) is amended by striking "REMIC, or FASIT" and inserting "or REMIC".

(2) Clause (ii) of section 382(l)(4)(B) is amended by striking "a REMIC to which part IV of subchapter M applies, or a FASIT to which part V of subchapter M applies," and inserting "or a REMIC to which part IV of subchapter M applies,".

(3) Paragraph (1) of section 582(c) is amended by striking " , and any regular interest in a FASIT,".

(4) Subparagraph (E) of section 856(c)(5) is amended by striking the last sentence.

(5)(A) Section 860G(a)(1) is amended by adding at the end the following new sentence: "An interest shall not fail to qualify

as a regular interest solely because the specified principal amount of the regular interest (or the amount of interest accrued on the regular interest) can be reduced as a result of the nonoccurrence of 1 or more contingent payments with respect to any reverse mortgage loan held by the REMIC if, on the start-up day for the REMIC, the sponsor reasonably believes that all principal and interest due under the regular interest will be paid at or prior to the liquidation of the REMIC."

(B) The last sentence of section 860G(a)(3) is amended by inserting " , and any reverse mortgage loan (and each balance increase on such loan meeting the requirements of subparagraph (A)(iii)) shall be treated as an obligation secured by an interest in real property" before the period at the end.

(6) Paragraph (3) of section 860G(a) is amended by adding "and" at the end of subparagraph (B), by striking " , and" at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(7) Section 860G(a)(3), as amended by paragraph (6), is amended by adding at the end the following new sentence: "For purposes of subparagraph (A), if more than 50 percent of the obligations transferred to, or purchased by, the REMIC are originated by the United States or any State (or any political subdivision, agency, or instrumentality of the United States or any State) and are principally secured by an interest in real property, then each obligation transferred to, or purchased by, the REMIC shall be treated as secured by an interest in real property."

(8)(A) Section 860G(a)(3)(A) is amended by striking "or" at the end of clause (i), by inserting "or" at the end of clause (ii), and by inserting after clause (ii) the following new clause:

"(iii) represents an increase in the principal amount under the original terms of an obligation described in clause (i) or (ii) if such increase—

"(I) is attributable to an advance made to the obligor pursuant to the original terms of the obligation,

"(II) occurs after the startup day, and

"(III) is purchased by the REMIC pursuant to a fixed price contract in effect on the startup day."

(B) Section 860G(a)(7)(B) is amended to read as follows:

"(B) QUALIFIED RESERVE FUND.—For purposes of subparagraph (A), the term 'qualified reserve fund' means any reasonably required reserve to—

"(i) provide for full payment of expenses of the REMIC or amounts due on regular interests in the event of defaults on qualified mortgages or lower than expected returns on cash flow investments, or

"(ii) provide a source of funds for the purchase of obligations described in clause (ii) or (iii) of paragraph (3)(A).

The aggregate fair market value of the assets held in any such reserve shall not exceed 50 percent of the aggregate fair market value of all of the assets of the REMIC on the startup day, and the amount of any such reserve shall be promptly and appropriately reduced to the extent the amount held in such reserve is no longer reasonably required for purposes specified in clause (i) or (ii) of paragraph (3)(A)."

(9) Subparagraph (C) of section 1202(e)(4) is amended by striking "REMIC, or FASIT" and inserting "or REMIC".

(10) Clause (xi) of section 7701(a)(19)(C) is amended—

(A) by striking "and any regular interest in a FASIT," and

(B) by striking "or FASIT" each place it appears.

(11) Subparagraph (A) of section 7701(i)(2) is amended by striking "or a FASIT".

(12) The table of parts for subchapter M of chapter 1 is amended by striking the item relating to part V.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall take effect on February 14, 2003.

(2) EXCEPTION FOR EXISTING FASITS.—Paragraph (1) shall not apply to any FASIT in existence on the date of the enactment of this Act to the extent that regular interests issued by the FASIT before such date continue to remain outstanding in accordance with the original terms of issuance.

SEC. 434. EXPANDED DISALLOWANCE OF DEDUCTION FOR INTEREST ON CONVERTIBLE DEBT.

(a) IN GENERAL.—Paragraph (2) of section 163(l) is amended by striking "or a related party" and inserting "or equity held by the issuer (or any related party) in any other person".

(b) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—Section 163(l) is amended by redesignating paragraphs (4) and (5) as paragraphs (5) and (6) and by inserting after paragraph (3) the following new paragraph:

"(4) CAPITALIZATION ALLOWED WITH RESPECT TO EQUITY OF PERSONS OTHER THAN ISSUER AND RELATED PARTIES.—If the disqualified debt instrument of a corporation is payable in equity held by the issuer (or any related party) in any other person (other than a related party), the basis of such equity shall be increased by the amount not allowed as a deduction by reason of paragraph (1) with respect to the instrument."

(c) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—Section 163(l), as amended by subsection (b), is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7) and by inserting after paragraph (4) the following new paragraph:

"(5) EXCEPTION FOR CERTAIN INSTRUMENTS ISSUED BY DEALERS IN SECURITIES.—For purposes of this subsection, the term 'disqualified debt instrument' does not include indebtedness issued by a dealer in securities (or a related party) which is payable in, or by reference to, equity (other than equity of the issuer or a related party) held by such dealer in its capacity as a dealer in securities. For purposes of this paragraph, the term 'dealer in securities' has the meaning given such term by section 475."

(c) CONFORMING AMENDMENTS.—Paragraph (3) of section 163(l) is amended—

(1) by striking "or a related party" in the material preceding subparagraph (A) and inserting "or any other person", and

(2) by striking "or interest" each place it appears.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to debt instruments issued after February 13, 2003.

SEC. 435. EXPANDED AUTHORITY TO DISALLOW TAX BENEFITS UNDER SECTION 269.

(a) IN GENERAL.—Subsection (a) of section 269 (relating to acquisitions made to evade or avoid income tax) is amended to read as follows:

"(a) IN GENERAL.—If—

"(1)(A) any person or persons acquire, directly or indirectly, control of a corporation, or

"(B) any corporation acquires, directly or indirectly, property of another corporation and the basis of such property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and

"(2) the principal purpose for which such acquisition was made is evasion or avoidance of Federal income tax,

then the Secretary may disallow such deduction, credit, or other allowance. For purposes

of paragraph (1)(A), control means the ownership of stock possessing at least 50 percent of the total combined voting power of all classes of stock entitled to vote or at least 50 percent of the total value of all shares of all classes of stock of the corporation.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to stock and property acquired after February 13, 2003.

SEC. 436. MODIFICATION OF INTERACTION BETWEEN SUBPART F AND PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) LIMITATION ON EXCEPTION FROM PFIC RULES FOR UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.—Paragraph (2) of section 1297(e) (relating to passive foreign investment company) is amended by adding at the end the following flush sentence:

“Such term shall not include any period if the earning of subpart F income by such corporation during such period would result in only a remote likelihood of an inclusion in gross income under section 951(a)(1)(A)(i).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after February 13, 2003, and to taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

Subtitle D—Provisions to Discourage Expatriation

SEC. 441. TAX TREATMENT OF INVERTED CORPORATE ENTITIES

(a) IN GENERAL.—Subchapter C of chapter 80 (relating to provisions affecting more than one subtitle) is amended by adding at the end the following new section:

“SEC. 7874. RULES RELATING TO INVERTED CORPORATE ENTITIES

“(a) INVERTED CORPORATIONS TREATED AS DOMESTIC CORPORATIONS.—

“(1) IN GENERAL.—If a foreign incorporated entity is treated as an inverted domestic corporation, then, notwithstanding section 7701(a)(4), such entity shall be treated for purposes of this title as a domestic corporation.

“(2) INVERTED DOMESTIC CORPORATION.—For purposes of this section, a foreign incorporated entity shall be treated as an inverted domestic corporation if, pursuant to a plan (or a series of related transactions)—

“(A) the entity completes after March 20, 2002, the direct or indirect acquisition of substantially all of the properties held directly or indirectly by a domestic corporation or substantially all of the properties constituting a trade or business of a domestic partnership,

“(B) after the acquisition at least 80 percent of the stock (by vote or value) of the entity is held—

“(i) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation, or

“(ii) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership, and

“(C) the expanded affiliated group which after the acquisition includes the entity does not have substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group. Except as provided in regulations, an acquisition of properties of a domestic corporation shall not be treated as described in subparagraph (A) if none of the corporation’s stock was readily tradeable on an established secu-

rities market at any time during the 4-year period ending on the date of the acquisition.

“(b) PRESERVATION OF DOMESTIC TAX BASE IN CERTAIN INVERSION TRANSACTIONS TO WHICH SUBSECTION (a) DOES NOT APPLY.—

“(1) IN GENERAL.—If a foreign incorporated entity would be treated as an inverted domestic corporation with respect to an acquired entity if either—

“(A) subsection (a)(2)(A) were applied by substituting ‘after December 31, 1996, and on or before March 20, 2002’ for ‘after March 20, 2002’ and subsection (a)(2)(B) were applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’, or

“(B) subsection (a)(2)(B) were applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’,

then the rules of subsection (c) shall apply to any inversion gain of the acquired entity during the applicable period and the rules of subsection (d) shall apply to any related party transaction of the acquired entity during the applicable period. This subsection shall not apply for any taxable year if subsection (a) applies to such foreign incorporated entity for such taxable year.

“(2) ACQUIRED ENTITY.—For purposes of this section—

“(A) IN GENERAL.—The term ‘acquired entity’ means the domestic corporation or partnership substantially all of the properties of which are directly or indirectly acquired in an acquisition described in subsection (a)(2)(A) to which this subsection applies.

“(B) AGGREGATION RULES.—Any domestic person bearing a relationship described in section 267(b) or 707(b) to an acquired entity shall be treated as an acquired entity with respect to the acquisition described in subparagraph (A).

“(3) APPLICABLE PERIOD.—For purposes of this section—

“(A) IN GENERAL.—The term ‘applicable period’ means the period—

“(i) beginning on the first date properties are acquired as part of the acquisition described in subsection (a)(2)(A) to which this subsection applies, and

“(ii) ending on the date which is 10 years after the last date properties are acquired as part of such acquisition.

“(B) SPECIAL RULE FOR INVERSIONS OCCURRING BEFORE MARCH 21, 2002.—In the case of any acquired entity to which paragraph (1)(A) applies, the applicable period shall be the 10-year period beginning on January 1, 2003.

“(c) TAX ON INVERSION GAINS MAY NOT BE OFFSET.—If subsection (b) applies—

“(1) IN GENERAL.—The taxable income of an acquired entity (or any expanded affiliated group which includes such entity) for any taxable year which includes any portion of the applicable period shall in no event be less than the inversion gain of the entity for the taxable year.

“(2) CREDITS NOT ALLOWED AGAINST TAX ON INVERSION GAIN.—Credits shall be allowed against the tax imposed by this chapter on an acquired entity for any taxable year described in paragraph (1) only to the extent such tax exceeds the product of—

“(A) the amount of the inversion gain for the taxable year, and

“(B) the highest rate of tax specified in section 11(b)(1).

For purposes of determining the credit allowed by section 901 inversion gain shall be treated as from sources within the United States.

“(3) SPECIAL RULES FOR PARTNERSHIPS.—In the case of an acquired entity which is a partnership—

“(A) the limitations of this subsection shall apply at the partner rather than the partnership level,

“(B) the inversion gain of any partner for any taxable year shall be equal to the sum of—

“(i) the partner’s distributive share of inversion gain of the partnership for such taxable year, plus

“(ii) income or gain required to be recognized for the taxable year by the partner under section 367(a), 741, or 1001, or under any other provision of chapter 1, by reason of the transfer during the applicable period of any partnership interest of the partner in such partnership to the foreign incorporated entity, and

“(C) the highest rate of tax specified in the rate schedule applicable to the partner under chapter 1 shall be substituted for the rate of tax under paragraph (2)(B).

“(4) INVERSION GAIN.—For purposes of this section, the term ‘inversion gain’ means any income or gain required to be recognized under section 304, 311(b), 367, 1001, or 1248, or under any other provision of chapter 1, by reason of the transfer during the applicable period of stock or other properties by an acquired entity—

“(A) as part of the acquisition described in subsection (a)(2)(A) to which subsection (b) applies, or

“(B) after such acquisition to a foreign related person.

The Secretary may provide that income or gain from the sale of inventories or other transactions in the ordinary course of a trade or business shall not be treated as inversion gain under subparagraph (B) to the extent the Secretary determines such treatment would not be inconsistent with the purposes of this section.

“(5) COORDINATION WITH SECTION 172 AND MINIMUM TAX.—Rules similar to the rules of paragraphs (3) and (4) of section 860E(a) shall apply for purposes of this section.

“(6) STATUTE OF LIMITATIONS.—

“(A) IN GENERAL.—The statutory period for the assessment of any deficiency attributable to the inversion gain of any taxpayer for any pre-inversion year shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may prescribe) of the acquisition described in subsection (a)(2)(A) to which such gain relates and such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

“(B) PRE-INVERSION YEAR.—For purposes of subparagraph (A), the term ‘pre-inversion year’ means any taxable year if—

“(i) any portion of the applicable period is included in such taxable year, and

“(ii) such year ends before the taxable year in which the acquisition described in subsection (a)(2)(A) is completed.

“(d) SPECIAL RULES APPLICABLE TO ACQUIRED ENTITIES TO WHICH SUBSECTION (b) APPLIES.—

“(1) INCREASES IN ACCURACY-RELATED PENALTIES.—In the case of any underpayment of tax of an acquired entity to which subsection (b) applies—

“(A) section 6662(a) shall be applied with respect to such underpayment by substituting ‘30 percent’ for ‘20 percent’, and

“(B) if such underpayment is attributable to one or more gross valuation understatements, the increase in the rate of penalty under section 6662(h) shall be to 50 percent rather than 40 percent.

“(2) MODIFICATIONS OF LIMITATION ON INTEREST DEDUCTION.—In the case of an acquired entity to which subsection (b) applies, section 163(f) shall be applied—

“(A) without regard to paragraph (2)(A)(ii) thereof, and

“(B) by substituting ‘25 percent’ for ‘50 percent’ each place it appears in paragraph (2)(B) thereof.

“(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) RULES FOR APPLICATION OF SUBSECTION (a)(2).—In applying subsection (a)(2) for purposes of subsections (a) and (b), the following rules shall apply:

“(A) CERTAIN STOCK DISREGARDED.—There shall not be taken into account in determining ownership for purposes of subsection (a)(2)(B)—

“(i) stock held by members of the expanded affiliated group which includes the foreign incorporated entity, or

“(ii) stock of such entity which is sold in a public offering or private placement related to the acquisition described in subsection (a)(2)(A).

“(B) PLAN DEEMED IN CERTAIN CASES.—If a foreign incorporated entity acquires directly or indirectly substantially all of the properties of a domestic corporation or partnership during the 4-year period beginning on the date which is 2 years before the ownership requirements of subsection (a)(2)(B) are met with respect to such domestic corporation or partnership, such actions shall be treated as pursuant to a plan.

“(C) CERTAIN TRANSFERS DISREGARDED.—The transfer of properties or liabilities (including by contribution or distribution) shall be disregarded if such transfers are part of a plan a principal purpose of which is to avoid the purposes of this section.

“(D) SPECIAL RULE FOR RELATED PARTNERSHIPS.—For purposes of applying subsection (a)(2) to the acquisition of a domestic partnership, except as provided in regulations, all partnerships which are under common control (within the meaning of section 482) shall be treated as 1 partnership.

“(E) TREATMENT OF CERTAIN RIGHTS.—The Secretary shall prescribe such regulations as may be necessary—

“(i) to treat warrants, options, contracts to acquire stock, convertible debt instruments, and other similar interests as stock, and

“(ii) to treat stock as not stock.

“(2) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a) but without regard to section 1504(b)(3), except that section 1504(a) shall be applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears.

“(3) FOREIGN INCORPORATED ENTITY.—The term ‘foreign incorporated entity’ means any entity which is, or but for subsection (a)(1) would be, treated as a foreign corporation for purposes of this title.

“(4) FOREIGN RELATED PERSON.—The term ‘foreign related person’ means, with respect to any acquired entity, a foreign person which—

“(A) bears a relationship to such entity described in section 267(b) or 707(b), or

“(B) is under the same common control (within the meaning of section 482) as such entity.

“(5) SUBSEQUENT ACQUISITIONS BY UNRELATED DOMESTIC CORPORATIONS.—

“(A) IN GENERAL.—Subject to such conditions, limitations, and exceptions as the Secretary may prescribe, if, after an acquisition described in subsection (a)(2)(A) to which subsection (b) applies, a domestic corporation stock of which is traded on an established securities market acquires directly or indirectly any properties of one or more acquired entities in a transaction with respect to which the requirements of subparagraph (B) are met, this section shall cease to apply to any such acquired entity with respect to which such requirements are met.

“(B) REQUIREMENTS.—The requirements of the subparagraph are met with respect to a transaction involving any acquisition described in subparagraph (A) if—

“(i) before such transaction the domestic corporation did not have a relationship described in section 267(b) or 707(b), and was not under common control (within the meaning of section 482), with the acquired entity, or any member of an expanded affiliated group including such entity, and

“(ii) after such transaction, such acquired entity—

“(I) is a member of the same expanded affiliated group which includes the domestic corporation or has such a relationship or is under such common control with any member of such group, and

“(II) is not a member of, and does not have such a relationship and is not under such common control with any member of, the expanded affiliated group which before such acquisition included such entity.

“(f) REGULATIONS.—The Secretary shall provide such regulations as are necessary to carry out this section, including regulations providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including the avoidance of such purposes through—

“(1) the use of related persons, pass-thru or other noncorporate entities, or other intermediaries, or

“(2) transactions designed to have persons cease to be (or not become) members of expanded affiliated groups or related persons.”

(b) INFORMATION REPORTING.—The Secretary of the Treasury shall exercise the Secretary’s authority under the Internal Revenue Code of 1986 to require entities involved in transactions to which section 7874 of such Code (as added by subsection (a)) applies to report to the Secretary, shareholders, partners, and such other persons as the Secretary may prescribe such information as is necessary to ensure the proper tax treatment of such transactions.

(c) CONFORMING AMENDMENT.—The table of sections for subchapter C of chapter 80 is amended by adding at the end the following new item:

“Sec. 7874. Rules relating to inverted corporate entities.”

(d) TRANSITION RULE FOR CERTAIN REGULATED INVESTMENT COMPANIES AND UNIT INVESTMENT TRUSTS.—Notwithstanding section 7874 of the Internal Revenue Code of 1986 (as added by subsection (a)), a regulated investment company, or other pooled fund or trust specified by the Secretary of the Treasury, may elect to recognize gain by reason of section 367(a) of such Code with respect to a transaction under which a foreign incorporated entity is treated as an inverted domestic corporation under section 7874(a) of such Code by reason of an acquisition completed after March 20, 2002, and before January 1, 2004.

SEC. 442. IMPOSITION OF MARK-TO-MARKET TAX ON INDIVIDUALS WHO EXPATRIATE.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

“(a) GENERAL RULES.—For purposes of this subtitle—

“(1) MARK TO MARKET.—Except as provided in subsections (d) and (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

“(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

“(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

“(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

“(3) EXCLUSION FOR CERTAIN GAIN.—

“(A) IN GENERAL.—The amount which, but for this paragraph, would be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by \$600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

“(B) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of an expatriation date occurring in any calendar year after 2004, the \$600,000 amount under subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2003’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of \$1,000, such amount shall be rounded to the next lower multiple of \$1,000.

“(4) ELECTION TO CONTINUE TO BE TAXED AS UNITED STATES CITIZEN.—

“(A) IN GENERAL.—If a covered expatriate elects the application of this paragraph—

“(i) this section (other than this paragraph and subsection (i)) shall not apply to the expatriate, but

“(ii) in the case of property to which this section would apply but for such election, the expatriate shall be subject to tax under this title in the same manner as if the individual were a United States citizen.

“(B) REQUIREMENTS.—Subparagraph (A) shall not apply to an individual unless the individual—

“(i) provides security for payment of tax in such form and manner, and in such amount, as the Secretary may require,

“(ii) consents to the waiver of any right of the individual under any treaty of the United States which would preclude assessment or collection of any tax which may be imposed by reason of this paragraph, and

“(iii) complies with such other requirements as the Secretary may prescribe.

“(C) ELECTION.—An election under subparagraph (A) shall apply to all property to which this section would apply but for the election and, once made, shall be irrevocable. Such election shall also apply to property the basis of which is determined in whole or in part by reference to the property with respect to which the election was made.

“(b) ELECTION TO DEFER TAX.—

“(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

“(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same

ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

“(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

“(4) SECURITY.—

“(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided to the Secretary with respect to such property.

“(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

“(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2) for the property, or

“(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

“(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

“(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be made under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

“(7) INTEREST.—For purposes of section 6601—

“(A) the last date for the payment of tax shall be determined without regard to the election under this subsection, and

“(B) section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(C) COVERED EXPATRIATE.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in paragraph (2), the term ‘covered expatriate’ means an expatriate.

“(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

“(A) the individual—

“(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

“(ii) has not been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) during the 5 taxable years ending with the taxable year during which the expatriation date occurs, or

“(B)(i) the individual’s relinquishment of United States citizenship occurs before such individual attains age 18½, and

“(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

“(d) EXEMPT PROPERTY; SPECIAL RULES FOR PENSION PLANS.—

“(1) EXEMPT PROPERTY.—This section shall not apply to the following:

“(A) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other

than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

“(B) SPECIFIED PROPERTY.—Any property or interest in property not described in subparagraph (A) which the Secretary specifies in regulations.

“(2) SPECIAL RULES FOR CERTAIN RETIREMENT PLANS.—

“(A) IN GENERAL.—If a covered expatriate holds on the day before the expatriation date any interest in a retirement plan to which this paragraph applies—

“(i) such interest shall not be treated as sold for purposes of subsection (a)(1), but

“(ii) an amount equal to the present value of the expatriate’s nonforfeitable accrued benefit shall be treated as having been received by such individual on such date as a distribution under the plan.

“(B) TREATMENT OF SUBSEQUENT DISTRIBUTIONS.—In the case of any distribution on or after the expatriation date to or on behalf of the covered expatriate from a plan from which the expatriate was treated as receiving a distribution under subparagraph (A), the amount otherwise includible in gross income by reason of the subsequent distribution shall be reduced by the excess of the amount includible in gross income under subparagraph (A) over any portion of such amount to which this subparagraph previously applied.

“(C) TREATMENT OF SUBSEQUENT DISTRIBUTIONS BY PLAN.—For purposes of this title, a retirement plan to which this paragraph applies, and any person acting on the plan’s behalf, shall treat any subsequent distribution described in subparagraph (B) in the same manner as such distribution would be treated without regard to this paragraph.

“(D) APPLICABLE PLANS.—This paragraph shall apply to—

“(i) any qualified retirement plan (as defined in section 4974(c)),

“(ii) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(iii) to the extent provided in regulations, any foreign pension plan or similar retirement arrangements or programs.

“(e) DEFINITIONS.—For purposes of this section—

“(1) EXPATRIATE.—The term ‘expatriate’ means—

“(A) any United States citizen who relinquishes citizenship, and

“(B) any long-term resident of the United States who—

“(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

“(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

“(2) EXPATRIATION DATE.—The term ‘expatriation date’ means—

“(A) the date an individual relinquishes United States citizenship, or

“(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

“(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing United States citizenship on the earliest of—

“(A) the date the individual renounces such individual’s United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

“(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)-(4)),

“(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

“(D) the date a court of the United States cancels a naturalized citizen’s certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

“(4) LONG-TERM RESIDENT.—The term ‘long-term resident’ has the meaning given to such term by section 877(e)(2).

“(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES’ INTERESTS IN TRUST.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

“(A) the individual shall not be treated as having sold such interest,

“(B) such interest shall be treated as a separate share in the trust, and

“(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

“(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

“(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii). In determining the amount of such distribution, proper adjustments shall be made for liabilities of the trust allocable to an individual’s share in the trust.

“(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

“(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

“(i) paragraph (1) and subsection (a) shall not apply, and

“(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

“(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

“(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

“(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

“(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

“(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

“(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods, except that section 6621(a)(2) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ in subparagraph (B) thereof.

“(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

“(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

“(II) in the case of a person holding a nonvested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

“(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary's interest in a trust is the amount of gain which would be allocable to such beneficiary's vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

“(E) TAX DEDUCTED AND WITHHELD.—

“(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

“(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

“(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

“(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

“(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

“(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

“(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

“(G) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

“(i) QUALIFIED TRUST.—The term ‘qualified trust’ means a trust which is described in section 7701(a)(30)(E).

“(ii) VESTED INTEREST.—The term ‘vested interest’ means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

“(iii) NONVESTED INTEREST.—The term ‘nonvested interest’ means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the

beneficiary and the occurrence of all contingencies in favor of the beneficiary.

“(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

“(v) COORDINATION WITH RETIREMENT PLAN RULES.—This subsection shall not apply to an interest in a trust which is part of a retirement plan to which subsection (d)(2) applies.

“(3) DETERMINATION OF BENEFICIARIES' INTEREST IN TRUST.—

“(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary's interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar adviser.

“(B) OTHER DETERMINATIONS.—For purposes of this section—

“(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

“(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

“(I) the methodology used to determine that taxpayer's trust interest under this section, and

“(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

“(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

“(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

“(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

“(h) IMPOSITION OF TENTATIVE TAX.—

“(1) IN GENERAL.—If an individual is required to include any amount in gross income under subsection (a) for any taxable year, there is hereby imposed, immediately before the expatriation date, a tax in an amount equal to the amount of tax which would be imposed if the taxable year were a short taxable year ending on the expatriation date.

“(2) DUE DATE.—The due date for any tax imposed by paragraph (1) shall be the 90th day after the expatriation date.

“(3) TREATMENT OF TAX.—Any tax paid under paragraph (1) shall be treated as a payment of the tax imposed by this chapter for the taxable year to which subsection (a) applies.

“(4) DEFERRAL OF TAX.—The provisions of subsection (b) shall apply to the tax imposed by this subsection to the extent attributable to gain includible in gross income by reason of this section.

“(i) SPECIAL LIENS FOR DEFERRED TAX AMOUNTS.—

“(1) IMPOSITION OF LIEN.—

“(A) IN GENERAL.—If a covered expatriate makes an election under subsection (a)(4) or (b) which results in the deferral of any tax imposed by reason of subsection (a), the deferred amount (including any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the de-

ferred amount) shall be a lien in favor of the United States on all property of the expatriate located in the United States (without regard to whether this section applies to the property).

“(B) DEFERRED AMOUNT.—For purposes of this subsection, the deferred amount is the amount of the increase in the covered expatriate's income tax which, but for the election under subsection (a)(4) or (b), would have occurred by reason of this section for the taxable year including the expatriation date.

“(2) PERIOD OF LIEN.—The lien imposed by this subsection shall arise on the expatriation date and continue until—

“(A) the liability for tax by reason of this section is satisfied or has become unenforceable by reason of lapse of time, or

“(B) it is established to the satisfaction of the Secretary that no further tax liability may arise by reason of this section.

“(3) CERTAIN RULES APPLY.—The rules set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this subsection as if it were a lien imposed by section 6324A.

“(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

(b) INCLUSION IN INCOME OF GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—Section 102 (relating to gifts, etc. not included in gross income) is amended by adding at the end the following new subsection:

“(d) GIFTS AND INHERITANCES FROM COVERED EXPATRIATES.—

“(1) IN GENERAL.—Subsection (a) shall not exclude from gross income the value of any property acquired by gift, bequest, devise, or inheritance from a covered expatriate after the expatriation date. For purposes of this subsection, any term used in this subsection which is also used in section 877A shall have the same meaning as when used in section 877A.

“(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Paragraph (1) shall not apply to any property if either—

“(A) the gift, bequest, devise, or inheritance is—

“(i) shown on a timely filed return of tax imposed by chapter 12 as a taxable gift by the covered expatriate, or

“(ii) included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate, or

“(B) no such return was timely filed but no such return would have been required to be filed even if the covered expatriate were a citizen or long-term resident of the United States.”

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) is amended by adding at the end the following new paragraph:

“(48) TERMINATION OF UNITED STATES CITIZENSHIP.—

“(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(3).

“(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.”

(d) INELIGIBILITY FOR VISA OR ADMISSION TO UNITED STATES.—

(1) IN GENERAL.—Section 212(a)(10)(E) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(10)(E)) is amended to read as follows:

“(E) FORMER CITIZENS NOT IN COMPLIANCE WITH EXPATRIATION REVENUE PROVISIONS.—Any alien who is a former citizen of the United States who relinquishes United States citizenship (within the meaning of section 877A(e)(3) of the Internal Revenue Code of 1986) and who is not in compliance with section 877A of such Code (relating to expatriation).”

(2) AVAILABILITY OF INFORMATION.—

(A) IN GENERAL.—Section 6103(l) (relating to disclosure of returns and return information for purposes other than tax administration) is amended by adding at the end the following new paragraph:

“(19) DISCLOSURE TO DENY VISA OR ADMISSION TO CERTAIN EXPATRIATES.—Upon written request of the Attorney General or the Attorney General’s delegate, the Secretary shall disclose whether an individual is in compliance with section 877A (and if not in compliance, any items of noncompliance) to officers and employees of the Federal agency responsible for administering section 212(a)(10)(E) of the Immigration and Nationality Act solely for the purpose of, and to the extent necessary in, administering such section 212(a)(10)(E).”

(B) SAFEGUARDS.—

(i) TECHNICAL AMENDMENTS.—Paragraph (4) of section 6103(p) of the Internal Revenue Code of 1986, as amended by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107-210; 116 Stat. 961), is amended by striking “or (17)” after “any other person described in subsection (l)(16)” each place it appears and inserting “or (18)”.

(ii) CONFORMING AMENDMENTS.—Section 6103(p)(4) (relating to safeguards), as amended by clause (i), is amended by striking “or (18)” after “any other person described in subsection (l)(16)” each place it appears and inserting “(18), or (19)”.

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to individuals who relinquish United States citizenship on or after the date of the enactment of this Act.

(B) TECHNICAL AMENDMENTS.—The amendments made by paragraph (2)(B)(i) shall take effect as if included in the amendments made by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107-210; 116 Stat. 961).

(e) CONFORMING AMENDMENTS.—

(1) Section 877 is amended by adding at the end the following new subsection:

“(g) APPLICATION.—This section shall not apply to an expatriate (as defined in section 877A(e)) whose expatriation date (as so defined) occurs on or after January 1, 2004.”

(2) Section 2107 is amended by adding at the end the following new subsection:

“(f) APPLICATION.—This section shall not apply to any expatriate subject to section 877A.”

(3) Section 2501(a)(3) is amended by adding at the end the following new subparagraph:

“(F) APPLICATION.—This paragraph shall not apply to any expatriate subject to section 877A.”

(4)(A) Paragraph (1) of section 6039G(d) is amended by inserting “or 877A” after “section 877”.

(B) The second sentence of section 6039G(e) is amended by inserting “or who relinquishes United States citizenship (within the meaning of section 877A(e)(3))” after “877(a)”.

(C) Section 6039G(f) is amended by inserting “or 877A(e)(2)(B)” after “877(e)(1)”.

(f) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after January 1, 2004.

(2) GIFTS AND BEQUESTS.—Section 102(d) of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to gifts and bequests received on or after January 1, 2004, from an individual or the estate of an individual whose expatriation date (as so defined) occurs after such date.

(3) DUE DATE FOR TENTATIVE TAX.—The due date under section 877A(h)(2) of the Internal Revenue Code of 1986, as added by this section, shall in no event occur before the 90th day after the date of the enactment of this Act.

SEC. 443. EXCISE TAX ON STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS.

(a) IN GENERAL.—Subtitle D is amended by adding at the end the following new chapter:

“CHAPTER 48—STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS

“Sec. 5000A. Stock compensation of insiders in inverted corporations entities.

“SEC. 5000A. STOCK COMPENSATION OF INSIDERS IN INVERTED CORPORATIONS.

“(a) IMPOSITION OF TAX.—In the case of an individual who is a disqualified individual with respect to any inverted corporation, there is hereby imposed on such person a tax equal to 20 percent of the value (determined under subsection (b)) of the specified stock compensation held (directly or indirectly) by or for the benefit of such individual or a member of such individual’s family (as defined in section 267) at any time during the 12-month period beginning on the date which is 6 months before the inversion date.

“(b) VALUE.—For purposes of subsection (a)—

“(1) IN GENERAL.—The value of specified stock compensation shall be—

“(A) in the case of a stock option (or other similar right) or any stock appreciation right, the fair value of such option or right, and

“(B) in any other case, the fair market value of such compensation.

“(2) DATE FOR DETERMINING VALUE.—The determination of value shall be made—

“(A) in the case of specified stock compensation held on the inversion date, on such date,

“(B) in the case of such compensation which is canceled during the 6 months before the inversion date, on the day before such cancellation, and

“(C) in the case of such compensation which is granted after the inversion date, on the date such compensation is granted.

“(c) TAX TO APPLY ONLY IF SHAREHOLDER GAIN RECOGNIZED.—Subsection (a) shall apply to any disqualified individual with respect to an inverted corporation only if gain (if any) on any stock in such corporation is recognized in whole or part by any shareholder by reason of the acquisition referred to in section 7874(a)(2)(A) (determined by substituting ‘July 10, 2002’ for ‘March 20, 2002’) with respect to such corporation.

“(d) EXCEPTION WHERE GAIN RECOGNIZED ON COMPENSATION.—Subsection (a) shall not apply to—

“(1) any stock option which is exercised on the inversion date or during the 6-month period before such date and to the stock acquired in such exercise, if income is recognized under section 83 on or before the inversion date with respect to the stock acquired pursuant to such exercise, and

“(2) any specified stock compensation which is exercised, sold, exchanged, distributed, cashed out, or otherwise paid during such period in a transaction in which gain or loss is recognized in full.

“(e) DEFINITIONS.—For purposes of this section—

“(1) DISQUALIFIED INDIVIDUAL.—The term ‘disqualified individual’ means, with respect to a corporation, any individual who, at any time during the 12-month period beginning on the date which is 6 months before the inversion date—

“(A) is subject to the requirements of section 16(a) of the Securities Exchange Act of 1934 with respect to such corporation, or

“(B) would be subject to such requirements if such corporation were an issuer of equity securities referred to in such section.

“(2) INVERTED CORPORATION; INVERSION DATE.—

“(A) INVERTED CORPORATION.—The term ‘inverted corporation’ means any corporation to which subsection (a) or (b) of section 7874 applies determined—

“(i) by substituting ‘July 10, 2002’ for ‘March 20, 2002’ in section 7874(a)(2)(A), and

“(ii) without regard to subsection (b)(1)(A).

Such term includes any predecessor or successor of such a corporation.

“(B) INVERSION DATE.—The term ‘inversion date’ means, with respect to a corporation, the date on which the corporation first becomes an inverted corporation.

“(3) SPECIFIED STOCK COMPENSATION.—

“(A) IN GENERAL.—The term ‘specified stock compensation’ means payment (or right to payment) granted by the inverted corporation (or by any member of the expanded affiliated group which includes such corporation) to any person in connection with the performance of services by a disqualified individual for such corporation or member if the value of such payment or right is based on (or determined by reference to) the value (or change in value) of stock in such corporation (or any such member).

“(B) EXCEPTIONS.—Such term shall not include—

“(i) any option to which part II of subchapter D of chapter 1 applies, or

“(ii) any payment or right to payment from a plan referred to in section 280G(b)(6).

“(4) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ means an affiliated group (as defined in section 1504(a)) without regard to section 1504(b)(3); except that section 1504(a) shall be applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears.

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

“(1) CANCELLATION OF RESTRICTION.—The cancellation of a restriction which by its terms will never lapse shall be treated as a grant.

“(2) PAYMENT OR REIMBURSEMENT OF TAX BY CORPORATION TREATED AS SPECIFIED STOCK COMPENSATION.—Any payment of the tax imposed by this section directly or indirectly by the inverted corporation or by any member of the expanded affiliated group which includes such corporation—

“(A) shall be treated as specified stock compensation, and

“(B) shall not be allowed as a deduction under any provision of chapter 1.

“(3) CERTAIN RESTRICTIONS IGNORED.—Whether there is specified stock compensation, and the value thereof, shall be determined without regard to any restriction other than a restriction which by its terms will never lapse.

“(4) PROPERTY TRANSFERS.—Any transfer of property shall be treated as a payment and any right to a transfer of property shall be treated as a right to a payment.

“(5) OTHER ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, any tax imposed by this section shall be treated as a tax imposed by subtitle A.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.”

(b) DENIAL OF DEDUCTION.—

(1) IN GENERAL.—Paragraph (6) of section 275(a) is amended by inserting “48,” after “46.”

(2) \$1,000,000 LIMIT ON DEDUCTIBLE COMPENSATION REDUCED BY PAYMENT OF EXCISE TAX ON SPECIFIED STOCK COMPENSATION.—Paragraph (4) of section 162(m) is amended by adding at the end the following new subparagraph:

“(G) COORDINATION WITH EXCISE TAX ON SPECIFIED STOCK COMPENSATION.—The dollar limitation contained in paragraph (1) with respect to any covered employee shall be reduced (but not below zero) by the amount of any payment (with respect to such employee) of the tax imposed by section 5000A directly or indirectly by the inverted corporation (as defined in such section) or by any member of the expanded affiliated group (as defined in such section) which includes such corporation.”

(c) CONFORMING AMENDMENTS.—

(1) The last sentence of section 3121(v)(2)(A) is amended by inserting before the period “or to any specified stock compensation (as defined in section 5000A) on which tax is imposed by section 5000A”.

(2) The table of chapters for subtitle D is amended by adding at the end the following new item:

“Chapter 48. Stock compensation of insiders in inverted corporations.”

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 11, 2002; except that periods before such date shall not be taken into account in applying the periods in subsections (a) and (e)(1) of section 5000A of the Internal Revenue Code of 1986, as added by this section.

SEC. 444. REINSURANCE OF UNITED STATES RISKS IN FOREIGN JURISDICTIONS.

(a) IN GENERAL.—Section 845(a) (relating to allocation in case of reinsurance agreement involving tax avoidance or evasion) is amended by striking “source and character” and inserting “amount, source, or character”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any risk reinsured after April 11, 2002.

SEC. 445. REPORTING OF TAXABLE MERGERS AND ACQUISITIONS.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6043 the following new section:

“SEC. 6043A. TAXABLE MERGERS AND ACQUISITIONS.

“(a) IN GENERAL.—The acquiring corporation in any taxable acquisition shall make a return (according to the forms or regulations prescribed by the Secretary) setting forth—

“(1) a description of the acquisition,

“(2) the name and address of each shareholder of the acquired corporation who is required to recognize gain (if any) as a result of the acquisition,

“(3) the amount of money and the fair market value of other property transferred to each such shareholder as part of such acquisition, and

“(4) such other information as the Secretary may prescribe.

To the extent provided by the Secretary, the requirements of this section applicable to the acquiring corporation shall be applicable to the acquired corporation and not to the acquiring corporation.

“(b) NOMINEE REPORTING.—Any person who holds stock as a nominee for another person shall furnish in the manner prescribed by the Secretary to such other person the information provided by the corporation under subsection (d).

“(c) TAXABLE ACQUISITION.—For purposes of this section, the term ‘taxable acquisition’ means any acquisition by a corporation of stock in or property of another corporation if any shareholder of the acquired corporation is required to recognize gain (if any) as a result of such acquisition.

“(d) STATEMENTS TO BE FURNISHED TO SHAREHOLDERS.—Every person required to make a return under subsection (a) shall furnish to each shareholder whose name is required to be set forth in such return a written statement showing—

“(1) the name, address, and phone number of the information contact of the person required to make such return,

“(2) the information required to be shown on such return with respect to such shareholder, and

“(3) such other information as the Secretary may prescribe.

The written statement required under the preceding sentence shall be furnished to the shareholder on or before January 31 of the year following the calendar year during which the taxable acquisition occurred.”

(b) ASSESSABLE PENALTIES.—

(1) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (ii) through (xvii) as clauses (iii) through (xviii), respectively, and by inserting after clause (i) the following new clause:

“(ii) section 6043A(a) (relating to returns relating to taxable mergers and acquisitions).”

(2) Paragraph (2) of section 6724(d) is amended by redesignating subparagraphs (F) through (AA) as subparagraphs (G) through (BB), respectively, and by inserting after subparagraph (E) the following new subparagraph:

“(F) subsections (b) and (d) of section 6043A (relating to returns relating to taxable mergers and acquisitions).”

(c) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6043 the following new item:

“Sec. 6043A. Returns relating to taxable mergers and acquisitions.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to acquisitions after the date of the enactment of this Act.

Subtitle E—International Tax

SEC. 451. CLARIFICATION OF BANKING BUSINESS FOR PURPOSES OF DETERMINING INVESTMENT OF EARNINGS IN UNITED STATES PROPERTY.

(a) IN GENERAL.—Subparagraph (A) of section 956(c)(2) is amended to read as follows:

“(A) obligations of the United States, money, or deposits with—

“(i) any bank (as defined by section 2(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)), without regard to subparagraphs (C) and (G) of paragraph (2) of such section), or

“(ii) any corporation not described in clause (i) with respect to which a bank holding company (as defined by section 2(a) of such Act) or financial holding company (as defined by section 2(p) of such Act) owns directly or indirectly more than 80 percent by vote or value of the stock of such corporation;”

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 452. PROHIBITION ON NONRECOGNITION OF GAIN THROUGH COMPLETE LIQUIDATION OF HOLDING COMPANY.

(a) IN GENERAL.—Section 332 is amended by adding at the end the following new subsection:

“(d) RECOGNITION OF GAIN ON LIQUIDATION OF CERTAIN HOLDING COMPANIES.—

“(1) IN GENERAL.—In the case of any distribution to a foreign corporation in complete liquidation of an applicable holding company—

“(A) subsection (a) and section 331 shall not apply to such distribution, and

“(B) such distribution shall be treated as a distribution to which section 301 applies.

“(2) APPLICABLE HOLDING COMPANY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘applicable holding company’ means any domestic corporation—

“(i) which is a common parent of an affiliated group,

“(ii) stock of which is directly owned by the distributee foreign corporation,

“(iii) substantially all of the assets of which consist of stock in other members of such affiliated group, and

“(iv) which has not been in existence at all times during the 5 years immediately preceding the date of the liquidation.

“(B) AFFILIATED GROUP.—For purposes of this subsection, the term ‘affiliated group’ has the meaning given such term by section 1504(a) (without regard to paragraphs (2) and (4) of section 1504(b)).

“(3) COORDINATION WITH SUBPART F.—If the distributee of a distribution described in paragraph (1) is a controlled foreign corporation (as defined in section 957), then notwithstanding paragraph (1) or subsection (a), such distribution shall be treated as a distribution to which section 331 applies.

“(4) REGULATIONS.—The Secretary shall provide such regulations as appropriate to prevent the abuse of this subsection, including regulations which provide, for the purposes of clause (iv) of paragraph (2)(A), that a corporation is not in existence for any period unless it is engaged in the active conduct of a trade or business or owns a significant ownership interest in another corporation so engaged.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in complete liquidation occurring on or after the date of the enactment of this Act.

SEC. 453. PREVENTION OF MISMATCHING OF INTEREST AND ORIGINAL ISSUE DISCOUNT DEDUCTIONS AND INCOME INCLUSIONS IN TRANSACTIONS WITH RELATED FOREIGN PERSONS.

(a) ORIGINAL ISSUE DISCOUNT.—Section 163(e)(3) (relating to special rule for original issue discount on obligation held by related foreign person) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) SPECIAL RULE FOR CERTAIN FOREIGN ENTITIES.—

“(i) IN GENERAL.—In the case of any debt instrument having original issue discount which is held by a related foreign person which is a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or a passive foreign investment company (as defined in section 1297), a deduction shall be allowable to the issuer with respect to such original issue discount for any taxable year before the taxable year in which paid only to the extent such original issue discount is included during such prior taxable year in the gross income of a United States person who owns (within the meaning of section 958(a)) stock in such corporation.

“(ii) SECRETARIAL AUTHORITY.—The Secretary may by regulation exempt transactions from the application of clause (i), including any transaction which is entered into by a payor in the ordinary course of a trade or business in which the payor is predominantly engaged.”

(b) INTEREST AND OTHER DEDUCTIBLE AMOUNTS.—Section 267(a)(3) is amended—

(1) by striking “The Secretary” and inserting:

“(A) IN GENERAL.—The Secretary”, and

(2) by adding at the end the following new subparagraph:

“(B) SPECIAL RULE FOR CERTAIN FOREIGN ENTITIES.—

“(i) IN GENERAL.—Notwithstanding subparagraph (A), in the case of any amount payable to a foreign personal holding company (as defined in section 552), a controlled foreign corporation (as defined in section 957), or a passive foreign investment company (as defined in section 1297), a deduction shall be allowable to the payor with respect to such amount for any taxable year before the taxable year in which paid only to the extent such amount is included during such prior taxable year in the gross income of a United States person who owns (within the meaning of section 958(a)) stock in such corporation.

“(ii) SECRETARIAL AUTHORITY.—The Secretary may by regulation exempt transactions from the application of clause (i), including any transaction which is entered into by a payor in the ordinary course of a trade or business in which the payor is predominantly engaged and in which the payment of the accrued amounts occurs within 8½ months after accrual or within such other period as the Secretary may prescribe.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments accrued on or after the date of the enactment of this Act.

SEC. 454. EFFECTIVELY CONNECTED INCOME TO INCLUDE CERTAIN FOREIGN SOURCE INCOME.

(a) IN GENERAL.—Section 864(c)(4)(B) (relating to treatment of income from sources without the United States as effectively connected income) is amended by adding at the end the following new flush sentence:

“Any income or gain which is equivalent to any item of income or gain described in clause (i), (ii), or (iii) shall be treated in the same manner as such item for purposes of this subparagraph.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 455. RECAPTURE OF OVERALL FOREIGN LOSSES ON SALE OF CONTROLLED FOREIGN CORPORATION.

(a) IN GENERAL.—Section 904(f)(3) (relating to dispositions) is amended by adding at the end the following new subparagraph:

“(D) APPLICATION TO DISPOSITIONS OF STOCK IN CONTROLLED FOREIGN CORPORATIONS.—In the case of any disposition by a taxpayer of any share of stock in a controlled foreign corporation (as defined in section 957), this paragraph shall apply to such disposition in the same manner as if it were a disposition of property described in subparagraph (A), except that the exception contained in subparagraph (C)(i) shall not apply.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions after the date of the enactment of this Act.

SEC. 456. MINIMUM HOLDING PERIOD FOR FOREIGN TAX CREDIT ON WITHHOLDING TAXES ON INCOME OTHER THAN DIVIDENDS.

(a) IN GENERAL.—Section 901 is amended by redesignating subsection (l) as subsection

(m) and by inserting after subsection (k) the following new subsection:

“(l) MINIMUM HOLDING PERIOD FOR WITHHOLDING TAXES ON GAIN AND INCOME OTHER THAN DIVIDENDS ETC.—

“(1) IN GENERAL.—In no event shall a credit be allowed under subsection (a) for any withholding tax (as defined in subsection (k)) on any item of income or gain with respect to any property if—

“(A) such property is held by the recipient of the item for 15 days or less during the 30-day period beginning on the date which is 15 days before the date on which the right to receive payment of such item arises, or

“(B) to the extent that the recipient of the item is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

This paragraph shall not apply to any dividend to which subsection (k) applies.

“(2) EXCEPTION FOR TAXES PAID BY DEALERS.—

“(A) IN GENERAL.—Paragraph (1) shall not apply to any qualified tax with respect to any property held in the active conduct in a foreign country of a business as a dealer in such property.

“(B) QUALIFIED TAX.—For purposes of subparagraph (A), the term ‘qualified tax’ means a tax paid to a foreign country (other than the foreign country referred to in subparagraph (A)) if—

“(i) the item to which such tax is attributable is subject to taxation on a net basis by the country referred to in subparagraph (A), and

“(ii) such country allows a credit against its net basis tax for the full amount of the tax paid to such other foreign country.

“(C) DEALER.—For purposes of subparagraph (A), the term ‘dealer’ means—

“(i) with respect to a security, any person to whom paragraphs (1) and (2) of subsection (k) would not apply by reason of paragraph (4) thereof if such security were stock, and

“(ii) with respect to any other property, any person with respect to whom such property is described in section 1221(a)(1).

“(D) REGULATIONS.—The Secretary may prescribe such regulations as may be appropriate to carry out this paragraph, including regulations to prevent the abuse of the exception provided by this paragraph and to treat other taxes as qualified taxes.

“(3) EXCEPTIONS.—The Secretary may by regulation provide that paragraph (1) shall not apply to property where the Secretary determines that the application of paragraph (1) to such property is not necessary to carry out the purposes of this subsection.

“(4) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (k) shall apply for purposes of this subsection.

“(5) DETERMINATION OF HOLDING PERIOD.—Holding periods shall be determined for purposes of this subsection without regard to section 1235 or any similar rule.”

(b) CONFORMING AMENDMENT.—The heading of subsection (k) of section 901 is amended by inserting “ON DIVIDENDS” after “TAXES”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued more than 30 days after the date of the enactment of this Act.

Subtitle F—Other Revenue Provisions

PART I—FINANCIAL INSTRUMENTS

SEC. 461. TREATMENT OF STRIPPED INTERESTS IN BOND AND PREFERRED STOCK FUNDS, ETC.

(a) IN GENERAL.—Section 1286 (relating to tax treatment of stripped bonds) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) TREATMENT OF STRIPPED INTERESTS IN BOND AND PREFERRED STOCK FUNDS, ETC.—In the case of an account or entity substantially all of the assets of which consist of bonds, preferred stock, or a combination thereof, the Secretary may by regulations provide that rules similar to the rules of this section and 305(e), as appropriate, shall apply to interests in such account or entity to which (but for this subsection) this section or section 305(e), as the case may be, would not apply.”

(b) CROSS REFERENCE.—Subsection (e) of section 305 is amended by adding at the end the following new paragraph:

“(7) CROSS REFERENCE.—

“**For treatment of stripped interests in certain accounts or entities holding preferred stock, see section 1286(f).**”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to purchases and dispositions after the date of the enactment of this Act.

SEC. 462. APPLICATION OF EARNINGS STRIPPING RULES TO PARTNERSHIPS AND S CORPORATIONS.

(a) IN GENERAL.—Section 168(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by redesignating paragraph (8) as paragraph (9) and by inserting after paragraph (7) the following new paragraph:

“(8) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

“(A) IN GENERAL.—This subsection shall apply to partnerships and S corporations in the same manner as it applies to C corporations.

“(B) ALLOCATIONS TO CERTAIN CORPORATE PARTNERS.—If a C corporation is a partner in a partnership—

“(i) the corporation’s allocable share of indebtedness and interest income of the partnership shall be taken into account in applying this subsection to the corporation, and

“(ii) if a deduction is not disallowed under this subsection with respect to any interest expense of the partnership, this subsection shall be applied separately in determining whether a deduction is allowable to the corporation with respect to the corporation’s allocable share of such interest expense.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 463. RECOGNITION OF CANCELLATION OF INDEBTEDNESS INCOME REALIZED ON SATISFACTION OF DEBT WITH PARTNERSHIP INTEREST.

(a) IN GENERAL.—Paragraph (8) of section 108(e) (relating to general rules for discharge of indebtedness (including discharges not in title 11 cases or insolvency)) is amended to read as follows:

“(8) INDEBTEDNESS SATISFIED BY CORPORATE STOCK OR PARTNERSHIP INTEREST.—For purposes of determining income of a debtor from discharge of indebtedness, if—

“(A) a debtor corporation transfers stock, or

“(B) a debtor partnership transfers a capital or profits interest in such partnership,

to a creditor in satisfaction of its recourse or nonrecourse indebtedness, such corporation or partnership shall be treated as having satisfied the indebtedness with an amount of money equal to the fair market value of the stock or interest. In the case of any partnership, any discharge of indebtedness income recognized under this paragraph shall be included in the distributive shares of taxpayers which were the partners in the partnership immediately before such discharge.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to cancellations of indebtedness occurring on

or after the date of the enactment of this Act.

SEC. 464. MODIFICATION OF STRADDLE RULES.

(a) RULES RELATING TO IDENTIFIED STRADDLES.—

(1) IN GENERAL.—Subparagraph (A) of section 1092(a)(2) (relating to special rule for identified straddles) is amended to read as follows:

“(A) IN GENERAL.—In the case of any straddle which is an identified straddle—

“(i) paragraph (1) shall not apply with respect to identified positions comprising the identified straddle,

“(ii) if there is any loss with respect to any identified position of the identified straddle, the basis of each of the identified offsetting positions in the identified straddle shall be increased by an amount which bears the same ratio to the loss as the unrecognized gain with respect to such offsetting position bears to the aggregate unrecognized gain with respect to all such offsetting positions, and

“(iii) any loss described in clause (ii) shall not otherwise be taken into account for purposes of this title.”.

(2) IDENTIFIED STRADDLE.—Section 1092(a)(2)(B) (defining identified straddle) is amended—

(A) by striking clause (ii) and inserting the following:

“(ii) to the extent provided by regulations, the value of each position of which (in the hands of the taxpayer immediately before the creation of the straddle) is not less than the basis of such position in the hands of the taxpayer at the time the straddle is created, and”.

(B) by adding at the end the following new flush sentence:

“The Secretary shall prescribe regulations which specify the proper methods for clearly identifying a straddle as an identified straddle (and the positions comprising such straddle), which specify the rules for the application of this section for a taxpayer which fails to properly identify the positions of an identified straddle, and which specify the ordering rules in cases where a taxpayer disposes of less than an entire position which is part of an identified straddle.”.

(3) UNRECOGNIZED GAIN.—Section 1092(a)(3) (defining unrecognized gain) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) SPECIAL RULE FOR IDENTIFIED STRADDLES.—For purposes of paragraph (2)(A)(ii), the unrecognized gain with respect to any identified offsetting position shall be the excess of the fair market value of the position at the time of the determination over the fair market value of the position at the time the taxpayer identified the position as a position in an identified straddle.”

(4) CONFORMING AMENDMENT.—Section 1092(c)(2) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(b) PHYSICALLY SETTLED POSITIONS.—Section 1092(d) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RULES FOR PHYSICALLY SETTLED POSITIONS.—For purposes of subsection (a), if a taxpayer settles a position which is part of a straddle by delivering property to which the position relates (and such position, if terminated, would result in a realization of a loss), then such taxpayer shall be treated as if such taxpayer—

“(A) terminated the position for its fair market value immediately before the settlement, and

“(B) sold the property so delivered by the taxpayer at its fair market value.”.

(c) REPEAL OF STOCK EXCEPTION.—

(1) IN GENERAL.—Section 1092(d)(3) is repealed.

(2) CONFORMING AMENDMENT.—Section 1258(d)(1) is amended by striking “; except that the term ‘personal property’ shall include stock”.

(d) REPEAL OF QUALIFIED COVERED CALL EXCEPTION.—Section 1092(c)(4) is amended by adding at the end the following new subparagraph:

“(1) TERMINATION.—This paragraph shall not apply to any position established on or after the date of the enactment of this subparagraph.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to positions established on or after the date of the enactment of this Act.

SEC. 465. DENIAL OF INSTALLMENT SALE TREATMENT FOR ALL READILY TRADEABLE DEBT.

(a) IN GENERAL.—Section 453(f)(4)(B) (relating to purchaser evidences of indebtedness payable on demand or readily tradeable) is amended by striking “is issued by a corporation or a government or political subdivision thereof and”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales occurring on or after the date of the enactment of this Act.

PART II—CORPORATIONS AND PARTNERSHIPS

SEC. 466. MODIFICATION OF TREATMENT OF TRANSFERS TO CREDITORS IN DIVISIVE REORGANIZATIONS.

(a) IN GENERAL.—Section 361(b)(3) (relating to treatment of transfers to creditors) is amended by adding at the end the following new sentence: “In the case of a reorganization described in section 368(a)(1)(D) with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355, this paragraph shall apply only to the extent that the sum of the money and the fair market value of other property transferred to such creditors does not exceed the adjusted bases of such assets transferred.”.

(b) LIABILITIES IN EXCESS OF BASIS.—Section 357(c)(1)(B) is amended by inserting “with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355” after “section 368(a)(1)(D)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers of money or other property, or liabilities assumed, in connection with a reorganization occurring on or after the date of the enactment of this Act.

SEC. 467. CLARIFICATION OF DEFINITION OF NONQUALIFIED PREFERRED STOCK.

(a) IN GENERAL.—Section 351(g)(3)(A) is amended by adding at the end the following: “Stock shall not be treated as participating in corporate growth to any significant extent unless there is a real and meaningful likelihood of the shareholder actually participating in the earnings and growth of the corporation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions after May 14, 2003.

SEC. 468. MODIFICATION OF DEFINITION OF CONTROLLED GROUP OF CORPORATIONS.

(a) IN GENERAL.—Section 1563(a)(2) (relating to brother-sister controlled group) is amended by striking “possessing—” and all that follows through “(B)” and inserting “possessing”.

(b) APPLICATION OF EXISTING RULES TO OTHER CODE PROVISIONS.—Section 1563(f) (re-

lating to other definitions and rules) is amended by adding at the end the following new paragraph:

“(5) BROTHER-SISTER CONTROLLED GROUP DEFINITION FOR PROVISIONS OTHER THAN THIS PART.—

“(A) IN GENERAL.—Except as specifically provided in an applicable provision, subsection (a)(2) shall be applied to an applicable provision as if it read as follows:

“(2) BROTHER-SISTER CONTROLLED GROUP.—Two or more corporations if 5 or fewer persons who are individuals, estates, or trusts own (within the meaning of subsection (d)(2)) stock possessing—

“(A) at least 80 percent of the total combined voting power of all classes of stock entitled to vote, or at least 80 percent of the total value of shares of all classes of stock, of each corporation, and

“(B) more than 50 percent of the total combined voting power of all classes of stock entitled to vote or more than 50 percent of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.”

“(B) APPLICABLE PROVISION.—For purposes of this paragraph, an applicable provision is any provision of law (other than this part) which incorporates the definition of controlled group of corporations under subsection (a).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 469. MANDATORY BASIS ADJUSTMENTS IN CONNECTION WITH PARTNERSHIP DISTRIBUTIONS AND TRANSFERS OF PARTNERSHIP INTERESTS.

(a) IN GENERAL.—Section 754 is repealed.

(b) ADJUSTMENT TO BASIS OF UNDISTRICTED PARTNERSHIP PROPERTY.—Section 734 is amended—

(1) by striking “, with respect to which the election provided in section 754 is in effect,” in the matter preceding paragraph (1) of subsection (b),

(2) by striking “(as adjusted by section 732(d))” both places it appears in subsection (b),

(3) by striking the last sentence of subsection (b),

(4) by striking subsection (a) and by redesignating subsections (b) and (c) as subsections (a) and (b), respectively, and

(5) by striking “optional” in the heading.

(c) ADJUSTMENT TO BASIS OF PARTNERSHIP PROPERTY.—Section 743 is amended—

(1) by striking “with respect to which the election provided in section 754 is in effect” in the matter preceding paragraph (1) of subsection (b),

(2) by striking subsection (a) and by redesignating subsections (b) and (c) as subsections (a) and (b), respectively,

(3) by adding at the end the following new subsection:

“(c) ELECTION TO ADJUST BASIS FOR TRANSFERS UPON DEATH OF PARTNER.—Subsection (a) shall not apply and no adjustments shall be made in the case of any transfer of an interest in a partnership upon the death of a partner unless an election to do so is made by the partnership. Such an election shall apply with respect to all such transfers of interests in the partnership. Any election under section 754 in effect on the date of the enactment of this subsection shall constitute an election made under this subsection. Such election may be revoked by the partnership, subject to such limitations as may be provided by regulations prescribed by the Secretary.”.

(4) by striking “optional” in the heading.

(d) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 732 is repealed.

(2) Section 755(a) is amended—

(A) by striking “section 734(b) (relating to the optional adjustment” and inserting “section 734(a) (relating to the adjustment”, and

(B) by striking “section 743(b) (relating to the optional adjustment” and inserting “section 743(a) (relating to the adjustment”.

(3) Section 755(c), as added by this Act, is amended by striking “section 734(b)” and inserting “section 734(a)”.

(4) Section 761(e)(2) is amended by striking “optional”.

(5) Section 774(a) is amended by striking “743(b)” both places it appears and inserting “743(a)”.

(6) The item relating to section 734 in the table of sections for subpart B of part II of subchapter K of chapter 1 is amended by striking “Optional”.

(7) The item relating to section 743 in the table of sections for subpart C of part II of subchapter K of chapter 1 is amended by striking “Optional”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to transfers and distributions made after the date of the enactment of this Act.

(2) REPEAL OF SECTION 732(d).—The amendments made by subsections (b)(2) and (d)(1) shall apply to—

(A) except as provided in subparagraph (B), transfers made after the date of the enactment of this Act, and

(B) in the case of any transfer made on or before such date to which section 732(d) applies, distributions made after the date which is 2 years after such date of enactment.

PART III—DEPRECIATION AND AMORTIZATION

SEC. 471. EXTENSION OF AMORTIZATION OF INTANGIBLES TO SPORTS FRANCHISES.

(a) IN GENERAL.—Section 197(e) (relating to exceptions to definition of section 197 intangible) is amended by striking paragraph (6) and by redesignating paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(b) CONFORMING AMENDMENTS.—

(1)(A) Section 1056 (relating to basis limitation for player contracts transferred in connection with the sale of a franchise) is repealed.

(B) The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1056.

(2) Section 1245(a) (relating to gain from disposition of certain depreciable property) is amended by striking paragraph (4).

(3) Section 1253 (relating to transfers of franchises, trademarks, and trade names) is amended by striking subsection (e).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property acquired after the date of the enactment of this Act.

(2) SECTION 1245.—The amendment made by subsection (b)(2) shall apply to franchises acquired after the date of the enactment of this Act.

SEC. 472. SERVICE CONTRACTS TREATED IN SAME MANNER AS LEASES FOR RULES RELATING TO TAX-EXEMPT USE PROPERTY.

(a) IN GENERAL.—Section 168(h)(7) (defining lease) is amended by adding at the end the following: “Such term shall also include any service contract or other similar arrangement.”.

(b) LEASE TERM.—Section 168(i)(3) (relating to lease term) is amended by adding at the end the following new subparagraph:

“(C) SPECIAL RULE FOR SERVICE CONTRACTS.—In the case of any service contract

or other similar arrangement treated as a lease under subsection (h)(7), the lease term shall be determined in the same manner as a lease.”.

(c) CONFORMING AMENDMENTS.—Section 168(g)(3)(A) is amended—

(1) by inserting “(as defined in subsection (h)(7)” after “lease” the first place it appears, and

(2) by inserting “(as determined under subsection (i)(3))” after “term”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to leases and service contracts or other similar arrangements entered into after the date of the enactment of this Act.

SEC. 473. CLASS LIVES FOR UTILITY GRADING COSTS.

(a) GAS UTILITY PROPERTY.—Section 168(e)(3)(E) (defining 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) initial clearing and grading land improvements with respect to gas utility property.”.

(b) ELECTRIC UTILITY PROPERTY.—Section 168(e)(3) is amended by adding at the end the following new subparagraph:

“(F) 20-YEAR PROPERTY.—The term ‘20-year property’ means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.”.

(c) CONFORMING AMENDMENTS.—The table contained in section 168(g)(3)(B) is amended—

(1) by inserting “or (E)(iv)” after “(E)(iii)”, and

(2) by adding at the end the following new item:

“(F) 25”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 474. EXPANSION OF LIMITATION ON DEPRECIATION OF CERTAIN PASSENGER AUTOMOBILES.

(a) IN GENERAL.—Section 179(b) (relating to limitations) is amended by adding at the end the following new paragraph:

“(6) LIMITATION ON COST TAKEN INTO ACCOUNT FOR CERTAIN PASSENGER VEHICLES.—

“(A) IN GENERAL.—The cost of any sport utility vehicle for any taxable year which may be taken into account under this section shall not exceed \$25,000.

“(B) SPORT UTILITY VEHICLE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—The term ‘sport utility vehicle’ means any 4-wheeled vehicle which—

“(I) is manufactured primarily for use on public streets, roads, and highways,

“(II) is not subject to section 280F, and

“(III) is rated at not more than 14,000 pounds gross vehicle weight.

“(ii) CERTAIN VEHICLES EXCLUDED.—Such term does not include any vehicle which—

“(I) does not have the primary load carrying device or container attached,

“(II) has a seating capacity of more than 12 individuals,

“(III) is designed for more than 9 individuals in seating rearward of the driver’s seat,

“(IV) is equipped with an open cargo area, or a covered box not readily accessible from the passenger compartment, of at least 72.0 inches in interior length, or

“(V) has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver’s seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 475. CONSISTENT AMORTIZATION OF PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Paragraph (1) of section 195(b) (relating to start-up expenditures) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

“(i) the amount of start-up expenditures with respect to the active trade or business, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed \$50,000, and

“(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the active trade or business begins.”.

(2) CONFORMING AMENDMENT.—Subsection (b) of section 195 is amended by striking “AMORTIZE” and inserting “DEDUCT” in the heading.

(b) ORGANIZATIONAL EXPENDITURES.—Subsection (a) of section 248 (relating to organizational expenditures) is amended to read as follows:

“(a) ELECTION TO DEDUCT.—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

“(1) the corporation shall be allowed a deduction for the taxable year in which the corporation begins business in an amount equal to the lesser of—

“(A) the amount of organizational expenditures with respect to the taxpayer, or

“(B) \$5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed \$50,000, and

“(2) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.”.

(c) TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.—

(1) IN GENERAL.—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (3) and by amending paragraph (1) to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

“(i) the amount of organizational expenses with respect to the partnership, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed \$50,000, and

“(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

“(2) DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any

deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165.”.

(2) CONFORMING AMENDMENT.—Subsection (b) of section 709 is amended by striking “AMORTIZATION” and inserting “DEDUCTION” in the heading.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 476. LIMITATION ON DEDUCTIONS ALLOCABLE TO PROPERTY USED BY GOVERNMENTS OR OTHER TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by adding at the end the following new section:

“SEC. 470. DEDUCTIONS ALLOCABLE TO PROPERTY USED BY GOVERNMENTS OR OTHER TAX-EXEMPT ENTITIES.

“(a) GENERAL RULE.—The aggregate amount of deductions otherwise allowable to the taxpayer with respect to tax-exempt use property for any taxable year shall not exceed the aggregate amount of income includible in gross income of the taxpayer for the taxable year with respect to such property.

“(b) DISALLOWED DEDUCTION CARRIED TO NEXT YEAR.—Except as otherwise provided in this section, any deduction with respect to any tax-exempt use property which is disallowed under subsection (a) shall, subject to the limitation under subsection (a), be treated as a deduction with respect to such property in the next taxable year.

“(c) TAX-EXEMPT USE PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘tax-exempt use property’ has the meaning given such term by section 168(h), except that such section shall be applied without regard to paragraphs (2)(C)(ii) and (3).

“(2) SPECIAL RULES FOR SERVICE CONTRACTS AND SIMILAR ARRANGEMENTS.—If tangible property is subject to a service contract or other similar arrangement between a taxpayer (or any related person) and any tax-exempt entity, such contract or arrangement shall be treated in the same manner as if it were a lease for purposes of determining whether such property is tax-exempt use property under paragraph (1).

“(d) SPECIAL RULES.—

“(1) ALLOCABLE DEDUCTIONS.—Subsection (a) shall apply to—

“(A) any deduction directly allocable to any tax-exempt use property, and

“(B) a proper share of other deductions that are not directly allocable to such property.

“(2) PROPERTY CEASING TO BE TAX-EXEMPT USE PROPERTY.—If property of a taxpayer ceases to be tax-exempt use property in the hands of the taxpayer—

“(A) any unused deduction allocable to such property under subsection (b) shall only be allowable as a deduction for any taxable year to the extent of any net income of the taxpayer allocable to such property, and

“(B) any portion of such unused deduction remaining after application of subparagraph (A) shall, subject to the limitation of subparagraph (A), be treated as a deduction allocable to such property in the next taxable year.

“(3) DISPOSITION OF ENTIRE INTEREST IN PROPERTY.—If during the taxable year a taxpayer disposes of the taxpayer’s entire interest in tax-exempt use property, rules similar to the rules of section 469(g) shall apply for purposes of this section.

“(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be nec-

essary or appropriate to carry out the provisions of this section.”.

(b) CONFORMING AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by adding at the end the following new item:

“Sec. 470. Deductions allocable to property used by governments or other tax-exempt entities.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to leases and service contracts or similar arrangements entered into after the date of the enactment of this Act.

PART IV—ADMINISTRATIVE PROVISIONS

SEC. 481. CLARIFICATION OF RULES FOR PAYMENT OF ESTIMATED TAX FOR CERTAIN DEEMED ASSET SALES.

(a) IN GENERAL.—Paragraph (13) of section 338(h) (relating to tax on deemed sale not taken into account for estimated tax purposes) is amended by adding at the end the following: “The preceding sentence shall not apply with respect to a qualified stock purchase for which an election is made under paragraph (10).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to transactions occurring after the date of the enactment of this Act.

SEC. 482. EXTENSION OF IRS USER FEES.

(a) IN GENERAL.—Section 7528(c) (relating to termination) is amended by striking “December 31, 2004” and inserting “September 30, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests after the date of the enactment of this Act.

SEC. 483. DOUBLING OF CERTAIN PENALTIES, FINES, AND INTEREST ON UNDERPAYMENTS RELATED TO CERTAIN OFFSHORE FINANCIAL ARRANGEMENTS.

(a) GENERAL RULE.—If—

(1) a taxpayer eligible to participate in—

(A) the Department of the Treasury’s Offshore Voluntary Compliance Initiative, or

(B) the Department of the Treasury’s voluntary disclosure initiative which applies to the taxpayer by reason of the taxpayer’s underreporting of United States income tax liability through financial arrangements which rely on the use of offshore arrangements which were the subject of the initiative described in subparagraph (A), and

(2) any interest or applicable penalty is imposed with respect to any arrangement to which any initiative described in paragraph (1) applied or to any underpayment of Federal income tax attributable to items arising in connection with any arrangement described in paragraph (1), then, notwithstanding any other provision of law, the amount of such interest or penalty shall be equal to twice that determined without regard to this section.

(b) DEFINITIONS AND RULES.—For purposes of this section—

(1) APPLICABLE PENALTY.—The term “applicable penalty” means any penalty, addition to tax, or fine imposed under chapter 68 of the Internal Revenue Code of 1986.

(2) VOLUNTARY OFFSHORE COMPLIANCE INITIATIVE.—The term “Voluntary Offshore Compliance Initiative” means the program established by the Department of the Treasury in January of 2003 under which any taxpayer was eligible to voluntarily disclose previously undisclosed income on assets placed in offshore accounts and accessed through credit card and other financial arrangements.

(3) PARTICIPATION.—A taxpayer shall be treated as having participated in the Voluntary Offshore Compliance Initiative if the taxpayer submitted the request in a timely manner and all information requested by the

Secretary of the Treasury or his delegate within a reasonable period of time following the request.

(c) EFFECTIVE DATE.—The provisions of this section shall apply to interest, penalties, additions to tax, and fines with respect to any taxable year if as of the date of the enactment of this Act, the assessment of any tax, penalty, or interest with respect to such taxable year is not prevented by the operation of any law or rule of law.

SEC. 484. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking “satisfy liability for payment of” and inserting “make payment on”, and

(B) by inserting “full or partial” after “facilitate”.

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting “full” before “payment”.

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159, as amended by this Act, is amended by redesignating subsections (d), (e), and (f) as subsections (e), (f), and (g), respectively, and inserting after subsection (c) the following new subsection:

“(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

SEC. 485. EXTENSION OF CUSTOMS USER FEES.

Section 13031(j)(3) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(j)(3)) is amended by striking “March 31, 2004” and inserting “September 30, 2013”.

SEC. 486. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS.

(a) IN GENERAL.—Subchapter A of chapter 67 (relating to interest on underpayments) is amended by adding at the end the following new section:

“SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS, ETC.

“(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN AS PAYMENT OF TAX.—A taxpayer may make a cash deposit with the Secretary which may be used by the Secretary to pay any tax imposed under subtitle A or B or chapter 41, 42, 43, or 44 which has not been assessed at the time of the deposit. Such a deposit shall be made in such manner as the Secretary shall prescribe.

“(b) NO INTEREST IMPOSED.—To the extent that such deposit is used by the Secretary to pay tax, for purposes of section 6601 (relating to interest on underpayments), the tax shall be treated as paid when the deposit is made.

“(c) RETURN OF DEPOSIT.—Except in a case where the Secretary determines that collection of tax is in jeopardy, the Secretary shall return to the taxpayer any amount of the deposit (to the extent not used for a payment of tax) which the taxpayer requests in writing.

“(d) PAYMENT OF INTEREST.—

“(1) IN GENERAL.—For purposes of section 6611 (relating to interest on overpayments), a deposit which is returned to a taxpayer shall be treated as a payment of tax for any period to the extent (and only to the extent) attributable to a disputable tax for such period.

Under regulations prescribed by the Secretary, rules similar to the rules of section 6611(b)(2) shall apply.

“(2) DISPUTABLE TAX.—

“(A) IN GENERAL.—For purposes of this section, the term ‘disputable tax’ means the amount of tax specified at the time of the deposit as the taxpayer’s reasonable estimate of the maximum amount of any tax attributable to disputable items.

“(B) SAFE HARBOR BASED ON 30-DAY LETTER.—In the case of a taxpayer who has been issued a 30-day letter, the maximum amount of tax under subparagraph (A) shall not be less than the amount of the proposed deficiency specified in such letter.

“(3) OTHER DEFINITIONS.—For purposes of paragraph (2)—

“(A) DISPUTABLE ITEM.—The term ‘disputable item’ means any item of income, gain, loss, deduction, or credit if the taxpayer—

“(i) has a reasonable basis for its treatment of such item, and

“(ii) reasonably believes that the Secretary also has a reasonable basis for disallowing the taxpayer’s treatment of such item.

“(B) 30-DAY LETTER.—The term ‘30-day letter’ means the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

“(4) RATE OF INTEREST.—The rate of interest allowable under this subsection shall be the Federal short-term rate determined under section 6621(b), compounded daily.

“(e) USE OF DEPOSITS.—

“(1) PAYMENT OF TAX.—Except as otherwise provided by the taxpayer, deposits shall be treated as used for the payment of tax in the order deposited.

“(2) RETURNS OF DEPOSITS.—Deposits shall be treated as returned to the taxpayer on a last-in, first-out basis.”.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 67 is amended by adding at the end the following new item:

“Sec. 6603. Deposits made to suspend running of interest on potential underpayments, etc.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to deposits made after the date of the enactment of this Act.

(2) COORDINATION WITH DEPOSITS MADE UNDER REVENUE PROCEDURE 84-58.—In the case of an amount held by the Secretary of the Treasury or his delegate on the date of the enactment of this Act as a deposit in the nature of a cash bond deposit pursuant to Revenue Procedure 84-58, the date that the taxpayer identifies such amount as a deposit made pursuant to section 6603 of the Internal Revenue Code (as added by this Act) shall be treated as the date such amount is deposited for purposes of such section 6603.

SEC. 487. QUALIFIED TAX COLLECTION CONTRACTS.

(a) CONTRACT REQUIREMENTS.—

(1) IN GENERAL.—Subchapter A of chapter 64 (relating to collection) is amended by adding at the end the following new section:

“SEC. 6306. QUALIFIED TAX COLLECTION CONTRACTS.

“(a) IN GENERAL.—Nothing in any provision of law shall be construed to prevent the Secretary from entering into a qualified tax collection contract.

“(b) QUALIFIED TAX COLLECTION CONTRACT.—For purposes of this section, the term ‘qualified tax collection contract’ means any contract which—

“(1) is for the services of any person (other than an officer or employee of the Treasury Department)—

“(A) to locate and contact any taxpayer specified by the Secretary,

“(B) to request full payment from such taxpayer of an amount of Federal tax specified by the Secretary and, if such request cannot be met by the taxpayer, to offer the taxpayer an installment agreement providing for full payment of such amount during a period not to exceed 3 years, and

“(C) to obtain financial information specified by the Secretary with respect to such taxpayer,

“(2) prohibits each person providing such services under such contract from committing any act or omission which employees of the Internal Revenue Service are prohibited from committing in the performance of similar services,

“(3) prohibits subcontractors from—

“(A) having contacts with taxpayers,

“(B) providing quality assurance services, and

“(C) composing debt collection notices, and

“(4) permits subcontractors to perform other services only with the approval of the Secretary.

“(c) FEES.—The Secretary may retain and use an amount not in excess of 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract. The Secretary shall keep adequate records regarding amounts so retained and used. The amount credited as paid by any taxpayer shall be determined without regard to this subsection.

“(d) NO FEDERAL LIABILITY.—The United States shall not be liable for any act or omission of any person performing services under a qualified tax collection contract.

“(e) APPLICATION OF FAIR DEBT COLLECTION PRACTICES ACT.—The provisions of the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) shall apply to any qualified tax collection contract, except to the extent superseded by section 6304, section 7602(c), or by any other provision of this title.

“(f) CROSS REFERENCES.—

“(1) For damages for certain unauthorized collection actions by persons performing services under a qualified tax collection contract, see section 7433A.

“(2) For application of Taxpayer Assistance Orders to persons performing services under a qualified tax collection contract, see section 7811(a)(4).”.

(2) CONFORMING AMENDMENTS.—

(A) Section 7809(a) is amended by inserting “6306,” before “7651”.

(B) The table of sections for subchapter A of chapter 64 is amended by adding at the end the following new item:

“Sec. 6306. Qualified Tax Collection Contracts.”.

(b) CIVIL DAMAGES FOR CERTAIN UNAUTHORIZED COLLECTION ACTIONS BY PERSONS PERFORMING SERVICES UNDER QUALIFIED TAX COLLECTION CONTRACTS.—

(1) IN GENERAL.—Subchapter B of chapter 76 (relating to proceedings by taxpayers and third parties) is amended by inserting after section 7433 the following new section:

“SEC. 7433A. CIVIL DAMAGES FOR CERTAIN UNAUTHORIZED COLLECTION ACTIONS BY PERSONS PERFORMING SERVICES UNDER QUALIFIED TAX COLLECTION CONTRACTS.

“(a) IN GENERAL.—Subject to the modifications provided by subsection (b), section 7433 shall apply to the acts and omissions of any person performing services under a qualified tax collection contract (as defined in section 6306(b)) to the same extent and in the same manner as if such person were an employee of the Internal Revenue Service.

“(b) MODIFICATIONS.—For purposes of subsection (a)—

“(1) Any civil action brought under section 7433 by reason of this section shall be

brought against the person who entered into the qualified tax collection contract with the Secretary and shall not be brought against the United States.

“(2) Such person and not the United States shall be liable for any damages and costs determined in such civil action.

“(3) Such civil action shall not be an exclusive remedy with respect to such person.

“(4) Subsections (c), (d)(1), and (e) of section 7433 shall not apply.”.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 76 is amended by inserting after the item relating to section 7433 the following new item:

“Sec. 7433A. Civil damages for certain unauthorized collection actions by persons performing services under a qualified tax collection contract.”.

(c) APPLICATION OF TAXPAYER ASSISTANCE ORDERS TO PERSONS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—Section 7811 (relating to taxpayer assistance orders) is amended by adding at the end the following new subsection:

“(g) APPLICATION TO PERSONS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—Any order issued or action taken by the National Taxpayer Advocate pursuant to this section shall apply to persons performing services under a qualified tax collection contract (as defined in section 6306(b)) to the same extent and in the same manner as such order or action applies to the Secretary.”.

(d) INELIGIBILITY OF INDIVIDUALS WHO COMMIT MISCONDUCT TO PERFORM UNDER CONTRACT.—Section 1203 of the Internal Revenue Service Restructuring Act of 1998 (relating to termination of employment for misconduct) is amended by adding at the end the following new subsection:

“(e) INDIVIDUALS PERFORMING SERVICES UNDER A QUALIFIED TAX COLLECTION CONTRACT.—An individual shall cease to be permitted to perform any services under any qualified tax collection contract (as defined in section 6306(b) of the Internal Revenue Code of 1986) if there is a final determination by the Secretary of the Treasury under such contract that such individual committed any act or omission described under subsection (b) in connection with the performance of such services.”.

(e) EFFECTIVE DATE.—The amendments made to this section shall take effect on the date of the enactment of this Act.

PART V—MISCELLANEOUS PROVISIONS

SEC. 491. ADDITION OF VACCINES AGAINST HEPATITIS A TO LIST OF TAXABLE VACCINES.

(a) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by redesignating subparagraphs (I), (J), (K), and (L) as subparagraphs (J), (K), (L), and (M), respectively, and by inserting after subparagraph (H) the following new subparagraph:

“(I) Any vaccine against hepatitis A.”.

(b) CONFORMING AMENDMENT.—Section 9510(c)(1)(A) is amended by striking “October 18, 2000” and inserting “May 8, 2003”.

(c) EFFECTIVE DATE.—

(1) SALES, ETC.—The amendments made by this section shall apply to sales and uses on or after the first day of the first month which begins more than 4 weeks after the date of the enactment of this Act.

(2) DELIVERIES.—For purposes of paragraph (1) and section 4131 of the Internal Revenue Code of 1986, in the case of sales on or before the effective date described in such paragraph for which delivery is made after such date, the delivery date shall be considered the sale date.

SEC. 492. RECOGNITION OF GAIN FROM THE SALE OF A PRINCIPAL RESIDENCE ACQUIRED IN A LIKE-KIND EXCHANGE WITHIN 5 YEARS OF SALE.

(a) IN GENERAL.—Section 121(d) (relating to special rules for exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

“(10) PROPERTY ACQUIRED IN LIKE-KIND EXCHANGE.—If a taxpayer acquired property in an exchange to which section 1031 applied, subsection (a) shall not apply to the sale or exchange of such property if it occurs during the 5-year period beginning with the date of the acquisition of such property.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales or exchanges after the date of the enactment of this Act.

SEC. 493. CLARIFICATION OF EXEMPTION FROM TAX FOR SMALL PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) IN GENERAL.—Section 501(c)(15)(A) is amended to read as follows:

“(A) Insurance companies (as defined in section 816(a)) other than life (including interinsurers and reciprocal underwriters) if—

“(i) the gross receipts for the taxable year do not exceed \$600,000, and

“(ii) more than 50 percent of such gross receipts consist of premiums.”.

(b) CONTROLLED GROUP RULE.—Section 501(c)(15)(C) is amended by inserting “, except that in applying section 1563 for purposes of section 831(b)(2)(B)(ii), subparagraphs (B) and (C) of section 1563(b)(2) shall be disregarded” before the period at the end.

(c) CONFORMING AMENDMENT.—Clause (i) of section 831(b)(2)(A) is amended by striking “exceed \$350,000 but”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 494. DEFINITION OF INSURANCE COMPANY FOR SECTION 831.

(a) IN GENERAL.—Section 831 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

“(c) INSURANCE COMPANY DEFINED.—For purposes of this section, the term ‘insurance company’ has the meaning given to such term by section 816(a).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 495. LIMITATIONS ON DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF PATENTS AND SIMILAR PROPERTY.

(a) DEDUCTION ALLOWED ONLY TO THE EXTENT OF BASIS.—Section 170(e)(1)(B) (relating to certain contributions of ordinary income and capital gain property) is amended by striking “or” at the end of clause (i), by adding “or” at the end of clause (ii), and by inserting after clause (ii) the following new clause:

“(iii) of any patent, copyright, trademark, trade name, trade secret, know-how, software, or similar property, or applications or registrations of such property.”.

(b) TREATMENT OF CONTRIBUTIONS WHERE DONOR RECEIVES INTEREST.—Section 170(e) is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULES FOR CONTRIBUTIONS OF PATENTS AND SIMILAR PROPERTY WHERE DONOR RECEIVES INTEREST.—

“(A) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed under this section with respect to a contribution of property described in paragraph (1)(B)(iii) if the taxpayer after the contribution has any interest in the property other than a qualified interest.

“(B) CONTRIBUTIONS WITH QUALIFIED INTEREST.—If a taxpayer after a contribution of

property described in paragraph (1)(B)(iii) has a qualified interest in the property—

“(i) any payment pursuant to the qualified interest shall be treated as ordinary income and shall be includible in gross income of the taxpayer for the taxable year in which the payment is received by the taxpayer, and

“(ii) subsection (f)(3) and section 1011(b) shall not apply to the transfer of the property from the taxpayer to the donee.

“(C) QUALIFIED INTEREST.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘qualified interest’ means, with respect to any taxpayer, a right to receive from the donee a percentage (not greater than 50 percent) of any royalty payment received by the donee with respect to property described in paragraph (1)(B)(iii) (other than copyrights which are described in section 1221(a)(3) or 1231(b)(1)(C)) contributed by the taxpayer to the donee.

“(ii) SECRETARIAL AUTHORITY.—

“(I) IN GENERAL.—Except as provided in subclause (II), the Secretary may by regulation or other administrative guidance treat as a qualified interest the right to receive other payments from the donee, but only if the donee does not possess a right to receive any payment (whether royalties or otherwise) from a third party with respect to the contributed property.

“(II) EXCEPTIONS.—The Secretary may not treat as a qualified interest the right to receive any payment which provides a benefit to the donor which is greater than the benefit retained by the donee or the right to receive any portion of the proceeds from the sale of the property contributed.

“(iii) LIMITATION.—An interest shall be treated as a qualified interest under this subparagraph only if the taxpayer has no right to receive any payment described in clause (i) or (ii)(I) after the earlier of the date on which the legal life of the contributed property expires or the date which is 20 years after the date of the contribution.”.

(c) REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Section 6050L(a) (relating to returns regarding certain dispositions of donated property) is amended—

(A) by striking ‘If’ and inserting:

“(1) DISPOSITIONS OF DONATED PROPERTY.—If”,

(B) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively, and

(C) by adding at the end the following new paragraph:

“(2) PAYMENTS OF QUALIFIED INTERESTS.—Each donee of property described in section 170(e)(1)(B)(iii) which makes a payment to a donor pursuant to a qualified interest (as defined in section 170(e)(7)) during any calendar year shall make a return (in accordance with forms and regulations prescribed by the Secretary) showing—

“(A) the name, address, and TIN of the payor and the payee with respect to such a payment,

“(B) a description, and date of contribution, of the property to which the qualified interest relates,

“(C) the dates and amounts of any royalty payments received by the donee with respect to such property,

“(D) the date and the amount of the payment pursuant to the qualified interest, and

“(E) a description of the terms of the qualified interest.”.

(2) CONFORMING AMENDMENTS.—

(A) The heading for section 6050L is amended by striking “certain dispositions of”.

(B) The item relating to section 6050L in the table of sections for subpart B of part III of subchapter A of chapter 61 is amended by striking “certain dispositions of”.

(d) ANTI-ABUSE RULES.—The Secretary of the Treasury may prescribe such regulations

or other administrative guidance as may be necessary or appropriate to prevent the avoidance of the purposes of section 170(e)(1)(B)(iii) of the Internal Revenue Code of 1986 (as added by subsection (a)), including preventing—

(1) the circumvention of the reduction of the charitable deduction by embedding or bundling the patent or similar property as part of a charitable contribution of property that includes the patent or similar property,

(2) the manipulation of the basis of the property to increase the amount of the charitable deduction through the use of related persons, pass-thru entities, or other intermediaries, or through the use of any provision of law or regulation (including the consolidated return regulations), and

(3) a donor from changing the form of the patent or similar property to property of a form for which different deduction rules would apply.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after October 1, 2003.

SEC. 496. REPEAL OF 10-PERCENT REHABILITATION TAX CREDIT.

Section 47 is amended by adding at the end the following new subsection:

“(e) TERMINATION.—This section shall not apply to expenditures described in subsection (a)(1) incurred in taxable years beginning after December 31, 2003.”.

SEC. 497. INCREASE IN AGE OF MINOR CHILDREN WHOSE UNEARNED INCOME IS TAXED AS IF PARENT'S INCOME.

(a) IN GENERAL.—Section 1(g)(2)(A) (relating to child to whom subsection applies) is amended by striking “age 14” and inserting “age 18”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

SA 2646. Mr. GRASSLEY (for himself and Mr. BAUCUS) proposed an amendment to amendment SA 2645 proposed by Mr. GRASSLEY (for himself and Mr. BAUCUS) to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes as follows:

Strike sections 472 through 476 and insert:

SEC. 472. CLASS LIVES FOR UTILITY GRADING COSTS.

(a) GAS UTILITY PROPERTY.—Section 168(e)(3)(E) (defining 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause: “(iv) initial clearing and grading land improvements with respect to gas utility property.”.

(b) ELECTRIC UTILITY PROPERTY.—Section 168(e)(3) is amended by adding at the end the following new subparagraph:

“(F) 20-YEAR PROPERTY.—The term ‘20-year property’ means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.”.

(c) CONFORMING AMENDMENTS.—The table contained in section 168(g)(3)(B) is amended—

(1) by inserting “or (E)(iv)” after “(E)(iii)”, and

(2) by adding at the end the following new item:

“(F) 25”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 473. EXPANSION OF LIMITATION ON DEPRECIATION OF CERTAIN PASSENGER AUTOMOBILES.

(a) IN GENERAL.—Section 179(b) (relating to limitations) is amended by adding at the end the following new paragraph:

“(6) LIMITATION ON COST TAKEN INTO ACCOUNT FOR CERTAIN PASSENGER VEHICLES.—

“(A) IN GENERAL.—The cost of any sport utility vehicle for any taxable year which may be taken into account under this section shall not exceed \$25,000.

“(B) SPORT UTILITY VEHICLE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—The term ‘sport utility vehicle’ means any 4-wheeled vehicle which—

“(I) is manufactured primarily for use on public streets, roads, and highways,

“(II) is not subject to section 280F, and

“(III) is rated at not more than 14,000 pounds gross vehicle weight.

“(ii) CERTAIN VEHICLES EXCLUDED.—Such term does not include any vehicle which—

“(I) does not have the primary load carrying device or container attached,

“(II) has a seating capacity of more than 12 individuals,

“(III) is designed for more than 9 individuals in seating rearward of the driver's seat,

“(IV) is equipped with an open cargo area, or a covered box not readily accessible from the passenger compartment, of at least 72.0 inches in interior length, or

“(V) has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 474. CONSISTENT AMORTIZATION OF PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Paragraph (1) of section 195(b) (relating to start-up expenditures) is amended to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection with respect to any start-up expenditures—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the active trade or business begins in an amount equal to the lesser of—

“(i) the amount of start-up expenditures with respect to the active trade or business, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such start-up expenditures exceed \$50,000, and

“(B) the remainder of such start-up expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the active trade or business begins.”.

(2) CONFORMING AMENDMENT.—Subsection (b) of section 195 is amended by striking “AMORTIZE” and inserting “DEDUCT” in the heading.

(b) ORGANIZATIONAL EXPENDITURES.—Subsection (a) of section 248 (relating to organizational expenditures) is amended to read as follows:

“(a) ELECTION TO DEDUCT.—If a corporation elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

“(1) the corporation shall be allowed a deduction for the taxable year in which the

corporation begins business in an amount equal to the lesser of—

“(A) the amount of organizational expenditures with respect to the taxpayer, or

“(B) \$5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed \$50,000, and

“(2) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.”.

(c) TREATMENT OF ORGANIZATIONAL AND SYNDICATION FEES OR PARTNERSHIPS.—

(1) IN GENERAL.—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (3) and by amending paragraph (1) to read as follows:

“(1) ALLOWANCE OF DEDUCTION.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses—

“(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

“(i) the amount of organizational expenses with respect to the partnership, or

“(ii) \$5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed \$50,000, and

“(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

(2) DISPOSITIONS BEFORE CLOSE OF AMORTIZATION PERIOD.—In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165.”.

(2) CONFORMING AMENDMENT.—Subsection (b) of section 709 is amended by striking “AMORTIZATION” and inserting “DEDUCTION” in the heading.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 475. REFORM OF TAX TREATMENT OF LEASING OPERATIONS.

(a) CLARIFICATION OF RECOVERY PERIOD FOR TAX-EXEMPT USE PROPERTY SUBJECT TO LEASE.—Subparagraph (A) of section 168(g)(3) (relating to special rules for determining class life) is amended by inserting “(notwithstanding any other subparagraph of this paragraph)” after “shall”.

(b) LIMITATION ON DEPRECIATION PERIOD FOR SOFTWARE LEASED TO TAX-EXEMPT ENTITY.—Paragraph (1) of section 167(f) is amended by adding at the end the following new subparagraph:

“(C) TAX-EXEMPT USE PROPERTY SUBJECT TO LEASE.—In the case of computer software which would be tax-exempt use property as defined in subsection (h) of section 168 if such section applied to computer software, the useful life under subparagraph (A) shall not be less than 125 percent of the lease term (within the meaning of section 168(i)(3)).”

(c) LEASE TERM TO INCLUDE RELATED SERVICE CONTRACTS.—Subparagraph (A) of section 168(i)(3) (relating to lease term) is amended by striking “and” at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

“(ii) the term of a lease shall include the term of any service contract or similar arrangement (whether or not treated as a lease under section 7701(e))—

“(I) which is part of the same transaction (or series of related transactions) which includes the lease, and

“(II) which is with respect to the property subject to the lease or substantially similar property, and”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to leases entered into after December 31, 2003.

SEC. 476. LIMITATION ON DEDUCTIONS ALLOWABLE TO PROPERTY USED BY GOVERNMENTS OR OTHER TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by adding at the end the following new section:

“SEC. 470. LIMITATIONS ON LOSSES FROM TAX-EXEMPT USE PROPERTY.

“(a) LIMITATION ON LOSSES.—Except as otherwise provided in this section, a tax-exempt use loss for any taxable year shall not be allowed.

“(b) DISALLOWED LOSS CARRIED TO NEXT YEAR.—Any tax-exempt use loss with respect to any tax-exempt use property which is disallowed under subsection (a) for any taxable year shall be treated as a deduction with respect to such property in the next taxable year.

“(c) DEFINITIONS.—For purposes of this section—

“(1) TAX-EXEMPT USE LOSS.—The term ‘tax-exempt use loss’ means, with respect to any taxable year, the amount (if any) by which—

“(A) the sum of—

“(i) the aggregate deductions (other than interest) directly allocable to a tax-exempt use property, plus

“(ii) the aggregate deductions for interest properly allocable to such property, exceed

“(B) the aggregate income from such property.”.

“(2) TAX-EXEMPT USE PROPERTY.—The term ‘tax-exempt use property’ has the meaning given to such term by section 168(h) (without regard to paragraph (1)(C) or (3)(C) thereof and determined as if property described in section 167(f)(1)(B) were tangible property).

“(d) EXCEPTION FOR CERTAIN LEASES.—This section shall not apply to any lease of property which meets the requirements of all of the following paragraphs:

“(1) PROPERTY NOT FINANCED WITH TAX-EXEMPT BONDS.—A lease of property meets the requirements of this paragraph if no part of the property was financed (directly or indirectly) from the proceeds of an obligation the interest on which is exempt from tax under section 103(a) and which (or any refunding bond of which) is outstanding when the lease is entered into. The Secretary may by regulations provide for a de minimis exception from this paragraph.

“(2) AVAILABILITY OF FUNDS.—

“(A) IN GENERAL.—A lease of property meets the requirements of this paragraph if (at any time during the lease term) not more than an allowable amount of funds are—

“(i) subject to any arrangement referred to in subparagraph (B), or

“(ii) otherwise reasonably expected to remain available,

to or for the benefit of the lessor or any lender, or to or for the benefit of the lessee to satisfy the lessee's obligations or options under the lease.

“(B) ARRANGEMENTS.—The arrangements referred to in this subparagraph are—

“(i) a defeasance arrangement, a loan by the lessee to the lessor or any lender, a deposit arrangement, a letter of credit collateralized with cash or cash equivalents, a payment undertaking agreement, a lease prepayment, a sinking fund arrangement, or any similar arrangement (whether or not

such arrangement provides credit support), and

“(ii) any other arrangement identified by the Secretary in regulations.

“(C) ALLOWABLE AMOUNT.—

“(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the term ‘allowable amount’ means an amount equal to 20 percent of the lessor’s adjusted basis in the property at the time the lease is entered into.

“(ii) HIGHER AMOUNT PERMITTED IN CERTAIN CASES.—To the extent provided in regulations, a higher percentage shall be permitted under clause (i) where necessary because of the credit-worthiness of the lessee. In no event may such regulations permit a percentage of more than 50 percent.

“(iii) OPTION TO PURCHASE.—If under the lease the lessee has the option to purchase the property for other than the fair market value of the property (determined at the time of exercise), the allowable amount at the time such option may be exercised may not exceed 50 percent of the price at which such option may be exercised.

“(3) LESSOR MUST MAKE SUBSTANTIAL EQUITY INVESTMENT.—A lease of property meets the requirements of this paragraph if—

“(A) the lessor—

“(i) has at the time the lease is entered into an unconditional at-risk equity investment (as determined by the Secretary) in the property of at least 20 percent of the lessor’s adjusted basis in the property as of that time, and

“(ii) maintains such investment throughout the term of the lease, and

“(B) the fair market value of the property at the end of the lease term is reasonably expected to be equal to at least 20 percent of such basis.

“(4) LESSEE MAY NOT BEAR MORE THAN MINIMAL RISK OF LOSS.—

“(A) IN GENERAL.—A lease of property meets the requirements of this paragraph if there is no arrangement under which more than a minimal risk of loss (as determined under regulations) in the value of the property is borne by the lessee.

“(B) CERTAIN ARRANGEMENTS FAIL REQUIREMENT.—In no event will the requirements of this paragraph be met if there is any arrangement under which the lessee bears—

“(i) any portion of the loss that would occur if the fair market value of the leased property at the time the lease is terminated were 25 percent less than its projected fair market value at the end of the lease term, or

“(ii) more than 50 percent of the loss that would occur if the fair market value of the leased property at the time the lease is terminated were zero.

“(5) REGULATORY REQUIREMENTS.—A lease of property meets the requirements of this paragraph if such lease of property meets such requirements as the Secretary may prescribe by regulations.

“(e) SPECIAL RULES.—

“(1) TREATMENT OF FORMER TAX-EXEMPT USE PROPERTY.—

“(A) IN GENERAL.—In the case of any former tax-exempt use property—

“(i) any deduction allowable under subsection (b) with respect to such property for any taxable year shall be allowed only to the extent of any net income (without regard to such deduction) from such property for such taxable year, and

“(ii) any portion of such unused deduction remaining after application of clause (i) shall be treated as a deduction allocable to such property in the next taxable year.

“(B) FORMER TAX-EXEMPT USE PROPERTY.—For purposes of this subsection, the term ‘former tax-exempt use property’ means any property which—

“(i) is not tax-exempt use property for the taxable year, but

“(ii) was tax-exempt use property for any prior taxable year.

“(2) DISPOSITION OF ENTIRE INTEREST IN PROPERTY.—If during the taxable year a taxpayer disposes of the taxpayer’s entire interest in tax-exempt use property (or former tax-exempt use property), rules similar to the rules of section 469(g) shall apply for purposes of this section.

“(3) COORDINATION WITH SECTION 469.—This section shall be applied before the application of section 469.

“(f) OTHER DEFINITIONS.—For purposes of this section—

“(1) RELATED PARTIES.—The terms ‘lessor’, ‘lessee’, and ‘lender’ include any related party (within the meaning of section 197(f)(9)(C)(i)).

“(2) LEASE TERM.—The term ‘lease term’ has the meaning given to such term by section 168(i)(3).

“(3) LENDER.—The term ‘lender’ means, with respect to any lease, a person that makes a loan to the lessor which is secured (or economically similar to being secured) by the lease or the leased property.

“(4) LOAN.—The term ‘loan’ includes any similar arrangement.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the provisions of this section, including regulation which—

“(1) allow in appropriate cases the aggregation of property subject to the same lease, and

“(2) provide for the determination of the allocation of interest expense for purposes of this section.”

(b) CONFORMING AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by adding at the end the following new item:

“Sec. 470. Limitations on losses from tax-exempt use property.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to leases entered into after December 31, 2003.

SA 2647. Mr. HATCH (for himself, Mrs. MURRAY, Mr. BAUCUS, Ms. CANTWELL, Mr. SMITH, Mr. BUNNING, and Mr. GRASSLEY) proposed an amendment to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; as follows:

At the end of subtitle A of title III add the following:

SEC. ____ . EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Section 41(h)(1)(B) (relating to termination) is amended by striking “June 30, 2004” and inserting “December 31, 2005”.

(2) CONFORMING AMENDMENT.—Section 45C(b)(1)(D) is amended by striking “June 30, 2004” and inserting “December 31, 2005”.

(b) INCREASE IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(1) by striking “2.65 percent” and inserting “3 percent”.

(2) by striking “3.2 percent” and inserting “4 percent”.

(3) by striking “3.75 percent” and inserting “5 percent”.

(c) ALTERNATIVE SIMPLIFIED CREDIT FOR QUALIFIED RESEARCH EXPENSES.—

(1) IN GENERAL.—Subsection (c) of section 41 (relating to base amount) is amended by redesignating paragraphs (5) and (6) as paragraphs (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

“(5) ELECTION OF ALTERNATIVE SIMPLIFIED CREDIT.—

“(A) IN GENERAL.—At the election of the taxpayer, the credit determined under subsection (a)(1) shall be equal to 12 percent of so much of the qualified research expenses for the taxable year as exceeds 50 percent of the average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined.

“(B) SPECIAL RULE IN CASE OF NO QUALIFIED RESEARCH EXPENSES IN ANY OF 3 PRECEDING TAXABLE YEARS.—

“(i) TAXPAYERS TO WHICH SUBPARAGRAPH APPLIES.—The credit under this paragraph shall be determined under this subparagraph if the taxpayer has no qualified research expenses in any 1 of the 3 taxable years preceding the taxable year for which the credit is being determined.

“(ii) CREDIT RATE.—The credit determined under this subparagraph shall be equal to 6 percent of the qualified research expenses for the taxable year.

“(C) ELECTION.—An election under this paragraph shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary. An election under this paragraph may not be made for any taxable year to which an election under paragraph (4) applies.”

(2) COORDINATION WITH ELECTION OF ALTERNATIVE INCREMENTAL CREDIT.—

(A) IN GENERAL.—Section 41(c)(4)(B) (relating to election) is amended by adding at the end the following: “An election under this paragraph may not be made for any taxable year to which an election under paragraph (5) applies.”

(B) TRANSITION RULE.—In the case of an election under section 41(c)(4) of the Internal Revenue Code of 1986 which applies to the taxable year which includes the date of the enactment of this Act, such election shall be treated as revoked with the consent of the Secretary of the Treasury if the taxpayer makes an election under section 41(c)(5) of such Code (as added by paragraph (1)) for such year.

(f) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to amounts paid or incurred after the date of the enactment of this Act.

(2) SUBSECTIONS (b) AND (c).—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2004.

SA 2648. Ms. CANTWELL submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**TITLE _____—UNEMPLOYMENT
COMPENSATION**

SEC. ____01. EXTENSION OF THE TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 2002.

(a) IN GENERAL.—Section 208 of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107-147; 116 Stat. 30), as amended by Public Law 108-1 (117 Stat. 3) and the Unemployment Compensation Amendments of 2003 (Public Law 108-26; 117 Stat. 751), is amended—

(1) in subsection (a)(2), by striking “December 31, 2003” and inserting “June 30, 2004”;

(2) in subsection (b)(1), by striking “December 31, 2003” and inserting “June 30, 2004”;

(3) in subsection (b)(2)—

(A) in the heading, by striking “DECEMBER 31, 2003” and inserting “JUNE 30, 2004”; and

(B) by striking “December 31, 2003” and inserting “June 30, 2004”; and

(4) in subsection (b)(3), by striking “March 31, 2004” and inserting “September 30, 2004”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107-147; 116 Stat. 21).

SEC. ____02. ADDITIONAL REVISION TO CURRENT TEUC-X TRIGGER.

(a) IN GENERAL.—Section 203(c)(2)(B) of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107-147; 116 Stat. 30) is amended to read as follows:

“(B) such a period would then be in effect for such State under such Act if—

“(i) section 203(d) of such Act were applied as if it had been amended by striking ‘5’ each place it appears and inserting ‘4’; and

“(ii) with respect to weeks of unemployment beginning after December 27, 2003—

“(I) paragraph (1)(A) of such section 203(d) did not apply; and

“(II) clause (ii) of section 203(f)(1)(A) of such Act did not apply.”.

(b) APPLICATION.—Section 203(c)(2)(B)(ii) of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107-147; 116 Stat. 30), as added by subsection (a), shall apply with respect to payments for weeks of unemployment beginning on or after the date of enactment of this Act.

SEC. ____03. TEMPORARY STATE AUTHORITY TO WAIVE APPLICATION OF LOOKBACKS UNDER THE FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1970.

For purposes of conforming with the provisions of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), a State may, during the period beginning on the date of enactment of this Act and ending on June 30, 2004, waive the application of either subsection (d)(1)(A) of section 203 of such Act or subsection (f)(1)(A)(ii) of such section, or both.

SA 2649. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end of the bill, add the following:

TITLE V—MISCELLANEOUS PROVISIONS
SEC. 501. APPLICATION OF COUNTERVAILING DUTY LAWS TO NONMARKET ECONOMIES.

(a) IN GENERAL.—Section 701(a)(1) of the Tariff Act of 1930 (19 U.S.C. 1671(a)(1)) is

amended by inserting “(including a non-market economy country)” after “country” each place it appears.

(b) DEFINITIONS.—Section 771(5)(C) of the Tariff Act of 1930 (19 U.S.C. 1677(5)(C)) is amended—

(1) by striking “owned and” and inserting “owned.”; and

(2) by striking “merchandise.” and inserting “merchandise, and without regard to whether the country is a nonmarket economy country.”.

(c) EFFECTIVE DATE.—The amendments made by this section apply to petitions filed under section 702 of the Tariff Act of 1930 on or after the date of the enactment of this Act.

SA 2650. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

TITLE _____—IMPROVEMENT OF CREDIT FOR HEALTH INSURANCE COSTS OF ELIGIBLE INDIVIDUALS

SEC. ____01. IMPROVEMENT OF THE AFFORDABILITY OF THE CREDIT.

(a) IN GENERAL.—Section 35(a) of the Internal Revenue Code of 1986 (relating to credit for health insurance costs of eligible individuals) is amended by striking “65” and inserting “75”.

(b) CONFORMING AMENDMENT.—Section 7527(b) of such Code (relating to advance payment of credit for health insurance costs of eligible individuals) is amended by striking “65” and inserting “75”.

(c) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2004.

SEC. ____02. ELIGIBILITY OF SPOUSE OF CERTAIN INDIVIDUALS ENTITLED TO MEDICARE.

(a) IN GENERAL.—Subsection (b) of section 35 of the Internal Revenue Code of 1986 (defining eligible coverage month) is amended by adding at the end the following:

“(3) SPECIAL RULE FOR SPOUSE OF INDIVIDUAL ENTITLED TO MEDICARE.—Any month which would be an eligible coverage month with respect to a taxpayer (determined without regard to subsection (f)(2)(A)) shall be an eligible coverage month for any spouse of such taxpayer.”.

(b) CONFORMING AMENDMENT.—Section 173(f)(5)(A)(i) of the Workforce Investment Act of 1998 (29 U.S.C. 2918(f)(5)(A)(i)) is amended by inserting “(including with respect to any month for which the eligible individual would have been treated as such but for the application of paragraph (7)(B)(i))” before the comma.

(c) EFFECTIVE DATE.—The amendments made by this section take effect on the date of enactment of this Act.

SEC. ____03. CLARIFICATION OF 3-MONTH REQUIREMENT OF EXISTING COVERAGE.

(a) IN GENERAL.—Clause (i) of section 35(e)(2)(B) of the Internal Revenue Code of 1986 (defining qualifying individual) is amended by inserting “(prior to the employment separation necessary to attain the status of an eligible individual)” after “9801(c)”.

(b) CONFORMING AMENDMENT.—Section 173(f)(2)(B)(ii)(I) of the Workforce Investment

Act of 1998 (29 U.S.C. 2918(f)(2)(B)(ii)(I)) is amended by inserting “(prior to the employment separation necessary to attain the status of an eligible individual)” after “1986”.

(c) EFFECTIVE DATE.—The amendments made by this section take effect on the date of enactment of this Act.

SEC. ____04. DECREASE IN PGBC PENSION RECIPIENT AGE ELIGIBILITY REQUIREMENT.

(a) IN GENERAL.—Subparagraph (A) of section 35(c)(4) of the Internal Revenue Code of 1986 (defining eligible PBGC pension recipient) is amended by striking “age 55” and inserting “age 50”.

(b) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2004.

SA 2651. Mr. BINGAMAN (for himself and Mr. DOMENICI) proposed an amendment to SA 2647 proposed by Mr. HATCH (for himself, Mrs. MURRAY, Mr. BAUCUS, Ms. CANTWELL, Mr. SMITH, Mr. BUNNING, and Mr. GRASSLEY) to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; as follows:

At the end of the amendment add the following:

SEC. ____EXPANSION OF RESEARCH CREDIT.

(a) CREDIT FOR EXPENSES ATTRIBUTABLE TO CERTAIN COLLABORATIVE RESEARCH CONSORTIA.—

(1) IN GENERAL.—Section 41(a) (relating to credit for increasing research activities) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) 20 percent of the amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the taxable year (including as contributions) to a research consortium.”.

(2) RESEARCH CONSORTIUM DEFINED.—Section 41(f) (relating to special rules) is amended by adding at the end the following new paragraph:

“(6) RESEARCH CONSORTIUM.—

“(A) IN GENERAL.—The term ‘research consortium’ means any organization—

“(i) which is—

“(I) described in section 501(c)(3) and is exempt from tax under section 501(a) and is organized and operated primarily to conduct energy research, or

“(II) organized and operated primarily to conduct research in the public interest (within the meaning of section 501(c)(3)),

“(ii) which is not a private foundation,

“(iii) to which at least 5 unrelated persons paid or incurred during the calendar year in which the taxable year of the organization begins amounts (including as contributions) to such organization for research, and

“(iv) to which no single person paid or incurred (including as contributions) during such calendar year an amount equal to more than 50 percent of the total amounts received by such organization during such calendar year for research.

“(B) TREATMENT OF PERSONS.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as related persons for purposes of subparagraph (A)(iii) and as a single person for purposes of subparagraph (A)(iv).”.

(3) CONFORMING AMENDMENT.—Section 41(b)(3)(C) is amended by inserting “(other

than a research consortium)" after "organization".

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—Section 41(b)(3) (relating to contract research expenses) is amended by adding at the end the following new subparagraph:

"(D) AMOUNTS PAID TO ELIGIBLE SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

"(i) IN GENERAL.—In the case of amounts paid by the taxpayer to—

"(I) an eligible small business,

"(II) an institution of higher education (as defined in section 3304(f)), or

"(III) an organization which is a Federal laboratory,

for qualified research which is energy research, subparagraph (A) shall be applied by substituting '100 percent' for '65 percent'.

"(ii) ELIGIBLE SMALL BUSINESS.—For purposes of this subparagraph, the term 'eligible small business' means a small business with respect to which the taxpayer does not own (within the meaning of section 318) 50 percent or more of—

"(I) in the case of a corporation, the outstanding stock of the corporation (either by vote or value), and

"(II) in the case of a small business which is not a corporation, the capital and profits interests of the small business.

"(iii) SMALL BUSINESS.—For purposes of this subparagraph—

"(I) IN GENERAL.—The term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, a preceding calendar year may be taken into account only if the person was in existence throughout the year.

"(II) STARTUPS, CONTROLLED GROUPS, AND PREDECESSORS.—Rules similar to the rules of subparagraphs (B) and (D) of section 220(c)(4) shall apply for purposes of this clause.

"(iv) FEDERAL LABORATORY.—For purposes of this subparagraph, the term 'Federal laboratory' has the meaning given such term by section 4(6) of the Stevenson-Wylder Technology Innovation Act of 1980 (15 U.S.C. 3703(6)), as in effect on the date of the enactment of the Energy Tax Incentives Act of 2003."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2004.

SA 2652. Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . MODIFICATION OF DEPRECIATION ALLOWANCE FOR AIRCRAFT.

(a) AIRCRAFT TREATED AS QUALIFIED PROPERTY.—

(1) IN GENERAL.—Paragraph (2) of section 168(k) is amended by redesignating subparagraphs (C) through (F) as subparagraphs (D) through (G), respectively, and by inserting after subparagraph (B) the following new subparagraph:

"(C) CERTAIN AIRCRAFT.—

"(i) IN GENERAL.—The term 'qualified property' includes property—

"(I) which meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A),

"(II) which is an aircraft,

"(III) which is purchased and on which such purchaser, at the time of the contract for purchase, has made a nonrefundable deposit of the lesser of 10 percent of the cost or \$100,000, and

"(III) which meets the requirements of clause (ii).

"(ii) PRODUCTION PERIOD AND COST.—The requirements of this clause are met if the property would be subject to section 263A by reason of clause (iii) of subsection (f)(1)(B) thereof if such clause were applied—

"(I) by substituting '6 months' for '1 year', and

"(II) by substituting '\$250,000' for '\$1,000,000'."

(2) PLACED IN SERVICE DATE.—Clause (iv) of section 168(k)(2)(A) is amended by striking "subparagraph (B)" and inserting "subparagraphs (B) and (C)".

(b) CONFORMING AMENDMENTS.—

(1) Section 168(k)(2)(B)(iii) is amended by inserting at the end the following: "Such term shall not include aircraft."

(2) Section 168(k)(4)(A)(ii) is amended by striking "paragraph (2)(C)" and inserting "paragraph (2)(D)".

(3) Section 168(k)(4)(B)(iii) is amended by inserting "and paragraph (2)(C)" after "of this paragraph".

(4) Section 168(k)(4)(C) is amended by striking "subparagraphs (B) and (D)" and inserting "subparagraphs (B), (C), and (E)".

(5) Section 168(k)(4)(D) is amended by striking "Paragraph (2)(E)" and inserting "Paragraph (2)(F)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SA 2653. Mr. REID submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end of the amendment add the following:

SEC. ____ . CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES TO INCLUDE GEOTHERMAL AND SOLAR ENERGY FACILITIES.

(a) IN GENERAL.—Section 45(c)(1) (defining qualified energy resources) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting a comma, and by adding at the end the following new subparagraphs:

"(D) geothermal energy, and

"(E) solar energy."

(b) FACILITIES DESCRIBED.—Section 45(c)(3) (defining qualified facility) is amended by adding at the end the following new subparagraph:

"(D) GEOTHERMAL ENERGY OR SOLAR ENERGY FACILITY.—In the case of a facility using geothermal energy or solar energy to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after the date of the enactment of this subparagraph, and before January 1, 2006."

(c) GEOTHERMAL ENERGY DEFINED.—Section 45(c) (relating to definitions) is amended by adding at the end the following new paragraph:

"(5) GEOTHERMAL ENERGY.—The term 'geothermal energy' means energy derived from a geothermal deposit (within the meaning of section 613(e)(2))."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced and sold after the date of the enactment of this Act, in taxable years ending after such date.

SA 2654. Mr. WARNER submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . PERMANENT DEDUCTION FOR CERTAIN EXPENSES OF SCHOOL TEACHERS.

(a) IN GENERAL.—Section 62(a)(2)(D) (relating to certain expenses of elementary and secondary school teachers) is amended by striking "In the case of taxable years beginning during 2002 or 2003, the deductions" and inserting "The deductions".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenses paid or incurred after December 31, 2003.

SA 2655. Mr. BUNNING submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. ____ . REDUCTION OF HOLDING PERIOD TO 12 MONTHS FOR PURPOSES OF DETERMINING WHETHER HORSES ARE SECTION 1231 ASSETS.

(a) IN GENERAL.—Subparagraph (A) of section 1231(b)(3) (relating to definition of property used in the trade or business) is amended by striking "and horses".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2003.

SA 2656. Mr. BUNNING (for himself and Mr. BOND) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. ____ . INCOME TAX CREDIT FOR DISTILLED SPIRITS WHOLESALERS AND FOR DISTILLED SPIRITS IN CONTROL STATE BAILMENT WAREHOUSES FOR COSTS OF CARRYING FEDERAL EXCISE TAXES ON BOTTLED DISTILLED SPIRITS.

(a) IN GENERAL.—Subpart A of part I of subchapter A of chapter 51 (relating to gallonage and occupational taxes) is amended by adding at the end the following new section:

“SEC. 5011. INCOME TAX CREDIT FOR AVERAGE COST OF CARRYING EXCISE TAX.

“(a) IN GENERAL.—For purposes of section 38, the amount of the distilled spirits credit for any taxable year is the amount equal to the product of—

“(1) in the case of—

“(A) any eligible wholesaler—

“(i) the number of cases of bottled distilled spirits—

“(I) which were bottled in the United States, and

“(II) which are purchased by such wholesaler during the taxable year directly from the bottler of such spirits, or

“(B) any person which is subject to section 5005 and which is not an eligible wholesaler, the number of cases of bottled distilled spirits which are stored in a warehouse operated by, or on behalf of, a State, or agency or political subdivision thereof, on which title has not passed on an unconditional sale basis, and

“(2) the average tax-financing cost per case for the most recent calendar year ending before the beginning of such taxable year.

“(b) ELIGIBLE WHOLESALER.—For purposes of this section, the term ‘eligible wholesaler’ means any person which holds a permit under the Federal Alcohol Administration Act as a wholesaler of distilled spirits which is not a State, or agency or political subdivision thereof.

“(c) AVERAGE TAX-FINANCING COST.—

“(1) IN GENERAL.—For purposes of this section, the average tax-financing cost per case for any calendar year is the amount of interest which would accrue at the deemed financing rate during a 60-day period on an amount equal to the deemed Federal excise tax per case.

“(2) DEEMED FINANCING RATE.—For purposes of paragraph (1), the deemed financing rate for any calendar year is the average of the corporate overpayment rates under paragraph (1) of section 6621(a) (determined without regard to the last sentence of such paragraph) for calendar quarters of such year.

“(3) DEEMED FEDERAL EXCISE TAX PER CASE.—For purposes of paragraph (1), the deemed Federal excise tax per case is \$25.68.

“(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) CASE.—The term ‘case’ means 12 80-proof 750 milliliter bottles.

“(2) NUMBER OF CASES IN LOT.—The number of cases in any lot of distilled spirits shall be determined by dividing the number of liters in such lot by 9.”

(b) CREDIT TREATED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit), as amended by section 5103 of this Act, is amended by striking “plus” at the end of paragraph (15), by striking the period at the end of paragraph (16) and inserting “, plus”, and by adding at the end the following new paragraph:

“(17) the distilled spirits credit determined under section 5011(a).”

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d), as amended by section 5103 of this Act, is amended by adding at the end the following new paragraph:

“(12) NO CARRYBACK OF SECTION 5011 CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year

which is attributable to the credit determined under section 5011(a) may be carried back to a taxable year beginning before the date of the enactment of section 5011.”

(2) The table of sections for subpart A of part I of subchapter A of chapter 51 is amended by adding at the end the following new item:

“Sec. 5011. Income tax credit for average cost of carrying excise tax.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SA 2657. Mr. BUNNING (for himself, Mr. GRAHAM of Florida, and Mr. NELSON of Florida) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . TREATMENT OF CREDIT FOR PRODUCING FUEL FROM A NONCONVENTIONAL SOURCE AS BUSINESS CREDIT.

(a) IN GENERAL.—

(1) CREDIT MOVED TO SUBPART RELATING TO BUSINESS RELATED CREDITS.—The Internal Revenue Code of 1986 is amended by redesignating section 29 as section 45G and by moving section 45G (as so redesignated) from subpart B of part IV of subchapter A of chapter 1 to the end of subpart D of part IV of subchapter A of chapter 1.

(2) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following:

“(16) the nonconventional source production credit determined under section 45G(a).”

(3) CONFORMING AMENDMENTS.—

(A) Section 30(b)(3)(A) is amended by striking “sections 27 and 29” and inserting “section 27”.

(B) Sections 43(b)(2) and 613A(c)(6)(C) are each amended by striking “section 29(d)(2)(C)” and inserting “section 45G(d)(2)(C)”.

(C) Section 45G(a), as redesignated by paragraph (1), is amended by striking “At the election of the taxpayer, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year” and inserting “For purposes of section 38, if the taxpayer elects to have this section apply, the nonconventional source production credit determined under this section for the taxable year is”.

(D) Section 45G(b), as so redesignated, is amended by striking paragraph (6).

(E) Section 53(d)(1)(B)(iii) is amended by striking “under section 29” and all that follows through “or not allowed”.

(F) Section 55(c)(2) is amended by striking “29(b)(6).”

(G) Subsection (a) of section 772 is amended by inserting “and” at the end of paragraph (9), by striking paragraph (10), and by redesignating paragraph (11) as paragraph (10).

(H) Paragraph (5) of section 772(d) is amended by striking “the foreign tax credit, and the credit allowable under section 29” and inserting “and the foreign tax credit”.

(I) The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 29.

(J) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45F the following new item:

“Sec. 45G. Credit for producing fuel from a nonconventional source.”

(b) DETERMINATIONS UNDER NATURAL GAS POLICY ACT OF 1978.—Subparagraph (A) of section 45G(c)(2), as redesignated by subsection (a)(1), is amended—

(1) by inserting “by the Secretary, after consultation with the Federal Energy Regulatory Commission,” after “shall be made”, and

(2) by inserting “(as in effect before the repeal of such section)” after “1978”.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to fuel produced and sold after December 31, 2003, in taxable years ending after such date.

(2) DETERMINATIONS UNDER NATURAL GAS POLICY ACT OF 1978.—The amendments made by subsection (b) shall apply as if included in the provisions repealing section 503 of the Natural Gas Policy Act of 1978.

SA 2658. Mr. BUNNING submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR NURSING HOMES FROM FEDERAL GUARANTEE PROHIBITIONS.

(a) IN GENERAL.—For purposes of section 149(b)(1) of the Internal Revenue Code of 1986, any qualified 501(c)(3) bond (as defined in section 145 of such Code) shall not be treated as federally guaranteed solely because such bond is part of an issue supported by a letter of credit, if such bond—

(1) is issued after December 31, 2003, and before the date which is 1 year after the date of the enactment of this Act, and

(2) is part of an issue 95 percent or more of the net proceeds of which are to be used to finance 1 or more of the following facilities primarily for the benefit of the elderly:

(A) Licensed nursing home facility.

(B) Licensed or certified assisted living facility.

(C) Licensed personal care facility.

(D) Continuing care retirement community.

(b) LIMITATION ON ISSUER.—Subsection (a) shall not apply to any bond described in such subsection if the aggregate authorized face amount of the issue of which such bond is a part, when increased by the outstanding amount of such bonds issued by the issuer during the period described in subsection (a)(1) exceeds \$15,000,000.

(c) LIMITATION ON BENEFICIARY.—Rules similar to the rules of section 144(a)(10) of the Internal Revenue Code of 1986 shall apply for purposes of this section, except that—

(1) “\$15,000,000” shall be substituted for “\$40,000,000” in subparagraph (A) thereof, and

(2) such rules shall be applied—

(A) only with respect to bonds described in this section, and

(B) with respect to the aggregate authorized face amount of all issues of such bonds which are allocable to the beneficiary.

(d) CONTINUING CARE RETIREMENT COMMUNITY.—For purposes of this section, the term “continuing care retirement community” means a community which provides, on the same campus, a consortium of residential living options and support services to persons at least 60 years of age under a written agreement. For purposes of the preceding sentence, the residential living options shall include independent living units, nursing home beds, and either assisted living units or personal care beds.

SA 2659. Mr. BUNNING (for himself and Mr. SCHUMER) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. ____ . EXPANSION OF DESIGNATED RENEWAL COMMUNITY AREA BASED ON 2000 CENSUS DATA.

(a) RENEWAL COMMUNITIES.—Section 1400E (relating to designation of renewal communities) is amended by adding at the end the following new subsection:

“(g) EXPANSION OF DESIGNATED AREAS.—

“(1) EXPANSION BASED ON 2000 CENSUS.—At the request of the nominating entity with respect to a renewal community, the Secretary of Housing and Urban Development may expand the area of a renewal community to include any census tract—

“(A) which, at the time such community was nominated, met the requirements of this section for inclusion in such community but for the failure of such tract to meet 1 or more of the population and poverty rate requirements of this section using 1990 census data, and

“(B) which meets all failed population and poverty rate requirements of this section using 2000 census data.

“(2) EXPANSION TO CERTAIN AREAS WHICH DO NOT MEET POPULATION REQUIREMENTS.—

“(A) IN GENERAL.—At the request of 1 or more local governments and the State or States in which an area described in subparagraph (B) is located, the Secretary of Housing and Urban Development may expand a designated area to include such area.

“(B) AREA.—An area is described in this subparagraph if—

“(i) the area is adjacent to at least 1 other area designated as a renewal community,

“(ii) the area has a population less than the population required under subsection (c)(2)(C), and

“(iii) (I) the area meets the requirements of subparagraphs (A) and (B) of subsection (c)(2) and subparagraph (A) of subsection (c)(3), or (II) the area contains a population of less than 100 people.

“(3) APPLICABILITY.—Any expansion of a renewal community under this section shall take effect as provided in subsection (b).”.

(b) EFFECTIVE DATE.—The amendment made by this subsection shall take effect as if included in the amendments made by section 101 of the Community Renewal Tax Relief Act of 2000.

SEC. ____ . RENEWAL COMMUNITY EMPLOYERS MAY QUALIFY FOR EMPLOYMENT CREDIT BY EMPLOYING RESIDENTS OF CERTAIN OTHER RENEWAL COMMUNITIES.

(a) IN GENERAL.—Section 1400H(b)(2) (relating to modification) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) subsection (d)(1)(B) thereof shall be applied by substituting ‘such renewal community, an adjacent renewal community within the same State as such renewal community, or a renewal community within such State which is within 5 miles of any border of such renewal community’ for ‘such empowerment zone’.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the amendment made by section 101(a) of the Community Renewal Tax Relief Act of 2000.

SA 2660. Mr. DODD (for himself, Mr. COLEMAN, Mr. KENNEDY, Mr. CORZINE, Ms. MIKULSKI, and Mr. FEINGOLD) proposed an amendment to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; as follows:

At the end of the bill, add the following:

TITLE V—PROTECTION OF UNITED STATES WORKERS FROM COMPETITION OF FOREIGN WORKFORCES

SEC. 501. LIMITATIONS ON OFF-SHORE PERFORMANCE OF CONTRACTS.

(a) LIMITATIONS.—

(1) IN GENERAL.—The Office of Federal Procurement Policy Act (41 U.S.C. 403 et seq.) is amended by adding at the end the following new section:

“SEC. 42. LIMITATIONS ON OFF-SHORE PERFORMANCE OF CONTRACTS.

“(a) CONVERSIONS TO CONTRACTOR PERFORMANCE OF FEDERAL ACTIVITIES.—An activity or function of an executive agency that is converted to contractor performance under Office of Management and Budget Circular A-76 may not be performed by the contractor or any subcontractor at a location outside the United States except to the extent that such activity or function was previously performed by Federal Government employees outside the United States.

“(b) OTHER FEDERAL CONTRACTS.—(1) A contract that is entered into by the head of an executive agency may not be performed outside the United States except to meet a requirement of the executive agency for the contract to be performed specifically at a location outside the United States.

“(2) The prohibition in paragraph (1) does not apply in the case of a contract of an executive agency if—

“(A) the President determines in writing that it is necessary in the national security interests of the United States for the contract to be performed outside the United States; or

“(B) the head of such executive agency makes a determination and reports such determination on a timely basis to the Director of the Office of Management and Budget that—

“(i) the property or services needed by the executive agency are available only by means of performance of the contract outside the United States; and

“(ii) no property or services available by means of performance of the contract inside the United States would satisfy the executive agency’s need.

“(3) Paragraph (1) does not apply to the performance of a contract outside the United States under the exception provided in subsection (a).

“(c) STATE CONTRACTS.—(1) Except as provided in paragraph (2), funds appropriated for financial assistance for a State may not be disbursed to or for such State during a fiscal year unless the chief executive of that State has transmitted to the Administrator for Federal Procurement Policy, not later than April 1 of the preceding fiscal year, a written certification that none of such funds will be expended for the performance outside the United States of contracts entered into by such State.

“(2) The prohibition on disbursement of funds to or for a State under paragraph (1) does not apply with respect to the performance of a State contract outside the United States if—

“(A) the chief executive of such State—

“(i) determines that the property or services needed by the State are available only by means of performance of the contract outside the United States and no property or services available by means of performance of the contract inside the United States would satisfy the State’s need; and

“(ii) transmits a notification of such determination to the head of the executive agency of the United States that administers the authority under which such funds are disbursed to or for the State; and

“(B) the head of the executive agency receiving the notification of such determination—

“(i) confirms that the facts warrant the determination;

“(ii) approves the determination; and

“(iii) transmits a notification of the approval of the determination to the Director of the Office of Management and Budget.

“(3) In this subsection, the term ‘State’ means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands.

“(d) Subsection (b) and (c) shall not apply to procurement covered by the WTO Government Procurement Agreement.

“(e) RESPONSIBILITIES OF OMB.—The Director of the Office of Management and Budget shall—

“(1) maintain—

“(A) the waivers granted under subsection (b)(2), together with the determinations and certifications on which such waivers were based; and

“(B) the notifications received under subsection (c)(2)(B)(iii); and

“(2) submit to Congress promptly after the end of each quarter of each fiscal year a report that sets forth—

“(A) the waivers that were granted under subsection (b)(2) during such quarter; and

“(B) the notifications that were received under subsection (c)(2)(B)(iii) during such quarter.

“(f) ANNUAL GAO REVIEW.—The Comptroller General shall—

“(1) review, each fiscal year, the waivers granted during such fiscal year under subsection (b)(2) and the disbursements of funds authorized pursuant to the exception in subsection (c)(2); and

“(2) promptly after the end of such fiscal year, transmit to Congress a report containing a list of the contracts covered by such waivers and exception together with a brief description of the performance of each such contract outside the United States.”.

(2) CLERICAL AMENDMENT.—The table of sections in section 1(b) of such Act is amended by adding at the end the following new item:

“Sec. 42. Limitations on off-shore performance of contracts.”.

(b) INAPPLICABILITY TO STATES DURING FIRST TWO FISCAL YEARS.—Section 42(c) of the Office of Federal Procurement Policy Act (as added by subsection (a)) shall not apply to disbursements of funds to a State during the fiscal year in which this Act is enacted and the next fiscal year.

SEC. 502. REPEAL OF SUPERSEDED LAW.

Section 647 of the Transportation, Treasury, and Independent Agencies Appropriations Act, 2004 (division F of Public Law 108-199) is amended by striking subsection (e).

SEC. 503. EFFECTIVE DATE AND APPLICABILITY.

This title and the amendments made by this title shall take effect 30 days after the date of the enactment of this Act and, subject to subsection (b) of section 501, shall apply with respect to new contracts entered into on or after such date.

SA 2661. Mr. BAYH submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 89, between lines 2 and 3 of Amendment No. 2645, as agreed to, insert the following:

(e) DISCLOSURE OF CORPORATE EXPATRIATION TRANSACTIONS.—

(1) IN GENERAL.—Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n) is amended by adding at the end the following new subsection:

“(i) PROXY SOLICITATIONS IN CONNECTION WITH CORPORATE EXPATRIATION TRANSACTIONS.—

“(1) DISCLOSURE TO SHAREHOLDERS OF EFFECTS OF CORPORATE EXPATRIATION TRANSACTION.—The Commission shall, by rule, require that each domestic issuer shall prominently disclose, not later than 5 business days before any shareholder vote relating to a corporate expatriation transaction, as a separate and distinct document accompanying each proxy statement relating to the transaction—

“(A) the number of employees of the domestic issuer that would be located in the new foreign jurisdiction of incorporation or organization of that issuer upon completion of the corporate expatriation transaction;

“(B) how the rights of holders of the securities of the domestic issuer would be impacted by a completed corporate expatriation transaction, and any differences in such rights before and after a completed corporate expatriation transaction; and

“(C) that, as a result of a completed corporate expatriation transaction, any taxable holder of the securities of the domestic issuer shall be subject to the taxation of any capital gains realized with respect to such securities, and the amount of any such capital gains tax that would apply as a result of the transaction.

“(2) DEFINITIONS.—In this subsection, the following definitions shall apply:

“(A) CORPORATE EXPATRIATION TRANSACTION.—The term ‘corporate expatriation transaction’ means any transaction, or series of related transactions, in which an enti-

ty organized under the laws of a foreign country acquires, directly or indirectly, substantially all of the voting securities in, or substantially all of the assets of, a domestic issuer, and—

“(i) immediately after completion of the transaction, more than 80 percent of the securities (by vote or value) of the acquiring foreign entity will be held by persons that were security holders of the domestic issuer immediately prior to the transaction; or

“(ii) immediately after completion of the transaction, more than 50 percent of the securities (by vote or value) of the acquiring foreign entity will be held by persons that were security holders of the domestic issuer immediately prior to the transaction, and—

“(1) such foreign entity will not have substantial business activities in the foreign country in which it is organized; and

“(II) the securities of the foreign entity will be publicly traded, and the principal market for the public trading of such securities will be in the United States.

“(B) DOMESTIC ISSUER.—The term ‘domestic issuer’ means an issuer created or organized in the United States or under the law of the United States or of any State.”.

(2) EFFECTIVE DATE.—Section 14(i) of the Securities Exchange Act of 1934 (as added by this subsection) shall apply with respect to corporate expatriation transactions (as defined in that section 14(i)) proposed on and after the date of enactment of this Act.

SA 2662. Mr. AKAKA submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end add the following:

SEC. ____ . TERMINATION OF THE DEBT INDICATOR PROGRAM.

The Secretary of the Treasury shall terminate the Debt Indicator program announced in Internal Revenue Service Notice 99-58.

SA 2663. Ms. CANTWELL (for herself, Mr. THOMAS, Mr. DURBIN, and Mr. LEAHY) submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . EXCLUSION FOR PAYMENTS TO INDIVIDUALS UNDER NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENT PROGRAM AND CERTAIN STATE LOAN REPAYMENT PROGRAMS.

(a) IN GENERAL.—Section 108(f) of the Internal Revenue Code of 1986 (relating to student loans) is amended by adding at the end the following new paragraph:

“(4) PAYMENTS UNDER NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENT PROGRAM AND CERTAIN STATE LOAN REPAYMENT PROGRAMS.—In the case of an individual, gross income shall not include any amount re-

ceived under section 338B(g) of the Public Health Service Act or under a State program described in section 338I of such Act.”.

(b) TREATMENT FOR PURPOSES OF EMPLOYMENT TAXES.—Each of the following provisions of the Internal Revenue Code of 1986 is amended by inserting “108(f)(4),” after “74(c).”:

(1) Section 3121(a)(20).

(2) Section 3231(e)(5).

(3) Section 3306(b)(16).

(4) Section 3401(a)(19).

(5) Section 209(a)(17) of the Social Security Act.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received by an individual in taxable years beginning after December 31, 2003.

SA 2664. Ms. LANDRIEU (for herself and Ms. CANTWELL) submitted an amendment intended to be proposed by her to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, add the following:

SEC. ____ . READY RESERVE-NATIONAL GUARD EMPLOYEE CREDIT ADDED TO GENERAL BUSINESS CREDIT.

(a) READY RESERVE-NATIONAL GUARD CREDIT.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following:

“SEC. 45G. READY RESERVE-NATIONAL GUARD EMPLOYEE CREDIT.

“(a) GENERAL RULE.—For purposes of section 38, the Ready Reserve-National Guard employee credit determined under this section for any taxable year is an amount equal to 50 percent of the actual compensation amount for such taxable year.

“(b) DEFINITION OF ACTUAL COMPENSATION AMOUNT.—For purposes of this section, the term ‘actual compensation amount’ means the amount of compensation paid or incurred by an employer with respect to a Ready Reserve-National Guard employee on any day when the employee was absent from employment for the purpose of performing qualified active duty.

“(c) LIMITATIONS.—

“(1) MAXIMUM PERIOD FOR CREDIT PER EMPLOYEE.—The maximum period with respect to which the credit may be allowed with respect to any Ready Reserve-National Guard employee shall not exceed the 12-month period beginning on the first day such credit is so allowed with respect to such employee.

“(2) DAYS OTHER THAN WORK DAYS.—No credit shall be allowed with respect to a Ready Reserve-National Guard employee who performs qualified active duty on any day on which the employee was not scheduled to work (for reason other than to participate in qualified active duty).

“(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) QUALIFIED ACTIVE DUTY.—The term ‘qualified active duty’ means—

“(A) active duty, other than the training duty specified in section 10147 of title 10, United States Code (relating to training requirements for the Ready Reserve), or section 502(a) of title 32, United States Code (relating to required drills and field exercises for the National Guard), in connection with which an employee is entitled to reemployment rights and other benefits or to a leave

of absence from employment under chapter 43 of title 38, United States Code, and

“(B) hospitalization incident to such duty.

“(2) COMPENSATION.—The term ‘compensation’ means any remuneration for employment, whether in cash or in kind, which is paid or incurred by a taxpayer and which is deductible from the taxpayer’s gross income under section 162(a)(1).

“(3) READY RESERVE-NATIONAL GUARD EMPLOYEE.—The term ‘Ready Reserve-National Guard employee’ means an employee who is a member of the Ready Reserve or of the National Guard.

“(4) NATIONAL GUARD.—The term ‘National Guard’ has the meaning given such term by section 101(c)(1) of title 10, United States Code.

“(5) READY RESERVE.—The term ‘Ready Reserve’ has the meaning given such term by section 10142 of title 10, United States Code.

“(6) CERTAIN RULES TO APPLY.—Rules similar to the rules of section 52 shall apply.”.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 (relating to general business credit) is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following:

“(16) the Ready Reserve-National Guard employee credit determined under section 45G(a).”.

(c) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45F the following:

“Sec. 45G. Ready Reserve-National Guard employee credit.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after October 6, 2001, in taxable years ending after such date.

SA 2665. Mr. LAUTENBERG submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

Beginning on page 85, strike line 22 and all that follows through page 86, line 23.

SA 2666. Mr. VOINOVICH submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end of the bill insert the following new title:

SECTION 1. SHORT TITLE.

This title may be cited as the “Fundamental Tax Reform” Commission Act of 2004”.

SEC. 2. ESTABLISHMENT OF COMMISSION.

(a) ESTABLISHMENT.—There is established the “Blue Ribbon Commission on Comprehensive Tax Reform” (in this Act referred to as the “Commission”).

(b) MEMBERSHIP.

(1) COMPOSITION.—The Commission shall be composed of 15 members of whom—

(A) 3 shall be appointed by the majority leader of the Senate;

(B) 2 shall be appointed by the minority leader of the Senate;

(C) 3 shall be appointed by the Speaker of the House of Representatives;

(D) 2 shall be appointed by the minority leader of the House of Representatives; and

(E) 5 shall be appointed by the President, of which—

(i) no more than 3 shall be of the same party as the President.

(2) FEDERAL EMPLOYEES.—The members of the Commission may be employees or former employees of the Federal Government.

(3) DATE.—The appointments of the members of the Commission shall be made not later than 45 days subsequent to enactment of this provision.

(c) PERIOD OF APPOINTMENT; VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(e) MEETINGS.—The Commission shall meet at the call of the Chairman.

(f) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(g) CHAIRMAN AND VICE CHAIRMAN.—The President shall select a Chairman and Vice Chairman from among its members.

SEC. 3. DUTIES OF THE COMMISSION.

(a) STUDY.—The Commission shall conduct a thorough study of all matters relating to a comprehensive reform of the Federal tax system, including the reform of the Internal Revenue Code of 1986 and the implementation (if appropriate) of other types of tax systems.

(b) RECOMMENDATIONS.—The Commission shall develop recommendations on how to comprehensively reform the Federal tax system in a manner which produces a fair, simple, honest code that generates appropriate revenue for the Federal Government.

(c) REPORT.—Not later than 18 months after the date on which all initial members of the Commission have been appointed pursuant to section 2(b), the Commission shall submit a report to the President and Congress which shall contain a detailed statement of the findings and conclusions of the Commission, together with its recommendations for such legislation and administrative actions as it considers appropriate.

SEC. 4. POWERS OF THE COMMISSION.

(a) HEARINGS.—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out this Act.

(b) INFORMATION FROM FEDERAL AGENCIES.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out this Act. Upon request of the Chairman of the Commission, the head of such department or agency shall furnish such information to the Commission.

(c) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(d) GIFTS.—The Commission may accept, use, and dispose of gifts or donations of services or property.

SEC. 5. COMMISSION PERSONNEL MATTERS.

(a) COMPENSATION OF MEMBERS.—Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) STAFF.—

(1) IN GENERAL.—The Chairman of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(2) COMPENSATION.—The Chairman of the Commission may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(d) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee, including employees of the Legislative Branch, may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairman of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

SEC. 6. TERMINATION OF THE COMMISSION.

The Commission shall terminate 90 days after the date on which the Commission submits its reports under section 3.

SEC. 7. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as are necessary to the Commission to carry out this Act.

SA 2667. Mr. SMITH (for himself, Mr. LAUTENBERG, and Ms. MURKOWSKI) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. 501. INCOME AVERAGING FOR FARMERS AND FISHERMEN NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

“(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Solely for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.”.

(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) IN GENERAL.—Section 1301(a) is amended by striking “farming business” and inserting “farming business or fishing business”.

(2) DEFINITION OF ELECTED FARM INCOME.—

(A) IN GENERAL.—Clause (i) of section 1301(b)(1)(A) is amended by inserting “or fishing business” before the semicolon.

(B) CONFORMING AMENDMENT.—Subparagraph (B) of section 1301(b)(1) is amended by inserting “or fishing business” after “farming business” both places it occurs.

(3) DEFINITION OF FISHING BUSINESS.—Section 1301(b) is amended by adding at the end the following new paragraph:

“(4) FISHING BUSINESS.—The term ‘fishing business’ means the conduct of commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SA 2668. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and produc-

tion activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the end of the bill, add the following:

TITLE V—MISCELLANEOUS PROVISIONS

SEC. 501. CERTAIN STEAM GENERATORS OR OTHER GENERATING BOILERS USED IN NUCLEAR FACILITIES AND CERTAIN REACTOR VESSEL HEADS USED IN SUCH FACILITIES.

(a) IN GENERAL.—

(1) Subheading 9902.84.02 of the Harmonized Tariff Schedule of the United States is amended by striking “12/31/2006” and inserting “12/31/2012”.

(2) Subchapter II of chapter 99 of the Harmonized Tariff Schedule of the United States is amended by inserting in numerical sequence the following new heading:

9902.84.03	Reactor vessel heads for nuclear reactors (provided for in subheading 8401.40.00)	Free	No change	No change	On or before 12/31/2012
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(b) EFFECTIVE DATE.—The amendments made by subsection (a)(2) shall apply to goods entered, or withdrawn from warehouse, for consumption on or after January 1, 2005.

SA 2669. Mr. HOLLINGS submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 71, beginning with line 12, strike through line 23 on page 146 and insert the following:

“(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction an amount equal to 9 percent of the qualified production activities income of the taxpayer for the taxable year.

“(b) DEDUCTION LIMITED TO WAGES PAID.—

(1) IN GENERAL.—The amount of the deduction allowable under subsection (a) for any taxable year shall not exceed 50 percent of the W-2 wages of the employer for the taxable year.

(2) W-2 WAGES.—For purposes of paragraph (1), the term ‘W-2 wages’ means the sum of the aggregate amounts the taxpayer is required to include on statements under paragraphs (3) and (8) of section 6051(a) with respect to employment of employees of the taxpayer during the taxpayer’s taxable year.

(3) SPECIAL RULES.—

(A) PASS-THRU ENTITIES.—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity, the limitation under this subsection shall apply at the entity level.

(B) ACQUISITIONS AND DISPOSITIONS.—

The Secretary shall provide for the application of this subsection in cases where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

(c) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section—

(1) IN GENERAL.—The term ‘qualified production activities income’ means an amount equal to the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities.

(2) REDUCTION FOR TAXABLE YEARS BEGINNING BEFORE 2013.—The amount otherwise determined under paragraph (1) (the ‘unreduced amount’) shall not exceed—

(A) in the case of taxable years beginning before 2010, the product of the unreduced amount and the domestic/worldwide fraction, and

(B) in the case of taxable years beginning in 2010, 2011, or 2012, an amount equal to the sum of—

(i) the product of the unreduced amount and the domestic/worldwide fraction, plus

(ii) the applicable percentage of an amount equal to the unreduced amount minus the amount determined under clause (i).

For purposes of subparagraph (B)(ii), the applicable percentage is 25 percent for 2010, 50 percent for 2011, and 75 percent for 2012.

(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

(A) the taxpayer’s domestic production gross receipts for such taxable year, reduced by

(B) the sum of—

(i) the costs of goods sold that are allocable to such receipts,

(ii) other deductions, expenses, or losses directly allocable to such receipts, and

(iii) a proper share of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

(2) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items of income, deduction, expense, and loss for purposes of determining income attributable to domestic production activities.

(3) SPECIAL RULES FOR DETERMINING COSTS.—

(A) IN GENERAL.—For purposes of determining costs under clause (1) of paragraph (1)(B), any item or service brought into the United States shall be treated as acquired by purchase, and its cost shall be treated as not less than its fair market value immediately after it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

(B) EXPORTS FOR FURTHER MANUFACTURE.—In the case of any property described

in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

(4) MODIFIED TAXABLE INCOME.—The term ‘modified taxable income’ means taxable income computed without regard to the deduction allowable under this section.

(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section—

(1) IN GENERAL.—The term ‘domestic production gross receipts’ means the gross receipts of the taxpayer which are derived from—

(A) any sale, exchange, or other disposition of, or

(B) any lease, rental, or license of, qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

(2) SPECIAL RULES FOR CERTAIN PROPERTY.—In the case of any qualifying production property described in subsection (f)(1)(C)—

(A) such property shall be treated for purposes of paragraph (1) as produced in significant part by the taxpayer within the United States if more than 50 percent of the aggregate development and production costs are incurred by the taxpayer within the United States, and

(B) if a taxpayer acquires such property before such property begins to generate substantial gross receipts, any development or production costs incurred before the acquisition shall be treated as incurred by the taxpayer for purposes of subparagraph (A) and paragraph (1).

(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualifying production property’ means—

(A) any tangible personal property,

(B) any computer software, and

(C) any property described in section 168(f) (3) or (4), including any underlying copyright or trademark.

(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term ‘qualifying production property’ shall not include—

(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

(B) oil or gas,

“(C) electricity,
 “(D) water supplied by pipeline to the consumer,
 “(E) utility services, or
 “(F) any film, tape, recording, book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.
 “(g) DOMESTIC/WORLDWIDE FRACTION.—For purposes of this section—
 “(1) IN GENERAL.—The term ‘domestic/worldwide fraction’ means a fraction (not greater than 1)—
 “(A) the numerator of which is the value of the domestic production of the taxpayer, and
 “(B) the denominator of which is the value of the worldwide production of the taxpayer.
 “(2) VALUE OF DOMESTIC PRODUCTION.—The value of domestic production is the excess (if any) of—
 “(A) the domestic production gross receipts, over
 “(B) the cost of purchased inputs allocable to such receipts that are deductible under this chapter for the taxable year.
 “(3) PURCHASED INPUTS.—
 “(A) IN GENERAL.—Purchased inputs are any of the following items acquired by purchase:
 “(i) Services (other than services of employees) used in manufacture, production, growth, or extraction activities.
 “(ii) Items consumed in connection with such activities.
 “(iii) Items incorporated as part of the property being manufactured, produced, grown, or extracted.
 “(B) SPECIAL RULE.—Rules similar to the rules of subsection (d)(3) shall apply for purposes of this subsection.
 “(4) VALUE OF WORLDWIDE PRODUCTION.—
 “(A) IN GENERAL.—The value of worldwide production shall be determined under the principles of paragraph (2), except that—
 “(i) worldwide production gross receipts shall be taken into account, and
 “(ii) paragraph (3)(B) shall not apply.
 “(B) WORLDWIDE PRODUCTION GROSS RECEIPTS.—The worldwide production gross receipts is the amount that would be determined under subsection (e) if such subsection were applied without any reference to the United States.
 “(h) DEFINITIONS AND SPECIAL RULES.—
 “(1) APPLICATION OF SECTION TO PASS-THRU ENTITIES.—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity—
 “(A) subject to the provisions of paragraph (2) and subsection (b)(3)(A), this section shall be applied at the shareholder, partner, or similar level, and
 “(B) the Secretary shall prescribe rules for the application of this section, including rules relating to—
 “(i) restrictions on the allocation of the deduction to taxpayers at the partner or similar level, and
 “(ii) additional reporting requirements.
 “(2) EXCLUSION FOR PATRONS OF AGRICULTURAL AND HORTICULTURAL COOPERATIVES.—
 “(A) IN GENERAL.—If any amount described in paragraph (1) or (3) of section 1385(a)—
 “(i) is received by a person from an organization to which part I of subchapter T applies which is engaged in the marketing of agricultural or horticultural products, and
 “(ii) is allocable to the portion of the qualified production activities income of the organization which is deductible under subsection (a) and designated as such by the organization in a written notice mailed to its patrons during the payment period described in section 1382(d),
 then such person shall be allowed an exclusion from gross income with respect to such amount. The taxable income of the organiza-

tion shall not be reduced under section 1382 by the portion of any such amount with respect to which an exclusion is allowable to a person by reason of this paragraph.
 “(B) SPECIAL RULES.—For purposes of applying subparagraph (A), in determining the qualified production activities income of the organization under this section—
 “(i) there shall not be taken into account in computing the organization’s modified taxable income any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions), and
 “(ii) the organization shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.
 “(3) SPECIAL RULE FOR AFFILIATED GROUPS.—
 “(A) IN GENERAL.—All members of an expanded affiliated group shall be treated as a single corporation for purposes of this section.
 “(B) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—
 “(i) by substituting ‘50 percent’ for ‘80 percent’ each place it appears, and
 “(ii) without regard to paragraphs (2) and (4) of section 1504(b).
 For purposes of determining the domestic/worldwide fraction under subsection (g), clause (ii) shall be applied by also disregarding paragraphs (3) and (8) of section 1504(b).
 “(4) COORDINATION WITH MINIMUM TAX.—The deduction under this section shall be allowed for purposes of the tax imposed by section 55, except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.
 “(5) ORDERING RULE.—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.
 “(6) TRADE OR BUSINESS REQUIREMENT.—This section shall be applied by only taking into account items which are attributable to the actual conduct of a trade or business.
 “(7) POSSESSIONS, ETC.—
 “(A) IN GENERAL.—For purposes of subsection (d) and (e), the term ‘United States’ includes the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands of the United States.
 “(B) SPECIAL RULES FOR APPLYING WAGE LIMITATION.—For purposes of applying the limitation under subsection (b) for any taxable year—
 “(i) the determination of W-2 wages of a taxpayer shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services performed in a jurisdiction described in subparagraph (A), and
 “(ii) in determining the amount of any credit allowable under section 30A or 936 for the taxable year, there shall not be taken into account any wages which are taken into account in applying such limitation.
 “(8) COORDINATION WITH TRANSITION RULES.—For purposes of this section—
 “(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 101(c)(2) of the Jumpstart Our Business Strength (JOBS) Act applies to such transaction, and
 “(B) any deduction allowed under section 101(e) of such Act shall be disregarded in de-

termining the portion of the taxable income which is attributable to domestic production gross receipts.”.
 (b) MINIMUM TAX.—Section 56(g)(4)(C) (relating to disallowance of items not deductible in computing earnings and profits) is amended by adding at the end the following new clause:
 “(v) DEDUCTION FOR DOMESTIC PRODUCTION.—Clause (i) shall not apply to any amount allowable as a deduction under section 199.”.
 (c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following new item:
 “Sec. 199, Income attributable to domestic production activities.”.
 (d) EFFECTIVE DATE.—
 (1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.
 (2) APPLICATION OF SECTION 15.—Section 15 of the Internal Revenue Code of 1986 shall apply to the amendments made by this section as if they were changes in a rate of tax.
SEC. 103. MODIFICATION TO CORPORATE ESTIMATED TAX REQUIREMENTS.
 (a) REQUIREMENTS FOR 2005.—The amount of any required installment of corporate estimated income tax which is otherwise due under section 6655 of the Internal Revenue Code of 1986 after June 30, 2005, and before October 1, 2005, shall be 110 percent of such amount.
 (b) REQUIREMENTS FOR 2009.—The amount of any required installment of corporate estimated income tax which is otherwise due under section 6655 of the Internal Revenue Code of 1986 after June 30, 2009, and before October 1, 2009, shall be 119 percent of such amount.
SA 2670. Mr. SANTORUM (for himself and Mr. LIEBERMAN) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:
 At the end add the following:
DIVISION B—CARE ACT
SECTION 1. SHORT TITLE; ETC.
 (a) SHORT TITLE.—This division may be cited as the “CARE Act of 2004”.
 (b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.
 (c) TABLE OF CONTENTS.—The table of contents for this division is as follows:
 Sec. 1. Short title; etc.
TITLE I—CHARITABLE GIVING INCENTIVES
 Sec. 101. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
 Sec. 102. Tax-free distributions from individual retirement accounts for charitable purposes.
 Sec. 103. Charitable deduction for contributions of food inventories.

- Sec. 104. Charitable deduction for contributions of book inventories.
- Sec. 105. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 106. Modifications to encourage contributions of capital gain real property made for conservation purposes.
- Sec. 107. Exclusion of 25 percent of gain on sales or exchanges of land or water interests to eligible entities for conservation purposes.
- Sec. 108. Tax exclusion for cost-sharing payments under Partners for Fish and Wildlife Program.
- Sec. 109. Adjustment to basis of S corporation stock for certain charitable contributions.
- Sec. 110. Enhanced deduction for charitable contribution of literary, musical, artistic, and scholarly compositions.
- Sec. 111. Mileage reimbursements to charitable volunteers excluded from gross income.
- Sec. 112. Extension of enhanced deduction for inventory to include public schools.
- Sec. 113. 10-year divestiture period for certain excess business holdings of private foundations
- TITLE II—PROPOSALS IMPROVING THE OVERSIGHT OF TAX-EXEMPT ORGANIZATIONS**
- Sec. 201. Disclosure of written determinations.
- Sec. 202. Disclosure of Internet web site and name under which organization does business.
- Sec. 203. Modification to reporting capital transactions.
- Sec. 204. Disclosure that Form 990 is publicly available.
- Sec. 205. Disclosure to State officials of proposed actions related to section 501(c) organizations.
- Sec. 206. Expansion of penalties to preparers of Form 990.
- Sec. 207. Notification requirement for entities not currently required to file.
- Sec. 208. Suspension of tax-exempt status of terrorist organizations.
- TITLE III—OTHER CHARITABLE AND EXEMPT ORGANIZATION PROVISIONS**
- Sec. 301. Modification of excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 302. Modifications to section 512(b)(13).
- Sec. 303. Simplification of lobbying expenditure limitation.
- Sec. 304. Expedited review process for certain tax-exemption applications.
- Sec. 305. Clarification of definition of church tax inquiry.
- Sec. 306. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 307. Definition of convention or association of churches.
- Sec. 308. Payments by charitable organizations to victims of war on terrorism and families of astronauts killed in the line of duty.
- Sec. 309. Modification of scholarship foundation rules.
- Sec. 310. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.
- Sec. 311. Charitable contribution deduction for certain expenses incurred in support of Native Alaskan subsistence whaling.
- Sec. 312. Matching grants to low-income taxpayer clinics for return preparation.
- Sec. 313. Exemption of qualified 501(c)(3) bonds for nursing homes from Federal guarantee prohibitions.
- Sec. 314. Excise taxes exemption for blood collector organizations.
- Sec. 315. Pilot project for forest conservation activities.
- Sec. 316. Clarification of treatment of Johnny Micheal Spann Patriot Trusts.
- TITLE IV—SOCIAL SERVICES BLOCK GRANT**
- Sec. 401. Restoration of funds for the Social Services Block Grant.
- Sec. 402. Restoration of authority to transfer up to 10 percent of TANF funds to the Social Services Block Grant.
- Sec. 403. Requirement to submit annual report on State activities.
- TITLE V—INDIVIDUAL DEVELOPMENT ACCOUNTS**
- Sec. 501. Short title.
- Sec. 502. Purposes.
- Sec. 503. Definitions.
- Sec. 504. Structure and administration of qualified individual development account programs.
- Sec. 505. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 506. Deposits by qualified individual development account programs.
- Sec. 507. Withdrawal procedures.
- Sec. 508. Certification and termination of qualified individual development account programs.
- Sec. 509. Reporting, monitoring, and evaluation.
- Sec. 510. Authorization of appropriations.
- Sec. 511. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.
- Sec. 512. Account funds disregarded for purposes of certain means-tested Federal programs.
- TITLE VI—MANAGEMENT OF EXEMPT ORGANIZATIONS**
- Sec. 601. Authorization of appropriations.
- TITLE VII—REVENUE PROVISIONS**
- Subtitle A—Provisions Designed To Curtail Tax Shelters**
- Sec. 701. Clarification of economic substance doctrine.
- Sec. 702. Penalty for failing to disclose reportable transaction.
- Sec. 703. Accuracy-related penalty for listed transactions and other reportable transactions having a significant tax avoidance purpose.
- Sec. 704. Penalty for understatements attributable to transactions lacking economic substance, etc.
- Sec. 705. Modifications of substantial understatement penalty for non-reportable transactions.
- Sec. 706. Tax shelter exception to confidentiality privileges relating to taxpayer communications.
- Sec. 707. Disclosure of reportable transactions.
- Sec. 708. Modifications to penalty for failure to register tax shelters.
- Sec. 709. Modification of penalty for failure to maintain lists of investors.
- Sec. 710. Modification of actions to enjoin certain conduct related to tax shelters and reportable transactions.
- Sec. 711. Understatement of taxpayer's liability by income tax return preparer.
- Sec. 712. Penalty on failure to report interests in foreign financial accounts.
- Sec. 713. Frivolous tax submissions.
- Sec. 714. Regulation of individuals practicing before the Department of Treasury.
- Sec. 715. Penalty on promoters of tax shelters.
- Sec. 716. Statute of limitations for taxable years for which listed transactions not reported.
- Sec. 717. Denial of deduction for interest on underpayments attributable to nondisclosed reportable and noneconomic substance transactions.
- Sec. 718. Authorization of appropriations for tax law enforcement.
- Subtitle B—Other Provisions**
- Sec. 721. Affirmation of consolidated return regulation authority.
- Sec. 722. Signing of corporate tax returns by chief executive officer.
- Sec. 723. Securities civil enforcement provisions.
- Sec. 724. Review of State agency blindness and disability determinations.
- TITLE VIII—COMPASSION CAPITAL FUND**
- Sec. 801. Support for nonprofit community-based organizations; Department of Health and Human Services.
- Sec. 802. Support for nonprofit community-based organizations; Corporation for National and Community Service.
- Sec. 803. Support for nonprofit community-based organizations; Department of Justice.
- Sec. 804. Support for nonprofit community-based organizations; Department of Housing and Urban Development.
- Sec. 805. Coordination.
- TITLE IX—MATERNITY GROUP HOMES**
- Sec. 901. Maternity group homes.
- TITLE I—CHARITABLE GIVING INCENTIVES**
- SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CONTRIBUTIONS TO BE ALLOWED TO INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS.**
- (a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:
- “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—In the case of an individual who does not itemize deductions for any taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the amount allowable under subsection (a) for the taxable year for cash contributions, to the extent that such contributions exceed \$250 (\$500 in the case of a joint return) but do not exceed \$500 (\$1,000 in the case of a joint return).”
- (b) DIRECT CHARITABLE DEDUCTION.—
- (1) IN GENERAL.—Subsection (b) of section 63 (defining taxable income) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:
- “(3) the direct charitable deduction.”
- (2) DEFINITION.—Section 63 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:
- “(g) DIRECT CHARITABLE DEDUCTION.—For purposes of this section, the term ‘direct

charitable deduction' means that portion of the amount allowable under section 170(a) which is taken as a direct charitable deduction for the taxable year under section 170(m)."

(3) CONFORMING AMENDMENT.—Subsection (d) of section 63 is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by adding at the end the following new paragraph:

"(3) the direct charitable deduction."

(c) STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury shall study the effect of the amendments made by this section on increased charitable giving and taxpayer compliance, including a comparison of taxpayer compliance between taxpayers who itemize their charitable contributions and taxpayers who claim a direct charitable deduction.

(2) REPORT.—By not later than December 31, 2004, the Secretary of the Treasury shall report on the study required under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002, and before January 1, 2005.

SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph:

"(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

"(A) IN GENERAL.—No amount shall be includable in gross income by reason of a qualified charitable distribution.

"(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term 'qualified charitable distribution' means any distribution from an individual retirement account—

"(i) which is made directly by the trustee—

"(I) to an organization described in section 170(c), or

"(II) to a split-interest entity, and

"(i) which is made on or after—

"(I) in the case of any distribution described in clause (i)(I), the date that the individual for whose benefit the account is maintained has attained age 70½, and

"(II) in the case of any distribution described in clause (i)(II), the date that such individual has attained age 59½.

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includable in gross income without regard to subparagraph (A) and, in the case of a distribution to a split-interest entity, only if no person holds an income interest in the amounts in the split-interest entity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

"(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph—

"(i) DIRECT CONTRIBUTIONS.—A distribution to an organization described in section 170(c) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

"(ii) SPLIT-INTEREST GIFTS.—A distribution to a split-interest entity shall be treated as a qualified charitable distribution only if a deduction for the entire value of the interest in the distribution for the use of an organiza-

tion described in section 170(c) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

"(D) APPLICATION OF SECTION 72.—Notwithstanding section 72, in determining the extent to which a distribution is a qualified charitable distribution, the entire amount of the distribution shall be treated as includable in gross income without regard to subparagraph (A) to the extent that such amount does not exceed the aggregate amount which would have been so includable if all amounts were distributed from all individual retirement accounts treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion on such distribution under section 72. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

"(E) SPECIAL RULES FOR SPLIT-INTEREST ENTITIES.—

"(i) CHARITABLE REMAINDER TRUSTS.—Notwithstanding section 664(b), distributions made from a trust described in subparagraph (G)(i) shall be treated as ordinary income in the hands of the beneficiary to whom is paid the annuity described in section 664(d)(1)(A) or the payment described in section 664(d)(2)(A).

"(ii) POOLED INCOME FUNDS.—No amount shall be includable in the gross income of a pooled income fund (as defined in subparagraph (G)(ii)) by reason of a qualified charitable distribution to such fund, and all distributions from the fund which are attributable to qualified charitable distributions shall be treated as ordinary income to the beneficiary.

"(iii) CHARITABLE GIFT ANNUITIES.—Qualified charitable distributions made for a charitable gift annuity shall not be treated as an investment in the contract.

"(F) DENIAL OF DEDUCTION.—Qualified charitable distributions shall not be taken into account in determining the deduction under section 170.

"(G) SPLIT-INTEREST ENTITY DEFINED.—For purposes of this paragraph, the term 'split-interest entity' means—

"(i) a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)) which must be funded exclusively by qualified charitable distributions,

"(ii) a pooled income fund (as defined in section 642(c)(5)), but only if the fund accounts separately for amounts attributable to qualified charitable distributions, and

"(iii) a charitable gift annuity (as defined in section 501(m)(5))."

(b) MODIFICATIONS RELATING TO INFORMATION RETURNS BY CERTAIN TRUSTS.—

(1) RETURNS.—Section 6034 (relating to returns by trusts described in section 4947(a)(2) or claiming charitable deductions under section 642(c)) is amended to read as follows:

"SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION 4947(a)(2) OR CLAIMING CHARITABLE DEDUCTIONS UNDER SECTION 642(c).

"(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—Every trust described in section 4947(a)(2) shall furnish such information with respect to the taxable year as the Secretary may by forms or regulations require.

"(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION UNDER SECTION 642(c).—

"(1) IN GENERAL.—Every trust not required to file a return under subsection (a) but claiming a deduction under section 642(c) for the taxable year shall furnish such information with respect to such taxable year as the Secretary may by forms or regulations prescribe, including—

"(A) the amount of the deduction taken under section 642(c) within such year,

"(B) the amount paid out within such year which represents amounts for which deductions under section 642(c) have been taken in prior years,

"(C) the amount for which such deductions have been taken in prior years but which has not been paid out at the beginning of such year,

"(D) the amount paid out of principal in the current and prior years for the purposes described in section 642(c),

"(E) the total income of the trust within such year and the expenses attributable thereto, and

"(F) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to a trust for any taxable year if—

"(A) all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries, or

"(B) the trust is described in section 4947(a)(1)."

(2) INCREASE IN PENALTY RELATING TO FILING OF INFORMATION RETURN BY SPLIT-INTEREST TRUSTS.—Paragraph (2) of section 6652(c) (relating to returns by exempt organizations and by certain trusts) is amended by adding at the end the following new subparagraph:

"(C) SPLIT-INTEREST TRUSTS.—In the case of a trust which is required to file a return under section 6034(a), subparagraphs (A) and (B) of this paragraph shall not apply and paragraph (1) shall apply in the same manner as if such return were required under section 6033, except that—

"(i) the 5 percent limitation in the second sentence of paragraph (1)(A) shall not apply,

"(ii) in the case of any trust with gross income in excess of \$250,000, the first sentence of paragraph (1)(A) shall be applied by substituting '\$100' for '\$20', and the second sentence thereof shall be applied by substituting '\$50,000' for '\$10,000', and

"(iii) the third sentence of paragraph (1)(A) shall be disregarded.

In addition to any penalty imposed on the trust pursuant to this subparagraph, if the person required to file such return knowingly fails to file the return, such penalty shall also be imposed on such person who shall be personally liable for such penalty."

(3) CONFIDENTIALITY OF NONCHARITABLE BENEFICIARIES.—Subsection (b) of section 6104 (relating to inspection of annual information returns) is amended by adding at the end the following new sentence: "In the case of a trust which is required to file a return under section 6034(a), this subsection shall not apply to information regarding beneficiaries which are not organizations described in section 170(c)."

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to distributions—

(A) described in section 408(d)(8)(B)(i)(I) of the Internal Revenue Code of 1986, as added by this section, made after the date of the enactment of this Act, and

(B) described in section 408(d)(8)(B)(i)(II) of such Code, as so added, made after December 31, 2003.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to returns for taxable years beginning after December 31, 2003.

SEC. 103. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORIES.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

“(7) APPLICATION OF PARAGRAPH (3) TO CERTAIN CONTRIBUTIONS OF FOOD INVENTORY.—For purposes of this section—

“(A) EXTENSION TO INDIVIDUALS.—In the case of a charitable contribution of apparently wholesome food—

“(i) paragraph (3)(A) shall be applied without regard to whether the contribution is made by a C corporation, and

“(ii) in the case of a taxpayer other than a C corporation, the aggregate amount of such contributions from any trade or business (or interest therein) of the taxpayer for any taxable year which may be taken into account under this section shall not exceed 10 percent of the taxpayer’s net income from any such trade or business, computed without regard to this section, for such taxable year.

“(B) LIMITATION ON REDUCTION.—In the case of a charitable contribution of apparently wholesome food, notwithstanding paragraph (3)(B), the amount of the reduction determined under paragraph (1)(A) shall not exceed the amount by which the fair market value of such property exceeds twice the basis of such property.

“(C) DETERMINATION OF BASIS.—If a taxpayer—

“(i) does not account for inventories under section 471, and

“(ii) is not required to capitalize indirect costs under section 263A,

the taxpayer may elect, solely for purposes of paragraph (3)(B), to treat the basis of any apparently wholesome food as being equal to 25 percent of the fair market value of such food.

“(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of apparently wholesome food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraph (A) of this paragraph) and which, solely by reason of internal standards of the taxpayer or lack of market, cannot or will not be sold, the fair market value of such contribution shall be determined—

“(i) without regard to such internal standards or such lack of market and

“(ii) by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

“(E) APPARENTLY WHOLESOME FOOD.—For purposes of this paragraph, the term ‘apparently wholesome food’ has the meaning given such term by section 22(b)(2) of the Bill Emerson Good Samaritan Food Donation Act (42 U.S.C. 1791(b)(2)), as in effect on the date of the enactment of this paragraph.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORIES.

(a) IN GENERAL.—Section 170(e)(3) (relating to certain contributions of ordinary income and capital gain property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

“(C) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.—

“(i) CONTRIBUTIONS OF BOOK INVENTORY.—In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether—

“(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

“(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

“(ii) AMOUNT OF REDUCTION.—Notwithstanding subparagraph (B), the amount of the reduction determined under paragraph (1)(A) shall not exceed the amount by which the fair market value of the contributed property (as determined by the taxpayer using a bona fide published market price for such book) exceeds twice the basis of such property.

“(iii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified book contribution’ means a charitable contribution of books, but only if the requirements of clauses (iv) and (v) are met.

“(iv) IDENTITY OF DONEE.—The requirement of this clause is met if the contribution is to an organization—

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) (other than a private foundation, as defined in section 509(a), which is not an operating foundation, as defined in section 4942(j)(3)), which is organized primarily to make books available to the general public at no cost or to operate a literacy program.

“(v) CERTIFICATION BY DONEE.—The requirement of this clause is met if, in addition to the certifications required by subparagraph (A) (as modified by this subparagraph), the donee certifies in writing that—

“(I) the books are suitable, in terms of currency, content, and quantity, for use in the donee’s educational programs, and

“(II) the donee will use the books in its educational programs.

“(vi) BONA FIDE PUBLISHED MARKET PRICE.—For purposes of this subparagraph, the term ‘bona fide published market price’ means, with respect to any book, a price—

“(I) determined using the same printing and edition,

“(II) determined in the usual market in which such a book has been customarily sold by the taxpayer, and

“(III) for which the taxpayer can demonstrate to the satisfaction of the Secretary that the taxpayer customarily sold such books in arm’s length transactions within 7 years preceding the contribution of such a book.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 105. EXPANSION OF CHARITABLE CONTRIBUTION ALLOWED FOR SCIENTIFIC PROPERTY USED FOR RESEARCH AND FOR COMPUTER TECHNOLOGY AND EQUIPMENT USED FOR EDUCATIONAL PURPOSES.

(a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—

(1) IN GENERAL.—Clause (ii) of section 170(e)(4)(B) (defining qualified research contributions) is amended by inserting “or assembled” after “constructed”.

(2) CONFORMING AMENDMENT.—Clause (iii) of section 170(e)(4)(B) is amended by inserting “or assembling” after “construction”.

(b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR EDUCATIONAL PURPOSES.—

(1) IN GENERAL.—Clause (ii) of section 170(e)(6)(B) is amended by inserting “or assembled” after “constructed” and “or assembling” after “construction”.

(2) SPECIAL RULE EXTENDED.—Section 170(e)(6)(G) is amended by striking “2003” and inserting “2005”.

(3) CONFORMING AMENDMENTS.—Subparagraph (D) of section 170(e)(6) is amended by inserting “or assembled” after “constructed” and “or assembling” after “construction”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 106. MODIFICATIONS TO ENCOURAGE CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.

(a) IN GENERAL.—Section 170(h) (relating to qualified conservation contribution) is amended by adding at the end the following new paragraph:

“(7) ADDITIONAL INCENTIVES FOR QUALIFIED CONSERVATION CONTRIBUTIONS.—

“(A) IN GENERAL.—In the case of any qualified conservation contribution (as defined in paragraph (1)) made by an individual—

“(i) subparagraph (C) of subsection (b)(1) shall not apply,

“(ii) except as provided in subparagraph (B)(i), subsections (b)(1)(A) and (d)(1) shall be applied separately with respect to such contributions by treating references to 50 percent of the taxpayer’s contribution base as references to the amount of such base reduced by the amount of other contributions allowable under subsection (b)(1)(A), and

“(iii) subparagraph (A) of subsection (d)(1) shall be applied—

“(I) by substituting ‘15 succeeding taxable years’ for ‘5 succeeding taxable years’, and

“(II) by applying clause (ii) to each of the 15 succeeding taxable years.

“(B) SPECIAL RULES FOR ELIGIBLE FARMERS AND RANCHERS.—

“(i) IN GENERAL.—In the case of any such contributions by a taxpayer who is an eligible farmer or rancher for the taxable year in which such contributions are made—

“(I) if the taxpayer is an individual, subsections (b)(1)(A) and (d)(1) shall be applied separately with respect to such contributions by substituting ‘the taxpayer’s contribution base reduced by the amount of other contributions allowable under subsection (b)(1)(A)’ for ‘50 percent of the taxpayer’s contribution base’ each place it appears, and

“(II) if the taxpayer is a corporation, subsections (b)(2) and (d)(2) shall be applied separately with respect to such contributions, subsection (b)(2) shall be applied with respect to such contributions as if such subsection did not contain the words ‘10 percent of’ and as if subparagraph (A) thereof read ‘the deduction under this section for qualified conservation contributions’, and rules similar to the rules of subparagraph (A)(iii) shall apply for purposes of subsection (d)(2).

“(ii) DEFINITION.—For purposes of clause (i), the term ‘eligible farmer or rancher’ means a taxpayer whose gross income from the trade or business of farming (within the meaning of section 2032A(e)(5)) is at least 51 percent of the taxpayer’s gross income for the taxable year, and, in the case of a C corporation, the stock of which is not publicly traded on a recognized exchange.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 107. EXCLUSION OF 25 PERCENT OF GAIN ON SALES OR EXCHANGES OF LAND OR WATER INTERESTS TO ELIGIBLE ENTITIES FOR CONSERVATION PURPOSES.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by inserting after section 121 the following new section:

“SEC. 121A. 25-PERCENT EXCLUSION OF GAIN ON SALES OR EXCHANGES OF LAND OR WATER INTERESTS TO ELIGIBLE ENTITIES FOR CONSERVATION PURPOSES.

“(a) EXCLUSION.—Gross income shall not include 25 percent of the qualifying gain

from a conservation sale of a long-held qualifying land or water interest.

“(b) QUALIFYING GAIN.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualifying gain’ means any gain which would be recognized as long-term capital gain, reduced by the amount of any long-term capital gain attributable to disqualified improvements.

“(2) DISQUALIFIED IMPROVEMENT.—For purposes of paragraph (1), the term ‘disqualified improvement’ means any building, structure, or other improvement, other than—

“(A) any improvement which is described in section 175(c)(1), determined—

“(i) without regard to the requirements that the taxpayer be engaged in farming, and

“(ii) without taking into account subparagraphs (A) and (B) thereof, or

“(B) any improvement which the Secretary determines directly furthers conservation purposes.

“(3) SPECIAL RULE FOR SALES OF STOCK.—If the long-held qualifying land or water interest is 1 or more shares of stock in a qualifying land or water corporation, the qualifying gain is equal to the lesser of—

“(A) the qualifying gain determined under paragraph (1), or

“(B) the product of—

“(i) the percentage of such corporation’s stock which is transferred by the taxpayer, times

“(ii) the amount which would have been the qualifying gain (determined under paragraph (1)) if there had been a conservation sale by such corporation of all of its interests in the land and water for a price equal to the product of the fair market value of such interests times the ratio of—

“(I) the proceeds of the conservation sale of the stock, to

“(II) the fair market value of the stock which was the subject of the conservation sale.

“(c) CONSERVATION SALE.—For purposes of this section, the term ‘conservation sale’ means a sale or exchange which meets the following requirements:

“(1) TRANSFEREE IS AN ELIGIBLE ENTITY.—The transferee of the long-held qualifying land or water interest is an eligible entity.

“(2) QUALIFYING LETTER OF INTENT REQUIRED.—At the time of the sale or exchange, such transferee provides the taxpayer with a qualifying letter of intent.

“(3) NONAPPLICATION TO CERTAIN SALES.—The sale or exchange is not made pursuant to an order of condemnation or eminent domain.

“(4) CONTROLLING INTEREST IN STOCK SALE REQUIRED.—In the case of the sale or exchange of stock in a qualifying land or water corporation, at the end of the taxpayer’s taxable year in which such sale or exchange occurs, the transferee’s ownership of stock in such corporation meets the requirements of section 1504(a)(2) (determined by substituting ‘90 percent’ for ‘80 percent’ each place it appears).

“(d) LONG-HELD QUALIFYING LAND OR WATER INTEREST.—For purposes of this section—

“(1) IN GENERAL.—The term ‘long-held qualifying land or water interest’ means any qualifying land or water interest owned by the taxpayer or a member of the taxpayer’s family (as defined in section 2032A(e)(2)) at all times during the 5-year period ending on the date of the sale.

“(2) QUALIFYING LAND OR WATER INTEREST.—

“(A) IN GENERAL.—The term ‘qualifying land or water interest’ means a real property interest which constitutes—

“(i) a taxpayer’s entire interest in land,

“(ii) a taxpayer’s entire interest in water rights,

“(iii) a qualified real property interest (as defined in section 170(h)(2)), or

“(iv) stock in a qualifying land or water corporation.

“(B) ENTIRE INTEREST.—For purposes of clause (i) or (ii) of subparagraph (A)—

“(i) a partial interest in land or water is not a taxpayer’s entire interest if an interest in land or water was divided in order to create such partial interest in order to avoid the requirements of such clause or section 170(f)(3)(A), and

“(ii) a taxpayer’s entire interest in certain land does not fail to satisfy subparagraph (A)(i) solely because the taxpayer has retained an interest in other land, even if the other land is contiguous with such certain land and was acquired by the taxpayer along with such certain land in a single conveyance.

“(e) OTHER DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE ENTITY.—The term ‘eligible entity’ means—

“(A) a governmental unit referred to in section 170(c)(1), or an agency or department thereof operated primarily for 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A), or

“(B) an entity which is—

“(i) described in section 170(b)(1)(A)(vi) or section 170(h)(3)(B), and

“(ii) organized and at all times operated primarily for 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A).

“(2) QUALIFYING LETTER OF INTENT.—The term ‘qualifying letter of intent’ means a written letter of intent which includes the following statement: ‘The transferee’s intent is that this acquisition will serve 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A) of the Internal Revenue Code of 1986, that the transferee’s use of the property so acquired will be consistent with section 170(h)(5) of such Code, and that the use of the property will continue to be consistent with such section, even if ownership or possession of such property is subsequently transferred to another person.’

“(3) QUALIFYING LAND OR WATER CORPORATION.—The term ‘qualifying land or water corporation’ means a C corporation (as defined in section 1361(a)(2)) if, as of the date of the conservation sale—

“(A) the fair market value of the corporation’s interests in land or water held by the corporation at all times during the preceding 5 years equals or exceeds 90 percent of the fair market value of all of such corporation’s assets, and

“(B) not more than 50 percent of the total fair market value of such corporation’s assets consists of water rights or infrastructure related to the delivery of water, or both.

“(f) TAX ON SUBSEQUENT TRANSFERS OR REMOVALS OF CONSERVATION RESTRICTIONS.—

“(1) IN GENERAL.—A tax is hereby imposed on any subsequent—

“(A) transfer by an eligible entity of ownership or possession, whether by sale, exchange, or lease, of property acquired directly or indirectly in—

“(i) a conservation sale described in subsection (a), or

“(ii) a transfer described in clause (i), (ii), or (iii) of paragraph (4)(A), or

“(B) removal of a conservation restriction contained in an instrument of conveyance of such property.

“(2) AMOUNT OF TAX.—The amount of tax imposed by paragraph (1) on any transfer or removal shall be equal to the sum of—

“(A) either—

“(i) 20 percent of the fair market value (determined at the time of the transfer) of the

property the ownership or possession of which is transferred, or

“(ii) 20 percent of the fair market value (determined at the time immediately after the removal) of the property upon which the conservation restriction was removed, plus

“(B) the product of—

“(i) the highest rate of tax specified in section 11, times

“(ii) any gain or income realized by the transferor or person removing such restriction as a result of the transfer or removal.

“(3) LIABILITY.—The tax imposed by paragraph (1) shall be paid—

“(A) on any transfer, by the transferor, and

“(B) on any removal of a conservation restriction contained in an instrument of conveyance, by the person removing such restriction.

“(4) RELIEF FROM LIABILITY.—The person (otherwise liable for any tax imposed by paragraph (1)) shall be relieved of liability for the tax imposed by paragraph (1)—

“(A) with respect to any transfer if—

“(i) the transferee is an eligible entity which provides such person, at the time of transfer, a qualifying letter of intent,

“(ii) in any case where the transferee is not an eligible entity, it is established to the satisfaction of the Secretary, that the transfer of ownership or possession, as the case may be, will be consistent with section 170(h)(5), and the transferee provides such person, at the time of transfer, a qualifying letter of intent, or

“(iii) tax has previously been paid under this subsection as a result of a prior transfer of ownership or possession of the same property, or

“(B) with respect to any removal of a conservation restriction contained in an instrument of conveyance, if it is established to the satisfaction of the Secretary that the retention of the restriction was impracticable or impossible and the proceeds continue to be used in a manner consistent with 1 or more of the conservation purposes specified in clause (i), (ii), or (iii) of section 170(h)(4)(A).

“(5) ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, the taxes imposed by this subsection shall be treated as excise taxes with respect to which the deficiency procedures of such subtitle apply.

“(6) REPORTING.—The Secretary may require such reporting as may be necessary or appropriate to further the purpose under this section that any conservation use be in perpetuity.”.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 121 the following new item:

“Sec. 121A. 25-percent exclusion of gain on sales or exchanges of land or water interests to eligible entities for conservation purposes.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or exchanges occurring after the date of the enactment of this Act.

SEC. 108. TAX EXCLUSION FOR COST-SHARING PAYMENTS UNDER PARTNERS FOR FISH AND WILDLIFE PROGRAM.

(a) IN GENERAL.—Section 126(a) (relating to certain cost-sharing payments) is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following:

“(10) The Partners for Fish and Wildlife Program authorized by the Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to payments received after the date of the enactment of this Act.

SEC. 109. ADJUSTMENT TO BASIS OF S CORPORATION STOCK FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Paragraph (2) of section 1367(a) (relating to adjustments to basis of stock of shareholders, etc.) is amended by adding at the end the following new flush sentence:

“The decrease under subparagraph (B) by reason of a charitable contribution (as defined in section 170(c)) of property shall be the amount equal to the shareholder’s pro rata share of the adjusted basis of such property.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 110. ENHANCED DEDUCTION FOR CHARITABLE CONTRIBUTION OF LITERARY, MUSICAL, ARTISTIC, AND SCHOLARLY COMPOSITIONS.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property), as amended by this Act, is amended by adding at the end the following new paragraph:

“(8) SPECIAL RULE FOR CERTAIN CONTRIBUTIONS OF LITERARY, MUSICAL, ARTISTIC, OR SCHOLARLY COMPOSITIONS.—

“(A) IN GENERAL.—In the case of a qualified artistic charitable contribution—

“(i) the amount of such contribution taken into account under this section shall be the fair market value of the property contributed (determined at the time of such contribution), and

“(ii) no reduction in the amount of such contribution shall be made under paragraph (1).

“(B) QUALIFIED ARTISTIC CHARITABLE CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified artistic charitable contribution’ means a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both), but only if—

“(i) such property was created by the personal efforts of the taxpayer making such contribution no less than 18 months prior to such contribution,

“(ii) the taxpayer—

“(I) has received a qualified appraisal of the fair market value of such property in accordance with the regulations under this section, and

“(II) attaches to the taxpayer’s income tax return for the taxable year in which such contribution was made a copy of such appraisal,

“(iii) the donee is an organization described in subsection (b)(1)(A),

“(iv) the use of such property by the donee is related to the purpose or function constituting the basis for the donee’s exemption under section 501 (or, in the case of a governmental unit, to any purpose or function described under section 501(c)),

“(v) the taxpayer receives from the donee a written statement representing that the donee’s use of the property will be in accordance with the provisions of clause (iv), and

“(vi) the written appraisal referred to in clause (ii) includes evidence of the extent (if any) to which property created by the personal efforts of the taxpayer and of the same type as the donated property is or has been—

“(I) owned, maintained, and displayed by organizations described in subsection (b)(1)(A), and

“(II) sold to or exchanged by persons other than the taxpayer, donee, or any related person (as defined in section 465(b)(3)(C)).

“(C) MAXIMUM DOLLAR LIMITATION; NO CARRYOVER OF INCREASED DEDUCTION.—The increase in the deduction under this section by reason of this paragraph for any taxable year—

“(i) shall not exceed the artistic adjusted gross income of the taxpayer for such taxable year, and

“(ii) shall not be taken into account in determining the amount which may be carried from such taxable year under subsection (d).

“(D) ARTISTIC ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘artistic adjusted gross income’ means that portion of the adjusted gross income of the taxpayer for the taxable year attributable to—

“(i) income from the sale or use of property created by the personal efforts of the taxpayer which is of the same type as the donated property, and

“(ii) income from teaching, lecturing, performing, or similar activity with respect to property described in clause (i).

“(E) PARAGRAPH NOT TO APPLY TO CERTAIN CONTRIBUTIONS.—Subparagraph (A) shall not apply to any charitable contribution of any letter, memorandum, or similar property which was written, prepared, or produced by or for an individual while the individual is an officer or employee of any person (including any government agency or instrumentality) unless such letter, memorandum, or similar property is entirely personal.

“(F) COPYRIGHT TREATED AS SEPARATE PROPERTY FOR PARTIAL INTEREST RULE.—In the case of a qualified artistic charitable contribution, the tangible literary, musical, artistic, or scholarly composition, or similar property and the copyright on such work shall be treated as separate properties for purposes of this paragraph and subsection (f)(3).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 111. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 139 the following new section:

“SEC. 139A. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS.

“(a) IN GENERAL.—Gross income of an individual does not include amounts received, from an organization described in section 170(c), as reimbursement of operating expenses with respect to use of a passenger automobile for the benefit of such organization. The preceding sentence shall apply only to the extent that the expenses which are reimbursed would be deductible under this chapter if section 274(d) were applied—

“(1) by using the standard business mileage rate established under such section, and

“(2) as if the individual were an employee of an organization not described in section 170(c).

“(b) APPLICATION TO VOLUNTEER SERVICES ONLY.—Subsection (a) shall not apply with respect to any expenses relating to the performance of services for compensation.

“(c) NO DOUBLE BENEFIT.—A taxpayer may not claim a deduction or credit under any other provision of this title with respect to the expenses under subsection (a).

“(d) EXEMPTION FROM REPORTING REQUIREMENTS.—Section 6041 shall not apply with respect to reimbursements excluded from income under subsection (a).”.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139 the following new item:

“Sec. 139A. Mileage reimbursements to charitable volunteers.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 112. EXTENSION OF ENHANCED DEDUCTION FOR INVENTORY TO INCLUDE PUBLIC SCHOOLS.

(a) IN GENERAL.—Subparagraph (A) of section 170(e)(3) (relating to special rule for certain contributions of inventory and other property) is amended by striking “to an organization which is described in” and all that follows through the end of clause (i) and inserting “to a qualified organization, but only if—

“(i) the property is to be used by the donee solely for the care of the ill, the needy, or infants and, in the case of—

“(I) an organization described in section 501(c)(3) (other than an organization described in subclause (II)), the use of the property by the donee is related to the purpose or function constituting the basis for its exemption under section 501, and

“(II) an organization described in subsection (b)(1)(A)(ii), the use of the property by the donee is related to educational purposes and such property is not computer technology or equipment (as defined in paragraph (6)(F)(i));”.

(b) QUALIFIED ORGANIZATION.—Paragraph (3) of section 170(e) of such Code is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

“(C) QUALIFIED ORGANIZATION.—For purposes of this paragraph, the term ‘qualified organization’ means—

“(i) an organization which is described in section 501(c)(3) and is exempt under section 501(a) (other than a private foundation, as defined in section 509(a), which is not an operating foundation, as defined in section 4942(j)(3)), and

“(ii) an educational organization described in subsection (b)(1)(A)(ii).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made after December 31, 2003.

SEC. 113. 10-YEAR DIVESTITURE PERIOD FOR CERTAIN EXCESS BUSINESS HOLDINGS OF PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Section 4943(c) (relating to excess business holdings) is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

“(7) 10-YEAR PERIOD TO DISPOSE OF CERTAIN LARGE GIFTS AND BEQUESTS.—

“(A) IN GENERAL.—Paragraph (6) shall be applied by substituting ‘10-year period’ for ‘5-year period’ if—

“(i) upon the election of a private foundation, it is established to the satisfaction of the Secretary that—

“(I) the excess business holdings (or increase in excess business holdings) in a business enterprise by the private foundation in an amount which is not less than \$1,000,000,000 is the result of a gift or bequest the fair market value of which is not less than \$1,000,000,000, and

“(II) after such gift or bequest, the private foundation does not have effective control of such business enterprise to which such gift or bequest relates,

“(ii) subject to subparagraph (C), the private foundation submits to the Secretary with such election a reasonable plan for disposing of all of the excess business holdings related to such gift or bequest, and

“(iii) the private foundation certifies annually to the Secretary that the private foundation is complying with the plan submitted under this paragraph, the requirement under clause (i)(II), and the rules under subparagraph (D).

“(B) ELECTION.—Any election under subparagraph (A)(i) shall be made not later than 6 months after the date of such gift or bequest and shall—

“(i) establish the fair market value of such gift or bequest, and

“(ii) include a certification that the requirement of subparagraph (A)(i)(II) is met.

“(C) REASONABLENESS OF PLAN.—

“(i) IN GENERAL.—Any plan submitted under subparagraph (A)(ii) shall be presumed reasonable unless the Secretary notifies the private foundation to the contrary not later than 6 months after the submission of such plan.

“(ii) RESUBMISSION.—Upon notice by the Secretary under clause (i), the private foundation may resubmit a plan and shall have the burden of establishing the reasonableness of such plan to the Secretary.

“(D) SPECIAL RULES.—During any period in which an election under this paragraph is in effect—

“(i) section 4941(d)(2) (other than subparagraph (A) thereof) shall apply only with respect to any disqualified person described in section 4941(a)(1)(B),

“(ii) section 4942(a) shall be applied by substituting ‘third’ for ‘second’ both places it appears,

“(iii) section 4942(e)(1) shall be applied by substituting ‘12 percent’ for ‘5 percent’, and

“(iv) section 4942(g)(1)(A) shall be applied without regard to any portion of reasonable and necessary administrative expenses.

“(E) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2003, the \$1,000,000,000 amount under subparagraph (A)(i)(I) shall be increased by an amount equal to such dollar amount, multiplied by the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘2002’ for ‘1992’ in subparagraph (B) thereof. If the \$1,000,000,000 amount as increased under this subparagraph is not a multiple of \$100,000,000, such amount shall be rounded to the next lowest multiple of \$100,000,000.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to gifts and bequests made after the date of the enactment of this Act.

TITLE II—PROPOSALS IMPROVING THE OVERSIGHT OF TAX-EXEMPT ORGANIZATIONS

SEC. 201. DISCLOSURE OF WRITTEN DETERMINATIONS.

(a) IN GENERAL.—Section 6110(l) (relating to section not to apply) is amended by striking all matter before subparagraph (A) of paragraph (2) and inserting the following:

“(l) SECTION NOT TO APPLY.—

“(1) IN GENERAL.—This section shall not apply to any matter to which section 6104 or 6105 applies, except that this section shall apply to any written determination and related background file document relating to an organization described under subsection (c) or (d) of section 501 (including any written determination denying an organization tax-exempt status under such subsection) or a political organization described in section 527 which is not required to be disclosed by section 6104(a)(1)(A).

“(2) ADDITIONAL MATTERS.—This section shall not apply to any—”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to written determinations issued after the date of the enactment of this Act.

SEC. 202. DISCLOSURE OF INTERNET WEB SITE AND NAME UNDER WHICH ORGANIZATION DOES BUSINESS.

(a) IN GENERAL.—Section 6033 (relating to returns by exempt organizations) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) DISCLOSURE OF NAME UNDER WHICH ORGANIZATION DOES BUSINESS AND ITS INTERNET

WEB SITE.—Any organization which is subject to the requirements of subsection (a) shall include on the return required under subsection (a)—

“(1) any name under which such organization operates or does business, and

“(2) the Internet web site address (if any) of such organization.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to returns filed after December 31, 2003.

SEC. 203. MODIFICATION TO REPORTING CAPITAL TRANSACTIONS.

(a) REQUIREMENT OF SUMMARY REPORT.—Section 6033(c) (relating to additional provisions relating to private foundations) is amended by adding at the end the following new sentence: “Any information included in an annual return regarding the gain or loss from the sale or other disposition of stock or securities which are listed on an established securities market which is required to be furnished in order to calculate the tax on net investment income shall also be reported in summary form with a notice that detailed information is available upon request by the public.”.

(b) DISCLOSURE REQUIREMENT.—Section 6104(b) (relating to inspection of annual information returns), as amended by this Act, is amended by adding at the end the following new sentence: “With respect to any private foundation (as defined in section 509(a)), any information regarding the gain or loss from the sale or other disposition of stock or securities which are listed on an established securities market which is required to be furnished in order to calculate the tax on net investment income but which is not in summary form is not required to be made available to the public under this subsection except upon the explicit request by a member of the public to the Secretary.”.

(c) PUBLIC INSPECTION REQUIREMENT.—Section 6104(d) (relating to public inspection of certain annual returns, applications for exemptions, and notices of status) is amended by adding at the end the following new paragraph:

“(9) APPLICATION TO PRIVATE FOUNDATION CAPITAL TRANSACTION INFORMATION.—With respect to any private foundation (as defined in section 509(a)), any information regarding the gain or loss from the sale or other disposition of stock or securities which are listed on an established securities market which is required to be furnished in order to calculate the tax on net investment income but which is not in summary form is not required to be made available to the public under this subsection except upon the explicit request by a member of the public to the private foundation in the form and manner of a request described in paragraph (1)(B).”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to returns filed after December 31, 2003.

SEC. 204. DISCLOSURE THAT FORM 990 IS PUBLICLY AVAILABLE.

(a) IN GENERAL.—The Commissioner of the Internal Revenue shall notify the public in appropriate publications or other materials of the extent to which an exempt organization’s Form 990, Form 990-EZ, or Form 990-PF is publicly available.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to publications or other materials issued or revised after the date of the enactment of this Act.

SEC. 205. DISCLOSURE TO STATE OFFICIALS OF PROPOSED ACTIONS RELATED TO SECTION 501(c) ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 6104 is amended by striking paragraph (2) and inserting the following new paragraphs:

“(2) DISCLOSURE OF PROPOSED ACTIONS RELATED TO CHARITABLE ORGANIZATIONS.—

“(A) SPECIFIC NOTIFICATIONS.—In the case of an organization to which paragraph (1) applies, the Secretary may disclose to the appropriate State officer—

“(i) a notice of proposed refusal to recognize such organization as an organization described in section 501(c)(3) or a notice of proposed revocation of such organization’s recognition as an organization exempt from taxation,

“(ii) the issuance of a letter of proposed deficiency of tax imposed under section 507 or chapter 41 or 42, and

“(iii) the names, addresses, and taxpayer identification numbers of organizations which have applied for recognition as organizations described in section 501(c)(3).

“(B) ADDITIONAL DISCLOSURES.—Returns and return information of organizations with respect to which information is disclosed under subparagraph (A) may be made available for inspection by or disclosed to an appropriate State officer.

“(C) PROCEDURES FOR DISCLOSURE.—Information may be inspected or disclosed under subparagraph (A) or (B) only—

“(i) upon written request by an appropriate State officer, and

“(ii) for the purpose of, and only to the extent necessary in, the administration of State laws regulating such organizations.

Such information may only be inspected by or disclosed to representatives of the appropriate State officer designated as the individuals who are to inspect or to receive the returns or return information under this paragraph on behalf of such officer. Such representatives shall not include any contractor or agent.

“(D) DISCLOSURES OTHER THAN BY REQUEST.—The Secretary may make available for inspection or disclose returns and return information of an organization to which paragraph (1) applies to an appropriate State officer of any State if the Secretary determines that such inspection or disclosure may facilitate the resolution of Federal or State issues relating to the tax-exempt status of such organization.

“(3) DISCLOSURE WITH RESPECT TO CERTAIN OTHER EXEMPT ORGANIZATIONS.—Upon written request by an appropriate State officer, the Secretary may make available for inspection or disclosure returns and return information of an organization described in paragraph (2), (4), (6), (7), (8), (10), or (13) of section 501(c) for the purpose of, and to the extent necessary in, the administration of State laws regulating the solicitation or administration of the charitable funds or charitable assets of such organizations. Such information may be inspected only by or disclosed only to representatives of the appropriate State officer designated as the individuals who are to inspect or to receive the returns or return information under this paragraph on behalf of such officer. Such representatives shall not include any contractor or agent.

“(4) USE IN CIVIL JUDICIAL AND ADMINISTRATIVE PROCEEDINGS.—Returns and return information disclosed pursuant to this subsection may be disclosed in civil administrative and civil judicial proceedings pertaining to the enforcement of State laws regulating such organizations in a manner prescribed by the Secretary similar to that for tax administration proceedings under section 6103(h)(4).

“(5) NO DISCLOSURE IF IMPAIRMENT.—Returns and return information shall not be disclosed under this subsection, or in any proceeding described in paragraph (4), to the extent that the Secretary determines that such disclosure would seriously impair Federal tax administration.

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

“(A) RETURN AND RETURN INFORMATION.—The terms ‘return’ and ‘return information’ have the respective meanings given to such terms by section 6103(b).

“(B) APPROPRIATE STATE OFFICER.—The term ‘appropriate State officer’ means—

“(i) the State attorney general,
“(ii) in the case of an organization to which paragraph (1) applies, any other State official charged with overseeing organizations of the type described in section 501(c)(3), and

“(iii) in the case of an organization to which paragraph (3) applies, the head of an agency designated by the State attorney general as having primary responsibility for overseeing the solicitation of funds for charitable purposes.”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 6103 is amended—

(A) by inserting “or any appropriate State officer who has or had access to returns or return information under section 6104(c)” after “this section” in paragraph (2), and

(B) by striking “or subsection (n)” in paragraph (3) and inserting “subsection (n), or section 6104(c)”.

(2) Subparagraph (A) of section 6103(p)(3) is amended by inserting “and section 6104(c)” after “section” in the first sentence.

(3) Paragraph (4) of section 6103(p), as amended by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107-210; 116 Stat. 961), is amended by striking “or (17)” after “any other person described in subsection (l)(16)” each place it appears and inserting “or (18) or any appropriate State officer (as defined in section 6104(c))”.

(4) The heading for paragraph (1) of section 6104(c) is amended by inserting “FOR CHARITABLE ORGANIZATIONS”.

(5) Paragraph (2) of section 7213(a) is amended by inserting “or under section 6104(c)” after “6103”.

(6) Paragraph (2) of section 7213A(a) is amended by inserting “or 6104(c)” after “6103”.

(7) Paragraph (2) of section 7431(a) is amended by inserting “(including any disclosure in violation of section 6104(c))” after “6103”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act but shall not apply to requests made before such date.
SEC. 206. EXPANSION OF PENALTIES TO PREPARERS OF FORM 990.

(a) IN GENERAL.—Section 6695 (relating to other assessable penalties with respect to the preparation of income tax returns for other persons) is amended by adding at the end the following new subsections:

“(h) CERTAIN OMISSIONS AND MISREPRESENTATIONS.—

“(1) IN GENERAL.—Any person who prepares for compensation any return under section 6033 who omits or misrepresents any information with respect to such return which was known or should have been known by such person shall pay a penalty of \$250 with respect to such return.

“(2) EXCEPTION FOR MINOR, INADVERTENT OMISSIONS.—Paragraph (1) shall not apply to minor, inadvertent omissions.

“(3) RULES FOR DETERMINING RETURN PREPARER.—For purposes of this subsection and subsection (i), any reference to a person who prepares for compensation a return under section 6033—

“(A) shall include any person who employs 1 or more persons to prepare for compensation a return under section 6033, and

“(B) shall not include any person who would be described in clause (i), (ii), (iii), or (iv) of section 7701(a)(36)(B) if such section referred to a return under section 6033.

“(i) WILLFUL OR RECKLESS CONDUCT.—

“(1) IN GENERAL.—Any person who prepares for compensation any return under section 6033 who recklessly or intentionally misrepresents any information or recklessly or intentionally disregards any rule or regulation with respect to such return shall pay a penalty of \$1,000 with respect to such return.

“(2) COORDINATION WITH OTHER PENALTIES.—With respect to any return, the amount of the penalty payable by any person by reason of paragraph (1) shall be reduced by the amount of the penalty paid by such person by reason of subsection (h) or section 6694.”.

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 6695 is amended by inserting “AND OTHER” after “INCOME TAX”.

(2) The item relating to section 6695 in the table of sections for part I of subchapter B of chapter 68 is amended by inserting “and other” after “income tax”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to documents prepared after the date of the enactment of this Act.

SEC. 207. NOTIFICATION REQUIREMENT FOR ENTITIES NOT CURRENTLY REQUIRED TO FILE.

(a) IN GENERAL.—Section 6033 (relating to returns by exempt organizations), as amended by this Act, is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—Any organization the gross receipts of which in any taxable year result in such organization being referred to in subsection (a)(2)(A)(ii) or (a)(2)(B)—

“(1) shall furnish annually, at such time and in such manner as the Secretary may by forms or regulations prescribe, information setting forth—

“(A) the legal name of the organization,

“(B) any name under which such organization operates or does business,

“(C) the organization’s mailing address and Internet web site address (if any),

“(D) the organization’s taxpayer identification number,

“(E) the name and address of a principal officer, and

“(F) evidence of the continuing basis for the organization’s exemption from the filing requirements under subsection (a)(1), and

“(2) upon the termination of the existence of the organization, shall furnish notice of such termination.”.

(b) LOSS OF EXEMPT STATUS FOR FAILURE TO FILE RETURN OR NOTICE.—Section 6033 (relating to returns by exempt organizations), as amended by subsection (a), is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) LOSS OF EXEMPT STATUS FOR FAILURE TO FILE RETURN OR NOTICE.—

“(1) IN GENERAL.—If an organization described in subsection (a)(1) or (i) fails to file an annual return or notice required under either subsection for 3 consecutive years, such organization’s status as an organization exempt from tax under section 501(a) shall be considered revoked on and after the date set by the Secretary for the filing of the third annual return or notice. The Secretary shall publish and maintain a list of any organization the status of which is so revoked.

“(2) APPLICATION NECESSARY FOR REINSTATEMENT.—Any organization the tax-exempt status of which is revoked under paragraph (1) must apply in order to obtain reinstatement of such status regardless of whether such organization was originally required to make such an application.

“(3) RETROACTIVE REINSTATEMENT IF REASONABLE CAUSE SHOWN FOR FAILURE.—If upon application for reinstatement of status as an

organization exempt from tax under section 501(a), an organization described in paragraph (1) can show to the satisfaction of the Secretary evidence of reasonable cause for the failure described in such paragraph, the organization’s exempt status may, in the discretion of the Secretary, be reinstated effective from the date of the revocation under such paragraph.”.

(c) NO DECLARATORY JUDGMENT RELIEF.—Section 7428(b) (relating to limitations) is amended by adding at the end the following new paragraph:

“(4) NONAPPLICATION FOR CERTAIN REVOCATIONS.—No action may be brought under this section with respect to any revocation of status described in section 6033(j)(1).”.

(d) NO INSPECTION REQUIREMENT.—Section 6104(b) (relating to inspection of annual information returns) is amended by inserting “(other than subsection (i) thereof)” after “6033”.

(e) NO DISCLOSURE REQUIREMENT.—Section 6104(d)(3) (relating to exceptions from disclosure requirements) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) NONDISCLOSURE OF ANNUAL NOTICES.—Paragraph (1) shall not require the disclosure of any notice required under section 6033(i).”.

(f) NO MONETARY PENALTY FOR FAILURE TO NOTIFY.—Section 6652(c)(1) (relating to annual returns under section 6033 or 6012(a)(6)) is amended by adding at the end the following new subparagraph:

“(E) NO PENALTY FOR CERTAIN ANNUAL NOTICES.—This paragraph shall not apply with respect to any notice required under section 6033(i).”.

(g) SECRETARIAL OUTREACH REQUIREMENTS.—

(1) NOTICE REQUIREMENT.—The Secretary of the Treasury shall notify in a timely manner every organization described in section 6033(i) of the Internal Revenue Code of 1986 (as added by this section) of the requirement under such section 6033(i) and of the penalty established under section 6033(j)—

(A) by mail, in the case of any organization the identity and address of which is included in the list of exempt organizations maintained by the Secretary, and

(B) by Internet or other means of outreach, in the case of any other organization.

(2) LOSS OF STATUS PENALTY FOR FAILURE TO FILE RETURN.—The Secretary of the Treasury shall publicize in a timely manner in appropriate forms and instructions and through other appropriate means, the penalty established under section 6033(j) of such Code for the failure to file a return under section 6033(a)(1) of such Code.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to notices and returns with respect to annual periods beginning after 2003.

SEC. 208. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 of the Internal Revenue Code of 1986 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

“(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

“(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

“(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such

organization is designated or otherwise individually identified—

“(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

“(B) in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or

“(C) in or pursuant to an Executive order issued under the authority of any Federal law if—

“(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

“(ii) such Executive order refers to this subsection.

“(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

“(A) begins on the later of—

“(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

“(ii) the date of the enactment of this subsection, and

“(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

“(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under any provision of this title, including sections 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), and 2522, with respect to any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

“(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

“(6) ERRONEOUS DESIGNATION.—

“(A) IN GENERAL.—If—

“(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

“(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

“(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

credit or refund (with interest) with respect to such overpayment shall be made.

“(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including *res judicata*), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on

the date of the last determination described in subparagraph (A)(ii).

“(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to designations made before, on, or after the date of the enactment of this Act.

TITLE III—OTHER CHARITABLE AND EXEMPT ORGANIZATION PROVISIONS

SEC. 301. MODIFICATION OF EXCISE TAX ON UNRELATED BUSINESS TAXABLE INCOME OF CHARITABLE REMAINDER TRUSTS.

(a) IN GENERAL.—Subsection (c) of section 664 (relating to exemption from income taxes) is amended to read as follows:

“(c) TAXATION OF TRUSTS.—

“(1) INCOME TAX.—A charitable remainder annuity trust and a charitable remainder unitrust shall, for any taxable year, not be subject to any tax imposed by this subtitle.

“(2) EXCISE TAX.—

“(A) IN GENERAL.—In the case of a charitable remainder annuity trust or a charitable remainder unitrust which has unrelated business taxable income (within the meaning of section 512, determined as if part III of subchapter F applied to such trust) for a taxable year, there is hereby imposed on such trust or unitrust an excise tax equal to the amount of such unrelated business taxable income.

“(B) CERTAIN RULES TO APPLY.—The tax imposed by subparagraph (A) shall be treated as imposed by chapter 42 for purposes of this title other than subchapter E of chapter 42.

“(C) TAX COURT PROCEEDINGS.—For purposes of this paragraph, the references in section 6212(c)(1) to section 4940 shall be deemed to include references to this paragraph.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 302. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) (relating to special rules for certain amounts received from controlled entities) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new subparagraph:

“(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

“(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received or accrued by the controlling organization that exceeds the amount which would have been paid or accrued if such payment met the requirements prescribed under section 482.

“(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of the larger of—

“(I) such excess determined without regard to any amendment or supplement to a return of tax, or

“(II) such excess determined with regard to all such amendments and supplements.”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to payments received or accrued after December 31, 2000.

(2) PAYMENTS SUBJECT TO BINDING CONTRACT TRANSITION RULE.—If the amendments made by section 1041 of the Taxpayer Relief Act of 1997 did not apply to any amount received or

accrued in the first 2 taxable years beginning on or after the date of the enactment of the Taxpayer Relief Act of 1997 under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2001.

SEC. 303. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:

“(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.”

(b) EXCESS LOBBYING EXPENDITURES.—Section 4911(b) is amended to read as follows:

“(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term ‘excess lobbying expenditures’ means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.”

(c) CONFORMING AMENDMENTS.—

(1) Section 501(h)(2) is amended by striking subparagraphs (C) and (D).

(2) Section 4911(c) is amended by striking paragraphs (3) and (4).

(3) Paragraph (1)(A) of section 4911(f) is amended by striking “limits of section 501(h)(1) have” and inserting “limit of section 501(h)(1) has”.

(4) Paragraph (1)(C) of section 4911(f) is amended by striking “limits of section 501(h)(1) are” and inserting “limit of section 501(h)(1) is”.

(5) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking “limits of section 501(h)(1)” and inserting “limit of section 501(h)(1)”.

(6) Paragraph (8) of section 6033(b) (relating to certain organizations described in section 501(c)(3)) is amended by inserting “and” at the end of subparagraph (A) and by striking subparagraphs (C) and (D).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 304. EXPEDITED REVIEW PROCESS FOR CERTAIN TAX-EXEMPTION APPLICATIONS.

(a) IN GENERAL.—The Secretary of the Treasury or the Secretary’s delegate (in this section, referred to as the “Secretary”) shall adopt procedures to expedite the consideration of applications for exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 filed after December 31, 2003, by any organization that—

(1) is organized and operated for the primary purpose of providing social services;

(2) is seeking a contract or grant under a Federal, State, or local program that provides funding for social services programs;

(3) establishes that, under the terms and conditions of the contract or grant program, an organization is required to obtain such exempt status before the organization is eligible to apply for a contract or grant;

(4) includes with its exemption application a copy of its completed Federal, State, or local contract or grant application; and

(5) meets such other criteria as the Secretary deems appropriate for expedited consideration.

The Secretary may prescribe other similar circumstances in which such organizations may be entitled to expedited consideration.

(b) **WAIVER OF APPLICATION FEE FOR EXEMPT STATUS.**—Any organization that meets the conditions described in subsection (a) (without regard to paragraph (3) of that subsection) is entitled to a waiver of any fee for an application for exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 if the organization certifies that the organization has had (or expects to have) average annual gross receipts of not more than \$50,000 during the preceding 4 years (or, in the case of an organization not in existence throughout the preceding 4 years, during such organization's first 4 years).

(c) **SOCIAL SERVICES DEFINED.**—For purposes of this section—

(1) **IN GENERAL.**—The term “social services” means services directed at helping people in need, reducing poverty, improving outcomes of low-income children, revitalizing low-income communities, and empowering low-income families and low-income individuals to become self-sufficient, including—

(A) child care services, protective services for children and adults, services for children and adults in foster care, adoption services, services related to the management and maintenance of the home, day care services for adults, and services to meet the special needs of children, older individuals, and individuals with disabilities (including physical, mental, or emotional disabilities);

(B) transportation services;

(C) job training and related services, and employment services;

(D) information, referral, and counseling services;

(E) the preparation and delivery of meals, and services related to soup kitchens or food banks;

(F) health support services;

(G) literacy and mentoring programs;

(H) services for the prevention and treatment of juvenile delinquency and substance abuse, services for the prevention of crime and the provision of assistance to the victims and the families of criminal offenders, and services related to the intervention in, and prevention of, domestic violence; and

(I) services related to the provision of assistance for housing under Federal law.

(2) **EXCLUSIONS.**—The term does not include a program having the purpose of delivering educational assistance under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) or under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

SEC. 305. CLARIFICATION OF DEFINITION OF CHURCH TAX INQUIRY.

Subsection (i) of section 7611 (relating to section not to apply to criminal investigations, etc.) is amended by striking “or” at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting “, or”, and by inserting after paragraph (5) the following:

“(6) information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.”

SEC. 306. EXPANSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

(a) **IN GENERAL.**—Paragraph (1) of section 7428(a) (relating to creation of remedy) is amended—

(1) in subparagraph (B) by inserting after “509(a))” the following: “or as a private operating foundation (as defined in section 4942(j)(3))”; and

(2) by amending subparagraph (C) to read as follows:

“(C) with respect to the initial qualification or continuing qualification of an organi-

zation as an organization described in section 501(c) (other than paragraph (3)) or 501(d) which is exempt from tax under section 501(a), or”.

(b) **COURT JURISDICTION.**—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking “United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia” and inserting the following: “United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)).”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to pleadings filed with respect to determinations (or requests for determinations) made after December 31, 2002.

SEC. 307. DEFINITION OF CONVENTION OR ASSOCIATION OF CHURCHES.

Section 7701 (relating to definitions) is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) **CONVENTION OR ASSOCIATION OF CHURCHES.**—For purposes of this title, any organization which is otherwise a convention or association of churches shall not fail to so qualify merely because the membership of such organization includes individuals as well as churches or because individuals have voting rights in such organization.”

SEC. 308. PAYMENTS BY CHARITABLE ORGANIZATIONS TO VICTIMS OF WAR ON TERRORISM AND FAMILIES OF ASTRONAUTS KILLED IN THE LINE OF DUTY.

(a) **IN GENERAL.**—For purposes of the Internal Revenue Code of 1986—

(1) any payment made by an organization described in section 501(c)(3) of such Code to—

(A) a member of the Armed Forces of the United States, or to an individual of such member's immediate family, by reason of the death, injury, wounding, or illness of such member incurred as the result of the military response of the United States to the terrorist attacks against the United States on September 11, 2001, or

(B) an individual of an astronaut's immediate family by reason of the death of such astronaut occurring in the line of duty after December 31, 2002,

shall be treated as related to the purpose or function constituting the basis for such organization's exemption under section 501 of such Code if such payment is made using an objective formula which is consistently applied, and

(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

(b) **EFFECTIVE DATES.**—This section shall apply to—

(1) payments described in subsection (a)(1)(A) made after the date of the enactment of this Act and before September 11, 2004, and

(2) payments described in subsection (a)(1)(B) made after December 31, 2002.

SEC. 309. MODIFICATION OF SCHOLARSHIP FOUNDATION RULES.

In applying the limitations on the percentage of scholarship grants which may be awarded after the date of the enactment of this Act, to children of current or former employees under Revenue Procedure 76-47, such percentage shall be increased to 35 percent of the eligible applicants to be consid-

ered by the selection committee and to 20 percent of individuals eligible for the grants, but only if the foundation awarding the grants demonstrates that, in addition to meeting the other requirements of Revenue Procedure 76-47, it provides a comparable number and aggregate amount of grants during the same program year to individuals who are not such employees, children or dependents of such employees, or affiliated with the employer of such employees.

SEC. 310. TREATMENT OF CERTAIN HOSPITAL SUPPORT ORGANIZATIONS AS QUALIFIED ORGANIZATIONS FOR PURPOSES OF DETERMINING ACQUISITION INDEBTEDNESS.

(a) **IN GENERAL.**—Subparagraph (C) of section 514(c)(9) (relating to real property acquired by a qualified organization) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “; or”, and by adding at the end the following new clause:

“(iv) a qualified hospital support organization (as defined in subparagraph (I)).”

(b) **QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.**—Paragraph (9) of section 514(c) is amended by adding at the end the following new subparagraph:

“(I) **QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.**—For purposes of subparagraph (C)(iv), the term ‘qualified hospital support organization’ means, with respect to any eligible indebtedness (including any qualified refinancing of such eligible indebtedness), a support organization (as defined in section 509(a)(3)) which supports a hospital described in section 119(d)(4)(B) and with respect to which—

“(i) more than half of the organization's assets (by value) at any time since its organization—

“(I) were acquired, directly or indirectly, by testamentary gift or devise, and

“(II) consisted of real property, and

“(ii) the fair market value of the organization's real estate acquired, directly or indirectly, by gift or devise, exceeded 25 percent of the fair market value of all investment assets held by the organization immediately prior to the time that the eligible indebtedness was incurred.

For purposes of this subparagraph, the term ‘eligible indebtedness’ means indebtedness secured by real property acquired by the organization, directly or indirectly, by gift or devise, the proceeds of which are used exclusively to acquire any leasehold interest in such real property or for improvements on, or repairs to, such real property. A determination under clauses (i) and (ii) of this subparagraph shall be made each time such an eligible indebtedness (or the qualified refinancing of such an eligible indebtedness) is incurred. For purposes of this subparagraph, a refinancing of such an eligible indebtedness shall be considered qualified if such refinancing does not exceed the amount of the refinanced eligible indebtedness immediately before the refinancing.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to indebtedness incurred after December 31, 2003.

SEC. 311. CHARITABLE CONTRIBUTION DEDUCTION FOR CERTAIN EXPENSES INCURRED IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.

(a) **IN GENERAL.**—Section 170 (relating to charitable, etc., contributions and gifts), as amended by this Act, is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) **EXPENSES PAID BY CERTAIN WHALING CAPTAINS IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.**—

“(1) IN GENERAL.—In the case of an individual who is recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities and who engages in such activities during the taxable year, the amount described in paragraph (2) (to the extent such amount does not exceed \$10,000 for the taxable year) shall be treated for purposes of this section as a charitable contribution.

“(2) AMOUNT DESCRIBED.—

“(A) IN GENERAL.—The amount described in this paragraph is the aggregate of the reasonable and necessary whaling expenses paid by the taxpayer during the taxable year in carrying out sanctioned whaling activities.

“(B) WHALING EXPENSES.—For purposes of subparagraph (A), the term ‘whaling expenses’ includes expenses for—

“(i) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities,

“(ii) the supplying of food for the crew and other provisions for carrying out such activities, and

“(iii) storage and distribution of the catch from such activities.

“(3) SANCTIONED WHALING ACTIVITIES.—For purposes of this subsection, the term ‘sanctioned whaling activities’ means subsistence bowhead whale hunting activities conducted pursuant to the management plan of the Alaska Eskimo Whaling Commission.”

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to contributions made after December 31, 2003.

SEC. 312. MATCHING GRANTS TO LOW-INCOME TAXPAYER CLINICS FOR RETURN PREPARATION.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by inserting after section 7526 the following new section:

“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-INCOME TAXPAYERS.

“(a) IN GENERAL.—The Secretary may, subject to the availability of appropriated funds, make grants to provide matching funds for the development, expansion, or continuation of qualified return preparation clinics.

“(b) DEFINITIONS.—For purposes of this section—

“(1) QUALIFIED RETURN PREPARATION CLINIC.—

“(A) IN GENERAL.—The term ‘qualified return preparation clinic’ means a clinic which—

“(i) does not charge more than a nominal fee for its services (except for reimbursement of actual costs incurred), and

“(ii) operates programs which assist low-income taxpayers in preparing and filing their Federal income tax returns, including schedules reporting sole proprietorship or farm income.

“(B) ASSISTANCE TO LOW-INCOME TAXPAYERS.—A clinic is treated as assisting low-income taxpayers under subparagraph (A)(ii) if at least 90 percent of the taxpayers assisted by the clinic have incomes which do not exceed 250 percent of the poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget.

“(2) CLINIC.—The term ‘clinic’ includes—

“(A) a clinical program at an eligible educational institution (as defined in section 529(e)(5)) which satisfies the requirements of paragraph (1) through student assistance of taxpayers in return preparation and filing, and

“(B) an organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1).

“(c) SPECIAL RULES AND LIMITATIONS.—

“(1) AGGREGATE LIMITATION.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than \$10,000,000 per year (exclusive of costs of administering the program) to grants under this section.

“(2) OTHER APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) through (5) of section 7526(c) shall apply with respect to the awarding of grants to qualified return preparation clinics.”

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7526 the following new item:

“Sec. 7526A. Return preparation clinics for low-income taxpayers.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to grants made after the date of the enactment of this Act.

SEC. 313. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR NURSING HOMES FROM FEDERAL GUARANTEE PROHIBITIONS.

(a) IN GENERAL.—Section 149(b)(3) (relating to exceptions) is amended by adding at the end the following new subparagraph:

“(E) EXCEPTION FOR QUALIFIED 501(c)(3) BONDS FOR NURSING HOMES.—

“(i) IN GENERAL.—Paragraph (1) shall not apply to any qualified 501(c)(3) bond issued before the date which is 1 year after the date of the enactment of this subparagraph for the benefit of an organization described in section 501(c)(3), if such bond is part of an issue the proceeds of which are used to finance 1 or more of the following facilities primarily for the benefit of the elderly:

“(I) Licensed nursing home facility.

“(II) Licensed or certified assisted living facility.

“(III) Licensed personal care facility.

“(IV) Continuing care retirement community.

“(ii) LIMITATION.—With respect to any calendar year, clause (i) shall not apply to any bond described in such clause if the aggregate authorized face amount of the issue of which such bond is a part when increased by the outstanding amount of such bonds issued by the issuer for such calendar year exceeds \$15,000,000.

“(iii) CONTINUING CARE RETIREMENT COMMUNITY.—For purposes of this subparagraph, the term ‘continuing care retirement community’ means a community which provides, on the same campus, a continuum of residential living options and support services to persons at least 60 years of age under a written agreement. For purposes of the preceding sentence, the residential living options shall include independent living units, nursing home beds, and either assisted living units or personal care beds.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 314. EXCISE TAXES EXEMPTION FOR BLOOD COLLECTOR ORGANIZATIONS.

(a) EXEMPTION FROM IMPOSITION OF SPECIAL FUELS TAX.—Section 4041(g) (relating to other exemptions) is amended by striking “and” at the end of paragraph (3), by striking the period in paragraph (4) and inserting “; and”, and by inserting after paragraph (4) the following new paragraph:

“(5) with respect to the sale of any liquid to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization’s exclusive use, or with respect to the use by a qualified blood collector organization of any liquid as a fuel.”

(b) EXEMPTION FROM MANUFACTURERS EXCISE TAX.—

(1) IN GENERAL.—Section 4221(a) (relating to certain tax-free sales) is amended by

striking “or” at the end of paragraph (4), by adding “or” at the end of paragraph (5), and by inserting after paragraph (5) the following new paragraph:

“(6) to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization’s exclusive use.”

(2) CONFORMING AMENDMENTS.—

(A) The second sentence of section 4221(a) is amended by striking “Paragraphs (4) and (5)” and inserting “Paragraphs (4), (5), and (6)”.

(B) Section 6421(c) is amended by striking “or (5)” and inserting “(5), or (6)”.

(c) EXEMPTION FROM COMMUNICATION EXCISE TAX.—

(1) IN GENERAL.—Section 4253 (relating to exemptions) is amended by redesignating subsection (k) as subsection (l) and inserting after subsection (j) the following new subsection:

“(k) EXEMPTION FOR QUALIFIED BLOOD COLLECTOR ORGANIZATIONS.—Under regulations provided by the Secretary, no tax shall be imposed under section 4251 on any amount paid by a qualified blood collector organization (as defined in section 7701(a)) for services or facilities furnished to such organization.”

(2) CONFORMING AMENDMENT.—Section 4253(l), as redesignated by paragraph (1), is amended by striking “or (j)” and inserting “(j), or (k)”.

(d) CREDIT FOR REFUND FOR CERTAIN TAXES ON SALES AND SERVICES.—

(1) DEEMED OVERPAYMENT.—

(A) IN GENERAL.—Section 6416(b)(2) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

“(E) sold to a qualified blood collector organization’s (as defined in section 7701(a)(48)) for such organization’s exclusive use.”

(B) CONFORMING AMENDMENTS.—Section 6416(b)(2) is amended—

(i) by striking “Subparagraphs (C) and (D)” and inserting “Subparagraphs (C), (D), and (E)”, and

(ii) by striking “(C), and (D)” and inserting “(C), (D), and (E)”.

(2) SALES OF TIRES.—Clause (ii) of section 6416(b)(4)(B) is amended by inserting “sold to a qualified blood collector organization (as defined in section 7701(a)(48)),” after “for its exclusive use.”

(e) DEFINITION OF QUALIFIED BLOOD COLLECTOR ORGANIZATION.—Section 7701(a) is amended by inserting at the end the following new paragraph:

“(48) QUALIFIED BLOOD COLLECTOR ORGANIZATION.—For purposes of this title, the term ‘qualified blood collector organization’ means an organization which is—

“(A) described in section 501(c)(3) and exempt from tax under section 501(a),

“(B) registered by the Food and Drug Administration to collect blood, and

“(C) primarily engaged in the activity of the collection of blood.”

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply with respect to excise taxes imposed on sales or uses occurring on or after October 1, 2003.

(2) REFUND OF GASOLINE TAX.—For purposes of section 6421(c) of the Internal Revenue Code of 1986 and any other provision that allows for a refund or a payment in respect of an excise tax payable at a level before the sale to a qualified blood collector organization, the amendments made by this section shall apply with respect to sales to a qualified collector organization on or after October 1, 2003.

SEC. 315. PILOT PROJECT FOR FOREST CONSERVATION ACTIVITIES.

(a) TAX-EXEMPT BOND FINANCING.—

(1) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any qualified forest conservation bond shall be treated as an exempt facility bond under section 142 of such Code.

(2) QUALIFIED FOREST CONSERVATION BOND.—For purposes of this section, the term “qualified forest conservation bond” means any bond issued as part of an issue if—

(A) 95 percent or more of the net proceeds (as defined in section 150(a)(3) of such Code) of such issue are to be used for qualified project costs,

(B) such bond is issued for a qualified organization, and

(C) such bond is issued before December 31, 2006.

(3) LIMITATION ON AGGREGATE AMOUNT ISSUED.—

(A) IN GENERAL.—The maximum aggregate face amount of bonds which may be issued under this subsection shall not exceed \$2,000,000,000 for all projects (excluding refunding bonds).

(B) ALLOCATION OF LIMITATION.—The limitation described in subparagraph (A) shall be allocated by the Secretary of the Treasury among qualified organizations based on criteria established by the Secretary not later than 180 days after the date of the enactment of this section, after consultation with the Chief of the Forest Service.

(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection, the term “qualified project costs” means the sum of—

(A) the cost of acquisition by the qualified organization from an unrelated person of forests and forest land which at the time of acquisition or immediately thereafter are subject to a conservation restriction described in subsection (c)(2),

(B) capitalized interest on the qualified forest conservation bonds for the 3-year period beginning on the date of issuance of such bonds, and

(C) credit enhancement fees which constitute qualified guarantee fees (within the meaning of section 148 of such Code).

(5) SPECIAL RULES.—In applying the Internal Revenue Code of 1986 to any qualified forest conservation bond, the following modifications shall apply:

(A) Section 146 of such Code (relating to volume cap) shall not apply.

(B) For purposes of section 147(b) of such Code (relating to maturity may not exceed 120 percent of economic life), the land and standing timber acquired with proceeds of qualified forest conservation bonds shall have an economic life of 35 years.

(C) Subsections (c) and (d) of section 147 of such Code (relating to limitations on acquisition of land and existing property) shall not apply.

(D) Section 57(a)(5) of such Code (relating to tax-exempt interest) shall not apply to interest on qualified forest conservation bonds.

(6) TREATMENT OF CURRENT REFUNDING BONDS.—Paragraphs (2)(C) and (3) shall not apply to any bond (or series of bonds) issued to refund a qualified forest conservation bond issued before December 31, 2006, if—

(A) the average maturity date of the issue of which the refunding bond is a part is not later than the average maturity date of the bonds to be refunded by such issue,

(B) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

(C) the net proceeds of the refunding bond are used to redeem the refunded bond not later than 90 days after the date of the issuance of the refunding bond.

For purposes of subparagraph (A), average maturity shall be determined in accordance with section 147(b)(2)(A) of such Code.

(7) EFFECTIVE DATE.—This subsection shall apply to obligations issued on or after the date which is 180 days after the enactment of this Act.

(b) ITEMS FROM QUALIFIED HARVESTING ACTIVITIES NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Income, gains, deductions, losses, or credits from a qualified harvesting activity conducted by a qualified organization shall not be subject to tax or taken into account under subtitle A of the Internal Revenue Code of 1986.

(2) LIMITATION.—The amount of income excluded from gross income under paragraph (1) for any taxable year shall not exceed the amount used by the qualified organization to make debt service payments during such taxable year for qualified forest conservation bonds.

(3) QUALIFIED HARVESTING ACTIVITY.—For purposes of paragraph (1)—

(A) IN GENERAL.—The term “qualified harvesting activity” means the sale, lease, or harvesting, of standing timber—

(i) on land owned by a qualified organization which was acquired with proceeds of qualified forest conservation bonds,

(ii) with respect to which a written acknowledgement has been obtained by the qualified organization from the State or local governments with jurisdiction over such land that the acquisition lessens the burdens of such government with respect to such land, and

(iii) pursuant to a qualified conservation plan adopted by the qualified organization.

(B) EXCEPTIONS.—

(i) CESSATION AS QUALIFIED ORGANIZATION.—The term “qualified harvesting activity” shall not include any sale, lease, or harvesting for any period during which the organization ceases to qualify as a qualified organization.

(ii) EXCEEDING LIMITS ON HARVESTING.—The term “qualified harvesting activity” shall not include any sale, lease, or harvesting of standing timber on land acquired with proceeds of qualified forest conservation bonds to the extent that—

(I) the average annual area of timber harvested from such land exceeds 2.5 percent of the total area of such land or,

(II) the quantity of timber removed from such land exceeds the quantity which can be removed from such land annually in perpetuity on a sustained-yield basis with respect to such land.

The limitations under subclauses (I) and (II) shall not apply to post-fire restoration and rehabilitation or sanitation harvesting of timber stands which are substantially damaged by fire, windthrow, or other catastrophes, or which are in imminent danger from insect or disease attack.

(4) TERMINATION.—This subsection shall not apply to any qualified harvesting activity of a qualified organization occurring after the date on which there is no outstanding qualified forest conservation bond with respect to such qualified organization or any such bond ceases to be a tax-exempt bond.

(5) PARTIAL RECAPTURE OF BENEFITS IF HARVESTING LIMIT EXCEEDED.—If, as of the date that this subsection ceases to apply under paragraph (3), the average annual area of timber harvested from the land exceeds the requirement of paragraph (3)(B)(ii)(I), the tax imposed by chapter 1 of the Internal Revenue Code of 1986 shall be increased, under rules prescribed by the Secretary of the Treasury, by the sum of the tax benefits attributable to such excess and interest at the

underpayment rate under section 6621 of such Code for the period of the underpayment.

(c) DEFINITIONS.—For purposes of this section—

(1) QUALIFIED CONSERVATION PLAN.—The term “qualified conservation plan” means a multiple land use program or plan which—

(A) is designed and administered primarily for the purposes of protecting and enhancing wildlife and fish, timber, scenic attributes, recreation, and soil and water quality of the forest and forest land,

(B) mandates that conservation of forest and forest land is the single-most significant use of the forest and forest land, and

(C) requires that timber harvesting be consistent with—

(i) restoring and maintaining reference conditions for the region's ecotype,

(ii) restoring and maintaining a representative sample of young, mid, and late successional forest age classes,

(iii) maintaining or restoring the resources' ecological health for purposes of preventing damage from fire, insect, or disease,

(iv) maintaining or enhancing wildlife or fish habitat, or

(v) enhancing research opportunities in sustainable renewable resource uses.

(2) CONSERVATION RESTRICTION.—The conservation restriction described in this paragraph is a restriction which—

(A) is granted in perpetuity to an unrelated person which is described in section 170(h)(3) of such Code and which, in the case of a nongovernmental unit, is organized and operated for conservation purposes,

(B) meets the requirements of clause (ii) or (iii)(II) of section 170(h)(4)(A) of such Code,

(C) obligates the qualified organization to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction, and

(D) requires an increasing level of conservation benefits to be provided whenever circumstances allow it.

(3) QUALIFIED ORGANIZATION.—The term “qualified organization” means an organization—

(A) which is a nonprofit organization substantially all the activities of which are charitable, scientific, or educational, including acquiring, protecting, restoring, managing, and developing forest lands and other renewable resources for the long-term charitable, educational, scientific and public benefit,

(B) more than half of the value of the property of which consists of forests and forest land acquired with the proceeds from qualified forest conservation bonds,

(C) which periodically conducts educational programs designed to inform the public of environmentally sensitive forestry management and conservation techniques,

(D) which has at all times a board of directors—

(i) at least 20 percent of the members of which represent the holders of the conservation restriction described in paragraph (2),

(ii) at least 20 percent of the members of which are public officials, and

(iii) not more than one-third of the members of which are individuals who are or were at any time within 5 years before the beginning of a term of membership on the board, an employee of, independent contractor with respect to, officer of, director of, or held a material financial interest in, a commercial forest products enterprise with which the qualified organization has a contractual or other financial arrangement,

(E) the bylaws of which require at least two-thirds of the members of the board of directors to vote affirmatively to approve the

qualified conservation plan and any change thereto, and

(F) upon dissolution, is required to dedicate its assets to—

(i) an organization described in section 501(c)(3) of such Code which is organized and operated for conservation purposes, or

(ii) a governmental unit described in section 170(c)(1) of such Code.

(4) UNRELATED PERSON.—The term “unrelated person” means a person who is not a related person.

(5) RELATED PERSON.—A person shall be treated as related to another person if—

(A) such person bears a relationship to such other person described in section 267(b) (determined without regard to paragraph (9) thereof), or 707(b)(1), of such Code, determined by substituting “25 percent” for “50 percent” each place it appears therein, and

(B) in the case such other person is a non-profit organization, if such person controls directly or indirectly more than 25 percent of the governing body of such organization.

SEC. 316. CLARIFICATION OF TREATMENT OF JOHNNY MICHEAL SPANN PATRIOT TRUSTS.

(a) CLARIFICATION OF TAX-EXEMPT STATUS OF TRUSTS.—

(1) IN GENERAL.—Subsection (b) of section 601 of the Homeland Security Act of 2002 is amended to read as follows:

“(b) DESIGNATION OF JOHNNY MICHEAL SPANN PATRIOT TRUSTS.—Any charitable corporation, fund, foundation, or trust (or separate fund or account thereof) which is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code and meets the requirements described in subsection (c) shall be eligible to designate itself as a ‘Johnny Micheal Spann Patriot trust’.”

(2) CONFORMING AMENDMENT.—Section 601(c)(3) of such Act is amended by striking “based” and all that follows through “Trust”.

(b) PUBLICLY AVAILABLE AUDITS.—Section 601(c)(7) of the Homeland Security Act of 2002 is amended by striking “shall be filed with the Internal Revenue Service, and shall be open to public inspection” and inserting “shall be open to public inspection consistent with section 6104(d)(1) of the Internal Revenue Code of 1986”.

(c) CLARIFICATION OF REQUIRED DISTRIBUTIONS TO PRIVATE FOUNDATION.—

(1) IN GENERAL.—Section 601(c)(8) of the Homeland Security Act of 2002 is amended by striking “not placed” and all that follows and inserting “not so distributed shall be contributed to a private foundation which is described in section 509(a) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code and which is dedicated to such beneficiaries not later than 36 months after the end of the fiscal year in which such funds, donations, or earnings are received.”

(2) CONFORMING AMENDMENTS.—Section 601(c) of such Act is amended—

(A) by striking “(or, if placed in a private foundation, held in trust for)” in paragraph (1) and inserting “(or contributed to a private foundation described in paragraph (8) for the benefit of)”, and

(B) by striking “invested in a private foundation” in paragraph (2) and inserting “contributed to a private foundation described in paragraph (8)”.

(d) REQUIREMENTS FOR DISTRIBUTIONS FROM TRUSTS.—Section 601(c)(9)(A) of the Homeland Security Act of 2002 is amended by striking “should” and inserting “shall”.

(e) REGULATIONS REGARDING NOTIFICATION OF TRUST BENEFICIARIES.—Section 601(f) of the Homeland Security Act of 2002 is amended by striking “this section” and inserting “subsection (e)”.

(f) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of section 601 of the Homeland Security Act of 2002.

TITLE IV—SOCIAL SERVICES BLOCK GRANT

SEC. 401. RESTORATION OF FUNDS FOR THE SOCIAL SERVICES BLOCK GRANT.

(a) FINDINGS.—Congress makes the following findings:

(1) On August 22, 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193; 110 Stat. 2105) was signed into law.

(2) In enacting that law, Congress authorized \$2,800,000,000 for fiscal year 2003 and each fiscal year thereafter to carry out the Social Services Block Grant program established under title XX of the Social Security Act (42 U.S.C. 1397 et seq.).

(b) RESTORATION OF FUNDS.—Section 2003(c)(11) of the Social Security Act (42 U.S.C. 1397b(c)(11)) is amended by inserting “, except that, with respect to fiscal year 2004, the amount shall be \$1,975,000,000, and with respect to fiscal year 2005, the amount shall be \$2,800,000,000” after “thereafter.”

SEC. 402. RESTORATION OF AUTHORITY TO TRANSFER UP TO 10 PERCENT OF TANF FUNDS TO THE SOCIAL SERVICES BLOCK GRANT.

(a) IN GENERAL.—Section 404(d)(2) of the Social Security Act (42 U.S.C. 604(d)(2)) is amended to read as follows:

“(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—A State may use not more than 10 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to amounts made available for fiscal year 2004 and each fiscal year thereafter.

SEC. 403. REQUIREMENT TO SUBMIT ANNUAL REPORT ON STATE ACTIVITIES.

(a) IN GENERAL.—Section 2006(c) of the Social Security Act (42 U.S.C. 1397e(c)) is amended by adding at the end the following: “The Secretary shall compile the information submitted by the States and submit that information to Congress on an annual basis.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to information submitted by States under section 2006 of the Social Security Act (42 U.S.C. 1397e) with respect to fiscal year 2003 and each fiscal year thereafter.

TITLE V—INDIVIDUAL DEVELOPMENT ACCOUNTS

SEC. 501. SHORT TITLE.

This title may be cited as the “Savings for Working Families Act of 2004”.

SEC. 502. PURPOSES.

The purposes of this title are to provide for the establishment of individual development account programs that will—

(1) provide individuals and families with limited means an opportunity to accumulate assets and to enter the financial mainstream,

(2) promote education, homeownership, and the development of small businesses,

(3) stabilize families and build communities, and

(4) support continued United States economic expansion.

SEC. 503. DEFINITIONS.

As used in this title:

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term “eligible individual” means, with respect to any taxable year, an individual who—

(i) has attained the age of 18 but not the age of 61 as of the last day of such taxable year,

(ii) is a citizen or lawful permanent resident (within the meaning of section 7701(b)(6) of the Internal Revenue Code of 1986) of the United States as of the last day of such taxable year,

(iii) was not a student (as defined in section 151(c)(4) of such Code) for the immediately preceding taxable year,

(iv) is not an individual with respect to whom a deduction under section 151 of such Code is allowable to another taxpayer for a taxable year of the other taxpayer ending during the immediately preceding taxable year of the individual,

(v) is not a taxpayer described in subsection (c), (d), or (e) of section 6402 of such Code for the immediately preceding taxable year,

(vi) is not a taxpayer described in section 1(d) of such Code for the immediately preceding taxable year, and

(vii) is a taxpayer the modified adjusted gross income of whom for the immediately preceding taxable year does not exceed—

(I) \$18,000, in the case of a taxpayer described in section 1(c) of such Code,

(II) \$30,000, in the case of a taxpayer described in section 1(b) of such Code, and

(III) \$38,000, in the case of a taxpayer described in section 1(a) of such Code.

(B) INFLATION ADJUSTMENT.—

(i) IN GENERAL.—In the case of any taxable year beginning after 2004, each dollar amount referred to in subparagraph (A)(vii) shall be increased by an amount equal to—

(I) such dollar amount, multiplied by

(II) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, by substituting “2003” for “1992”.

(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.

(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (A)(v), the term “modified adjusted gross income” means adjusted gross income—

(i) determined without regard to sections 86, 893, 911, 931, and 933 of the Internal Revenue Code of 1986, and

(ii) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term “Individual Development Account” means an account established for an eligible individual as part of a qualified individual development account program, but only if the written governing instrument creating the account meets the following requirements:

(A) The owner of the account is the individual for whom the account was established.

(B) No contribution will be accepted unless it is in cash, and, except in the case of any qualified rollover, contributions will not be accepted for the taxable year in excess of \$1,500 on behalf of any individual.

(C) The trustee of the account is a qualified financial institution.

(D) The assets of the account will not be commingled with other property except in a common trust fund or common investment fund.

(E) Except as provided in section 507(b), any amount in the account may be paid out only for the purpose of paying the qualified expenses of the account owner.

(3) PARALLEL ACCOUNT.—The term “parallel account” means a separate, parallel individual or pooled account for all matching funds and earnings dedicated to an Individual Development Account owner as part

of a qualified individual development account program, the trustee of which is a qualified financial institution.

(4) **QUALIFIED FINANCIAL INSTITUTION.**—The term “qualified financial institution” means any person authorized to be a trustee of any individual retirement account under section 408(a)(2) of the Internal Revenue Code of 1986.

(5) **QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM.**—The term “qualified individual development account program” means a program established upon approval of the Secretary under section 504 after December 31, 2002, under which—

(A) Individual Development Accounts and parallel accounts are held in trust by a qualified financial institution, and

(B) additional activities determined by the Secretary, in consultation with the Secretary of Health and Human Services, as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to Account owners, and regular program monitoring, are carried out by the qualified financial institution.

(6) **QUALIFIED EXPENSE DISTRIBUTION.**—

(A) **IN GENERAL.**—The term “qualified expense distribution” means any amount paid (including through electronic payments) or distributed out of an Individual Development Account or a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of the Individual Development Account owner or such owner’s spouse or dependents,

(ii) is paid by the qualified financial institution—

(I) except as otherwise provided in this clause, directly to the unrelated third party to whom the amount is due,

(II) in the case of any qualified rollover, directly to another Individual Development Account and parallel account, or

(III) in the case of a qualified final distribution, directly to the spouse, dependent, or other named beneficiary of the deceased Account owner, and

(iii) is paid after the Account owner has completed a financial education course if required under section 505(b).

(B) **QUALIFIED EXPENSES.**—

(i) **IN GENERAL.**—The term “qualified expenses” means any of the following expenses approved by the qualified financial institution:

(I) Qualified higher education expenses.

(II) Qualified first-time homebuyer costs.

(III) Qualified business capitalization or expansion costs.

(IV) Qualified rollovers.

(V) Qualified final distribution.

(ii) **QUALIFIED HIGHER EDUCATION EXPENSES.**—

(I) **IN GENERAL.**—The term “qualified higher education expenses” has the meaning given such term by section 529(e)(3) of the Internal Revenue Code of 1986, determined by treating the Account owner, the owner’s spouse, or one or more of the owner’s dependents as a designated beneficiary, and reduced as provided in section 25A(g)(2) of such Code.

(II) **COORDINATION WITH OTHER BENEFITS.**—The amount of expenses which may be taken into account for purposes of section 135, 529, or 530 of such Code for any taxable year shall be reduced by the amount of any qualified higher education expenses taken into account as qualified expense distributions during such taxable year.

(iii) **QUALIFIED FIRST-TIME HOMEBUYER COSTS.**—The term “qualified first-time homebuyer costs” means qualified acquisition costs (as defined in section 72(t)(8)(C) of the Internal Revenue Code of 1986) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified

first-time homebuyer (as defined in section 72(t)(8)(D)(i) of such Code).

(iv) **QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.**—

(I) **IN GENERAL.**—The term “qualified business capitalization or expansion costs” means qualified expenditures for the capitalization or expansion of a qualified business pursuant to a qualified business plan.

(II) **QUALIFIED EXPENDITURES.**—The term “qualified expenditures” means expenditures normally associated with starting or expanding a business and included in a qualified business plan, including costs for capital, plant, and equipment, inventory expenses, and attorney and accounting fees.

(III) **QUALIFIED BUSINESS.**—The term “qualified business” means any business that does not contravene any law.

(IV) **QUALIFIED BUSINESS PLAN.**—The term “qualified business plan” means a business plan which has been approved by the qualified financial institution and which meets such requirements as the Secretary may specify.

(v) **QUALIFIED ROLLOVERS.**—The term “qualified rollover” means the complete distribution of the amounts in an Individual Development Account and parallel account to another Individual Development Account and parallel account established in another qualified financial institution for the benefit of the Account owner.

(vi) **QUALIFIED FINAL DISTRIBUTION.**—The term “qualified final distribution” means, in the case of a deceased Account owner, the complete distribution of the amounts in the Individual Development Account and parallel account directly to the spouse, any dependent, or other named beneficiary of the deceased.

(7) **SECRETARY.**—The term “Secretary” means the Secretary of the Treasury.

SEC. 504. STRUCTURE AND ADMINISTRATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **ESTABLISHMENT OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**—Any qualified financial institution may apply to the Secretary for approval to establish 1 or more qualified individual development account programs which meet the requirements of this title and for an allocation of the Individual Development Account limitation under section 45G(i)(3) of the Internal Revenue Code of 1986 with respect to such programs.

(b) **BASIC PROGRAM STRUCTURE.**—

(I) **IN GENERAL.**—All qualified individual development account programs shall consist of the following 2 components for each participant:

(A) An Individual Development Account to which an eligible individual may contribute cash in accordance with section 505.

(B) A parallel account to which all matching funds shall be deposited in accordance with section 506.

(2) **TAILORED IDA PROGRAMS.**—A qualified financial institution may tailor its qualified individual development account program to allow matching funds to be spent on 1 or more of the categories of qualified expenses.

(3) **NO FEES MAY BE CHARGED TO IDAS.**—A qualified financial institution may not charge any fees to any Individual Development Account or parallel account under a qualified individual development account program.

(c) **COORDINATION WITH PUBLIC HOUSING AGENCY INDIVIDUAL SAVINGS ACCOUNTS.**—Section 3(e)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437a(e)(2)) is amended by inserting “or in any Individual Development Account established under the Savings for Working Families Act of 2004” after “subsection”.

(d) **TAX TREATMENT OF PARALLEL ACCOUNTS.**—

(1) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

“SEC. 7528. TAX INCENTIVES FOR INDIVIDUAL DEVELOPMENT PARALLEL ACCOUNTS.

“For purposes of this title—

“(1) any account described in section 504(b)(1)(B) of the Savings for Working Families Act of 2004 shall be exempt from taxation,

“(2) except as provided in section 45G, no item of income, expense, basis, gain, or loss with respect to such an account may be taken into account, and

“(3) any amount withdrawn from such an account shall not be includible in gross income.”

(2) **CONFORMING AMENDMENT.**—The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7528. Tax incentives for individual development parallel accounts.”

(e) **COORDINATION OF CERTAIN EXPENSES.**—Section 25A(g)(2) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(D) a qualified expense distribution with respect to qualified higher education expenses from an Individual Development Account or a parallel account under section 507(a) of the Savings for Working Families Act of 2004.”

SEC. 505. PROCEDURES FOR OPENING AND MAINTAINING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.

(a) **OPENING AN ACCOUNT.**—An eligible individual may open an Individual Development Account with a qualified financial institution upon certification that such individual has never maintained any other Individual Development Account (other than an Individual Development Account to be terminated by a qualified rollover).

(b) **REQUIRED COMPLETION OF FINANCIAL EDUCATION COURSE.**—

(1) **IN GENERAL.**—Before becoming eligible to withdraw funds to pay for qualified expenses, owners of Individual Development Accounts must complete 1 or more financial education courses specified in the qualified individual development account program.

(2) **STANDARD AND APPLICABILITY OF COURSE.**—The Secretary, in consultation with representatives of qualified individual development account programs and financial educators, shall not later than January 1, 2004, establish minimum quality standards for the contents of financial education courses and providers of such courses described in paragraph (1) and a protocol to exempt individuals from the requirement under paragraph (1) in the case of hardship, lack of need, the attainment of age 65, or a qualified final distribution.

(c) **PROOF OF STATUS AS AN ELIGIBLE INDIVIDUAL.**—Federal income tax forms for the immediately preceding taxable year and any other evidence of eligibility which may be required by a qualified financial institution shall be presented to such institution at the time of the establishment of the Individual Development Account and in any taxable year in which contributions are made to the Account to qualify for matching funds under section 506(b)(1)(A).

(d) **SPECIAL RULE IN THE CASE OF MARRIED INDIVIDUALS.**—For purposes of this title, if, with respect to any taxable year, 2 married individuals file a Federal joint income tax return, then not more than 1 of such individuals may be treated as an eligible individual with respect to the succeeding taxable year.

SEC. 506. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **PARALLEL ACCOUNTS.**—The qualified financial institution shall deposit all matching funds for each Individual Development Account into a parallel account at a qualified financial institution.

(b) **REGULAR DEPOSITS OF MATCHING FUNDS.**—

(1) **IN GENERAL.**—Subject to paragraph (2), the qualified financial institution shall deposit into the parallel account with respect to each eligible individual the following amounts:

(A) A dollar-for-dollar match for the first \$500 contributed by the eligible individual into an Individual Development Account with respect to any taxable year of such individual.

(B) Any matching funds provided by State, local, or private sources in accordance with the matching ratio set by those sources.

(2) **TIMING OF DEPOSITS.**—A deposit of the amounts described in paragraph (1) shall be made into a parallel account—

(A) in the case of amounts described in paragraph (1)(A), not later than 30 days after the end of the calendar quarter during which the contribution described in such paragraph was made, and

(B) in the case of amounts described in paragraph (1)(B), not later than 2 business days after such amounts were provided.

(3) **CROSS REFERENCE.**—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 45G of the Internal Revenue Code of 1986.

(c) **DEPOSIT OF MATCHING FUNDS INTO INDIVIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO HAS ATTAINED AGE 65.**—In the case of an Individual Development Account owner who attains the age of 65, the qualified financial institution shall deposit the funds in the parallel account with respect to such individual into the Individual Development Account of such individual on the later of—

(1) the day which is the 1-year anniversary of the deposit of such funds in the parallel account, or

(2) the first business day of the taxable year of such individual following the taxable year in which such individual attained age 65.

(d) **UNIFORM ACCOUNTING REGULATIONS.**—To ensure proper recordkeeping and determination of the tax credit under section 45G of the Internal Revenue Code of 1986, the Secretary shall prescribe regulations with respect to accounting for matching funds in the parallel accounts.

(e) **REGULAR REPORTING OF ACCOUNTS.**—Any qualified financial institution shall report the balances in any Individual Development Account and parallel account of an individual on not less than an annual basis to such individual.

SEC. 507. WITHDRAWAL PROCEDURES.

(a) **WITHDRAWALS FOR QUALIFIED EXPENSES.**—

(1) **IN GENERAL.**—An Individual Development Account owner may withdraw funds in order to pay qualified expense distributions from such individual's—

(A) Individual Development Account, but only from funds which have been on deposit in such Account for at least 1 year, and

(B) parallel account, but only—

(i) from matching funds which have been on deposit in such parallel account for at least 1 year,

(ii) from earnings in such parallel account, after all matching funds described in clause (i) have been withdrawn, and

(iii) to the extent such withdrawal does not result in a remaining balance in such par-

allel account which is less than the remaining balance in the Individual Development Account after such withdrawal.

(2) **PROCEDURE.**—Upon receipt of a withdrawal request which meets the requirements of paragraph (1), the qualified financial institution shall directly transfer the funds electronically to the distributees described in section 503(b)(A)(ii). If a distributee is not equipped to receive funds electronically, the qualified financial institution may issue such funds by paper check to the distributee.

(b) **WITHDRAWALS FOR NONQUALIFIED EXPENSES.**—An Individual Development Account owner may withdraw any amount of funds from the Individual Development Account for purposes other than to pay qualified expense distributions, but if, after such withdrawal, the amount in the parallel account of such owner (excluding earnings on matching funds) exceeds the amount remaining in such Individual Development Account, then such owner shall forfeit from the parallel account the lesser of such excess or the amount withdrawn.

(c) **WITHDRAWALS FROM ACCOUNTS OF NON-ELIGIBLE INDIVIDUALS.**—If the individual for whose benefit an Individual Development Account is established ceases to be an eligible individual, such account shall remain an Individual Development Account, but such individual shall not be eligible for any further matching funds under section 506(b)(1)(A) for contributions which are made to the Account during any taxable year when such individual is not an eligible individual.

(d) **EFFECT OF PLEDGING ACCOUNT AS SECURITY.**—If, during any taxable year of the individual for whose benefit an Individual Development Account is established, that individual uses the Account, the individual's parallel account, or any portion thereof as security for a loan, the portion so used shall be treated as a withdrawal of such portion from the Individual Development Account for purposes other than to pay qualified expenses.

SEC. 508. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) **CERTIFICATION PROCEDURES.**—Upon establishing a qualified individual development account program under section 504, a qualified financial institution shall certify to the Secretary at such time and in such manner as may be prescribed by the Secretary and accompanied by any documentation required by the Secretary, that—

(1) the accounts described in subparagraphs (A) and (B) of section 504(b)(1) are operating pursuant to all the provisions of this title, and

(2) the qualified financial institution agrees to implement an information system necessary to monitor the cost and outcomes of the qualified individual development account program.

(b) **AUTHORITY TO TERMINATE QUALIFIED IDA PROGRAM.**—If the Secretary determines that a qualified financial institution under this title is not operating a qualified individual development account program in accordance with the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such institution's authority to conduct the program. If the Secretary is unable to identify a qualified financial institution to assume the authority to conduct such program, then any funds in a parallel account established for the benefit of any individual under such program shall be deposited into the Individual Development Account of such individual as of the first day of such termination.

SEC. 509. REPORTING, MONITORING, AND EVALUATION.

(a) **RESPONSIBILITIES OF QUALIFIED FINANCIAL INSTITUTIONS.**—

(1) **IN GENERAL.**—Each qualified financial institution that operates a qualified individual development account program under section 504 shall report annually to the Secretary within 90 days after the end of each calendar year on—

(A) the number of individuals making contributions into Individual Development Accounts and the amounts contributed,

(B) the amounts contributed into Individual Development Accounts by eligible individuals and the amounts deposited into parallel accounts for matching funds,

(C) the amounts withdrawn from Individual Development Accounts and parallel accounts, and the purposes for which such amounts were withdrawn,

(D) the balances remaining in Individual Development Accounts and parallel accounts, and

(E) such other information needed to help the Secretary monitor the effectiveness of the qualified individual development account program (provided in a non-individually-identifiable manner).

(2) **ADDITIONAL REPORTING REQUIREMENTS.**—Each qualified financial institution that operates a qualified individual development account program under section 504 shall report at such time and in such manner as the Secretary may prescribe any additional information that the Secretary requires to be provided for purposes of administering and supervising the qualified individual development account program. This additional data may include, without limitation, identifying information about Individual Development Account owners, their Accounts, additions to the Accounts, and withdrawals from the Accounts.

(b) **RESPONSIBILITIES OF THE SECRETARY.**—

(1) **MONITORING PROTOCOL.**—Not later than 12 months after the date of the enactment of this Act, the Secretary, in consultation with the Secretary of Health and Human Services, shall develop and implement a protocol and process to monitor the cost and outcomes of the qualified individual development account programs established under section 504.

(2) **ANNUAL REPORTS.**—For each year after 2004, the Secretary shall submit a progress report to Congress on the status of such qualified individual development account programs. Such report shall, to the extent data are available, include from a representative sample of qualified individual development account programs information on—

(A) the characteristics of participants, including age, gender, race or ethnicity, marital status, number of children, employment status, and monthly income,

(B) deposits, withdrawals, balances, uses of Individual Development Accounts, and participant characteristics,

(C) the characteristics of qualified individual development account programs, including match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs, and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

(3) **REAUTHORIZATION REPORT ON COST AND OUTCOMES OF IDAS.**—

(A) **IN GENERAL.**—Not later than July 1, 2008, the Secretary of the Treasury shall submit a report to Congress and the chairmen and ranking members of the Committee on Finance, the Committee on Banking, Housing, and Urban Affairs, and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Ways and

Means, the Committee on Banking and Financial Services, and the Committee on Education and the Workforce of the House of Representatives, in which the Secretary shall—

(i) summarize the previously submitted annual reports required under paragraph (2),

(ii) from a representative sample of qualified individual development account programs, include an analysis of—

(I) the economic, social, and behavioral outcomes,

(II) the changes in savings rates, asset holdings, and household debt, and overall changes in economic stability,

(III) the changes in outlooks, attitudes, and behavior regarding savings strategies, investment, education, and family,

(IV) the integration into the financial mainstream, including decreased reliance on alternative financial services, and increase in acquisition of mainstream financial products, and

(V) the involvement in civic affairs, including neighborhood schools and associations, associated with participation in qualified individual development account programs,

(iii) from a representative sample of qualified individual development account programs, include a comparison of outcomes associated with such programs with outcomes associated with other Federal Government social and economic development programs, including asset building programs, and

(iv) make recommendations regarding the reauthorization of the qualified individual development account programs, including—

(I) recommendations regarding reforms that will improve the cost and outcomes of the such programs, including the ability to help low income families save and accumulate productive assets,

(II) recommendations regarding the appropriate levels of subsidies to provide effective incentives to financial institutions and Account owners under such programs, and

(III) recommendations regarding how such programs should be integrated into other Federal poverty reduction, asset building, and community development policies and programs.

(B) AUTHORIZATION.—There is authorized to be appropriated \$2,500,000, for carrying out the purposes of this paragraph.

(4) USE OF ACCOUNTS IN RURAL AREAS ENCOURAGED.—The Secretary shall develop methods to encourage the use of Individual Development Accounts in rural areas.

SEC. 510. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to the Secretary \$1,000,000 for fiscal year 2004 and for each fiscal year through 2012, for the purposes of implementing this title, including the reporting, monitoring, and evaluation required under section 509, to remain available until expended.

SEC. 511. MATCHING FUNDS FOR INDIVIDUAL DEVELOPMENT ACCOUNTS PROVIDED THROUGH A TAX CREDIT FOR QUALIFIED FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

“SEC. 45G. INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT CREDIT.

“(a) DETERMINATION OF AMOUNT.—For purposes of section 38, the individual development account investment credit determined under this section with respect to any eligible entity for any taxable year is an amount equal to the individual development account investment provided by such eligible entity during the taxable year under an individual development account program established under section 504 of the Savings for Working Families Act of 2004.

“(b) APPLICABLE TAX.—For the purposes of this section, the term ‘applicable tax’ means the excess (if any) of—

“(1) the tax imposed under this chapter (other than the taxes imposed under the provisions described in subparagraphs (C) through (Q) of section 26(b)(2)), over

“(2) the credits allowable under subpart B (other than this section) and subpart D of this part.

“(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT.—For purposes of this section, the term ‘individual development account investment’ means, with respect to an individual development account program in any taxable year, an amount equal to the sum of—

“(1) the aggregate amount of dollar-for-dollar matches under such program under section 506(b)(1)(A) of the Savings for Working Families Act of 2004 for such taxable year, plus

“(2) \$50 with respect to each Individual Development Account maintained—

“(A) as of the end of such taxable year, but only if such taxable year is within the 7-taxable-year period beginning with the taxable year in which such Account is opened, and

“(B) with a balance of not less than \$100 (other than the taxable year in which such Account is opened).

“(d) ELIGIBLE ENTITY.—For purposes of this section, except as provided in regulations, the term ‘eligible entity’ means a qualified financial institution.

“(e) OTHER DEFINITIONS.—For purposes of this section, any term used in this section and also in the Savings for Working Families Act of 2004 shall have the meaning given such term by such Act.

“(f) DENIAL OF DOUBLE BENEFIT.—

“(1) IN GENERAL.—No deduction or credit (other than under this section) shall be allowed under this chapter with respect to any expense which—

“(A) is taken into account under subsection (c)(1)(A) in determining the credit under this section, or

“(B) is attributable to the maintenance of an Individual Development Account.

“(2) DETERMINATION OF AMOUNT.—Solely for purposes of paragraph (1)(B), the amount attributable to the maintenance of an Individual Development Account shall be deemed to be the dollar amount of the credit allowed under subsection (c)(1)(B) for each taxable year such Individual Development Account is maintained.

“(g) CREDIT MAY BE TRANSFERRED.—

“(1) IN GENERAL.—An eligible entity may transfer any credit allowable to the eligible entity under subsection (a) to any person other than to another eligible entity which is exempt from tax under this title. The determination as to whether a credit is allowable shall be made without regard to the tax-exempt status of the eligible entity.

“(2) CONSENT REQUIRED FOR REVOCATION.—Any transfer under paragraph (1) may be revoked only with the consent of the Secretary.

“(h) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including

“(1) such regulations as necessary to insure that any credit described in subsection (g)(1) is claimed once and not retransferred by a transferee, and

“(2) regulations providing for a recapture of the credit allowed under this section (notwithstanding any termination date described in subsection (i)) in cases where there is a forfeiture under section 507(b) of the Savings for Working Families Act of 2004 in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.

“(i) APPLICATION OF SECTION.—

“(1) IN GENERAL.—This section shall apply to any expenditure made in any taxable year ending after December 31, 2004, and beginning on or before January 1, 2012, with respect to any Individual Development Account which—

“(A) is opened before January 1, 2012, and

“(B) as determined by the Secretary, when added to all of the previously opened Individual Development Accounts, does not exceed—

“(i) 100,000 Accounts if opened after December 31, 2004, and before January 1, 2007,

“(ii) an additional 100,000 Accounts if opened after December 31, 2006, and before January 1, 2009, but only if, except as provided in paragraph (4), the total number of Accounts described in clause (i) are opened and the Secretary determines that such Accounts are being reasonably and responsibly administered, and

“(iii) an additional 100,000 Accounts if opened after December 31, 2008, and before January 1, 2012, but only if the total number of Accounts described in clauses (i) and (ii) are opened and the Secretary makes a determination described in paragraph (2).

Notwithstanding the preceding sentence, this section shall apply to amounts which are described in subsection (c)(1)(A) and which are timely deposited into a parallel account during the 30-day period following the end of last taxable year beginning before January 1, 2012.

“(2) DETERMINATION WITH RESPECT TO THIRD GROUP OF ACCOUNTS.—A determination is described in this paragraph if the Secretary determines that—

“(A) substantially all of the previously opened Accounts have been reasonably and responsibly administered prior to the date of the determination,

“(B) the individual development account programs have increased net savings of participants in the programs,

“(C) participants in the individual development account programs have increased Federal income tax liability and decreased utilization of Federal assistance programs relative to similarly situated individuals that did not participate in the individual development account programs, and

“(D) the sum of the estimated increased Federal tax liability and reduction of Federal assistance program benefits to participants in the individual development account programs is greater than the cost of the individual development account programs to the Federal government.

“(3) DETERMINATION OF LIMITATION.—The limitation on the number of Individual Development Accounts under paragraph (1)(B) shall be allocated by the Secretary among qualified individual development account programs selected by the Secretary and, in the case of the limitation under clause (iii) of such paragraph, shall be equally divided among the States.

“(4) SPECIAL RULE IF SMALLER NUMBER OF ACCOUNTS ARE OPENED.—For purposes of paragraph (1)(B)(ii)—

“(i) IN GENERAL.—If less than 100,000 Accounts are opened before January 1, 2007, such paragraph shall be applied by substituting ‘applicable number of Accounts’ for ‘100,000 Accounts’.

“(ii) APPLICABLE NUMBER.—For purposes of clause (i), the applicable number equals the lesser of—

“(I) 75,000, or

“(II) 3 times the number of Accounts opened before January 1, 2007.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) (relating to current year business credit) is amended by striking “plus” at

the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the individual development account investment credit determined under section 45G(a).”.

(c) NO CARRYBACKS.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(11) NO CARRYBACK OF SECTION 45G CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the individual development account investment credit determined under section 45G may be carried back to a taxable year ending before January 1, 2004.”.

(d) CONFORMING AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45G. Individual development account investment credit.”.

(e) REPORT REGARDING ACCOUNT MAINTENANCE FEES.—The Secretary of the Treasury shall study the adequacy of the amount specified in section 45G(c)(2) of the Internal Revenue Code of 1986 (as added by this section). Not later than December 31, 2009, the Secretary of the Treasury shall report the findings of the study described in the preceding sentence to Congress.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2004.

SEC. 512. ACCOUNT FUNDS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any other provision of Federal law (other than the Internal Revenue Code of 1986) that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, any amount (including earnings thereon) in any Individual Development Account of such individual and any matching deposit made on behalf of such individual (including earnings thereon) in any parallel account shall be disregarded for such purpose with respect to any period during which such individual maintains or makes contributions into such Individual Development Account.

TITLE VI—MANAGEMENT OF EXEMPT ORGANIZATIONS

SEC. 601. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to the Secretary of the Treasury \$80,000,000 for each fiscal year to carry out the administration of exempt organizations by the Internal Revenue Service.

(b) IMPLEMENTATION OF SECTION 527.—There is authorized to be appropriated to the Secretary of the Treasury \$3,000,000 to carry out the provisions of Public Laws 106-230 and 107-276 relating to section 527 of the Internal Revenue Code of 1986.

TITLE VII—REVENUE PROVISIONS

Subtitle A—Provisions Designed To Curtail Tax Shelters

SEC. 701. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701, as amended by this Act, is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

“(o) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

“(1) GENERAL RULES.—

“(A) IN GENERAL.—In applying the economic substance doctrine, the determination

of whether a transaction has economic substance shall be made as provided in this paragraph.

“(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—A transaction has economic substance only if—

“(I) the transaction changes in a meaningful way (apart from Federal tax effects and, if there is any Federal tax effects, also apart from any foreign, State, or local tax effects) the taxpayer’s economic position, and

“(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

“(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

“(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

“(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

“(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

“(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

“(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

“(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

“(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party’s economic income or gain, or

“(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person’s liability under subtitle A.

“(C) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(D) TREATMENT OF LESSORS.—In applying subclause (I) of paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease, the expected net tax benefits shall not include the benefits of depreciation, or any tax credit, with respect to the leased property and subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

“(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 15, 2004.

SEC. 702. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

“SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

“(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be \$50,000.

“(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be \$100,000.

“(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

“(A) IN GENERAL.—In the case of a failure under subsection (a) by—

“(i) a large entity, or

“(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

“(B) LARGE ENTITY.—For purposes of subparagraph (A), the term ‘large entity’ means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of \$10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

“(C) HIGH NET WORTH INDIVIDUAL.—The term ‘high net worth individual’ means, with respect to a transaction, a natural person whose net worth exceeds \$2,000,000 immediately before the transaction.

“(c) DEFINITIONS.—For purposes of this section—

“(1) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

“(2) LISTED TRANSACTION.—Except as provided in regulations, the term ‘listed transaction’ means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

“(d) AUTHORITY TO RESCIND PENALTY.—

“(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

“(A) the violation is with respect to a reportable transaction other than a listed transaction,

“(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

“(C) it is shown that the violation is due to an unintentional mistake of fact;

“(D) imposing the penalty would be against equity and good conscience, and

“(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

“(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner’s sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

“(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

“(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

“(A) the facts and circumstances of the transaction,

“(B) the reasons for the rescission, and

“(C) the amount of the penalty rescinded.

“(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

“(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

“(B) a description of each penalty rescinded under this subsection and the reasons therefor.

“(e) PENALTY REPORTED TO SEC.—In the case of a person—

“(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

“(2) which—

“(A) is required to pay a penalty under this section with respect to a listed transaction,

“(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

“(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

“(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section

is in addition to any penalty imposed under this title.”.

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

“Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 703. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

“SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

“(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘reportable transaction understatement’ means the sum of—

“(A) the product of—

“(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer’s treatment of such item (as shown on the taxpayer’s return of tax), and

“(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

“(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer’s treatment of an item to which this section applies (as shown on the taxpayer’s return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

“(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

“(A) any listed transaction, and

“(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

“(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

“(1) IN GENERAL.—Subsection (a) shall be applied by substituting ‘30 percent’ for ‘20 percent’ with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

“(2) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

“(A) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which paragraph (1) applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(B) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

“(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).

“(e) SPECIAL RULES.—

“(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

“(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

“(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

“(2) COORDINATION WITH OTHER PENALTIES.—

“(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

“(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

“(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

“(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term ‘noneconomic substance transaction understatement’ has the meaning given such term by section 6662B(c).

“(5) CROSS REFERENCE.—

“For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e).”.

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

“The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.”.

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

“(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

“(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

“(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

“(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

“(B) there is or was substantial authority for such treatment, and

“(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

“(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

“(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

“(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

“(ii) relates solely to the taxpayer’s chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

“(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

“(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

“(I) the tax advisor is described in clause (ii), or

“(II) the opinion is described in clause (iii).

“(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

“(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

“(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

“(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

“(IV) as determined under regulations prescribed by the Secretary, has a continuing financial interest with respect to the transaction.

“(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

“(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

“(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

“(III) does not identify and consider all relevant facts, or

“(IV) fails to meet any other requirement as the Secretary may prescribe.”

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting “FOR UNDERPAYMENTS” after “EXCEPTION”.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking “(as defined in section 6662(d)(2)(C)(iii))” in subparagraph (B)(i), and

(B) by adding at the end the following new subparagraph:

“(C) TAX SHELTER.—For purposes of subparagraph (B), the term ‘tax shelter’ means—

“(i) a partnership or other entity,

“(ii) any investment plan or arrangement, or

“(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.”

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking “this part” and inserting “section 6662 or 6663”.

(5) Subsection (b) of section 7525 is amended by striking “section 6662(d)(2)(C)(iii)” and inserting “section 1274(b)(3)(C)”.

(6)(A) The heading for section 6662 is amended to read as follows:

“SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS.”

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

“Sec. 6662. Imposition of accuracy-related penalty on underpayments.

“Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 704. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

“SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

“(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting ‘20 percent’ for ‘40 percent’ with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

“(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘noneconomic substance transaction understatement’ means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A applies.

“(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term ‘noneconomic substance transaction’ means any transaction if—

“(A) there is a lack of economic substance (within the meaning of section 7701(o)(1)) for the transaction giving rise to the claimed benefit or the transaction was not respected under section 7701(o)(2), or

“(B) the transaction fails to meet the requirements of any similar rule of law.

“(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

“(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(2) APPLICABLE RULES.—The rules of paragraphs (2), (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

“(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

“(f) CROSS REFERENCES.—

“(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

“(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).”

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

“Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 15, 2004.

SEC. 705. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NON-REPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

“(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

“(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000), or

“(ii) \$10,000,000.”

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

“(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or”

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

“(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 706. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications

regarding corporate tax shelters) is amended to read as follows:

“(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

“(1) between a federally authorized tax practitioner and—

“(A) any person,

“(B) any director, officer, employee, agent, or representative of the person, or

“(C) any other person holding a capital or profits interest in the person, and

“(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 707. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

“SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

“(1) information identifying and describing the transaction,

“(2) information describing any potential tax benefits expected to result from the transaction, and

“(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

“(b) DEFINITIONS.—For purposes of this section—

“(1) MATERIAL ADVISOR.—

“(A) IN GENERAL.—The term ‘material advisor’ means any person—

“(i) who provides any material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and

“(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

“(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

“(i) \$50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

“(ii) \$250,000 in any other case.

“(2) REPORTABLE TRANSACTION.—The term ‘reportable transaction’ has the meaning given to such term by section 6707A(c).

“(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

“(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

“(2) exemptions from the requirements of this section, and

“(3) such rules as may be necessary or appropriate to carry out the purposes of this section.”.

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6111. Disclosure of reportable transactions.”.

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

“SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

“(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

“(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

“(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.”.

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting “written” before “request” in paragraph (1)(A), and

(ii) by striking “shall prescribe” in paragraph (2) and inserting “may prescribe”.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

“Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.”.

(3)(A) The heading for section 6708 is amended to read as follows:

“SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.”.

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

“Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

SEC. 708. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

“SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

“(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

“(1) fails to file such return on or before the date prescribed therefor, or

“(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be \$50,000.

“(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

“(A) \$200,000, or

“(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the reportable transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting ‘75 percent’ for ‘50 percent’ in the

case of an intentional failure or act described in subsection (a).

“(c) RESCISSION AUTHORITY.—The provisions of section 6707A(d) (relating to authority of Commissioner to rescind penalty) shall apply to any penalty imposed under this section.

“(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms ‘reportable transaction’ and ‘listed transaction’ have the respective meanings given to such terms by section 6707A(c).”.

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking “tax shelters” and inserting “reportable transactions”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 709. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

“(a) IMPOSITION OF PENALTY.—

“(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary’s request, such person shall pay a penalty of \$10,000 for each day of such failure after such 20th day.

“(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 710. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating subsection (c) as subsection (d) and by striking subsections (a) and (b) and inserting the following new subsections:

“(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

“(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

“(1) that the person has engaged in any specified conduct, and

“(2) that injunctive relief is appropriate to prevent recurrence of such conduct,

the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

“(c) SPECIFIED CONDUCT.—For purposes of this section, the term ‘specified conduct’ means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.”.

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

“SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.”.

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item

relating to section 7408 and inserting the following new item:

“Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.”.

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 711. UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking “realistic possibility of being sustained on its merits” in paragraph (1) and inserting “reasonable belief that the tax treatment in such position was more likely than not the proper treatment”;

(2) by striking “or was frivolous” in paragraph (3) and inserting “or there was no reasonable basis for the tax treatment of such position”, and

(3) by striking “UNREALISTIC” in the heading and inserting “IMPROPER”.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking “\$250” in subsection (a) and inserting “\$1,000”, and

(2) by striking “\$1,000” in subsection (b) and inserting “\$5,000”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 712. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

“(5) FOREIGN FINANCIAL AGENCY TRANS-ACTION VIOLATION.—

“(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

“(B) AMOUNT OF PENALTY.—

“(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed \$5,000.

“(ii) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subparagraph (A) with respect to any violation if—

“(I) such violation was due to reasonable cause, and

“(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

“(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

“(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

“(I) \$25,000, or

“(II) the amount (not exceeding \$100,000) determined under subparagraph (D), and

“(ii) subparagraph (B)(ii) shall not apply.

“(D) AMOUNT.—The amount determined under this subparagraph is—

“(i) in the case of a violation involving a transaction, the amount of the transaction, or

“(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided with respect to an account, the balance in the account at the time of the violation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to viola-

tions occurring after the date of the enactment of this Act.

SEC. 713. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

“(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of \$5,000 if—

“(1) such person files what purports to be a return of a tax imposed by this title but which—

“(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

“(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

“(2) the conduct referred to in paragraph (1)—

“(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(B) reflects a desire to delay or impede the administration of Federal tax laws.

“(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

“(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of \$5,000.

“(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

“(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term ‘specified frivolous submission’ means a specified submission if any portion of such submission—

“(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

“(ii) reflects a desire to delay or impede the administration of Federal tax laws.

“(B) SPECIFIED SUBMISSION.—The term ‘specified submission’ means—

“(i) a request for a hearing under—

“(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

“(II) section 6330 (relating to notice and opportunity for hearing before levy), and

“(ii) an application under—

“(I) section 6159 (relating to agreements for payment of tax liability in installments),

“(II) section 7122 (relating to compromises), or

“(III) section 7811 (relating to taxpayer assistance orders).

“(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

“(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(I).

“(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

“(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.”.

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and oppor-

tunity for hearing before levy) is amended by adding at the end the following new subsection:

“(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking “(A)” and inserting “(A)(i)”;

(B) by striking “(B)” and inserting “(ii)”;

(C) by striking the period at the end of the first sentence and inserting “; or”; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

“(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).”.

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking “under subsection (a)(3)(B)” and inserting “in writing under subsection (a)(3)(B) and states the grounds for the requested hearing”, and

(2) in subsection (c), by striking “and (e)” and inserting “(e), and (g)”.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

“(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.”.

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

“Sec. 6702. Frivolous tax submissions.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 714. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting “, or censure,” after “Department”, and

(B) by adding at the end the following new flush sentence:

“The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross

income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

“(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.”.

SEC. 715. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: “Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 716. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(e)(1) (relating to substantial omission of items for income taxes) is amended by adding at the end the following new subparagraph:

“(C) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return or statement, the tax for such taxable year may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the time the return is filed. This subparagraph shall not apply to any taxable year if the time for assessment or beginning the proceeding in court has expired before the time a transaction is treated as a listed transaction under section 6011.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions in taxable years beginning after the date of the enactment of this Act.

SEC. 717. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

“(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

“(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions in taxable years beginning after the date of the enactment of this Act.

SEC. 718. AUTHORIZATION OF APPROPRIATIONS FOR TAX LAW ENFORCEMENT.

There is authorized to be appropriated \$300,000,000 for each fiscal year beginning after September 30, 2002, for the purpose of carrying out tax law enforcement to combat tax avoidance transactions and other tax shelters, including the use of offshore financial accounts to conceal taxable income.

Subtitle B—Other Provisions

SEC. 721. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: “In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.”.

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation 1.1502-20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

SEC. 722. SIGNING OF CORPORATE TAX RETURNS BY CHIEF EXECUTIVE OFFICER.

(a) IN GENERAL.—Section 6062 (relating to signing of corporation returns) is amended by striking the first sentence and inserting the following new sentence: “The return of a corporation with respect to income shall be signed by the chief executive officer of such corporation (or other such officer of the corporation as the Secretary may designate if the corporation does not have a chief executive officer). The preceding sentence shall not apply to any return of a regulated investment company (within the meaning of section 851).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns filed after the date of the enactment of this Act.

SEC. 723. SECURITIES CIVIL ENFORCEMENT PROVISIONS.

(a) AUTHORITY TO ASSESS CIVIL MONEY PENALTIES.—

(1) SECURITIES ACT OF 1933.—Section 8A of the Securities Act of 1933 (15 U.S.C. 77h-1) is amended by adding at the end the following new subsection:

“(g) AUTHORITY OF THE COMMISSION TO ASSESS MONEY PENALTY.—

“(1) IN GENERAL.—In any cease-and-desist proceeding under subsection (a), the Commission may impose a civil monetary penalty if it finds, on the record after notice and opportunity for hearing, that a person is violating, has violated, or is or was a cause of the violation of, any provision of this title or any rule or regulation thereunder, and that such penalty is in the public interest.

“(2) MAXIMUM AMOUNT OF PENALTY.—

“(A) FIRST TIER.—The maximum amount of penalty for each act or omission described in paragraph (1) shall be \$100,000 for a natural person or \$250,000 for any other person.

“(B) SECOND TIER.—Notwithstanding subparagraph (A), the maximum amount of penalty for such act or omission described in paragraph (1) shall be \$500,000 for a natural person or \$1,000,000 for any other person, if the act or omission involved fraud, deceit, manipulation, or deliberate or reckless dis-

regard of a statutory or regulatory requirement.

“(C) THIRD TIER.—Notwithstanding subparagraphs (A) and (B), the maximum amount of penalty for each act or omission described in paragraph (1) shall be \$1,000,000 for a natural person or \$2,000,000 for any other person, if—

“(i) the act or omission involved fraud, deceit, manipulation, or deliberate or reckless disregard of a statutory or regulatory requirement; and

“(ii) such act or omission directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons or resulted in substantial pecuniary gain to the person who committed the act or omission.

“(3) EVIDENCE CONCERNING ABILITY TO PAY.—In any proceeding in which the Commission or the appropriate regulatory agency may impose a penalty under this section, a respondent may present evidence of the ability of the respondent to pay such penalty. The Commission or the appropriate regulatory agency may, in its discretion, consider such evidence in determining whether the penalty is in the public interest. Such evidence may relate to the extent of the person's ability to continue in business and the collectability of a penalty, taking into account any other claims of the United States or third parties upon the assets of that person and the amount of the assets of that person.”.

(2) SECURITIES EXCHANGE ACT OF 1934.—Section 21B(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78u-2(a)) is amended—

(A) in paragraph (4), by striking “supervision;” and all that follows through the end of the subsection and inserting “supervision.”;

(B) by redesignating paragraphs (1) through (4) as subparagraphs (A) through (D), respectively, and moving the margins 2 ems to the right;

(C) by inserting “that such penalty is in the public interest and” after “hearing;”;

(D) by striking “In any proceeding” and inserting the following:

“(1) IN GENERAL.—In any proceeding”; and

(E) by adding at the end the following:

“(2) OTHER MONEY PENALTIES.—In any proceeding under section 21C against any person, the Commission may impose a civil monetary penalty if it finds, on the record after notice and opportunity for hearing, that such person is violating, has violated, or is or was a cause of the violation of, any provision of this title or any rule or regulation thereunder, and that such penalty is in the public interest.”.

(3) INVESTMENT COMPANY ACT OF 1940.—Section 9(d)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-9(d)(1)) is amended—

(A) in subparagraph (C), by striking “therein;” and all that follows through the end of the paragraph and inserting “supervision.”;

(B) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), respectively, and moving the margins 2 ems to the right;

(C) by inserting “that such penalty is in the public interest and” after “hearing;”;

(D) by striking “In any proceeding” and inserting the following:

“(A) IN GENERAL.—In any proceeding”; and

(E) by adding at the end the following:

“(B) OTHER MONEY PENALTIES.—In any proceeding under subsection (f) against any person, the Commission may impose a civil monetary penalty if it finds, on the record after notice and opportunity for hearing, that such person is violating, has violated, or is or was a cause of the violation of, any

provision of this title or any rule or regulation thereunder, and that such penalty is in the public interest.”.

(4) INVESTMENT ADVISERS ACT OF 1940.—Section 203(i)(1) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(i)(1)) is amended—

(A) in subparagraph (D), by striking “supervision;” and all that follows through the end of the paragraph and inserting “supervision.”;

(B) by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and moving the margins 2 ems to the right;

(C) by inserting “that such penalty is in the public interest and” after “hearing.”;

(D) by striking “In any proceeding” and inserting the following:

“(A) IN GENERAL.—In any proceeding”;

(E) by adding at the end the following:

“(B) OTHER MONEY PENALTIES.—In any proceeding under subsection (k) against any person, the Commission may impose a civil monetary penalty if it finds, on the record after notice and opportunity for hearing, that such person is violating, has violated, or is or was a cause of the violation of, any provision of this title or any rule or regulation thereunder, and that such penalty is in the public interest.”.

(b) INCREASED MAXIMUM CIVIL MONEY PENALTIES.—

(1) SECURITIES ACT OF 1933.—Section 20(d)(2) of the Securities Act of 1933 (15 U.S.C. 77t(d)(2)) is amended—

(A) in subparagraph (A)(i)—
(i) by striking “\$5,000” and inserting “\$100,000”; and
(ii) by striking “\$50,000” and inserting “\$250,000”;

(B) in subparagraph (B)(i)—
(i) by striking “\$50,000” and inserting “\$500,000”; and
(ii) by striking “\$250,000” and inserting “\$1,000,000”; and

(C) in subparagraph (C)(i)—
(i) by striking “\$100,000” and inserting “\$1,000,000”; and
(ii) by striking “\$500,000” and inserting “\$2,000,000”.

(2) SECURITIES EXCHANGE ACT OF 1934.—

(A) PENALTIES.—Section 32 of the Securities Exchange Act of 1934 (15 U.S.C. 78ff) is amended—

(i) in subsection (b), by striking “\$100” and inserting “\$10,000”; and

(ii) in subsection (c)—
(I) in paragraph (1)(B), by striking “\$10,000” and inserting “\$500,000”; and
(II) in paragraph (2)(B), by striking “\$10,000” and inserting “\$500,000”.

(B) INSIDER TRADING.—Section 21A(a)(3) of the Securities Exchange Act of 1934 (15 U.S.C. 78u-1(a)(3)) is amended by striking “\$1,000,000” and inserting “\$2,000,000”.

(C) ADMINISTRATIVE PROCEEDINGS.—Section 21B(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78u-2(b)) is amended—

(i) in paragraph (1)—
(I) by striking “\$5,000” and inserting “\$100,000”; and
(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in paragraph (2)—
(I) by striking “\$50,000” and inserting “\$500,000”; and
(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in paragraph (3)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and
(II) by striking “\$500,000” and inserting “\$2,000,000”.

(D) CIVIL ACTIONS.—Section 21(d)(3)(B) of the Securities Exchange Act of 1934 (15 U.S.C. 78u(d)(3)(B)) is amended—

(i) in clause (i)—

(I) by striking “\$5,000” and inserting “\$100,000”; and

(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in clause (ii)—
(I) by striking “\$50,000” and inserting “\$500,000”; and

(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in clause (iii)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and
(II) by striking “\$500,000” and inserting “\$2,000,000”.

(3) INVESTMENT COMPANY ACT OF 1940.—

(A) INELIGIBILITY.—Section 9(d)(2) of the Investment Company Act of 1940 (15 U.S.C. 80a-9(d)(2)) is amended—

(i) in subparagraph (A)—
(I) by striking “\$5,000” and inserting “\$100,000”; and
(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in subparagraph (B)—
(I) by striking “\$50,000” and inserting “\$500,000”; and
(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in subparagraph (C)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and
(II) by striking “\$500,000” and inserting “\$2,000,000”.

(B) ENFORCEMENT OF INVESTMENT COMPANY ACT.—Section 42(e)(2) of the Investment Company Act of 1940 (15 U.S.C. 80a-41(e)(2)) is amended—

(i) in subparagraph (A)—
(I) by striking “\$5,000” and inserting “\$100,000”; and
(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in subparagraph (B)—
(I) by striking “\$50,000” and inserting “\$500,000”; and
(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in subparagraph (C)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and
(II) by striking “\$500,000” and inserting “\$2,000,000”.

(4) INVESTMENT ADVISERS ACT OF 1940.—

(A) REGISTRATION.—Section 203(i)(2) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3(i)(2)) is amended—

(i) in subparagraph (A)—
(I) by striking “\$5,000” and inserting “\$100,000”; and
(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in subparagraph (B)—
(I) by striking “\$50,000” and inserting “\$500,000”; and
(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in subparagraph (C)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and
(II) by striking “\$500,000” and inserting “\$2,000,000”.

(B) ENFORCEMENT OF INVESTMENT ADVISERS ACT.—Section 209(e)(2) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-9(e)(2)) is amended—

(i) in subparagraph (A)—
(I) by striking “\$5,000” and inserting “\$100,000”; and
(II) by striking “\$50,000” and inserting “\$250,000”;

(ii) in subparagraph (B)—
(I) by striking “\$50,000” and inserting “\$500,000”; and
(II) by striking “\$250,000” and inserting “\$1,000,000”; and

(iii) in subparagraph (C)—
(I) by striking “\$100,000” and inserting “\$1,000,000”; and

(II) by striking “\$500,000” and inserting “\$2,000,000”.

(c) AUTHORITY TO OBTAIN FINANCIAL RECORDS.—Section 21(h) of the Securities Exchange Act of 1934 (15 U.S.C. 78u(h)) is amended—

(1) by striking paragraphs (2) through (8);

(2) in paragraph (9), by striking “(9)(A)” and all that follows through “(B) The” and inserting “(3) The”;

(3) by inserting after paragraph (1), the following:

“(2) ACCESS TO FINANCIAL RECORDS.—

“(A) IN GENERAL.—Notwithstanding section 1105 or 1107 of the Right to Financial Privacy Act of 1978, the Commission may obtain access to and copies of, or the information contained in, financial records of any person held by a financial institution, including the financial records of a customer, without notice to that person, when it acts pursuant to a subpoena authorized by a formal order of investigation of the Commission and issued under the securities laws or pursuant to an administrative or judicial subpoena issued in a proceeding or action to enforce the securities laws.

“(B) NONDISCLOSURE OF REQUESTS.—If the Commission so directs in its subpoena, no financial institution, or officer, director, partner, employee, shareholder, representative or agent of such financial institution, shall, directly or indirectly, disclose that records have been requested or provided in accordance with subparagraph (A), if the Commission finds reason to believe that such disclosure may—

“(i) result in the transfer of assets or records outside the territorial limits of the United States;

“(ii) result in improper conversion of investor assets;

“(iii) impede the ability of the Commission to identify, trace, or freeze funds involved in any securities transaction;

“(iv) endanger the life or physical safety of an individual;

“(v) result in flight from prosecution;

“(vi) result in destruction of or tampering with evidence;

“(vii) result in intimidation of potential witnesses; or

“(viii) otherwise seriously jeopardize an investigation or unduly delay a trial.

“(C) TRANSFER OF RECORDS TO GOVERNMENT AUTHORITIES.—The Commission may transfer financial records or the information contained therein to any government authority, if the Commission proceeds as a transferring agency in accordance with section 1112 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3412), except that a customer notice shall not be required under subsection (b) or (c) of that section 1112, if the Commission determines that there is reason to believe that such notification may result in or lead to any of the factors identified under clauses (i) through (viii) of subparagraph (B) of this paragraph.”;

(4) by striking paragraph (10); and

(5) by redesignating paragraphs (11), (12), and (13) as paragraphs (4), (5), and (6), respectively.

SEC. 724. REVIEW OF STATE AGENCY BLINDNESS AND DISABILITY DETERMINATIONS.

Section 1633 of the Social Security Act (42 U.S.C. 1383b) is amended by adding at the end the following:

“(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner

of Social Security shall review such a determination before any action is taken to implement the determination.

“(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review—

“(i) at least 25 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2004; and

“(ii) at least 50 percent of all such determinations that are made in fiscal year 2005 or thereafter.

“(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.”.

TITLE VIII—COMPASSION CAPITAL FUND

SEC. 801. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF HEALTH AND HUMAN SERVICES.

(a) SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.—The Secretary of Health and Human Services (referred to in this section as “the Secretary”) may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of nonprofit community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) SUPPORT FOR STATES.—The Secretary—

(1) may award grants to and enter into cooperative agreements with States and political subdivisions of States to provide seed money to establish State and local offices of faith-based and community initiatives; and

(2) shall provide technical assistance to States and political subdivisions of States in administering the provisions of this Act.

(c) APPLICATIONS.—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(d) LIMITATION.—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to

carry out this section \$85,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(f) DEFINITION.—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

SEC. 802. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; CORPORATION FOR NATIONAL AND COMMUNITY SERVICE.

(a) SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.—The Corporation for National and Community Service (referred to in this section as “the Corporation”) may award grants to and enter into cooperative agreements with nongovernmental organizations and State Commissions on National and Community Service established under section 178 of the National and Community Service Act of 1990 (42 U.S.C. 12638), to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) APPLICATIONS.—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State Commission, State, or political subdivision shall submit an application to the Corporation at such time, in such manner, and containing such information as the Corporation may require.

(c) LIMITATION.—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section \$15,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) DEFINITION.—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

SEC. 803. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF JUSTICE.

(a) SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.—The Attorney General may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of nonprofit community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) APPLICATIONS.—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Attorney General at such time, in such manner, and containing such information as the Attorney General may require.

(c) LIMITATION.—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Attorney General) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section \$35,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) DEFINITION.—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

SEC. 804. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

(a) SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.—The Secretary of Housing and Urban Development (referred to in this section “the Secretary”) may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) APPLICATIONS.—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(c) LIMITATION.—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section \$15,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) DEFINITION.—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

SEC. 805. COORDINATION.

The Secretary of Health and Human Services, the Corporation for National and Community Service, the Attorney General, and the Secretary of Housing and Urban Development shall coordinate their activities under this title to ensure—

(1) nonduplication of activities under this title; and

(2) an equitable distribution of resources under this title.

TITLE IX—MATERNITY GROUP HOMES

SEC. 901. MATERNITY GROUP HOMES.

(a) PERMISSIBLE USE OF FUNDS.—Section 322 of the Runaway and Homeless Youth Act (42 U.S.C. 5714-2) is amended—

(1) in subsection (a)(1), by inserting “(including maternity group homes)” after “group homes”; and

(2) by adding at the end the following:

“(c) MATERNITY GROUP HOME.—In this part, the term ‘maternity group home’ means a community-based, adult-supervised group

home that provides young mothers and their children with a supportive and supervised living arrangement in which such mothers are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.”

(b) CONTRACT FOR EVALUATION.—Part B of the Runaway and Homeless Youth Act (42 U.S.C. 5701 et seq.) is amended by adding at the end the following:

“SEC. 323. CONTRACT FOR EVALUATION.

“(a) IN GENERAL.—The Secretary shall enter into a contract with a public or private entity for an evaluation of the maternity group homes that are supported by grant funds under this Act.

“(b) INFORMATION.—The evaluation described in subsection (a) shall include the collection of information about the relevant characteristics of individuals who benefit from maternity group homes such as those that are supported by grant funds under this Act and what services provided by those maternity group homes are most beneficial to such individuals.

“(c) REPORT.—Not later than 2 years after the date on which the Secretary enters into a contract for an evaluation under subsection (a), and biennially thereafter, the entity conducting the evaluation under this section shall submit to Congress a report on the status, activities, and accomplishments of maternity group homes that are supported by grant funds under this Act.”

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 388 of the Runaway and Homeless Youth Act (42 U.S.C. 5751) is amended—

(1) in subsection (a)(1)—

(A) by striking “There” and inserting the following:

“(A) IN GENERAL.—There”;

(B) in subparagraph (A), as redesignated, by inserting “and the purpose described in subparagraph (B)” after “other than part E”;

and

(C) by adding at the end the following:

“(B) MATERNITY GROUP HOMES.—There is authorized to be appropriated, for maternity group homes eligible for assistance under section 322(a)(1)—

“(i) \$33,000,000 for fiscal year 2003; and

“(ii) such sums as may be necessary for fiscal year 2004.”; and

(2) in subsection (a)(2)(A), by striking “paragraph (1)” and inserting “paragraph (1)(A)”.

SA 2671. Mr. SMITH (for himself and Mr. BREAUX) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

Beginning on page 71, strike line 10 through page 84, line 22, and insert the following:

“SEC. 199. INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) IN GENERAL.—There shall be allowed as a deduction an amount equal to 9 percent of the qualified production activities income of the taxpayer for the taxable year.

“(2) PHASEIN.—In the case of taxable years beginning in 2003, 2004, 2005, 2006, 2007, or 2008, paragraph (1) shall be applied by substituting for the percentage contained therein the

transition percentage determined under the following table:

“Taxable years beginning in:	The transition percentage is:
2003 or 2004	1
2005	2
2006	3
2007 or 2008	6.

“(b) DEDUCTION LIMITED TO WAGES PAID.—

“(1) IN GENERAL.—The amount of the deduction allowable under subsection (a) for any taxable year shall not exceed 50 percent of the W-2 wages of the employer for the taxable year.

“(2) W-2 WAGES.—For purposes of paragraph (1), the term ‘W-2 wages’ means the sum of the aggregate amounts the taxpayer is required to include on statements under paragraphs (3) and (8) of section 6051(a) with respect to employment of employees of the taxpayer during the taxpayer’s taxable year.

“(3) SPECIAL RULES.—

“(A) PASS-THRU ENTITIES.—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity, the limitation under this subsection shall apply at the entity level.

“(B) ACQUISITIONS AND DISPOSITIONS.—The Secretary shall provide for the application of this subsection in cases where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

“(C) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this section, the term ‘qualified production activities income’ means an amount equal to the portion of the modified taxable income of the taxpayer which is attributable to domestic production activities.

“(d) DETERMINATION OF INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.—For purposes of this section—

“(1) IN GENERAL.—The portion of the modified taxable income which is attributable to domestic production activities is so much of the modified taxable income for the taxable year as does not exceed—

“(A) the taxpayer’s domestic production gross receipts for such taxable year, reduced by

“(B) the sum of—

“(i) the costs of goods sold that are allocable to such receipts,

“(ii) other deductions, expenses, or losses directly allocable to such receipts, and

“(iii) a proper share of other deductions, expenses, and losses that are not directly allocable to such receipts or another class of income.

“(2) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items of income, deduction, expense, and loss for purposes of determining income attributable to domestic production activities.

“(3) SPECIAL RULES FOR DETERMINING COSTS.—

“(A) IN GENERAL.—For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States shall be treated as acquired by purchase, and its cost shall be treated as not less than its fair market value immediately after it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

“(B) EXPORTS FOR FURTHER MANUFACTURE.—In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when

brought back into the United States after the further manufacture.

“(4) MODIFIED TAXABLE INCOME.—The term ‘modified taxable income’ means taxable income computed without regard to the deduction allowable under this section.

“(e) DOMESTIC PRODUCTION GROSS RECEIPTS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘domestic production gross receipts’ means the gross receipts of the taxpayer which are derived from—

“(A) any sale, exchange, or other disposition of, or

“(B) any lease, rental, or license of, qualifying production property which was manufactured, produced, grown, or extracted in whole or in significant part by the taxpayer within the United States.

“(2) SPECIAL RULES FOR CERTAIN PROPERTY.—In the case of any qualifying production property described in subsection (f)(1)(C)—

“(A) such property shall be treated for purposes of paragraph (1) as produced in significant part by the taxpayer within the United States if more than 50 percent of the aggregate development and production costs are incurred by the taxpayer within the United States, and

“(B) if a taxpayer acquires such property before such property begins to generate substantial gross receipts, any development or production costs incurred before the acquisition shall be treated as incurred by the taxpayer for purposes of subparagraph (A) and paragraph (1).

“(f) QUALIFYING PRODUCTION PROPERTY.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘qualifying production property’ means—

“(A) any tangible personal property,

“(B) any computer software, and

“(C) any property described in section 1668(f)(3) or (4), including any underlying copyright or trademark.

“(2) EXCLUSIONS FROM QUALIFYING PRODUCTION PROPERTY.—The term ‘qualifying production property’ shall not include—

“(A) consumable property that is sold, leased, or licensed by the taxpayer as an integral part of the provision of services,

“(B) oil or gas,

“(C) electricity,

“(D) water supplied by pipeline to the consumer,

“(E) utility services, or

“(F) any film, tape, recording, book, magazine, newspaper, or similar property the market for which is primarily topical or otherwise essentially transitory in nature.

“(g) DEFINITIONS AND SPECIAL RULES.—

“(1) APPLICATION OF SECTION TO PASS-THRU ENTITIES.—In the case of an S corporation, partnership, estate or trust, or other pass-thru entity—

“(A) subject to the provisions of paragraph (2) and subsection (b)(3)(A), this section shall be applied at the shareholder, partner, or similar level, and

“(B) the Secretary shall prescribe rules for the application of this section, including rules relating to—

“(i) restrictions on the allocation of the deduction to taxpayers at the partner or similar level, and

“(ii) additional reporting requirements.

“(2) EXCLUSION FOR PATRONS OF AGRICULTURAL AND HORTICULTURAL COOPERATIVES.—

“(A) IN GENERAL.—If any amount described in paragraph (1) or (3) of section 1385(a)—

“(i) is received by a person from an organization to which part I of subchapter T applies which is engaged in the marketing of agricultural or horticultural products, and

“(ii) is allocable to the portion of the qualified production activities income of the

organization which is deductible under subsection (a) and designated as such by the organization in a written notice mailed to its patrons during the payment period described in section 1382(d),

then such person shall be allowed an exclusion from gross income with respect to such amount. The taxable income of the organization shall not be reduced under section 1382 by the portion of any such amount with respect to which an exclusion is allowable to a person by reason of this paragraph.

“(B) SPECIAL RULES.—For purposes of applying subparagraph (A), in determining the qualified production activities income of the organization under this section—

“(i) there shall not be taken into account in computing the organization’s modified taxable income any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions), and

“(ii) the organization shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any qualifying production property marketed by the organization which its patrons have so manufactured, produced, grown, or extracted.

“(3) SPECIAL RULE FOR AFFILIATED GROUPS.—

“(A) IN GENERAL.—All members of an expanded affiliated group shall be treated as a single corporation for purposes of this section.

“(B) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(i) by substituting ‘50 percent’ for ‘80 percent’ each place it appears, and

“(ii) without regard to paragraphs (2) and (4) of section 1504(b).

“(4) COORDINATION WITH MINIMUM TAX.—The deduction under this section shall be allowed for purposes of the tax imposed by section 55; except that for purposes of section 55, alternative minimum taxable income shall be taken into account in determining the deduction under this section.

“(5) ORDERING RULE.—The amount of any other deduction allowable under this chapter shall be determined as if this section had not been enacted.

“(6) TRADE OR BUSINESS REQUIREMENT.—This section shall be applied by only taking into account items which are attributable to the actual conduct of a trade or business.

“(7) POSSESSIONS, ETC.—

“(A) IN GENERAL.—For purposes of subsections (d) and (e), the term ‘United States’ includes the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands of the United States.

“(B) SPECIAL RULES FOR APPLYING WAGE LIMITATION.—For purposes of applying the limitation under subsection (b) for any taxable year—

“(i) the determination of W-2 wages of a taxpayer shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services performed in a jurisdiction described in subparagraph (A), and

“(ii) in determining the amount of any credit allowable under section 30A or 936 for the taxable year, there shall not be taken into account any wages which are taken into account in applying such limitation.

“(8) COORDINATION WITH TRANSITION RULES.—For purposes of this section—

“(A) domestic production gross receipts shall not include gross receipts from any transaction if the binding contract transition relief of section 101(c)(2) of the

Jumpstart Our Business Strength (JOBS) Act applies to such transaction, and

“(B) any deduction allowed under section 101(e) of such Act shall be disregarded in determining the portion of the taxable income which is attributable to domestic production gross receipts.”

SA 2649. Mr. SANTORUM submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place insert the following:

SEC. ____ WAIVER OF 10 PERCENT EARLY WITHDRAWAL PENALTY TAX ON CERTAIN DISTRIBUTIONS OF PENSION PLANS FOR PUBLIC SAFETY EMPLOYEES.

(a) IN GENERAL.—Section 72(t) (relating to subsection not to apply to certain distributions) is amended by adding at the end the following new paragraph:

“(10) DISTRIBUTIONS TO QUALIFIED PUBLIC SAFETY EMPLOYEES IN GOVERNMENTAL PLANS.—

“(A) IN GENERAL.—In the case of a distribution to a qualified public safety employee from a governmental plan (within the meaning of section 414(d)) which is a defined benefit plan, paragraph (2)(A)(v) shall be applied by substituting ‘age 50’ for ‘age 55’.

“(B) QUALIFIED PUBLIC SAFETY EMPLOYEE.—For purposes of this paragraph, the term ‘qualified public safety employee’ means any employee of any police department or fire department organized and operated by a State or political subdivision of a State who provides police protection, firefighting services, or emergency medical services for any area within the jurisdiction of such State or political subdivision.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

SA 2673. Mr. BINGAMAN submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 378, after line 12, add the following:

SEC. ____ DEDUCTION FOR HEALTH INSURANCE COSTS IN COMPUTING SELF-EMPLOYMENT TAXES.

(a) IN GENERAL.—Section 162(l) of the Internal Revenue Code of 1986 (relating to special rules for health insurance costs of self-employed individuals) is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(b) MAINTENANCE OF TRUST FUNDS.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) and the Federal Hospital Insurance Trust Fund established under section 1817 of such Act (42 U.S.C.

1395i) amounts equal to the reduction in revenues to the Treasury by reason of the enactment of this Act. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Funds had this Act not been enacted.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SA 2674. Mr. BINGAMAN (for himself and Mr. ALLEN) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 146, after line 23, insert the following:

SECTION . . . INTEREST PAYMENTS DEDUCTIBLE WHERE DISQUALIFIED GUARANTEE HAS NO ECONOMIC EFFECT.

(a) IN GENERAL.—Section 163(j)(6)(D)(ii) (relating to exceptions to disqualified guarantee) is amended—

(1) by striking “or” at the end of subclause (I),

(2) by striking the period at the end of subclause (II) and inserting “, or”,

(3) by inserting after subclause (II) the following new subclause:

“(III) in the case of a guarantee by a foreign person, to the extent of the amount that the taxpayer establishes to the satisfaction of the Secretary that the taxpayer could have borrowed from an unrelated person without the guarantee.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to guarantees issued on and after the date of the enactment of this Act.

SEC. . . INTEREST PAID TO CERTAIN LENDERS NOT DISQUALIFIED INTEREST.

(a) IN GENERAL.—Section 163(j)(3)(B) (defining disqualified interest) is amended by striking “and” at the end of clause (i) and by inserting after clause (ii) the following new clause:

“(iii) the interest is not paid or accrued to a qualified lender, and”.

(b) QUALIFIED LENDER.—Section 163(j)(6) (relating to other definitions and special rules) is amended by adding at the end the following new subparagraphs:

“(F) QUALIFIED LENDER.—A holder of debt shall be a qualified lender with respect to such debt if such person is—

“(i) a United States person subject to the income tax imposed by this chapter (determined without regard to section 511) and—

“(I) such person is a financial institution, or

“(II) such debt is publicly issued debt, or

“(iii) a foreign person which is subject to either net basis or gross basis taxation and—

“(I) such person is a financial institution required to include the interest on such debt in taxable income under section 882, or

“(II) such debt is publicly issued debt.

“(G) FINANCIAL INSTITUTION.—The term ‘financial institution’ means a person which is—

“(i) predominantly engaged in the active conduct of a banking, financing, or similar business within the meaning of section 954(h),

“(ii) a corporation described in section 581 or 591 (relating to banks and other savings institutions), or

“(iii) an insurance company subject to tax under subchapter L or which would be subject to tax under subchapter L if it were a domestic corporation.

“(H) PUBLICLY ISSUED DEBT.—The term ‘publicly issued debt’ means—

“(i) commercial paper described in section 3(a)(3) or 4(2) of the Securities Act of 1933,

“(ii) a debt instrument which is—

“(I) part of an issue of debt instruments meeting the requirements of section 871(h) or 881(c) (relating to the exemptions from withholding tax for certain portfolio debt investments) without regard to section 871(h)(2)(B)(ii) and section 881(c)(2)(B)(ii), and

“(II) readily tradable on an established securities market, or

“(iii) a debt instrument which is part of an issue of debt instruments the initial offering of which is registered with the Securities and Exchange Commission or would be required to be registered under the Securities Act of 1933 but for an exemption from registration—

“(I) under section 3 of the Securities Act of 1933,

“(II) under any law (other than the Securities Act of 1933) because of the identity of the issuer or the nature of the security,

“(III) because the issue is intended for distribution to persons who are not United States persons, or

“(IV) pursuant to section 230.144A of title 17, Code of Federal Regulations (relating to securities placed with qualified institutional buyers) or any successor rule or regulation.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to debt issued on or after the date of the enactment of this Act.

SA 2675. Mr. DURBIN (for himself, Mr. GRAHAM of South Carolina, Mr. REID, and Mrs. MURRAY) submitted an amendment intended to be proposed by him to the bill S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, and for other purposes; which was ordered to lie on the table; as follows:

On page 179, after line 25, insert the following:

SEC. . . CREDIT FOR QUALIFIED EXPENDITURES FOR MEDICAL PROFESSIONAL MALPRACTICE INSURANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business tax credits) is amended by adding at the end the following:

“SEC. 45G. CREDIT FOR EXPENDITURES FOR MEDICAL PROFESSIONAL MALPRACTICE INSURANCE.

“(a) GENERAL RULE.—For purposes of section 38, in the case of a taxpayer which is an eligible person, the medical malpractice insurance expenditure tax credit determined under this section for a covered year shall equal the applicable percentage of the qualified medical malpractice insurance expenditures incurred by an eligible person during the covered year.

“(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the applicable percentage is—

“(1) in the case of an eligible person described in subsection (c)(2)(A), 20 percent,

“(2) in the case of an eligible person described in subsection (c)(2)(B), 10 percent, and

“(3) in the case of an eligible person described in subsection (c)(2)(C), 15 percent.

“(2) in the case of an eligible person described in subsection (c)(2)(B), 10 percent, and

“(3) in the case of an eligible person described in subsection (c)(2)(C), 15 percent.

“(c) DEFINITIONS.—In this section:

“(1) COVERED YEAR.—The term ‘covered year’ means taxable years beginning in 2004 and 2005.

“(2) ELIGIBLE PERSON.—The term ‘eligible person’ means—

“(A) any physician (as defined in section 213(d)(4)) who practices in any surgical specialty or subspecialty, emergency medicine, obstetrics, anesthesiology or who does intervention work which is reflected in medical malpractice insurance expenditures,

“(B) any physician (as so defined) who practices in general medicine, allergy, dermatology, pathology, or any other specialty not otherwise described in this section, and

“(C) any hospital or clinic, which meets applicable legal requirements to provide the health care services involved.

“(3) QUALIFIED MEDICAL MALPRACTICE INSURANCE EXPENDITURE.—The term ‘qualified medical malpractice insurance expenditure’ means so much of any professional insurance premium, surcharge, payment or other cost or expense required as a condition of State licensure which is incurred by an eligible person in a covered year for the sole purpose of providing or furnishing general medical malpractice liability insurance for such eligible person as does not exceed twice the Statewide average of such costs for similarly situated eligible persons.

“(d) SPECIAL RULES.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the credit determined under this section shall be claimed by the eligible person incurring the qualified medical malpractice insurance expenditure.

“(2) CERTIFICATION.—Each State, through its board of medical licensure and State board (or agency) regulating insurance, annually shall provide such information to the Secretary of Health and Human Services as is necessary to permit the Secretary to calculate average costs for purposes of subsection (c)(3) and to certify such average costs (rounded to the nearest whole dollar) to the Secretary of the Treasury on or before the 15th day of November of each year.

“(e) EFFECTIVE DATE.—This section shall apply to qualified medical malpractice expenditures incurred after December 31, 2003.”.

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to current year business credit) is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the medical malpractice insurance expenditure tax credit determined under section 45G(a).”.

(c) LIMITATION ON CARRYBACK.—Section 39(d) (relating to transition rules) is amended by adding at the end the following new paragraph:

“(11) NO CARRYBACK OF MEDICAL MALPRACTICE INSURANCE EXPENDITURE TAX CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit determined under section 45G may be carried back to any taxable year beginning before 2004.”.

(d) DENIAL OF DOUBLE BENEFIT.—Section 280C (relating to certain expenses for which credits are allowable) is amended by adding at the end the following new subsection:

“(d) CREDIT FOR MEDICAL MALPRACTICE LIABILITY INSURANCE PREMIUMS.—

“(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical malpractice insurance expenditures otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 45G (determined without regard to section 38(c)).

“(2) CONTROLLED GROUPS.—In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 41(f)(5)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 41(f)(1)(B)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subparagraphs (A) and (B) of section 41(f)(1).”

(e) GRANTS TO NON-PROFIT HOSPITALS AND CLINICS.—

(1) IN GENERAL.—The Secretary of Health and Human Services, acting through the Administrator of the Health Resources and Services Administration, shall award grants to eligible non-profit hospitals and clinics to assist such hospitals and clinics in defraying qualified medical malpractice insurance expenditures.

(2) ELIGIBLE NON-PROFIT HOSPITAL OR CLINIC.—To be eligible to receive a grant under paragraph (1) an entity shall—

(A) be a non-profit hospital or clinic;

(B) be unable to claim the tax credit described in section 45G for the year for which an application is submitted under subparagraph (C); and

(C) prepare and submit to the Secretary of Health and Human Services an application at such time, in such manner, and containing such information as the Secretary may require.

(3) AMOUNT OF GRANT.—The amount of a grant to a non-profit hospital or clinic under paragraph (1) shall equal 15 percent of the amount of the qualified medical malpractice insurance expenditures of the hospital or clinic for the year involved.

(4) QUALIFIED MEDICAL MALPRACTICE INSURANCE EXPENDITURE.—In this subsection, the term “qualified medical malpractice insurance expenditure” means so much of any professional insurance premium, surcharge, payment or other cost or expense required as a condition of State licensure which is incurred by a non-profit hospital or clinic in a year for the sole purpose of providing or furnishing general medical malpractice liability insurance for such hospital or clinic as does not exceed twice the Statewide average of such costs for similarly situated hospitals or clinics.

(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection, such sums as may be necessary for each of fiscal years 2005 and 2006.

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45G. Credit for expenditures for medical professional malpractice insurance.”

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures incurred after December 31, 2003.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. HATCH. Mr. President. I ask unanimous consent that the Committee on Commerce, Science, and

Transportation be authorized to meet on Wednesday, March 3, 2004, at 9:30 a.m. on Impact of Climate Change, in SR-253.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Mr. HATCH. Mr. President, I ask unanimous consent that the Committee on Environment and Public Works be authorized to meet on Wednesday, March 3, 2004, at 9:30 a.m. to conduct an oversight hearing regarding grants management within the U.S. Environmental Protection Agency. The hearing will be held in SD-406.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FINANCE

Mr. HATCH. Mr. President, I ask unanimous consent that the Committee on Finance be authorized to meet during the session on Wednesday, March 3, 2004, at 9:30 a.m., to hear testimony on Health Insurance Challenges: “Buyer Beware.”

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. HATCH. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, March 3, 2004, at 9:30 a.m. to hold a Hearing on Building Operational Readiness in Foreign Affairs Agencies.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON INDIAN AFFAIRS

Mr. HATCH. Mr. President, I ask unanimous consent that the Committee on Indian Affairs be authorized to meet on Wednesday, March 3, 2004, at 10 a.m. in Room 485 of the Russell Senate Office Building to conduct a business meeting on the Committees Views and Estimate Letter on the President's FY/05 Budget Request for Indian Programs, to be followed immediately by an oversight hearing on the Status of the Completion of the National Museum of the American Indian.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON THE CONSTITUTION

Mr. HATCH. Mr. President, I ask unanimous consent that the Committee on the Judiciary Subcommittee on the Constitution, Civil Rights and Property Rights be authorized to meet to conduct a hearing on “Judicial Activism vs. Democracy: What are the National Implications of the Massachusetts Goodridge Decision and the Judicial Invalidation of Traditional Marriage Laws?,” on Wednesday, March 3, 2004, at 10 a.m., in SD226.

Panel I: Reverend Richard Richardson, Assistant Pastor, St. Paul African Methodist Episcopal (AME) Church, Director of Political Affairs, The Black Ministerial Alliance of Greater Boston, President/CEO, Children's Services of Roxbury, Boston, MA; Pastor Daniel de Leon, Sr., Alianza de Ministerios

Evangélicos Nacionales (AMEN), Pastor, Templo Calvario, General Presbyter, Assemblies of God, Santa Ana, CA; the Hon. Jon Bruning, Attorney General of Nebraska, Lincoln, NE; and Mrs. Maggie Gallagher, President, Institute for Marriage and Public Policy, New York, NY.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON EMERGING THREATS AND CAPABILITIES

Mr. HATCH. Mr. President, I ask unanimous consent that the Subcommittee on Emerging Threats and Capabilities of the Committee on Armed Services be authorized to meet during the session of the Senate on March 3, 2004, at 9:30 a.m., in open session to receive testimony on the role of defense science and technology in the global war on terrorism and in preparing for emerging threats in review of the Defense authorization request for fiscal year 2005.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON FORESTS AND PUBLIC LANDS

Mr. HATCH. Mr. President, I ask unanimous consent that the Subcommittee on Forests and Public Lands of the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Wednesday, March 3, at 2:30 p.m. The purpose of the hearing is to receive testimony on S. 1420, a bill to establish terms and conditions for use of certain Federal land by outfitters and to facilitate public opportunities for the recreational use and enjoyment of such land.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON SCIENCE, TECHNOLOGY, AND SPACE

Mr. HATCH. Mr. President, I ask unanimous consent that the Subcommittee on Science, Technology, and Space be authorized to meet on Wednesday, March 3, 2004, at 2:30 p.m., on impact on abortion on women in SR-253.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON SEAPOWER

Mr. HATCH. Mr. President, I ask unanimous consent that the Subcommittee on Seapower of the Committee on Armed Services be authorized to meet during the session of the Senate on March 3, 2004, at 2 p.m., in open session to receive testimony on future Navy and Marine Corps capabilities and requirements, in review of the Defense authorization request for fiscal year 2005 and the future years Defense program.

The PRESIDING OFFICER. Without objection, it is so ordered.

PRIVILEGES OF THE FLOOR

Mr. BAUCUS. Mr. President, I ask unanimous consent that the following interns and fellows of the Finance Committee be granted the privileges of

the floor for the remainder of the debate on S. 1637, the JOBS Act: Shannon Augare, Jane Bergeson, Simon Chabel, Tyson Hill, Jeremy Seidlitz, Trace Thaxton, Steve Beasley, Justin Bonsey, Jodi George, Scott Landes, Pascal Niedermann, Matt Stokes, and Chris Knopes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. MURRAY. Mr. President, I ask unanimous consent Sara Hagigh of Senator LIEBERMAN's staff have privilege of the floor during debate of S. 1637.

The PRESIDING OFFICER. Without objection, it is so ordered.

TROOP TRAVEL REIMBURSEMENT

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Armed Services Committee be discharged from further consideration of S. 2057 and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report the bill by title.

The assistant journal clerk read as follows:

A bill (S. 2057) to require the Secretary of Defense to reimburse members of the United States Armed Forces for certain transportation expenses incurred by the members in connection with leave under the Central Command Rest and Recuperation Leave Program before the program was expanded to include domestic travel.

There being no objection, the Senate proceeded to consider the bill.

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the bill be read the third time and passed; that the motion to reconsider be laid upon the table; and that any statements relating to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 2057) was read the third time and passed, as follows:

S. 2057

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REIMBURSEMENT OF CERTAIN TRANSPORTATION COSTS INCURRED BY MEMBERS OF THE UNITED STATES ARMED FORCES ON REST AND RECUPERATION LEAVE.

The Secretary of Defense shall reimburse a member of the United States Armed Forces for transportation expenses incurred by such member for one round trip by such member between two locations within the United States in connection with leave taken under the Central Command Rest and Recuperation Leave Program during the period beginning on September 25, 2003, and ending on December 18, 2003.

ORDERS FOR THURSDAY, MARCH 4, 2004

Mr. MCCONNELL. Mr. President, I ask unanimous consent that when the Senate completes its business today, it adjourn until 9:30 a.m. Thursday, March 4. I further ask unanimous con-

sent that following the prayer and pledge, the morning hour be deemed expired, the Journal of proceedings be approved to date, the time for the two leaders be reserved for their use later in the day, and the Senate then begin a period for the transaction of morning business until 10:30 a.m., with the time equally divided in the usual form, with the first half of the time under the control of the Democratic leader or his designee and the second half of the time under the control of the majority leader or his designee; provided, that at 10:30 a.m., the Senate resume consideration of S. 1637, the FSC/ETI bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. MCCONNELL. Mr. President, following morning business, the Senate will resume consideration of S. 1637. When the Senate resumes the bill in the morning, the Dodd amendment on outsourcing will be the pending business. It is my expectation that a second-degree amendment will be offered to the Dodd amendment tomorrow morning.

For the remainder of the day, we will continue to work through amendments to the bill. Under the previous order, following the disposition of the Dodd amendment, the Senate will take up an amendment by Senator BUNNING which would accelerate manufacturing sector tax cuts. Senators will be notified when the first vote is scheduled.

ORDER FOR ADJOURNMENT

Mr. MCCONNELL. Mr. President, if there is no further business to come before the Senate, I ask unanimous consent that the Senate stand in adjournment under the previous order following the remarks of Senator DODD for up to 20 minutes and Senator HATCH for up to 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCCONNELL. I yield the floor.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. I express my gratitude to my friend from Kentucky for his eloquent description of my less than eloquent remarks. I appreciate that.

The PRESIDING OFFICER. The Senator from Connecticut.

OUTSOURCING OF AMERICAN JOBS

Mr. DODD. Mr. President, I may not use all of my 20 minutes. I have been talking at some length this afternoon, although it is my custom to do so. I might point out, for those who are interested, this is not a filibuster. I am prepared to vote on this amendment right now. I was prepared to vote on it an hour and a half ago, but there are those who want to analyze what I am proposing.

I suppose it is more than analysis that is occurring. They are trying to

figure out how to defeat it, and I regret that because I do not think it is complicated. I think it is straightforward. I think it makes sense.

I would not be offering this if this was not a problem sweeping across the country. Concerns are being expressed everywhere by Americans of varying incomes and positions. I know in my own State I have had meetings with people I could not put in the same town or county together a year ago who are coming to us now and saying, would you please do something here. I am talking about my chambers of commerce.

I had a meeting last week at a Teamsters Local that included the chambers of commerce, the Manufacturers Association, the International Association of Machinists and Teamsters. I do not need to remind the Chair what a unique circumstance that is when a crowd like that gets together—by the way, all asking me to do the same thing.

They were not just asking me but asking us what we were going to do, because they have watched the alarming decline of manufacturing jobs in the country, and it seems to be accelerating at a dramatic pace.

Also the problem they foresee, and I agree with them on this outsourcing of jobs, which is very appealing, and I understand it from a corporate standpoint, when one sees their competitors, neighbors, and businesses are outsourcing and cutting their budgets by huge amounts because they can hire someone for \$7 a day or \$2 an hour, as opposed to paying them \$40,000, \$50,000 or \$60,000 a year, then the lure is remarkable.

As we know, in fact, the Indian government is providing tremendous incentives to lure call centers, providing corporations with tax exemptions and building western-style technology parks fitted with telecom infrastructures.

What are we doing? Are we doing anything to try and compete with that or are we just saying that is the way the world is and we better get used to it because that is what is going to happen for the foreseeable future, and maybe something will come along that will all of a sudden fill this vacuum, that will restore these manufacturing jobs or information technology and the like?

I can only hope that would be the case because in the absence of doing anything else, we are going to find a continuing decline in this area.

I worry about this from the standpoint of national security. In my State, I have over 5,000 small manufacturers. I have major corporations as well. I probably have more large Fortune 500 corporations in my State than any other State in the country on a per-capita basis, given the size of my State. My State is the home of major corporations. Many of them are major defense contractors, and those 5,000 small manufacturers in many cases are

suppliers of very sophisticated technologies for my defense contractors and others who produce sophisticated products.

I do not need to tell the Presiding Officer, we have lost 35,000 jobs now in 36 months in this area. When those are lost, they are not reconstituted. Once they are gone offshore, the idea that you are going to rebuild that, my experience is—and I am prepared to listen to others who want to contradict me—I think it is unlikely.

So the question I have to ask, as we stand here and receive this news almost on a daily basis, is there not some danger in losing this manufacturing capability for a time in the 21st century when we may find ourselves confronted with the fact these jobs we gave away are now being held by people in countries that do not agree with us on certain matters, and all of a sudden they do not want to supply us with certain component parts that may be necessary to build jet engines, submarines, Black Hawk helicopters or something else my State or the State of Tennessee or some other part of the country produces?

We are watching this tremendous outflow occurring. The Presiding Officer was the former Secretary of Education, as I pointed out earlier, and again I understand the budget constraints. This is a very difficult time. Putting aside whether one agrees or disagrees on how we got to this situation, we have a terrible fiscal situation on our hands and yet even in the area of job training and assistance we are wiping out the manufacturing extension partnerships; we are cutting the SBA by millions of dollars; we are cutting vocational education by \$316 million; we are cutting the Workforce Investment Act by \$448 million.

We are not only not trying to compete with what India is doing on its creation of call centers, by offering tax incentives for businesses to stay here, we are even cutting back in the area that might offer some hope to someone in this area who is losing their job because it has been outsourced some place.

On every front, we seem to have nothing to say to this issue right now, except this is the way life is; get over it, America. You just have to live with this. This is the way the world is going to be.

I do not think it has to be that way. I think we can do better. I think that is what the American people ask us when we come here—try to do better.

I have to look in the eyes of my own child, an infant, and I wonder what kind of a century she is going to grow up in. She will look back someday and ask herself, or hopefully me, what did you do back at the turn of this century when you knew this was going on, when you saw thousands of jobs leaving our country, when you saw manufacturing declining, what did you do? This was not some sneak attack. You were all aware of it. Your local papers wrote

about it every day. Did you offer any ideas and suggestions on how we might compete in a global marketplace—because we should, we must—while simultaneously not losing the human investments, the human capital, that are critical for any successful society to succeed? What did you do?

I am afraid if we go back and she looks at what we are doing at the outset of this century, then she would be startled to learn we are cutting back in the areas that might provide some educational opportunity for people in vocational areas, that we had nothing really to say to a hemorrhaging of jobs going out of the country, and that we were basically silent except to bemoan the fact that 2.8 million manufacturing jobs in 36 months disappeared in the country. And there is every indication those numbers are going to increase, and the impact on other sectors of our economy will be very profoundly affected.

I mentioned already we are now being told the outsourcing of American jobs will probably exceed 3 million, close to 4 million over the next decade, unabated. That is a loss of \$136 billion to \$140 billion in salaries and wages in the United States, not to mention the human and societal impact.

So I do not apologize to my colleagues for feeling as strongly as I do about this. I am a free trader. I voted for NAFTA. I thought it was the right thing to do. I voted to give fast track authority. I voted for the Jordanian agreements and others. I have opposed some as well. I have not been exclusively for them, but I believe in free and fair trade. I also believe a self-respecting nation cannot allow its human capital intelligence to be lost without standing up and trying to do something about it.

The subject matter of this amendment very simply says at this juncture, look, let's stop. At least when it comes to the expenditure of Federal taxpayer money, those dollars ought not to be used to pay for outsourcing jobs until we figure out a better way to answer this problem. I do not think that is complicated.

Now, I gather K Street in town is going ballistic at this very hour because obviously major corporations, 400 out of 1,000 top ones in the country, are doing it. Forty of fifty States are doing it right now. So they want to continue doing it because it is a great saver of money if you are focused on quarterly reports.

That is their job on K Street and that is their job in the corporate board rooms, to worry quarter by quarter by quarter. I don't think that is right, but that is what they do. Thank the Lord there are many corporations who do think longer than that.

Our job is not to think in quarters, not to be unmindful that corporations should and must. But our obligation is to have a broader, deeper vision; to think about longer term effects of decisions we make, no matter how attrac-

tive and how appealing they may be to someone who has to explain to a group of shareholders why it is that they have or have not exceeded last quarter's profit margins—bottom line.

Certainly outsourcing will help do that on any given day. If you can hire someone for a couple of bucks and lay off that person in Connecticut, Tennessee, California, Ohio, Pennsylvania, you are going to save money, I promise you. Quarterly reports are going to look great.

But my question is, What does America look like? What does our Nation look like in the coming generation? In fact, if we lose these jobs, which are critical to our own well-being and success, if we lose manufacturing that we cannot replace, if we squander the ability to produce vital components and parts that are essential to contribute to our national defense structure, what does my country look like in 5 years, 10 years, 20 years down the line?

That is the question I am asking. That is why I am offering this amendment, to see if we cannot at least step up and say when it comes to the taxpayer's dime, that we should not be taking your tax dollar and subsidizing this outsourcing of jobs. If a private company, with its own money, wants to do it, that is their business. I regret it, but if they want to do it they have a right to do it. I think we ought to have tax incentives to discourage them one way or the other, but at the end of the day if they want to do it, they ought to be given the right to do it. I can't stop that. That is their dime.

But on the taxpayer's dime, I think we ought to say something else. What my amendment does is say you cannot use that dime. You cannot use that dime to lay off somebody and hire someone 14 time zones away to do a job that a hard-working American ought to be able to hold and do in order to provide for their family.

I don't think that is outrageous. I don't think that is isolationist or protectionist. I think that is standing up for the people of this country who expect nothing less from those of us who represent them in this Chamber. That is why I am offering this amendment. My hope is tomorrow morning we can get to it and vote on it and dispose of it one way or the other. If you want to vote against it, vote against it. But I ask you to join with my colleague from Minnesota, Senator COLEMAN, and others who have been a part of this effort, to say this is our way of saying to people out there we hear you.

We are not suggesting this amendment is perfect. I would be the last person to say that. I am sure it is not perfect. But at least it says to voters and to constituents out there who are worrying every day whether they are going to become one of those statistics, that we are going to try to do something about this, so you need to know your Government, your Congress is doing what it can to stop this.

Our obligation is not exclusively to them. We have obligations to others as

well, including those who serve and work in these corporations. I am not against them at all, but they are making their decisions in what they determine is in their best interests and the best interests of their shareholders. I respect that.

But I have a higher obligation. I have an obligation, not only to that shareholder but to the people who work for them as well. I respect those who only have to worry about the narrow constituency, but I wasn't elected by the people of Connecticut to come here and merely worry about that narrow constituency. I have another obligation. I serve in the Senate, not just a State legislature. When I am here and I vote and I cast ballots, they don't just affect the people who live in my State, that I represent; they are part of the 280 or 290 million people across this country.

I look at the 2.8 million who have lost their jobs in manufacturing, the close to 3 million who will lose their jobs to outsourcing in the coming days, maybe as many as 14 million, we are being told, over the next couple of years. I didn't dwell on this particular chart at this moment, but 14 million additional jobs are in danger of being shipped overseas. Those people want to know whether or not we have anything to say to them.

So I urge my colleagues to support this amendment. I don't know of another issue that is more important to the American public at this hour than this one. We have seen it all across the country in the last number of days. National news programs talk about it every single night and report nightly about corporations that are outsourcing more and more jobs.

The American people want to know what we have to say to them. So I regret we have not been able to vote on this earlier. I didn't intend to take this time. I was prepared to vote 2 hours ago, 3 hours ago, but there are those who do not want to vote on this amendment right now. My hope is we will be able to do so first thing in the morning and say with a very loud, clear, and my hope is a unanimous voice that we stand with those who worry about whether America is squandering its wealth and its treasury, not just the treasury of dollars and cents but a far more important treasury, the human capital that is the American workforce.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I respect the distinguished Senator from Connecticut, as he knows. I will certainly look at this amendment. But throughout this day I have seen others on the other side continually talk about jobs and loss of jobs like we are not doing anything about it. Nothing could be farther from the truth. This very bill, FSC/ETI, is a very important bill. We call it the Jumpstart Our Business Strength on Jobs bill because it will

help us to increase the number of jobs in this country by huge dimensions. It also is a smart thing to do. It also saves us \$4 billion in assessed costs with the E.U. in international trade, if we get this done. That is very important.

Some of the comments I have heard today, not those of the distinguished Senator from Connecticut—in fact, I exclude his comments—some of the comments I have heard today would have you believe the only way you are going to get jobs is more of the same: More Government, more Government support, more and more controls, more and more approaches towards unionizing America.

I am one of the few Members of this body who ever held a union journeyman's card. I worked 10 years in the building construction trade unions and earned my journeyman lather's card. The laths trade was one of the most interesting trades. In the early days it was wood lathing, little partitions of woods that you put on partitions and ceilings that you would plaster over. In my day it was metal lath, which was a much more high-tech approach towards putting up partitions and ceilings and elliptical arches and Gothic arches, and it was a very skilled trade and I was fortunate that I was able to do that and I am proud I was able to do that.

Today, the lathing trade is no longer in existence because we priced ourselves out of the marketplace. Today, all of the lathers who used to work in this very skilled trade had to transition into the carpenters' union because their trade no longer could pay for itself.

As a matter of fact, you don't see many buildings plastered today. The reason you don't, it is just too expensive. So drywall has become the norm. I am not criticizing anybody. What I am saying is, we can price ourselves out of the marketplace.

I can remember time after time, my fellow union lathers would say: Hey, kid, slow down. We are not going to have any work if you keep working so fast.

My father was one of the best lathers in the world and taught me the trade.

He said: Look, you give an honest day's work for an honest day's dollar and you work as hard as you can.

It was anathema to me to slow down so we could have more work. That is what happened. They slowed down and the work dissipated and, of course, the trade no longer exists.

I think we are worse off because we don't have lath and plaster in a lot of our buildings today. I am not blaming my fellow union members, but sometimes we have to acknowledge that there are gives and takes in the business world. The fact that some businesses do their business offshore is not necessarily bad because in many cases we get even more jobs onshore. Sometimes we don't. Sometimes it is bad. But by and large, business in this country has always worked because we be-

lieve in the free market system. We believe in competition. We believe in high productivity.

My feeling is that this country cannot be beat in productivity. If we really work hard and we continue to do the best we can, we are always going to be able to compete.

But where we cannot compete because of low wages and government subsidization and violations of international trade laws, then, my gosh, let's not quit. Let's go and find new jobs.

This administration inherited some terrifically bad times. The whole last year of the Clinton administration was headed into recession, and everybody knows it. Anybody who says otherwise is not telling the truth. Everybody knows that. So this President inherited that.

I don't particularly blame the Clinton administration. We do have cycles. But I have to say I think they could have done some things to have prevented it. But that is probably true of everything. He then inherited this recession, and on top of that comes September 11, which created magnificent problems for all of us. It was very costly and expensive and put pressure on the budget. It cost us in so many ways, even from a productivity and jobs standpoint.

But economic growth for the third quarter of last year was up over 8 percent. In the fourth quarter, it was 4.1 percent. I know years here when we would have killed for 4.1 percent. Frankly, I believe the first quarter of this year is going to be all right too, even though normally it is a slow quarter.

I think all we have to do is do our best to work together as Democrats and Republicans without all the screaming and shouting like one side has all the answers and the other side doesn't, which I have heard a lot of today, and put aside the politics and do what is best for our country. Unfortunately, some just can't seem to do that.

I believe the President is doing a great job. I believe his various Cabinet-level officials are doing great work. In fact, I have never seen better in my 28 years in the Senate. I believe it is time to be fair, decent, and honorable.

THE FAIRNESS IN ASBESTOS INJURY RESOLUTION ACT

Mr. HATCH. Mr. President, I rise today to support the comments from the distinguished majority leader of last Friday with respect to the asbestos legislation. This is an absolutely vital issue for this country's civil justice system and, most importantly, to our economy.

If you want to have jobs, then let us get this asbestos reform bill through and we will get hundreds of thousands, if not millions, of jobs back, and perhaps the 70 large companies which have gone into bankruptcy will be able to

resurrect themselves and be able to employ more people.

We now have the opportunity with S. 1125, the Fairness In Asbestos Injury Resolution Act, to correct what has become a gross injustice against asbestos victims and the defendants who are relentlessly hauled into court despite having never manufactured or ever sold a shred of asbestos fiber.

It has been a long road for this legislation so far. But I concur with Senator FRIST, our distinguished majority leader, that we are finally in a position where we can enact this legislation.

We went through a grueling markup of this bill last year, and since then have engaged in focused discussions over remaining differences under the stewardship of my friend from Pennsylvania, Senator SPECTER, and Judge Becker of the third circuit court of appeals. The stakeholders and Members involved in these discussions all agree that this process has proved to be quite successful, not only in clarifying areas of disagreement but in proposing workable solutions to these areas. As a result, there now remains a mere handful of issues left to consider. But given the timeframe set forth by the leader last Friday, I believe more needs to be done to help bridge the gap on the remaining issues. Therefore, I propose that we get the primary stakeholders and interested Members together for a 2-day-long negotiating session sometime in mid- to late-March with this type of focus on the last handful of these issues. I believe we can resolve the remaining differences in this bill. There is nothing we can't solve, if we will work together. This issue is too important, and we are too close not to give this one last effort through an extended 2-day-long meeting. I know Judge Becker and the stakeholders and the key Republican Members have all expressed their desire to participate in this 2-day meeting. I hope my Democratic colleagues who have been working on this issue will join us in the final push toward reaching consensus.

Let me give some background for those who have not been as steeped in this legislation over the past year or so. For more than 20 years, compensation to legitimate victims of asbestos exposure has been unacceptably diminished and delayed. It has become quite evident to the committee that tens of thousands of true asbestos victims are faced with agonizing pain and suffering with uncertain prospects of a meaningful recovery in our existing tort system. These victims are left with little to nothing because precious resources are being diverted to unimpaired plaintiffs and a handful of creative trial lawyers who are looking to make a quick buck.

I am a member of the American Trial Lawyers Association, having been a trial lawyer in my former non-Senate life, since we Mormons believe in a premortal existence. I have to say that my fellow ATLA members are embarrassed by this small cadre of personal

injury lawyers who are thinking only of themselves and the huge fees they make, with the approximately 50 to 60 percent of the moneys that go to attorneys. They are embarrassed by it. They won't say that because they don't want to cut up their fellow personal injury lawyers. But that is what is going on here.

In up to 90 percent of the cases that have been filed, the person has never had a sick day in his life with regard to asbestos. In most of those cases, they have been sent to doctors who will find injury no matter what. It borders on fraud and in some cases it is fraudulent. It is wrecking the country. Seventy major companies are now in bankruptcy, and there are over 8,400 or more, going up to 15,000, that possibly will be thrown into bankruptcy that never had anything to do with asbestos or made anybody ill from asbestos.

At the same time, scores of companies with almost no connection to the problem have had to file for bankruptcy, as I have said, and hundreds of others live under the constant threat of insolvency from this litigation. What this translates into is lost jobs, depleted pensions, and weaker financial markets.

If my friends on the other side of the aisle want to do something about jobs, let us get serious about asbestos reform. Let us get serious about doing what is right for those who are truly ill and who won't get very much at all. Those who were employed by 70 companies are getting 5 cents on the dollar. We take care of them with this trust fund.

We have heard the statistics but they bear repeating. The RAND Institute for Civil Justice tells us, to date, 70 companies have been forced into bankruptcy—at least 3 with operations in my home State of Utah.

The number of claims continues to rise as does the number of companies pulled into the web of this abusive litigation, often with little, if any, culpability. More than 600,000 people have filed claims, and more than 8,400 companies have been named as defendants in asbestos litigation.

This has become such a gravy train for some abusive personal injury lawyers that over 2,400 additional companies were named in the last year alone. RAND, this great research institution, also notes in its bipartisan research that about "two-thirds of the claims are now filed by the unimpaired, while in the past they were filed only by the manifestly ill."

That is a low number. It is really up to 90 percent. But let us take their number. Two-thirds of them are filed by people who really are not impaired.

Former Attorney General Griffin Bell, amongst many others, has denounced this type of "jackpot justice."

To address this national problem, I introduced a bipartisan bill with my friends, Senators BEN NELSON, MIKE DEWINE, ZELL MILLER, GEORGE VOINOVICH, GEORGE ALLEN, SAXBY

CHAMBLISS, and CHUCK HAGEL. This bill creates a trust fund which provides expedited no-fault compensation to victims while reducing the wasteful transaction costs. Attorney's fees and transactions costs have been as high as 60 percent of the amounts recovered.

After weeks of marking up the bill, we passed this legislation favorably from the committee with bipartisan support last July. No one can accuse us of being unwilling to compromise. When I look at where our bill started—and it was a good start—and where it is now, our willingness to compromise is abundantly clear.

Let me show you this chart. In total, we have made 53 changes to this bill to accommodate concerns raised by our friends on the other side, the Democrats.

Let me review a brief history of these changes. In May, we circulated a bipartisan draft measure, and my staff met then with Democratic staff to listen to their concerns. As a result of these discussions, we incorporated many of their requests even before introduction.

We then embarked on several weeks of markups that saw dozens of Democratic-initiated amendments adopted into this legislation. I didn't agree with all of these amendments, but it can't be said that there hasn't been strong participation with Democrats on this bill.

By the way, I met for a couple of hours with the head of the AFL-CIO to explain this bill to him. I know deep in my soul that he knows I am doing everything in my power to do what is right. I know he knows that we have done what is right. I respect and appreciate the fact that he sat down with me and talked with me about it.

This chart behind me summarizes some of the major changes we made at the behest of the Democrats.

Raising the level of mandatory contributions to well over \$100 billion; 111 different changes to increase the value of awards to victims; 22 changes to make it easier for asbestos victims to be eligible for compensation; a historic, bipartisan agreement on eligibility criteria where the unions and everyone came together; reimbursement for medical monitoring—now they will pay for medical monitoring of people who are not sick and especially those who are; five additional provisions to guarantee payment of mandatory contributions; relief for asbestos victims in Libby, MT, where asbestos was mined; a Federal ban on asbestos and "bad actor" protections.

Look at this chart. "To build bipartisan support, more than 53 changes to S. 1125 have already been made at the urging of the Democrats. These occurred prior to the bill's introduction, during negotiations between introduction and committee consideration, and throughout the four committee markups devoted to the legislation."

I ask unanimous consent all of these changes be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

BUILDING A CONSENSUS ON ASBESTOS

To build bipartisan support, more than 53 changes to S. 1125 have already been made at the urging of the Democrats. These occurred prior to the bill's introduction, during negotiations between introduction and Committee consideration, and throughout the four Committee mark-ups devoted to the legislation. The changes include:

Raising the Level of Mandatory Contributions to well over \$100 Billion;

11 Different Changes to Increase the Value of Awards to Victims;

22 Changes to Make It Easier for Asbestos Victims to be Eligible for Compensation;

An Historic, Bipartisan Agreement on Eligibility Criteria;

Reimbursement for Medical Monitoring;

5 Additional Provisions to Guarantee Payment of Mandatory Contributions;

Relief for Asbestos Victims in Libby, Montana;

A Federal Ban on Asbestos and "Bad Actor" Protections;

Raising the compensation value for eligible mesothelioma claims to \$1,000,000;

Limiting the offset of collateral sources to judgments and settlements, thus increasing the value of awards to claimants;

Indexing the scheduled award values for future inflation;

Specifying that awards should be paid over 3 years, but in no event over more than 4 years;

Moving the Asbestos Court established under S. 1125 to the United States Court of Federal Claims;

Changing the two-year statute of limitations to four years;

Eliminating the rule of construction on the statute of limitations in favor of the Fund;

Striking language requiring a claimant to submit evidence of product identification as a factor in proving asbestos exposure;

Reducing the latency period to 10 years for all disease categories;

Eliminating the requirement that the diagnosing physician be the "treating" physician;

Increasing the compensation level for the most severe asbestosis claims to \$750,000;

Providing alternatives to the physical examination diagnostic requirement for claimants who are deceased;

Eliminating language requiring that the diagnosing physician independently verify the claimant's exposure;

Dropping language that would have stipulated that an attorney retention agreement not be required as a prerequisite to a medical examination or medical screening for purposes of obtaining a medical diagnosis or other medical information;

Raising the compensation level available for eligible lung cancer claims with underlying pleural disease (Level VIII) to a maximum of \$1,000,000 (depending on smoking history);

Expanding eligibility to include U.S. citizens exposed while serving on U.S. flagships and U.S. citizens exposed while employed overseas by a U.S. company;

Allowing take-home exposures to meet the exposure requirements under the Act;

Eliminating a requirement of at least 6 months of occupational exposure to asbestos prior to December 31, 1982;

Creating an entirely new eligibility category to compensate claimants who fail the test for restrictive disease;

Raising the compensation value for eligible asbestos claims (Level III) to \$75,000;

Adding bilateral pleural calcification to the definition of bilateral asbestos-related nonmalignant disease;

Removing the requirement of a grade B2 or greater for pleural conditions, including thickening and plaques, to show underlying bilateral asbestos-related non-malignant disease;

Replacing the definition of "significant occupational exposure" with a definition of "substantial occupational exposure," including the clarification that "on a regular basis" means "on a frequent or recurring basis";

Providing an exception to the year and industry weighting of the occupational exposure requirements for claimants whose exposures were above applicable OSHA standards;

Establishing a scheduled value of compensation for Level II claims (mixed disease with impairment) at \$20,000;

Expanding the class of claimants eligible for compensation under Level III to include anyone showing a 20% reduction in pulmonary function, even if their overall pulmonary function is still within normal limits;

Creating an additional category of non-malignant disease to reflect an intermediate level of impairment (Level IV);

Reducing the ILO requirement from 2/1 to 1/1 for severe asbestosis;

Creating standards for moderate and severe asbestosis categories based on the AMA Guide to the Evaluation of Permanent Impairment;

Allowing alternative tests to show impairment based on DLCO and PO2 for Level V;

Increasing the compensation level for intermediate (Level IV) asbestosis claims to \$300,000;

Providing eligibility for compensation for colorectal cancer claims;

Providing three scheduled value ranges for smokers, former smokers and non-smokers for each of the lung cancer categories;

Creating a separate category of eligible lung cancer claims for current smokers with no evidence of underlying asbestos-related non-malignant disease;

Establishing a compensation range for eligible lung cancer claims without underlying asbestos-related non-malignant disease to a maximum of \$600,000 (depending on smoking history);

Creating an exceptional medical claims panel to address those claims that might not meet the medical criteria in the bill (e.g. no pulmonary function test);

Providing that CT scans may be submitted (with an x-ray) to review exceptional medical claims;

Strengthening the enforcement authority of the Administrator with respect to payment of mandatory contributions;

Amending Title 18 of the United States Code to prohibit fraud on the Asbestos Insurers Commission and Office of Asbestos Injury Claims Resolution;

Limiting the time period in which an inequity adjustment will be in effect;

Providing that the adjustments may be reinstated in the event there is a material change in the defendant participant's conditions;

Doubling the amount of the hardship and inequity adjustments available under the Act;

Providing for inequity adjustments when the defendant's prior asbestos expenditures primarily consist of defense costs where settlements were entered into or where no adverse judgments were found;

Providing for inequity adjustments where the amount of contribution is exceptionally inequitable when compared with the defendant's likely future liability and with the liability of the other defendant participants in the same tier;

Establishing that a successor in-interest of any participant would be liable under the Act;

Revising federal sentencing guidelines for environment crimes to prevent "bad actors" from recklessly exposing individuals to asbestos health risks;

Requiring an annual report by the Administrator as to the status of the Fund;

Making the Freedom of Information Act applicable to the Asbestos Insurers Commission; and

Increasing the compensation levels available for eligible lung cancer claims with underlying asbestosis a maximum of \$1,000,000 (depending on smoking history).

Mr. HATCH. That chart is amazing. I don't agree with all those changes, but we made them to accommodate our friends on the other side. Just look at all these changes. No one can tell us we are not doing everything we can to make this bill a consensus bill and to be fair to everybody.

We know there are a lot of people who will be compensated under this bill who have never suffered a bit from asbestos, but we have given the benefit of the doubt. Many of them are union workers who have smoked all their lives and got cancer from smoking but have had something to do with asbestos at one time or another in their career but probably have shown no feasible asbestos.

Literally thousands and thousands, hundreds of thousands, will be compensated. There comes a point where you have to say, Let's do what is right here. Let's not just keep loading this bill up so you can beat your breast and claim you get more money, more blood out of these companies.

Moreover, even though our original claim values would have on average provided more money to legitimate claimants, we increased the values even more and we removed most collateral source offsets to ensure more of the award goes directly to the claimant. That means even though they received moneys, we removed those as offsets.

These changes listed on the chart behind me do not even include other changes we have offered since the bill was reported out of committee. Through the leadership of the majority leader, we got contributors to add an additional \$6 billion in overall funding along with significant increases in claims values in many categories. We started at \$94 billion in mandatory funding because this amount would give more money to claimants on average than they received in the current tort system. Nonetheless, through the markup in the Frist financing agreement, we increased the fund to have the capacity to pay out \$114 billion to claimants. It is not just money, either. The Frist financing deal adds more flexible borrowing authority as yet another safeguard for solvency. Senator

FRIST has my cooperation and support in doing this.

Our willingness to resolve the Democratic concerns speaks for itself by virtue of where this bill stands today. I again thank Senators FRIST and SPECTER for their willingness to help resolve some of the difficult issues on this legislation and, of course, the cosponsors as well.

Let me talk about the final issues. Even though we made all of these changes that show up here, I understand some want to make further changes, including streamlining the claims process even more. I have said I am willing to look at such proposals, but the time has come and the time is past to wrap up this process. It passed out of the committee last summer and we need to stop talking and do something. With all of this whining about jobs that all of us want to get in this country, this bill would do more to create jobs and solidify our economy than any other bill we can pass this year. This bill makes sense except for how costly it is, but even then we are willing to do that. This is why we need to continue working for the next several weeks on the issues and sit down in a 2-day meeting sometime in the last half of March to see if we can finally get agreement on all of the issues.

I thank Senator SPECTER and Judge Becker for their valuable assistance. I was not really happy because we had gone through so much and I had commitments from so many people if we got to \$108 billion, this bill would go and they would support it. I got it to \$108 billion—and I think they thought

we could not do it—and they said we have to have more and more and more. We are giving them more, even.

I also appreciate the willingness of Senator SPECTER and Judge Becker to help finally resolve these issues in a 2-day session. My friends, Senators LEAHY, DODD, and DASCHLE, have been graciously willing to sit down with us at a staff level to narrow the differences and I am confident they will be willing to join in this 2-day meeting as well. We are willing to accommodate schedules to get full participation in this meeting within a reasonable fashion.

We simply cannot delay any longer. We need to ensure the truly sick get paid and paid in a timely manner. We need to provide stability to our economy by stemming the rampant litigation that resulted in a tidal wave of bankruptcies and stop endangering jobs and pensions through the current broken system. This crisis reaches far and wide and it hurts everyone.

What is happening with these bad acting personal injury lawyers who have been handling some of these cases, they forum-shop the cases into jurisdictions where juries go wild and judges support them and judges are in the pocket of the plaintiffs' lawyers. In one case, if I recall it correctly, five people, not one of whom experienced a sick day up to that time, got \$125 million, while thousands and thousands of very sick people get nothing. That is wrong.

For anybody to keep supporting that process the way some have done is wrong. That is why I am here on the

floor to challenge all of our colleagues to work together in good faith, put our differences aside and let's get this bill done in the best interests of our country and the best interests of jobs. If that is not done, I would not listen to one "mouthing" word from people on jobs because they are playing politics rather than doing the art of the doable, doing what needs to be done, what must be done in the interests of the sick people, the truly sick people and, I might add, many others who did not get their sickness from asbestos, but we give them the benefit of the doubt.

This bill really will work even though I have to admit it is very tough on the companies that have to come up with this \$114 billion.

I yield the floor.

ADJOURNMENT UNTIL 9:30 A.M.
TOMORROW

The PRESIDING OFFICER. Under the previous order, the Senate stands adjourned until 9:30 a.m. tomorrow.

Thereupon, the Senate, at 6:36 p.m., adjourned until Thursday, March 4, 2004, at 9:30 a.m.

NOMINATIONS

Executive nomination received by the Senate March 3, 2004:

ENVIRONMENTAL PROTECTION AGENCY

BENJAMIN GRUMBLES, OF VIRGINIA, TO BE AN ASSISTANT ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY, VICE GEORGE TRACY MEHAN, III, RESIGNED.

EXTENSIONS OF REMARKS

ANNOUNCEMENT OF THE 2004 CONGRESS-BUNDESTAG/BUNDESRAT EXCHANGE

HON. J. DENNIS HASTERT

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. HASTERT. Mr. Speaker, since 1983, the U.S. Congress and the German Bundestag and Bundesrat have conducted an annual exchange program for staff members from both countries. The program gives professional staff the opportunity to observe and learn about each other's political institutions and interact on issues of mutual interest.

A staff delegation from the U.S. Congress will be selected to visit Germany from May 16–29 of this year. During this two-week exchange, the delegation will attend meetings with Bundestag/Bundesrat Members, Bundestag and Bundesrat party staff members, and representatives of numerous political, business, academic, and media agencies. Participants also will be hosted by a Bundestag Member during a district visit.

A comparable delegation of German staff members will visit the United States for two weeks in July. They will attend similar meetings here in Washington and visit the districts of Members of Congress. The U.S. delegation is expected to facilitate these meetings.

The Congress-Bundestag/Bundesrat Exchange is highly regarded in Germany and the United States, and is one of several exchange programs sponsored by public and private institutions in the United States and Germany to foster better understanding of the politics and policies of both countries. This exchange is funded by the U.S. Department of State's Bureau of Educational and Cultural Affairs.

The U.S. delegation should consist of experienced and accomplished Hill staff who can contribute to the success of the exchange on both sides of the Atlantic. The Bundestag reciprocates by sending senior staff professionals to the United States.

Applicants should have a demonstrable interest in events in Europe. Applicants need not be working in the field of foreign affairs, although such a background can be helpful. The composite U.S. delegation should exhibit a range of expertise in issues of mutual concern to the United States and Germany such as, but not limited to, trade, security, the environment, economic development, health care, and other social policy issues. This year's delegation should be familiar with transatlantic relations within the context of recent world events.

In addition, U.S. participants are expected to help plan and implement the program for the Bundestag/Bundesrat staff members when they visit the United States. Participants are expected to assist in planning topical meetings in Washington, and are encouraged to host one or two staffers in their Member's district in July, or to arrange for such a visit to another Member's district.

Participants are selected by a committee composed of personnel from the Bureau of Educational and Cultural Affairs of the Department of State and past participants of the exchange.

Senators and Representatives who would like a member of their staff to apply for participation in this year's program should direct them to submit a resume and cover letter in which they state their qualifications, the contributions they can make to a successful program and some assurances of their ability to participate during the time stated.

Applications may be sent to the Office of Interparliamentary Affairs, HB–28, the Capitol, by 5 p.m. on Wednesday, March 31.

TRIBUTE TO THE SLOVENE NATIONAL BENEFIT SOCIETY

HON. MELISSA A. HART

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. HART. Mr. Speaker, I would like to take this opportunity to congratulate the Slovene National Benefit Society (SNPJ) in honor of their 100th anniversary celebration on April 6, 2004. As a U.S. Representative of Western Pennsylvania, I am proud of its rich Slovenian heritage and SNPJ's efforts to preserve it.

The Slovene National Benefit Society was founded on April 6, 1904 to provide affordable life protection to immigrant Slovenian families. Today the Slovene National Benefit Society still provides affordable life insurance to Slovenian immigrants; however, it has grown to include members from all ethnic backgrounds and has developed into a diverse fraternal society which today can boast \$100 million in assets. SNPJ also continues to offer a full package of social, athletic and cultural opportunities, along with college scholarships and community service projects. SNPJ's social and fraternal events provide a way for people from all backgrounds to preserve a culture of a homeland while building new long lasting friendships in America.

I ask my colleagues to join with me in commemorating this fine organization and the members that maintain its excellence. It is my pleasure to recognize that efforts of the Slovene National Benefit Society to preserve the rich Slovenian heritage and foster new friendships in America.

LEAVE NO MISSISSIPPI CHILD BEHIND

HON. BENNIE G. THOMPSON

OF MISSISSIPPI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. THOMPSON of Mississippi. Mr. Speaker, I submit the following speech, dated January 7, 2004, given by Joyia Smith, Student

Body President at Greenville-Weston High School in Greenville, MS, at a No Child Left Behind Forum.

The No Child Left Behind Act is a landmark in education reform, "designed" to improve student achievement and change the culture of America's schools. The name alone has we uninformed students thinking that test scores would fly up and there would really be "no child left behind". When this legislation first appeared, I was just an incoming sophomore. Our school individually had a lot of concerns. At the same time NCLB was introduced, our students were trying to adopt an unneeded merger. It was like a "double improvement" for us. Our school administration had us under the impression that we would no longer be "trapped in the dead end of low performing schools". In addition to strong accountability, NCLB puts a special emphasis on implementing educational programs. The whole idea was so parents would know their children's strengths and weaknesses, parents would know how well schools were performing, and parents would know the schools have quality teacher training and resources. This is a good plan. I as a student leader just don't feel it was carried out as it should have been. Everything that seems good is not good for you. We must be able to admit when we've made a mistake and move on. "When dreams turn into dust, you should vacuum." Like Thomas Jefferson, "I too like the dreams of the future better than the history of the past."

I admire Joyia for her attentiveness and the detail in which she expresses her analysis of federal legislation. Her comments truly speak bounds. Her outstanding scholarship is a positive reflection on her personal dedication, family, and school district. May Joyia Smith continue to excel in her endeavors.

RECOGNIZING AND HONORING THE WORK OF THE LEAGUE OF UNITED LATIN AMERICAN CITIZENS ON THEIR 75TH ANNIVERSARY

HON. LORETTA SANCHEZ

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. LORETTA SANCHEZ of California. Mr. Speaker, I am very pleased to join my colleagues in recognizing and honoring the work of the League of United Latin American Citizens, LULAC, on their 75th anniversary.

Serving as the nation's oldest and largest Hispanic organization, LULAC has improved the lives of millions of Latinos across our nation, by never wavering from its commitment to advance "the economic condition, educational attainment, political influence, health and civil rights" of our country's Hispanic population.

During LULAC's early years, they faced great opposition from those who did not wish to see the status and well-being of Hispanics improve. Many members were harassed and

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

threatened. yet the dedication and determination of LULAC's founding members persevered.

Today, this organization has become one of the greatest Hispanic civil rights organizations in America, with an all-volunteer membership and a glowing list of accomplishments.

Representing Latinos from all over the nation including, Guam and Puerto Rico, LULAC has taken the lead toward groundbreaking accomplishments for the Hispanic community.

One of these is particularly dear to me.

In 1945, LULAC took an active role in the fight against segregation in my home County of Orange in California. The Orange County School System kept its schools segregated on the grounds that Mexican children were "poorly clothed and mentally inferior to white children."

Eventually, LULAC was successful in their lawsuit to integrate this school system.

The following year, LULAC, along with Gonzalo and Felicitas Mendez, filed the Mendez v. Westminster lawsuit that ended 100 years of segregation in the California public school system.

Thanks to this suit, I, the child of Mexican immigrants, was able to benefit from a great public education in Orange County.

Many don't realize that the Mendez case laid the foundation for the watershed case of Brown vs. Board of Education eight years later.

Mr. Speaker, one cannot deny the great impact this lawsuit had on bringing greater educational opportunities not just to Hispanic children, but to all children across the nation.

Yet, this is just one example of the great work LULAC has done since their founding in 1929!

This organization has fought for voting rights and the inclusion of Hispanics in the political process.

It has provided access to educational mentoring and tutoring, and has helped fund millions of dollars in scholarships.

And LULAC continues to fight for the betterment of Hispanic workers, especially in the area of Hispanic health issues.

I am very honored to be standing here today to express my appreciation for all of LULAC's accomplishments.

I wish them continued success in the future as they continue their work for improving the lives of Americans in the Hispanic community.

TRIBUTE TO MINE SAFETY
APPLIANCES CO.

HON. MELISSA A. HART

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. HART. Mr. Speaker, I would like to take this opportunity to congratulate Mine Safety Appliances Co. and their Modular Integrated Communications Helmet/Advanced Combat Helmet for being recognized by the U.S. Army's Materiel Command Unit for "one of the Greatest Inventions of 2002."

The Modular Integrated Communications Helmet/Advanced Combat Helmet has been credited with saving the lives of many soldiers in Afghanistan and Iraq. It provides the soldier with protection from 9mm handgun rounds and fragmentation in any environment and allows

maximum sensory awareness for the user. Further, it allows for night-vision devices to be integrated with respiratory protective equipment. According to Mine Safety Appliances Co., the helmet provides maximum balance, stability and comfort, while providing the proper size, fit and ventilation.

I ask my colleagues in the House of Representatives to join me in commemorating this valuable invention. Mine Safety Appliances Co. and their helmet have not only improved the lives of soldiers on the battle front but also the lives of the men and women on the home front in Western Pennsylvania.

HONORING FREEDOM RIDES

HON. BENNIE G. THOMPSON

OF MISSISSIPPI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. THOMPSON of Mississippi. Mr. Speaker, I would like to honor the Freedom Ride efforts sought to accelerate changes in the South, which had been so inadequately brought about in the courts. As a 13-year-old boy in Bolton, MS, I can recall the surmounted tension in the State of Mississippi in 1961. In tribute to the freedom riders, I would like to submit the following excerpt from Juan Williams' Eyes on the Prize.

In 1947, the Congress of Racial Equality (CORE) planned a "Journey of Reconciliation," designed to test the Supreme Court's 1946 decision in the Irene Morgan case, which declared segregated seating of interstate passengers unconstitutional. An interracial group of passengers met with heavy resistance in the upper South. Some members of the group served on a chain gang after their arrest in North Carolina. The Journey of Reconciliation quickly broke down. Clearly the South, even the more moderate upper South, was not ready for integration.

Nearly a decade and a half later, John F. Kennedy was elected president, in large part due to widespread support among blacks who believed that Kennedy was more sympathetic to the civil rights movement than his opponent, Richard Nixon. Once in office, however, Kennedy proved less committed to the movement than he had appeared during the campaign. To test the president's commitment to civil rights, CORE proposed a new Journey of Reconciliation, dubbed the "Freedom Ride." The strategy was the same: an interracial group would board buses destined for the South. The whites would sit in the back and the blacks in the front. At rest stops, the whites would go into blacks-only areas and vice versa. "This was not civil disobedience, really," explained CORE director James Farmer, "because we [were] merely doing what the Supreme Court said we had a right to do." But the Freedom Riders expected to meet resistance. "We felt we could count on the racists of the South to create a crisis so that the federal government would be compelled to enforce the law," said Farmer. "When we began the ride I think all of us were prepared for as much violence as could be thrown at us. We were prepared for the possibility of death."

The Freedom Ride left Washington DC on May 4, 1961. It was scheduled to arrive in New Orleans on May 17, the seventh anniversary of the Brown decision. Unlike the original Journey of Reconciliation, the Freedom Ride met little resistance in the upper South.

On Mother's Day, May 14, the Freedom Riders split up into two groups to travel

through Alabama. The first group was met by a mob of about 200 angry people in Anniston. The mob stoned the bus and slashed the tires. The bus managed to get away, but when it stopped about six miles out of town to change the tires, it was firebombed. The other group did not fare any better. It was greeted by a mob in Birmingham, and the Riders were severely beaten. Birmingham's Public Safety Commissioner, Bull Conner, claimed he posted no officers at the bus depot because of the holiday; however, it was later discovered that the FBI knew of the planned attack and that the city police stayed away on purpose. Alabama governor John Patterson offered no apologies, explaining, "When you go somewhere looking for trouble, you usually find it . . . You just can't guarantee the safety of a fool and that's what these folks are, just fools."

Despite the violence, the Freedom Riders were determined to continue. Jim Peck, a white who had fifty stitches from the beatings he received, insisted, "I think it is particularly important at this time when it has become national news that we continue and show that nonviolence can prevail over violence." The bus company, however, did not want to risk losing another bus to a bombing, and its drivers, who were all white, did not want to risk their lives. After two days of unsuccessful negotiations, the Freedom Riders, fearing for their safety, flew to New Orleans. It appeared that the Freedom Ride was over.

At that point, however, a group of Nashville sit-in students decided to go to Birmingham and continue the Freedom Ride. Diane Nash, who helped organize the group, later explained, "If the Freedom Riders had been stopped as a result of violence, I strongly felt that the future of the movement was going to be cut short. The impression would have been that whenever a movement starts, all [you have to do] is attack it with massive violence and the blacks [will] stop." The Nashville students traveled to Birmingham and asked the bus company to let them use their buses. Attorney general Kennedy also leaned on the bus company and the Birmingham police. He was determined to enforce the Supreme Court's decision that called for integration of interstate travel, and he worried that if the Nashville students remained in Birmingham much longer, violence might erupt. On May 17, the Birmingham police arrested the Nashville Freedom Riders and placed them in protective custody. At 2 AM on Friday, the police drove the Riders back to Tennessee, dumping them by the side of the highway at the state line. After they got a ride back to Nashville, 100 miles away, they went right back to Birmingham.

Meanwhile, Governor Patterson agreed to meet with John Seigenthaler, a Justice Department aide and a native of Tennessee. In the meeting, Floyd Mann, head of the state highway patrol, agreed to protect the Freedom Riders in between Birmingham. Attorney General Robert Kennedy then pressured the Greyhound bus company, which finally agreed to carry the Riders. The Freedom Riders left Birmingham on Saturday, May 20. State police promised "that a private plane would fly over the bus, and there would be a state patrol car every fifteen or twenty miles along the highway between Birmingham and Montgomery—about ninety miles," recalled Freedom Rider John Lewis. Police protection, however, disappeared as the Freedom Riders entered the Montgomery city limits. The bus terminal was quiet. "And then, all of a sudden, just like magic, white people everywhere," said Freedom Rider Frederick Leonard. The Riders considered leaving by the back of the bus in hopes that the mob would not be quite as vicious.

But Jim Zwerg, a white rider, bravely marched off the bus first. The other riders slipped off while the mob focused on pummeling Zwerg. Floyd Mann tried to stop the mob, but it continued to beat the Riders and those who came to their aid, such as Justice Department official John Seigenthaler, who was beaten unconscious and left in the street for nearly a half an hour after he stopped to help two Freedom Riders. Mann finally ordered in state troopers, but the damage was already done. When news of the Montgomery attack reached Washington, Robert Kennedy was not happy. He decided to send federal marshals to the city.

Martin Luther King, Jr., flew to Montgomery and held a mass meeting, surrounded by federal marshals, in support of the Freedom Riders. As night fell, a mob of several thousand whites surrounded the church. The blacks could not leave safely. At 3 AM, King called Robert Kennedy and Kennedy called Governor Patterson. Patterson declared martial law and sent in state police and the National Guard. The mob dispersed and the blacks left safely.

After the violence at the church, Robert Kennedy asked for a cooling-off period. The Freedom Riders, however, were intent on continuing. James Farmer explained, "[W]e'd been cooling off for 350 years, and . . . if we cooled off any more, we'd be in a deep freeze." The Riders decided to continue on to Mississippi. They were given good protection as they entered the state, and no mob greeted them at the Jackson bus terminal. "As we walked through, the police just said, 'Keep moving' and let us go through the white side," recalled Frederick Leonard. "We never got stopped. They just said 'Keep moving,' and they passed us right on through the white terminal into the paddy wagon and into jail." Robert Kennedy and Mississippi Senator James O. Eastland had reached a compromise. Kennedy promised not to use federal troops if there was no mob violence. Both men kept up their end of the bargain. Unfortunately, the Freedom Riders were now at the mercy of the local courts. On May 25, they were tried. As their attorney defended them, the judge turned his back. Once the attorney finished, he turned around and sentenced them to 60 days in the state penitentiary.

More Freedom Riders arrived in Jackson to continue the Freedom Ride, and they were arrested too. Freedom Riders continued to arrive in the South, and by the end of the summer, more than 300 had been arrested.

The Freedom Riders never made it to New Orleans. Many spent their summer in jail. Some were scarred for life from the beatings they received. But their efforts were not in vain. They forced the Kennedy administration to take a stand on civil rights, which was the intent of the Freedom Ride in the first place. In addition, the Interstate Commerce Commission, at the request of Robert Kennedy, outlawed segregation in interstate bus travel in a ruling, more specific than the original Supreme Court mandate, that took effect in September, 1961. The Freedom Riders may not have finished their trip, but they made an important and lasting contribution to the civil rights movement.

The Freedom Rides mark one of the most despicable chapters in our history on the part of the Democratic administration at every level of government. They mark one of the most courageous and uplifting periods of time, as evidenced by the courage and determination of those who put their bodies and their lives on the line to end racial segregation and win social justice in this country.

The Freedom Rides and sit-ins showed the potential that human beings have. It was a

time when ordinary people did extraordinary things, and the number of heroes was too great to be counted!

TRIBUTE IN HONOR OF ORVIL
JONES' RETIREMENT FROM
HIGHLAND PARK HIGH SCHOOL

HON. PETE SESSIONS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. SESSIONS. Mr. Speaker, I rise to make my tribute to Orvil Jones of Highland Park High School on the occasion of his retirement. I have the pleasure of representing Highland Park High School in Congress, and I am proud to have four alums from Highland Park High School on my staff, and two of them that played football under Coach Jones.

Coach Jones has been a fixture at Highland Park High School for 36 years, and he will be leaving behind a great legacy of service to his students and players. Jones started his career with the Highland Park Independent School District (HPISD) in 1968 as a mathematics teacher and coach at Highland Park Junior High. When ninth grade was moved into the high school within the HPISD, Coach Jones joined the faculty of Highland Park High School in 1970 and has been coaching and teaching there ever since.

During his tenure with Highland Park High School, Coach Jones worked under seven head coaches, eleven principals, and four school superintendents. His day in and day out work ethic will be greatly missed by his fellow coaches and the players that he instructs.

Highland Park's football team has historically been one of the best programs in the State. Highland Park ranks fourth in the State for all-time victories with 637 and is fifth in all-time playoff victories with 62.

Most recently, Coach Jones coached the defensive secondary for Highland Park's varsity football team, and his players considered him to be the hardest working coach on the staff. Coach Jones taught his players that, whether or not they are blessed with the most natural talent, they can succeed by working harder than their competition. Coach Jones provided the perfect example of hard work by always being the first coach to have his players in the film room or on the field and by working with his players on the field even after the other coaches and players had retired to the locker room.

While Coach Jones has made a lasting impact on thousands of students and players, his family has been the center of his attention. I congratulate the Jones family, his loving wife Elaine and their three children and two grandchildren, on this momentous occasion.

I commend Coach Jones on his proud career of service that spans five decades within HPISD, and I wish him and his family all the best for a nice start to a well-deserved retirement.

HONORING PGA PLAYER KIRK
TRIPLETT, ADOPTION ADVOCATE

HON. DEBORAH PRYCE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. PRYCE of Ohio. Mr. Speaker, I rise today to honor pro golfer Kirk Triplett for introducing a winning cause to his professional golf game: helping find permanent homes for foster children as he competes on the 2004 PGA Tour.

Working with the Dave Thomas Foundation for Adoption, Triplett, at each tournament, will prominently display a photo of a local child on his golf bag. The public stage provided by the Tour will enable Triplett to portray each child's story to the media, spectators, and viewers at home.

In addition to his support for the Dave Thomas Foundation for Adoption, Kirk and his wife, Cathi, have organized their own foundation, known as Fore Adoption, which provides funding for financially challenged parents seeking to adopt. Kirk will also host the Dave Thomas Desert Classic this month, an event which will help to raise money to support the Dave Thomas Foundation for Adoption.

Having adopted two children themselves, Kirk and Cathi take a personal interest in helping to connect foster children with quality parents across America. No experience is more rewarding than providing a child with a set of loving arms and giving them the opportunity to fulfill their dreams. I commend Kirk for his dedication and commitment to foster children in this country, and wish him the best of luck this year on the PGA Tour.

A TRIBUTE TO BISHOP VINTON
RANDOLPH ANDERSON

HON. WM. LACY CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. CLAY. Mr. Speaker, I rise today to pay tribute to the Honorable Bishop Vinton Randolph Anderson. Bishop Anderson's devotion to the ministry is exhibited by his history of preaching and lecturing internationally, including the Caribbean, Canada, Taiwan, India and Australia. In addition to his commitment to ministering, Bishop Anderson has been an effective and vocal advocate of civil rights and ecumenical issues.

Bishop Anderson was born in 1947 in Somerset, Bermuda. He graduated with honors from Wilberforce University and earned his Master of Divinity Degree from Payne Theological Seminary. Later he earned his Master of Arts Degree in philosophy from Kansas University. Bishop Anderson has also received honorary doctorate degrees from Paul Quinn College, Wilberforce University, Payne Theological Seminary, Temple Bible College, Morris Brown College, Interdenominational Theological Center and Eden Theological Seminary. Bishop Anderson's pastoral experience encompasses Kansas and Missouri.

Bishop Anderson has demonstrated his unwavering dedication to community development by creating adult education programs, summer youth programs, promoting the first

black owned supermarket in St. Louis, and developing 162 units of low income housing in St. Louis County. Bishop Anderson's extraordinary leadership is exemplified through his participation as chairman of several boards of directors, membership with many committees and by the numerous honors that have been bestowed upon him.

Mr. Speaker, it is with great privilege that I recognize Bishop Anderson today before Congress. He is well-deserved of our respect, and I urge my colleagues to join me in honoring Bishop Vinton Randolph Anderson.

PERSONAL EXPLANATION

HON. LORETTA SANCHEZ

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. LORETTA SANCHEZ of California. Mr. Speaker, on Tuesday, March 2, 2004, I was unavoidably detained due to a prior obligation. I request that the CONGRESSIONAL RECORD reflect that had I been present and voting, I would have voted as follows:

Rollcall No. 32, "yes" (on H.R. 3796).

Rollcall No. 33, "yes" (on H. Res. 526).

HONORING THE 50TH ANNIVERSARY OF THE BELLE AIRE BAPTIST CHURCH

HON. BART GORDON

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. GORDON. Mr. Speaker, I rise to recognize the 50th year of existence of the Belle Aire Baptist Church of Murfreesboro, Tennessee. The congregation will celebrate the church's 50th anniversary on Sunday, March 7, 2004, with a special homecoming and luncheon.

Belle Aire Baptist Church has grown from its original 27 members to more than 2,000 members today. The church has served the community and its congregation well for half a century, a time of tremendous growth and prosperity in the Murfreesboro area.

The church has worked hard to foster relationships with Middle Tennessee State University students. Currently, Belle Aire Baptist Church is helping to start a church near Rutgers University to continue its ministry to students on that campus. Belle Aire Baptist Church also supports missions around the world.

Murfreesboro is a better place because of the work of Belle Aire Baptist Church and its congregation. I am sure the church will continue to make a positive difference in the community for the next 50 years and congratulate the congregation and Pastor Dean Sisk for all the good they have done.

HONORING THE STUDENTS OF ST. FRANCOIS COUNTY, MISSOURI

HON. JO ANN EMERSON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mrs. EMERSON. Mr. Speaker, I rise today to honor the students of St. Francois County

in the Eighth Congressional District of Missouri for their outstanding efforts in gathering items to donate to U.S. troops serving overseas.

As a school project in cooperation with the Leadington VFW Post No. 5741, students in the West County and Central school districts have collected personal hygiene products, writing supplies, games, food, and magazines for the men and women of National Guard Unit 1140 Company A, serving right now in Iraq. Many students have also added personal cards to their contributions.

The patriotism of these young students is very moving. I am extremely proud of their selfless efforts. They are providing an example to our communities and our Nation that we must unite behind our men and women in uniform to give our support to their mission and to show our appreciation for their hard work. It is especially heartening to find that spirit in our youngest fellow Americans.

At an early age, these students have learned the value of standing with their fellow Americans for a noble and just cause. They are taking the first steps in good citizenship and community service. Their goodwill is circling the globe and brightening the day of our brave soldiers of the 1140th who have taken on a great task in Iraq.

The 1140th is a combat engineering battalion, but its mission is symbolic for our Nation as well. These men and women from southern Missouri are not going to Iraq with the sword in hand. They are going with the plowshare and the builder's square. Others before them have liberated the Iraqi people from Saddam Hussein, from terror, and from oppression. Their work in Iraq serves a new mission: to liberate the same people from poverty, from fear, and from hopelessness.

Back home, the children in the West County and Central school districts are learning the value of their sacrifices. They are an important link in the supply chain for the 1140th in Iraq. The efforts of these students is connecting our loved ones with their homes in Missouri, and that is a very important mission all of us should undertake.

I would also like to express my appreciation for the sponsors and coordinators from the Veterans of Foreign Wars and the community for their help in this project.

TRIBUTE TO RETIRING CHIEF
JIMMY LUSTER

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. SKELTON. Mr. Speaker, it has come to my attention that my good friend, Jimmy Luster, will retire as chief of police of El Dorado Springs, Missouri, after a lifetime of service to the various communities in which he has lived.

In 1970, Jimmy accepted the position of chief of police for Fairview Height, Illinois, where he established a completely operational police department for the newly incorporated city. By writing the rules, regulations and operational procedures, he laid a solid foundation for the department.

In 1976, Chief Luster left Illinois for Rogers, Arkansas, taking the position of chief of police in that community. He remained until 1978, when he moved to Missouri to serve the peo-

ple of Cass County in the sheriff's department, supervising night operations.

From 1979 to 1988, Jimmy served as chief of police for the town of Belton, Missouri. During his time there, he proved instrumental in getting a new state-of-the-art police facility built.

Since 1992, the people of El Dorado Springs have had the good fortune to have Jimmy as their chief of police. His retirement brings to a close the career of a graduate of the FBI National Academy, the president of the Southwest Missouri Major Case Squad, a member of the International Association of Chiefs of Police and a fine and dedicated man.

Mr. Speaker, I am sure the Members of the House will join me in honoring Chief Luster for his years of service and in wishing him all the best in the days ahead.

HONORING HATFIELD VOLUNTEER
FIRE COMPANY

HON. JOSEPH M. HOFFEL

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. HOFFEL. Mr. Speaker, I rise today to recognize and honor the Hatfield Volunteer Fire Company and two of its outstanding volunteer fire fighters, who have each contributed in excess of 50 years of dedicated service to the community.

The Hatfield Volunteer Fire Company was founded on March 10, 1910 after a fire destroyed a local business. The Hatfield Volunteer Fire Company had modest beginnings with 24 charter members and equipment that included a single horse drawn chemical truck. Presently the company has 68 active members and a ladies auxiliary. The current fleet consists of two fully equipped 1,500 gallon per minute engines, a Rescue/Cascade truck, and a 2,000 GPM pump with a special service six wheel pickup truck. The company serves the Hatfield Borough and Hatfield Township and provides mutual assistance across Montgomery and Bucks Counties in Pennsylvania.

Robert Nolen is a lifetime member of the Hatfield Volunteer Fire Company, who at age 70 still drives trucks to active fire calls. Isaac Feusner, another lifetime member now 93, has devoted countless hours to his duties as a fire fighter. The dedicated volunteers of the Hatfield Volunteer Fire Company have provided critical services to citizens in need, oftentimes endangering their own lives in the process.

I congratulate the Hatfield Volunteer Fire Company, specifically Robert Nolen and Isaac Feusner, for embodying the spirit of volunteerism in America through proactive service in the community.

HONORING CHARLES L. HORN

HON. MARK R. KENNEDY

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. KENNEDY of Minnesota. Mr. Speaker, rise today to call attention to the accomplishments of a great man and a great Minnesotan, Charles L. Horn.

As a businessman, he set standards. As a philanthropist, he transformed a community. Indeed, it is safe to say rarely has one man made himself so singularly important and particularly indispensable as Charles L. Horn made himself to the city of Anoka, and the state of Minnesota as a whole.

In 1922, despite the fact that he "knew nothing of ammunition," Charles Horn had built up such an impressive record as the young President of the American Ball Company that he was asked to come to Anoka to run the defunct Federal Cartridge Corporation. He accepted this opportunity with characteristic eagerness.

Through his innovative marketing and distribution techniques, ambitious agenda for growth, and his revolutionary "dealership network," Horn guided F.C. Corp from a startup straining for market-share among such goliaths as Remington and Winchester, to a leadership role in the industry. In doing so, he helped bring hundreds of jobs and stimulate the economic growth of an entire community.

Perhaps more impressive than his storied successes in business are his wonderfully generous philanthropic efforts through which he established himself as a pillar of the community in the city of Anoka and beyond. As the chairman of the Olin Foundation, Horn directed donations in excess of \$425,000 for college scholarships and educational buildings, a feat impressive enough to lead 12 different colleges and universities to award him with honorary doctorates. In 1951, Horn began a long relationship establishing himself as one of the most important benefactors in community history by donating funds on the behalf of F.C. Corp to help pay for lighting a recreational field. Thereafter he established the George Green Scholarship award for deserving seniors from Anoka High, created two Charles L. Horn Math Scholarships at St Cloud University, donated \$50,000 to the Mercy Hospital fund drive, and sponsored a yearly Christmas party for the children of the community. Finally, further cementing his invaluable role in community life, Horn authorized \$635,000 to complete a new City Hall for Anoka.

Mr. Speaker, Charles L. Horn was a true American icon. A successful businessman who gave generously to his community, Horn will long be remembered in Anoka and throughout our state as an innovator and a dedicated philanthropist who truly embodied the values Minnesota holds so dear.

IN RECOGNITION OF THE
PANCYPRIAN ASSOCIATION WOMEN'S
ISSUES NETWORK AND
THELMA PIERI WOMAN OF THE
YEAR HONOREE

HON. CAROLYN B. MALONEY

OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Wednesday, March 3, 2004

Mrs. MALONEY. Mr. Speaker, I rise to honor the Pancyprian Association Women's Issues Network (WIN) on the evening of its annual Dinner Dance, and to recognize WIN's 2004 Woman of the Year Award honoree, Ms. Thelma Pieri.

WIN was founded in 1997 to serve the Cyprian-American community, promote the Hel-

lenic Cypriot culture and provide opportunities for future generations of Cyprian women. The organization sponsors health lectures, health fairs, cultural events and breast and cervical cancer screening for women with no health insurance. Additionally, WIN has worked against the Turkish occupation of Cyprus since 1974.

Thelma Pieri was born in Galata, Cyprus on September 28, 1936; she is the daughter of Emilio and Theophanis Michalides. Thelma was educated in Cyprus and graduated from high school in 1954. As a young adult, she fell in love with and married Andreas Pieri. Mr. and Ms. Pieri have three children and nine grandchildren.

In 1967, Andreas and Thelma immigrated to the United States and made their home in Queens, New York. For the Pieri family, the United States has truly been a land of opportunity: with her husband, Thelma owned and operated two successful beauty salons.

Thelma's dedication to community service and the liberation of Cyprus is amply demonstrated by her tireless work for the American Hellenic Educational Progressive Association (AHEPA) and the Pancyprian Organization. She served as the chairperson of the Pancyprian Organization's Cultural Division and president of its athletic committee. Furthermore, she has received awards for her community service efforts from, among others, AHEPA, the Queens Borough President, the Pancyprian Organization and the Panhellenic Federation. She has truly given selflessly of her time and talent so as to improve the quality of life in her community. She is one of those rare individuals who can always find the time and energy to do more and give more.

In 1986, Mr. and Ms. Pieri moved to Newport Ritchie, Florida, where Thelma founded the Pancyprian Association of Florida and the Greek School at the St. George Church of Newport Ritchie.

Thelma continues to be a passionate spokesperson for the liberation of Cyprus. "I wish to return to Greece, where my children live, and participate in their lives and that of my grandchildren," Thelma recently remarked. "I work for the freedom of Cyprus and my heart is bleeding when I see my beautiful island under Turkish occupation. I will continue to work and fight until I see the sun set on a free, united Cyprus."

Thelma Pieri truly exemplifies the tradition of community involvement that makes America the greatest nation in the world. On behalf of the residents of the Fourteenth Congressional District of New York, I would like to extend to Ms. Pieri and the Women's Issues Network my continuing respect, admiration and support.

Mr. Speaker, I request that my colleagues join me in paying tribute to this wonderful organization and its honoree, Thelma Pieri.

COMMEMORATING PEACE CORPS
43RD ANNIVERSARY AND THE
CONTRIBUTION OF SAN MATEO
VOLUNTEERS

HON. TOM LANTOS

OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, March 3, 2004

Mr. LANTOS. Mr. Speaker, I rise today in celebration of the Peace Corps' 43rd anniver-

sary. Since 1961, over 170,000 Peace Corps volunteers in 137 countries have taught English as a second language in dimly lit classrooms, planted rice seedlings in water-covered fields, shared accounting practices with women cooperatives of local markets, conducted workshops under palm trees on the benefits of long-term nursing, and successfully accomplished many other worthy development projects.

Among this legion of volunteers are seventeen residents of my district in San Mateo County, California. They are Corrine Basanez, Qamrul Bhuiyan, Martha Cheng, Sonya Chi, James Choy, Emily Doan, Joann Gaasland, Michael Henley, Jonathan Kahn, Angela Lee, Celina Lee, Andrew Lind, Eileen McCarthy, Michelle Pena, Doreen Peterson, Peter Rabover, and Shona Simpson. I applaud all of them for the dedication and commitment.

Mr. Speaker, Peace Corps volunteers promote American values and world understanding, and, thus, are our country's best ambassadors in the villages and towns in which they live and work. Upon their return to the United States, Peace Corps volunteers share their experiences with family, friends, and the community at large, thereby exposing Main Streets across America to foreign cultures and customs. As a result, the Peace Corps experience enriches not only foreign countries, but also the volunteers and our nation. In fact, the State Department, USAID, and Congress have benefitted from the experiences of Returned Peace Corps volunteers within their ranks.

Mr. Speaker, in the last session, Chairman HYDE and I, in collaboration with other Members, crafted the Peace Corps Expansion Act of 2003 to better equip the Peace Corps to recruit, train, and support current and future volunteers during the next four years. The Act also facilitates the work of Returned Peace Corps volunteers as they carry out the mission of the Peace Corps—helping people in developing countries meet basic needs, promoting understanding abroad of U.S. values and ideals, and promoting a better understanding by our citizens of other cultures and societies. Significantly, the Act also encourages greater diversity within the Peace Corps and among volunteers to ensure better that all the faces of America are reflected in the faces of Peace Corps volunteers and staff, as the agency seeks to double the number of volunteers by 2007. I am pleased to say that this House passed the Peace Corps Expansion Act of 2003 with overwhelming bipartisan support.

Mr. Speaker, in closing, I want again to salute the many thousands of Peace Corps volunteers across the globe who are currently serving their country and the many more who have returned home to continue contributing to their communities. They are the reason for National Peace Corps Week.

INTRODUCTION OF LEGISLATION
REGARDING TRADE LAW EN-
FORCEMENT

HON. FRANK R. WOLF

OF VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, March 3, 2004

Mr. WOLF. Mr. Speaker, I am introducing legislation today to change the process for enforcing U.S. trade laws. This bill will shift the

authority to bring cases of unfair trade practices before the World Trade Organization (WTO) from the Office of the United States Trade Representative (USTR) to the Department of Commerce.

I believe this change is critical in the face of the new world trade dynamic of the 21st century. In 2003, the U.S. registered a record \$484.9 billion trade deficit, of more than 17 percent above the previous record shortfall of \$418 billion in 2002. Some analysts predict that the trade deficit could soon top \$600 billion. Since 1991, our trade deficit has grown nearly 620 percent—620 percent! Some say such a trade imbalance is not a bad thing. Others aren't so sure. I, for one, am deeply concerned that there has not been a sufficient amount of attention focused on the long-term impacts of the trade imbalance to our country.

Just as important, I believe this change is necessary because of the entry of the People's Republic of China into the WTO in December 2001 and the growing allegations from U.S. businesses that China, now our fourth largest trading partner, is not living up to its trade agreements. That concern multiplies when you consider that the U.S. trade deficit with China in 2003 was \$124 billion—almost a quarter of the entire U.S. trade deficit last year.

Last year I started to hear from a number of small and medium-sized businesses about the unfair trading practices of Chinese companies. There were charges that U.S. trade agencies were unfairly favoring Chinese corporations at the expense of American companies in trade dumping cases. The Commerce-Justice-State appropriations subcommittee, which I chair and which oversees the funding for most U.S. trade-related agencies, held a hearing to look into this matter. My subcommittee heard from representatives of hard-hit furniture, pharmaceutical and agriculture industries. Their testimony was alarming.

America's manufacturers contend that China is deliberately undervaluing its currency—the yuan—by as much as 40 percent, giving China a trade advantage when competing with U.S. companies and contributing to the loss of U.S. factory jobs. During a visit to China last September, U.S. Treasury Secretary John Snow called on China to adopt a more flexible exchange rate system. The Chinese government has not made any such changes.

When it comes to trade with China, the list is long with promises made and promises broken. China has broken its promise:

To remove agricultural and industrial quotas and tariff rate quotas;

To stop requiring American companies to pay exorbitant rates to partner with Chinese companies so our companies can have access to the Chinese markets; and

To stop using its tax policies on U.S. imports into China, therefore discriminating against the import of our goods. For example, our semiconductor companies and our fertilizer producers state that China's practice of rebating more than 80 percent of its value-added tax (VAT) to domestic firms puts foreign suppliers, our companies, at a huge disadvantage in the Chinese market.

China also has a complete disregard for U.S. intellectual property rights. The Chinese market also continues to be dominated by piracy of copyrighted material. Some U.S. sources charge that American businesses have lost billions in revenue due to China's

copyright piracy and other intellectual property rights violations. We have heard that they have even copied an entire car!

Estimates are that 93 percent of the business software applications in China are pirated and 88 percent of the motion pictures and the music seen or heard in the country are stolen. Pirated copies of new software being released in America often ends up for sale on the streets of Beijing before we can buy the real thing in northern Virginia.

But the United States has not brought an intellectual property rights case against China since Beijing's entry into the WTO. Not one case.

How can U.S. manufacturers, especially the small and medium-sized businesses, compete with Chinese-based factories operating with the most advanced technologies, the most modern equipment, and virtually free Chinese labor?

We have had many debates on the importance of intellectual property rights on this floor and later on in the week, we may have another. Innovation is the cornerstone of the American economic engine. We cannot continue to trust the Chinese when they promise to enforce their intellectual property laws.

I ask one question: when has the People's Republic of China closed down a market with the most egregious cases of counterfeit goods?

Not one of the markets selling counterfeit pharmaceuticals, health and safety goods, and automobile parts has been shut down. Not a single one. Yet, the USTR believes the People's Republic of China is keeping its promise to enforce intellectual property rights.

I know the Office of the USTR has hard-working people whose goal is to give U.S. businesses the opportunity to flourish in the global economy. But I believe it is being stretched too thin under its current operation of having the same people who negotiate trade agreements be the same people who determine whether or not countries are living up to their obligations.

Enforcement is being shortchanged and U.S. companies are not being well served. I believe our nation's business community and our trade policy would be better served by having the Department of Commerce as the trade law enforcer.

The Department of Commerce has the budget and the resources to address the issues of small and medium-sized companies. The Commerce Department works daily with American companies to promote competitiveness and increase productivity. The Commerce Department is on the ground floor with these companies. They understand how Chinese imports and trade barriers are hurting American companies.

By comparison, the Office of the USTR has 202 federal employees to do all this work. The USTR is in the Executive Office of the President and regardless of the administration, this office's budget requests are tightly controlled. Within the past two years alone, the budget request was woefully inadequate to just maintain ongoing operations of the office.

The FY 2004 request also was insufficient to continue the operations of the USTR and at the urging of the trade community, the Appropriations committees provided additional funding for the USTR. This effort was supported by the Senate Finance and House Ways and Means committees.

Astonishingly, the FY 2005 USTR budget request released in early February includes less money than was provided this year. Less money. Yet the office says it will begin seven more free trade agreements. And they hope to accomplish this extra work with less money than the year before? It is preposterous that such a level of work would require less money. And what happens to the mounting allegations of unfair trade practices under trade agreements already signed while the USTR negotiates new deals—with fewer resources than the year before when no unfair trade cases were brought before the WTO?

I have not yet touched on what I believe is the overriding issue involving trade with China—China's egregious human rights record. For the record, I did not support granting China permanent normal trade relations (PNTR), a term recently changed from what I believe was a more appropriate "most-favored-nation trade status" designation. I know there were good and reasonable people on both sides of this issue, but for me, trade agreements must come with a price and that price is respect for the universal declaration of human rights.

As we have seen with its trade obligations, China also has a long list of broken promises when it comes to improving the rights of its people. Last year, I requested that the U.S. support a resolution condemning the human rights abuses in China in the context of the U.N. Commission on Human Rights. The State Department explained to me that the department was encouraged by promises made by the Chinese. Therefore, the U.S. refused to put forth condemning resolutions.

Last week, the State Department released the 2003 Human Rights Report on China. This report showed that not only did China fail to live up to its promises, but its human rights record actually grew worse. The people of China do not enjoy the freedoms that we have as American citizens. Imagine a country where factory workers have no workplace safety, labor or environmental protections and are required to work 80 hour-weeks for no more than \$110 per month to produce goods for export.

Many CEO's of U.S. companies supported PNTR with China hoping for new markets for their products and services. We are now seeing some of these same business leaders questioning whether or not it was the right decision for their businesses and their communities in the long term. Many of these companies today who trade with China do so with the hope that the Chinese don't copy their products before they can make a profit.

That's not the way free and fair trade should work. If the U.S. has made trade agreements with China and with other countries, we need to make sure those agreements are enforced. The Office of the USTR has had many opportunities to bring unfair trading cases against China. Meanwhile, U.S. factories continue to close, American workers continue to lose jobs to foreign companies, and the U.S. trade deficit continues to soar.

Free trade must be our strategy and not just a goal. If trading partners don't play by the rules, then U.S. firms are at a disadvantage and American workers and families are hurt. The U.S. must enforce trade laws, and we need to give the Commerce Department the opportunity to take on that responsibility.

H.R. —

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. TRANSFER OF FUNCTIONS.

(a) IDENTIFICATION OF CERTAIN COUNTRIES.—Section 182 of the Trade Act of 1974 (19 U.S.C. 2242) is amended—

- (1) in subsection (a)—
 - (A) by striking “United States Trade Representative” and inserting “Secretary of Commerce”; and
 - (B) by striking “Trade Representative” each subsequent place it appears and inserting “Secretary”; and
- (2) in subsections (b) through (g), by striking “Trade Representative” each place it appears and inserting “Secretary”.

(b) ENFORCEMENT OF UNITED STATES RIGHTS UNDER TRADE AGREEMENTS AND RESPONSE TO CERTAIN FOREIGN TRADE PRACTICES.—Chapter 1 of title III of the Trade Act of 1974 (19 U.S.C. 2411 et seq.) is amended as follows:

- (1) Section 301(a)(1) is amended by striking “United States Trade Representative” and inserting “Secretary of Commerce”.
- (2) Section 303(b)(1)(A) is amended by striking “United States Trade Representative” and inserting “Secretary of Commerce”.
- (3) Section 301(d)(8) is amended to read as follows:
 - “(8) The term ‘Secretary’ means the Secretary of Commerce.”.
- (4) Sections 301 through 310 are amended by striking “Trade Representative” each place it appears and inserting “Secretary”.

SEC. 2. APPLICABILITY.

- (a) IN GENERAL.—Subject to subsection (b), the amendments made by section 1 shall take effect 90 days after the date of the enactment of this Act.
- (b) PENDING PETITIONS, INVESTIGATIONS, AND DETERMINATIONS.—The amendments made by section 1 shall not affect any petition filed before, or investigation pending on, the effective date set forth in subsection (a), under chapter 1 of title III of the Trade Act of 1974. Such petitions and investigations shall proceed as if section 1 had not been enacted. The amendments made by section 1 shall not affect any determination made or action taken under chapter 1 of title III of the Trade Act of 1974 before the effective date set forth in subsection (a).

SEC. 3. URUGUAY ROUND AGREEMENTS ACT.

- (a) TRANSFER OF CERTAIN FUNCTIONS.—Those functions of the United States Trade Representative under the following provisions of the Uruguay Round Agreements Act are transferred to the Secretary of Commerce, effective 90 days after the date of the enactment of this Act:
 - (1) Section 123.
 - (2) Paragraphs (5), (6), and (7) of section 124.
 - (3) Section 127.
 - (4) Subsections (e) and (f) of section 281.
- (b) CONFORMING AMENDMENTS.—
 - (1) AMENDMENTS.—Section 129 of the Uruguay Round Agreements Act (19 U.S.C. 3538) is amended—
 - (A) by striking “Trade Representative” each place it appears and inserting “Secretary of Commerce”;
 - (B) in subsection (a)(6), by striking “direct the administering authority to”;
 - (C) in subsection (b)—
 - (i) in paragraph (1), by striking “the administering authority and”;
 - (ii) in paragraph (2), by striking “shall,” and all that follows through “issue a determination” and inserting “may issue a determination”;
 - (iii) in paragraph (3), by striking “the administering authority and”;
 - (iv) in paragraph (4)—
 - (I) by striking “the administering authority and”;

- (II) by striking “direct the administering authority to”; and
- (D) in subsection (c)(1)—
 - (i) in subparagraph (A), by striking “the date on which” and all that follows through “determination,” and inserting “the date on which the Secretary of Commerce revokes an order pursuant to that determination,”; and
 - (ii) in subparagraph (B), by striking “the date on which” and all that follows through the end of the sentence and inserting “the date on which the Secretary of Commerce implements that determination”.
- (2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect 90 days after the date of the enactment of this Act.

FCC MUST COMPLY WITH FEDERAL COURT DECISIONS

HON. GEORGE RADANOVICH

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. RADANOVICH. Mr. Speaker, I rise in support of the decision made by the United States Court of Appeals for the District of Columbia Circuit on March 2, 2004 with regard to the United States Telecom Association’s challenge to the Federal Communications Commission’s (FCC) Triennial Review Order. This is a decisive victory for consumers, for innovation and for free markets. The decision in the case of USTA v. FCCII has once again, as it did previously in 2002 in USTA v. FCC I, correctly interpreted the intent of Congress regarding the unbundling requirements of Section 251 of the Telecommunications Act of 1996. The FCC, on the other hand, has for 8 years now rejected that intent, even after two previous Federal court decisions rejecting their unbundling rules decisions. The FCC must comply with the decisions of the Federal Courts without delay.

PERSONAL EXPLANATION

HON. STEPHANIE TUBBS JONES

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mrs. JONES of Ohio. Mr. Speaker, I missed votes on Tuesday, March 2, 2004 due to the Ohio Primary. I respectfully request an excused absence for this date. Had I been present, the record would reflect that I would have voted: “Yea,” on Roll 33, H. Res. 526 on the Motion to Suspend the Rules and Agree, Expressing the sympathy of the House of Representatives for the victims of the devastating earthquake that occurred on December 26, 2003, in Bam, Iran, and “Yea,” on Roll 32, H.R. 3769 on the Motion to Suspend the Rules and Pass, Ben Atchley Post Office Building.

HONORING THE MEMORY OF CHICAGO SUN-TIMES COLUMNIST STEVE NEAL

HON. RAHM EMANUEL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. EMANUEL. Mr. Speaker, I rise today to remember a respected journalist and good

friend, Steve Neal. Steve was a strong and intelligent voice in Illinois politics for over two decades as a writer for the Chicago Sun-Times and the Chicago Tribune. We lost that voice when he died on February 17th at the age of 54.

Politics was fun to Steve. He enjoyed the game more than anyone I ever met. He enjoyed taking a story and finding an angle that had not yet been reported on. And, I for one can tell you that he knew how to praise as well as criticize. But, Steve was always willing to look at an issue or a person and give you his honest opinion.

I will always remember Steve as the toastmaster of the greatest political discussions in Chicago, hosted over a great plate of food at Gene and Georgetti. It was at these Friday lunches, where scholars, historians, and elected officials of all backgrounds discussed everything from our thoughts on an upcoming election, to a discussion of a new book on philosophy.

Steve’s table did not discriminate along party lines and neither did his column. His weekly analysis addressed all sides of the political spectrum and every level of government with the same uncompromising objectivity and directness.

Steve was born and raised in Oregon. He began his career covering sports for local papers, and after earning a graduate degree in journalism at Columbia University he moved to Chicago to work as a general assignment reporter for the Chicago Tribune.

After six months, he was sent to Washington, DC to cover politics at the national level. Many journalists come to this town and never look back, but when the Tribune offered him a chance to return to his adopted home to write a column covering local politics, he took the opportunity and Chicago has benefited from his insight ever since.

The column was always about politics, but the focus could easily be the American Revolution one day, ward level conflicts the next. The late Senator Paul Simon noted that he was one of only a few political writers with a sense of history. He knew the history behind each office, and was even more familiar with each office holder. He always looked for the story behind the story, and his writing reflected this sense of perspective. He also wrote several history books, on topics including Wendell Wilkie, Harry Truman and Dwight Eisenhower. He recently finished writing a book called Happy Days are Here Again, about the early days of the Franklin Roosevelt administration.

Among his last columns was an assertion that James Madison was the most important founding father, and he provided the facts to back it up. Another column provided a historical perspective on the current Presidential primaries by citing specific details about the campaigns of Adlai Stevenson and Thomas Dewey. You always learned something more than his opinion when you read his column. You learned about our city, our state, and our country.

Mr. Speaker, my thoughts are with Steve’s wife, his two daughters, and the rest of his family today, and I ask my colleagues to join me in honoring the memory of this important and talented journalist.

IN HONOR OF THE 90TH ANNIVERSARY OF ACTOR'S EQUITY ASSOCIATION

HON. JERROLD NADLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. NADLER. Mr. Speaker, I rise today to pay tribute to Actors' Equity Association, in honor of its 90 years of contributions to the American theater.

Since 1913, Actors' Equity Association has fought for better wages, working conditions, and pension and health benefits for actors and stage managers. Equity has fostered and stimulated the art of live theater and contributed to the health of the American theatrical community. In particular, Actors' Equity plays an important role in the Broadway industry, in the heart of my district, which contributes \$4 billion annually to the economy of New York City and depends greatly on the talent and professionalism of Equity's members.

Throughout Actors' Equity's distinguished history, it has built a proud tradition of contributing to the overall good of our society and community by: fighting against segregation, blacklisting and discrimination; supporting funding for the arts; and spearheading fundraising for charities such as Broadway Cares/Equity Fights AIDS.

In addition, in the aftermath of the September 11, 2001 attacks on New York City, Equity came together with other theatrical unions to keep Broadway shows up and running, helping New York City recover.

The hard work and talent of the more than 45,000 members of Actors' Equity Association contribute to the arts and to their communities in cities and theaters across the country. Actors' Equity Association is committed to ensuring these members are treated with dignity and respect, and that the art of live theater continues to flourish.

Mr. Speaker, I invite my colleagues to applaud Equity's ongoing efforts to uphold the highest artistic standards of live theater in the United States. I commend Actor's Equity for all of its good work and offer my sincerest congratulations upon reaching this milestone.

A VAST HUMAN TRAGEDY

HON. CLIFF STEARNS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. STEARNS. Mr. Speaker, I submit the following article for the RECORD. Surely this is evidence of a vast human tragedy.

A VAST HUMAN TRAGEDY

(By Andrew Natsios)

In a decade and a half of humanitarian work I have witnessed the aftermath of much human tragedy, including the Rwandan genocide and the killing fields of Cambodia. In June 2003, I visited Iraq's mass graves, the most recent addition to mankind's legacy of mass murder.

Rows of white bundles containing bones filled room after room. Families filed by, searching for signs of those who had disappeared, some stolen during the night, others taken in daylight. Even small children were not spared the butchery.

The graves that Saddam Hussein's henchmen dug and filled with human beings are a bitter sign that mankind still has a long way to go before every person has the basic human rights promised by all our religions and cultures—the rights of life and liberty.

Iraqi Foreign Minister Hoshiyar Zebari told the United Nations that under Saddam Hussein, Iraq was "a murderous tyranny that lasted over 35 years." "Today we are unearthing thousands of victims in horrifying testament," Zebari said.

I walked across the sandy plains of Iraq and saw the mass graves that were just found and are beginning to yield their tragic secrets. The bones tell a story of horror and shame: arms bound together, skulls pierced from behind. Hundreds in one long trench.

Those who survived inside Iraq, and those who watched helplessly from abroad, have joined together to begin the long, painful process of accounting for the dead. British Prime Minister Tony Blair said on November 20, 2003, that as many as 400,000 Iraqis lie in these mass graves.

They are Kurds, killed because of their ethnicity. They are Shiites, killed because of their religion. They are Sunnis, killed for their political views. They are Egyptians, Kuwaitis, and Iranians, killed because their lives meant nothing to Saddam Hussein, his sons, and their followers.

As Saddam's evil regime collapsed in April and May, 2003, and his Baath Party mass murderers retreated into the shadows, Iraqis began to act on their formerly hidden grief. They searched for their loved ones rounded up over the years in campaigns of terror. They had heard rumors about shots in the night, mass burials, and vanished prisoners. Now they followed those bloody trails to the mounds of earth they suspected entombed their beloved children and parents.

The new leaders in Al Hillah, Karbala, Najaf, and a dozen other cities and towns around Iraq worked with U.S. and British forces to try and protect some of the mass graves. We hope to preserve the evidence of these crimes against humanity.

Human rights groups have formed, assisted by USAID and working with the Coalition Provisional Authority, to urge people to record the names of those being exhumed and describe the circumstances under which they were seized and slain.

Yes—people want to find the remains of their loved ones and give them a proper burial in consecrated ground. But the Iraqi people also want justice—to punish those who callously killed their fellow citizens by the busload, day after day, year after year.

Above all, if people in Iraq and around the world hope to learn from the crimes of the past, the mass graves of Iraq must be documented, reported, and never forgotten or denied.

This booklet is a small, early marker on that path.

THE 125TH ANNIVERSARY OF THE ESTABLISHMENT OF THE UNITED STATES GEOLOGICAL SURVEY

HON. JAMES P. MORAN

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. MORAN of Virginia. Mr. Speaker, today I am introducing a resolution to acknowledge 125 years of reliable, timely, and objective science that illustrates and enhances our understanding of the Earth, and serves the important needs of individuals and communities across this great land.

The United States Geological Survey has an outstanding history of public service and scientific breakthroughs. It has been at the forefront of advances in our understanding of the Earth, its processes, and its resources. Scientists from the U.S. Geological Survey pioneered hydrologic techniques for gauging the impact of floods and modeling the flow of complex ground-water systems. The astronauts who landed on the Moon in 1969 were trained in geology by the USGS.

Innovative ventures with the private sector have given the world access to digital images of neighborhoods and communities in one of the largest data sets ever made available online. Modern-day understanding of the formation and location of energy and mineral resource deposits is rooted in fundamental scientific breakthroughs by USGS scientists. Their biologists revolutionized thinking about managing wildlife resources, providing a sound scientific basis that lets waterfowl conservation and recreational hunting work in tandem as adaptive management, not as conflicting interests. Advances in seismology are making early warnings of earthquakes a reality that will give the needed alert time to save lives. The future of the global community presents infinite opportunities for the science of the USGS to continue to make substantive and life-enhancing contributions to the betterment of the nation and the world.

I congratulate the United States Geological Survey on its 125th anniversary. By commemorating this date, I hope we will come to recognize the crucial services that this institution continues to provide this nation.

The United States Geological Survey is a vital Federal science agency that is headquartered in my District in Northern Virginia; however, Members should know that this agency has an important presence in every state of the union.

How has 125 years of independent science benefitted our nation? It has given us an extensive record of our land and resources, which allows us to realize and track the changes in our land, water, and wildlife. It has provided a wealth of long-term data and research, which continues to serve thousands of government agencies, companies, non-profit organizations, recreational groups, and individual Americans. And it has given us scientific expertise and understanding that we can count on to be accurate and up to date.

Since its inception, the United States Geological Survey has become the premier science organization for the nation, covering all of the natural science disciplines (biology, geography, geology, and hydrology) in every state. This expansive coverage provides us with the comprehensive information we need to tackle many complicated issues in many geographical areas.

As an unbiased science agency, the United States Geological Survey often serves the needs of the nation behind the scenes. Whether it's research on windborne dusts, mercury contamination, or West Nile Virus used to protect public health; or natural hazards assessments used to ensure public safety; or the energy and mineral resources, water and biological information, and geologic mapping and geospatial information used to serve our economy, for 125 years, the United States Geological Survey has provided the science that serves as the basis for our most important decisions.

It's time we congratulated those whose labor provides us with the information we need to manage our resources and safeguard society. I am delighted to have this opportunity to bring attention to the work of the United States Geological Survey and showcase its remarkable history. I urge you to support this resolution, thereby confirming our appreciation for their ongoing work that has served the health, safety, and prosperity of the United States for 125 years.

RESOLUTION

Whereas March 3, 2004 will mark the 125th Anniversary of the establishment of the United States Geological Survey;

Whereas the United States Geological Survey has become the Nation's premiere earth and biological science agency;

Whereas during its 125-year history, the United States Geological Survey has been the birthplace of a number of other Federal agencies, including the Reclamation Service (later renamed the Bureau of Reclamation) in 1902, the Forest Service in 1905, the United States Bureau of Mines in 1910, the Grazing Service (later renamed the Bureau of Land Management) in 1934, and the Minerals Management Service in 1982;

Whereas the United States Geological Survey has been a widely respected source of relevant and objective science to address the Nation's diverse natural resource issues;

Whereas the United States Geological Survey continues to serve the Nation as an independent fact-finding agency that collects, monitors, analyzes, and provides scientific information and understanding about natural resource conditions, issues, and problems;

Whereas a hallmark value of the United States Geological Survey to the Nation is its ability to carry out studies on a national scale and to sustain long-term monitoring and assessment of natural hazards and natural resource conditions;

Whereas the United States Geological Survey is an agency of the Federal Government with no regulatory or land management responsibilities and is thus a trusted entity to provide impartial science that serves the needs of the Nation; and

Whereas the United States Geological Survey has a scientific presence in every State and Territory of the United States and serves the Nation's extensive and diverse needs for objective scientific knowledge and understanding: Now, therefore, be it

Resolved, That the House of Representatives—

(1) congratulates the United States Geological Survey on its 125th anniversary; and

(2) expresses strong support for the United States Geological Survey as it serves the Nation by providing timely, relevant, and objective scientific information which helps to describe and understand the Earth, minimize the loss of life and property from natural disasters, manage water, biological, energy, and mineral resources, and enhance and protect the quality of life of all Americans.

In addition to Congressman JAMES P. MORAN, the following members are original sponsors of the House Resolution Congratulating the United States Geological Survey on its 125th Anniversary: BARBARA CUBIN, TOM DAVIS, NORM DICKS, ANNA G. ESHOO, RON KIND, EDDIE BERNICE JOHNSON, ZOE LOFGREN, RALPH REGULA, NICK SMITH, BILL YOUNG, and SHERWOOD BOEHLERT.

WARM SPRINGS ELEMENTARY SCHOOL CELEBRATES 150 YEARS OF EDUCATION

HON. JERRY LEWIS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. LEWIS of California. Mr. Speaker, I would like today to recognize Warm Springs Elementary School, the first permanent school in San Bernardino, California, which is celebrating its 150th year of providing education to the children of ranchers, railroad workers, Air Force personnel and immigrants.

In 1854, ranchers near the small Mormon town of San Bernardino decided seven miles was too far for their children to walk to school. They got together and built an adobe east of downtown, and named it after the nearby Warm Creek. As a one-room school, it provided an education for about 25 children of all ages. This was just four years after California gained statehood, and the same year as the City of San Bernardino was incorporated as the county seat.

Over the next 10 years, the school grew slowly as many of the Mormon settlers returned to Utah. Gold was discovered in the San Bernardino Mountains—bringing thousands of fortune-seekers but few families. The school building was nearly destroyed by an earthquake and a flood, so the adobe was replaced with a log cabin on the same site facing Sterling Avenue. The students were grouped by reading ability rather than age, and boys and girls sat on opposite sides of the room.

The log-cabin school was destroyed by fire in 1974, and a clapboard building replaced it—with an auditorium added in 1887. That school also later burned to the ground and was replaced.

By the 1890s, the railroads had come to San Bernardino and the area was booming. The Santa Fe Railway built a huge repair yard near downtown, and the population grew rapidly. In 1898, Warm Creek School grew to four rooms and had as many as 100 students. That school was torn down in 1926 and replaced with a Spanish-style tile-roofed building that remains the school's core.

Students at Warm Springs School became close witnesses to America's war efforts in the 1940s. The San Bernardino Municipal Airport, just seven blocks south, became the San Bernardino Army Airfield, repairing and servicing hundreds of transport planes moving troops around the country. The airfield became Norton Air Force Base in 1950, and for the next 38 years was one of the most active Air Force fields in the West. Children of the base's civilian repair workers swelled the ranks of students at the school, which added nine classrooms in 1945 and two more in 1947.

By 1954, the city of San Bernardino had grown far beyond the former outpost school, and it was absorbed into the city's unified school district, becoming Warm Springs Elementary School. It continued to grow to 32 classrooms, and today 45 teachers serve 1,000 students in year-round classes, making it one of the largest elementary schools in the district. The student population today is nearly 60 percent Latino, many of them the children of recent immigrants.

Mr. Speaker, Warm Springs Elementary has provided a free education—the foundation of our American success—to thousands of children over the past 150 years. I would be proud to be associated with this school for that fact alone, but I have a special reason to be fond of Warm Springs. It is the alma mater of the Walker girls of San Bernardino—Mary, Darlene, and her twin sister Arlene, who happens to be my bride. Arlene and I will be returning to her old school on March 9 to celebrate the sesquicentennial, and encourage the current students to take advantage of the opportunities their education can provide.

I have always believed, Mr. Speaker, that our education system is a success because of local schools run by wonderful teachers, supported by great principals. Warm Springs Elementary continues the tradition of excellence under Principal Arlan Anderson that it has carried on for the past 150 years. Please join me in congratulating those educators on their continued dedication, and wish their current students well for the future.

HIGH COST OF PRESCRIPTION DRUGS

HON. JOHN J. DUNCAN, JR.

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. DUNCAN. Mr. Speaker, Dean Stone, long-time editor of The Daily Times newspaper in Maryville, TN, has written a really outstanding editorial about prescription drug prices.

Mr. Stone frequently writes very thoughtful and informative editorials about issues of national importance.

He points out in this editorial that we have drug prices that are far too high because the Food and Drug Administration, FDA, seems to be controlled by the giant pharmaceutical companies.

I have consistently supported in committee meetings and in votes on the floor of the House the right of the people to purchase drugs from Canada. Mr. Stone points out that FDA concerns about safety are not supported by any evidence.

I would like to call this fine editorial to the attention of my colleagues and other readers of the RECORD.

WITH MORE THAN 600 LOBBYISTS, THERE'S LITTLE CHANCE ON DRUG PRICES

Know why we Americans will not get reasonable prescription drug prices?

The pharmaceutical industry has more than 600 lobbyists in Washington, more than the total number of representatives and senators.

They have spent \$435 million to influence Washington from 1996 to 2003 and handed out \$57.9 million in contributions between 1991 and 2002 to buy their way through Congress.

They are well paid (we pay for them with exorbitant drug prices) and they do their job, cutting to pieces any legislation that might tend to lower the price of prescription drugs.

The Feb. 2 issue of Time magazine contains an excellent article about how Americans are being ripped off with high prices from the manufacturers of drugs.

And most of our drugs are manufactured overseas by American companies who moved there because of the tax breaks. And it is illegal for Americans to import these drugs.

While the Federal Drug Administration (FDA) inspects these overseas plants when built to certify their products, there is little supervision later.

Ireland is a favorite location and Singapore is getting new plants. This overseas production of drugs was \$40.7 billion in 2002, a five-fold increase from 1995. The impact has given us a negative balance of trade in that field.

Pfizer Inc. and Eli Lilly & Co. enjoy huge profit margins compared with other U.S. firms. Pfizer's was 28.4 percent profit in 2002 while Eli Lilly was at 24.4 percent.

Pfizer reported \$9.1 billion in profits on \$32.4 billion, a return of 28 percent and a rate more than twice that of General Electric, nine times that of Wal-Mart and 31 times that of General Motors.

Our U.S. sales of prescription drugs is the highest in the world at \$654 per person with an average life expectancy of 77 years. Japan is second at \$421 with a life expectancy of 81 years.

Americans pay on an average 40 percent more for their prescription drugs than do Canadians. And it has been ruled illegal for us to import them from Canada. Drug companies have threatened to cut off supplies to Canadian drug stores that sell to Americans.

Despite all this, the cities of Montgomery, Ala., and Springfield, Mass., have negotiated with Canadian sources. Montgomery alone is saving \$34,000 a month with its contract.

Members of Congress, the FDA and all the rest who are in bed with the pharmaceutical industry who use the excuse of safety regarding Canadian drugs are just blowing hot air. So far there have been no reported incidents of any problem. In the U.S., 50,000 to 100,000 people die annually as a result of adverse reactions from FDA-approved drugs.

Drug companies like to talk about the cost of developing new drugs. A report of the Joint Economic Committee of Congress in 2000 dispels some of that. It found that the federal government, mainly through the National Institutes of Health, the National Cancer Institute and other public agencies funds about 36 percent of all U.S. medical research. Of the 21 most important drugs introduced between 1965 and 2002, a total of 15 was developed using knowledge and techniques from federally funded research.

Best current figure we could locate indicates \$2.5 billion was spent by the drug industry on advertising in 2001.

There is absolutely no real effort by the President or Congress to take an honest look at the high cost of prescription drugs. We believe in the capitalist system but not in those extreme profiteers whose huge profit is at the cost of our health. Canada does a good job of regulating prices and would be a good example to follow.

Regulations always take away a little freedom from some segment of the economy but the government has seen fit to regulate the broadcast industry, the airline industry, interstate commerce and through taxes numerous other aspects of the economy. It is time to do something about runaway prescription drug prices.

There is a Republican president, a Republican Congress and this problem lies largely on their shoulders, election or not!

ARTICLE BY RABBI ISRAEL
ZOBERMAN

HON. EDWARD L. SCHROCK

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. SCHROCK. Mr. Speaker, I am pleased to share the following article written by a constituent, Rabbi Israel Zoberman.

The recent bus #19 suicide bombing in the heart of Jerusalem with its heavy toll found me in Israel's capital during a solidarity mission of my Reform Jewish movement.

I passed by that doomed site, near another past one, only hours before the latest of incredible serial terrorist attacks in the three and a half years of the bloody Second Intifada. Once again violating Jerusalem where Biblical Abraham proclaimed the sanctity of human life in the midst of a paganism now being resurrected by its contemporary messengers of death who should not be allowed by the civilized world to reverse Abraham's victory. Let what just ghastly happened, newly available on Israel's Foreign Ministry website for a reality check not become an added statistic!

Upon arriving in my parents' home in Haifa on that hellish day, I found them anxious, even panicky, already having called hospitals in Jerusalem looking for me . . . I thus experienced a bit the anguish encountered by Israelis, without parallel, with Holocaust survivors like my parents whose constant exposure to trauma may reawaken repressed carnage images.

The timing of the deadly Palestinian violence with both Arafat's forces and Hamas competing to claim responsibility, purposefully coincided with exchanging only four Israelis, three of them in coffins, and promised information on the fate of Israeli navigator Ron Arad, captured 17 years ago, in return for hundreds of Hizballah terrorists. Of the three killed Israeli soldiers, Benny Avraham, Adi Avitan and Omar Suad, whose fate was cynically manipulated by the Hizballah to inflict pain upon their families, the first one was connected to Tidewater Jewry through a joint communal program.

Israel has proved again, with Prime Minister Sharon's guiding input, that for humanitarian values' sake, sorely lacking by its enemy, it is willing to pay a high price though it might be interpreted as a weakness. Is it any wonder that without a credible peace partner and unwilling to respond in kind, Israel is forced to erect a costly security separation fence to save innocent lives? The fence, which our group observed for miles, is not necessarily permanent and can be adjusted. Some resulted Palestinian hardship has to be weighed against penetrating terror. It is the least Israel can do in face of relentless terrorism, experienced by the United States' heroic troops in Iraq as well, while questionably restraining itself to the very limits from using its superior military power. A state's obligation for self-defense is no less incumbent upon Israel whose national morale and very way of life are threatened. In spite of Sharon's uncharacteristic dovishness, at the moving state welcoming ceremony for the fallen soldiers he referred to unspecified options in Israel's arsenal. His announced intent, tantamount to an earthquake, to unilaterally withdraw from the Gaza Strip reflects Sharon's commitment to peace even in the face of painful sacrifices, opposition within his own political camp, expected resistance, and increased threats on his life. Will the Palestinian Authority finally respond by halting terror in compliance of President Bush's Roadmap?

General Shlomo Gazit, former director of Military Intelligence and fellow at the Jaffe Strategic Center at Tel Aviv University, who addressed us, justified the fence as a security need, refusing to call it a wall. He urges economic and demographic separation from the West Bank to safeguard Israel as a Jewish and democratic entity. Both the reserve General and former Minister Michael Melchior who serves in Israel's parliament as chair of Diaspora Affairs, view the American war in Iraq to have a transforming impact on the

unstable Middle East, sending a clear moderating message to the Arabs. Gazit was optimistic that the ultimate resolution of Israeli-Palestinian conflict has begun. He and Melchior stressed building bridges to Israel's own Arab minority, attending to its special needs with the hope to draw the two essential partners closer. Otherwise Israel's security is at risk.

I watched Jewish kids purchase with their moms costumes for the joyous Purim holiday and Arab families celebrating the Eid. For the sake of their inevitable shared future and that of their own children, may these parents find a way to each other's hearts. Perhaps, Israeli Arabs will yet be a bridge of shalom to the larger Arab world.

Rabbi Israel Zoberman, spiritual leader of Congregation Beth Chaverim in Virginia Beach, was born in Kazakhstan and grew up in Haifa, Israel.

RESOLUTION RECOGNIZING THE
HUBBLE SPACE TELESCOPE'S
ACCOMPLISHMENTS AND RECOM-
MENDING RECONSIDERATION OF
FUTURE SERVICING MISSIONS

HON. MARK UDALL

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. UDALL of Colorado. Mr. Speaker, today I am introducing a resolution recognizing the accomplishments of the Hubble Space Telescope and recommending reconsideration of future servicing mission to Hubble. I am very pleased that a number of my colleagues are joining me as original cosponsors of this bill—including Representatives BARTLETT, HOYER, MCDERMOTT, AKIN, GORDON, LAMPSON, and RUPPERSBERGER.

I wish this resolution weren't necessary. I am introducing it in response to NASA's decision made in mid-January to cancel all future space shuttle missions to the Hubble Space Telescope, including SM-4, the next flight that would have installed the new Cosmic Origins Spectrograph and the Wide Field Camera 3 instruments—both largely completed at a cost of about \$200 million. Installation of these instruments would have provided over a factor of ten improvement in Hubble's imaging and spectroscopy, and in addition to replacement gyros and batteries, would make Hubble's final years its most scientifically capable and productive. If SM-4 goes forward, Hubble will continue to operate until 2012. Without the mission, Hubble will likely die in orbit sometime in 2007.

My goal in introducing this resolution is simple—I want to call attention to the Hubble Space Telescope's contributions to scientific research and education and ensure that any decision affecting its future is made carefully and seriously and for the right reasons. Precisely because of Hubble's extraordinary contributions in the past and promised contributions in the future, I also believe that the decision to cancel the planned servicing mission to Hubble should be considered by an independent panel of experts.

Finally, I want to try to ensure that the planning for the servicing mission continues at least until the panel comes up with its recommendations and until NASA provides a timetable of compliance with recommendations of the Columbia Accident Investigation Board

report, since NASA's compliance will allow both a Hubble servicing mission and a mission to the International Space Station to be carried out safely. Since NASA Administrator O'Keefe cited safety concerns as the main reason for the cancellation of the mission, it seems to me that NASA must state how and when it plans to comply with the CAIB recommendations. Once the shuttles are deemed safe enough to fly, a trip to Hubble will be as safe as a trip to the Station. Indeed, there are some who argue that the Hubble mission will be the safer of the two.

Hubble's scientific contributions continue to amaze us all, year in and year out. A few weeks ago Hubble detected oxygen and carbon in the atmosphere of a distant planet, the first time the elements have been found at a world outside our solar system. Hubble also contributed to the finding of new evidence about recently discovered "dark energy." Hubble measured properties of light from 16 exploding stars, or supernovas, to find that the dark energy that pervades the universe might be what Einstein originally called the "cosmological constant." This discovery supports the theory that instead of ripping apart, the cosmos will continue expanding very slowly for at least the next 30 billion years.

These are just recent discoveries. Hubble remains one of the most productive scientific instruments in history, and certainly NASA's most productive scientific mission, accounting for 35 percent of all its discoveries in the last 20 years. The Hubble has provided proof of black holes, insights into the birth and death of stars, spectacular views of Comet Shoemaker-Levy 9's collision with Jupiter, the age of the universe, and evidence that the expansion of the universe is accelerating.

So to me—and to so many others who have voiced their opposition to NASA's decision—it seems as though canceling the mission is premature at best.

I would rather not cynically believe, as some do, that the Hubble is being abandoned primarily to enable the president's Moon-Mars initiative to get underway. But there doesn't seem to be any other explanation that makes sense.

I have long believed that NASA needs a new vision for the future—but before this Congress and future Congresses commit to the president's expensive plan, NASA must first generate broad public support and scientific backing for it. Today, as the general public and the scientific community alike call for Hubble to be saved, NASA risks undermining its efforts to sell its Moon-Mars initiative to the public—not an auspicious beginning for a vision that will require billions and decades to complete.

I have attached a February 29 editorial from the New York Times calling for the administration to reconsider its decision. The final paragraph concludes, "The gains from extending Hubble's life are real and achievable and should not be sacrificed for a distant exploration program that for now is mostly wishful thinking and can surely be delayed a bit."

The gains from extending Hubble's life are indeed real and achievable. In addition to its past and potentially future scientific discoveries, Hubble provides information used by approximately one million teachers per year across the U.S. The demand for research time on the telescope far exceeds the time available. The scientific imagery and data Hubble

provides is integral to the work of researchers in universities across the country and around the world.

Mr. Speaker, this resolution will be welcomed by school children, scientists, and interested citizens around the world who understand that Hubble is a national treasure that we should not prematurely condemn to death. I look forward to working with Members of the House, including my colleagues on the Science Committee, to move forward with this important initiative.

[From the New York Times, Feb. 29, 2004]

PREMATURE DEATH FOR THE HUBBLE

By all accounts the Hubble Space Telescope is one of the most productive scientific instruments in history. Orbiting high above the distorting effects of Earth's atmosphere, it has peered far out into space and back toward the beginnings of time, producing images of startling clarity. It has detected extremely faint objects that can't be seen from the Earth, calibrated the age and expansion rate of the universe, detected supermassive black holes in the cores of galaxies and generally helped revolutionize our understanding of the universe. A distinguished panel of astronomers judged that Hubble "has arguably had a greater impact on astronomy than any instrument since the original astronomical telescope of Galileo."

Yet now, just as Hubble was scheduled for a major rejuvenation, the National Aeronautics and Space Administration has consigned it to slow death. The agency has canceled a planned servicing mission that would have upgraded Hubble's instruments and extended its life past the end of the decade, making it likely that the telescope will run out of battery power and functioning gyroscopes by about 2007. Congress needs to prevent the premature loss of this valuable instrument.

Cancellation of the servicing mission is being justified on safety grounds, but that is not the whole story. Indeed, it looks as if Hubble is being sacrificed primarily to make way for President Bush's grand new plans to send astronauts to the Moon and Mars in future years. Once the shuttles are deemed safe enough to resume flying, probably early next year, a shuttle flight to Hubble will be no more risky—and possibly even less risky—than flights to the space station. The real safety issue comes up if something goes wrong. A shuttle near the station might find safe haven and help in repairs. A shuttle near Hubble could not.

Our guess is that with NASA on high alert after the Columbia tragedy, the next shuttle flights will be the safest ever. Astronauts are paid to take risks, and there would be no shortage of volunteers for a Hubble mission that seems no more risky than other flights and a lot more important scientifically.

The Bush administration argues that Hubble has passed its prime, that its uniqueness is diminishing, that advances in ground-based telescopes enable them to do some of Hubble's work and that future breakthroughs will require telescopes able to search in other wavelengths than those used by Hubble. There is a germ of truth in all those contentions, but a parade of experts have argued that Hubble, if serviced and updated, has years of great work ahead. There seems little doubt that the science still to be done on Hubble is far more important than anything likely to be accomplished on the space station.

The chief reason for Hubble's demise is almost certainly NASA's need to use its shuttles to finish building the space station by 2010 so that the shuttles can be retired and the money used for the president's Moon-

Mars exploration initiative. The agency will be lucky to complete the station on time even with all three remaining shuttles devoted to the task. Servicing the Hubble would be a diversion.

The administration essentially argues that the scientific returns from extending Hubble's life are not worth the risk and effort of a servicing flight. Our feeling is just the opposite. The gains from extending Hubble's life are real and achievable and should not be sacrificed for a distant exploration program that for now is mostly wishful thinking and can surely be delayed a bit.

TRIBUTE TO TIMOTHY F. MALONEY

HON. BENJAMIN L. CARDIN

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. CARDIN. Mr. Speaker, I rise today to pay special tribute to Timothy F. Maloney who is being honored as Hibernian of the Year. Tim is a partner with the Greenbelt, MD law firm of Joseph Greenwald & Laake, P.A. and is a former member of the Maryland House of Delegates.

He served in the Maryland House of Delegates from 1979 to 1995. When I was Speaker of the Maryland House of Delegates, I came to know and appreciate his many talents and abilities. As a legislator, he chaired subcommittees on higher education, transportation, public safety and capital budgets.

Tim stood out as a gifted legislator who had a great sense of humor. He was known for good fun practical jokes and on more than one occasion I was tempted to call out the Maryland State Police to hunt him down (no comparison to Texas intended). In recent years, he has put these talents to work as the Master of Ceremonies of the annual Hibernian Dinner. This year it is his turn to sit quietly at the head table as his life transgressions are revealed.

Despite certain behavior lapses, he was an extremely able and effective legislator. He was instrumental in the development and funding of numerous capital projects, including the Clarice Smith Performing Arts Center, the Prince George's County Courthouse, the Hyattsville Justice Center and the College Park Airport Museum. His colleagues in the General Assembly voted him as one of the three "most effective" members of the General Assembly in the WJLA-TV poll, although there is some question and poll tampering by the Maloney camp.

For the past 15 years, Mr. Maloney has been heavily involved in significant litigation and administrative matters. These include complex litigation in federal and state courts in the District of Columbia and Maryland, and a significant administrative practice before federal, state and local agencies. Surprisingly, he has never been a defendant. He is a member of the District and Maryland Bar, and also is admitted to practice before the Fourth Circuit Court of Appeals and the U.S. Supreme Court. He serves on the Rules Committee of the Maryland Court of Appeals, and frequently lectures to state and local bar organizations.

Mr. Maloney has worked tirelessly to improve our community and its many institutions. He is a member of the Executive Committee of the University of Maryland Foundation, the Administrative Board of the Maryland Catholic

Conference, the Board of Trustees of Villa Julie College and the Board of Trustees of Archbishop Carroll High School.

I hope my colleagues in the U.S. House of Representatives will join me in saluting Tim Maloney as a top litigator who has dedicated much of his life to helping others and improving our community.

CELEBRATING GLOBAL BUSINESS
CONTINUITY WEEK

HON. TOM DAVIS

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. DAVIS of Virginia. Mr. Speaker, Mr. MORAN and I rise today to celebrate Global Business Continuity Week, which is being held from March 7–12 this year. This international week recognizes the disaster recovery professionals, certified business continuity planners, and business executives who work closely with first responders to protect our nation's economy and the global business community from unexpected disturbances.

This is the fourth year this week has been dedicated to educating the leaders of commerce, industry, and governments on the importance of business continuity management. There will be numerous events across the globe including meetings near Wall Street on March 4–5 and a conference sponsored by the "Disaster Recovery Journal" in Orlando the following week.

Business continuity management serves to protect a wide array of organizations from all types of potential disruptions. We are proud to mention that much of the necessary training and certification which enables businesses worldwide to promptly respond in the face of disaster is provided by DRI International, located in Northern Virginia. This week is essential in raising awareness of the need for business continuity management, while it also recognizes the crucial role business continuity professionals play in our economy.

Mr. Speaker, in closing, Mr. MORAN and I are honored to congratulate all the businesses participating in this commemorative week and are proud to dedicate this acknowledgment to continuity planners worldwide. We call upon our colleagues to join us in applauding their efforts, and thanking them for their daily contributions to the global business continuity.

BEN ATCHLEY POST OFFICE
BUILDING

SPEECH OF

HON. MARSHA BLACKBURN

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 2004

Mrs. BLACKBURN. Madam Speaker, today I rise to pay tribute to a great Tennessee leader. State Senator Ben Atchley—better known as Gentle Ben—has served in the Tennessee General Assembly since 1972, where he began his service as Senate Republican leader in 1986.

It is appropriate that today we take time to thank Senator Atchley for his service and provide that the East Young High Pike U.S. Post

Office in Ben's hometown of Knoxville, Tennessee be named in his honor. Senator Atchley graduated from Young High School, just down the street from this post office. When Ben and his wonderful wife Sue were first married, their apartment window looked out across the street to this very post office. Later, Ben worked next door to the post office, which will now be named after him. From high school student to Senate Leader, Gentle Ben has given back so much to his community and Tennessee.

I am pleased to recognize Senator Atchley for all of his many accomplishments and his work in the Tennessee General Assembly. The Tennessee congressional delegation and the U.S. House of Representatives proudly designate the facility of the United States Postal Service located at 137 East Young High Pike in Knoxville, Tennessee, most suitably, as the "Ben Atchley Post Office Building".

HONORING THE TARPON SPRINGS
HIGH SCHOOL GIRLS' SOCCER
TEAM

HON. MICHAEL BILIRAKIS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. BILIRAKIS. Mr. Speaker, I rise today to honor the Tarpon Springs, Florida, High School girls' soccer team, which recently won the class 4A state soccer championship.

I am especially proud of the Spongers, as they are known, because I am a resident of Tarpon Springs. I know how important athletics are to these young student-athletes and how their accomplishments reflect positively on our community. I am fortunate to have been able to attend many athletic events at Tarpon Springs High School over the years and always have been impressed with the spirit, determination, and skill of Sponger teams, both boys and girls.

I also am heartened that these fine young women recognize and acknowledge the importance of faith in their lives. Team members prayed together regularly and wrote the words "faith" and "believe" on their shin guards so that they remembered the importance of their commitment to themselves, each other, and their faith.

I want to congratulate Coach John Friermuth, and assistant coaches Jaimie Adkins and John Friermuth, Jr., on leading their charges to victory and teaching such a fine group of young women about competition, sportsmanship, and excellence.

I also want to congratulate each of the team's members on their fine season: Kara Torasso, Brandi Bianco, Whitney Gause, Rebecca Smith, Giana Kase, Valerie Viggiano, Paige Beyer, Savannah Brum, Ashley Jeffris, Jordan Beyer, Katy Conrad, Maria Tagaropoulos, Kristen Friermuth, Kaitlyn Dassat, Libby Gianeski, Jessica Miller, Jessica Lukas, Brittany Gomez, Barbara Packard, Lindsey Beyer, Alexia Berg, Megan Nowikowski, and Jamie Ouverson.

Mr. Speaker, I hope our colleagues will join me in commending the Tarpon Springs High School girls' soccer team for winning the class 4A state girls' soccer championship and for the outstanding example they have set for us, their peers, and my community.

IN MEMORY OF HAROLD E.
DETWILER

HON. BILL SHUSTER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. SHUSTER. Mr. Speaker, I rise today to recognize Harold E. Detwiler who passed away on Saturday, January 31, 2004. He was a wonderful person who contributed so much to his community.

Born on March 3, 1930, in New Enterprise, PA, Mr. Detwiler was taught at a young age the advantages of freedom and democracy that this country offers its citizens. After graduating from Replogle High School in 1948, and marrying his wife, E. Anne Baker, on November 21, 1953, Harold became the personification of patriotism. He served with the military police in the Korean War, rising to the rank of Private First Class before completing his duty. He returned to Pennsylvania to serve as a deacon of St. John's United Church of Christ in Martinsburg, where he later acted as a member for the majority of his life.

Mr. Detwiler found his business niche, however, in the Mutual Insurance Industry. Throughout his life he acted as chairman of the PA Association of Mutual Insurance Companies and the NAMIC Farm Underwriting Committee, in addition to acting as a member of the National Association of Mutual Insurance Companies, the MSO board of directors, the AAIS Advisory Council, the Mutual Inspection Bureau board of directors, the Sparks Club, and the Eastern Mutual Group, among others. In recognition of the time and dedication that he put in to attaining professionalism within the insurance industry, NAMIC honored him with their merit award and the National Service Award. With so much experience and education on the subject, Mr. Detwiler became the President and CEO of Everett Cash Mutual and Evergreene Insurance Companies, eventually retiring from the position in 1998.

Although he was a highly influential businessman throughout central Pennsylvania, Harold's generosity within the community in which he lived far surpassed his fiscal contributions. From 1974 until 1993, he served on the Martinsburg Borough Council, eventually rising to the position of President. As a member of the D. Merle Tipton VFW Post 43 and a leader of the Boy Scouts, he willingly passed down his knowledge to the children who would benefit the most from his teachings.

Harold Detwiler was a man who refused to settle for anything less than the best. He devoted much of his time to the improvement of society, and as a result, Martinsburg is a better place to live. He will be missed, but the legacy of his actions and the influence of his spirit will never be forgotten.

PEACE CORPS WEEK 2004

HON. JIM McDERMOTT

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. McDERMOTT. Mr. Speaker, Ralph Waldo Emerson once said, "Do not go where the path may lead, go instead where there is

no path and leave a trail." This week marks the 43rd anniversary of the Peace Corps. An organization that is forging ahead, creating a trail of peace and understanding around the globe with the hope that one day all peoples of the world will follow.

Since its inception in 1961, over 170,000 Volunteers have served 137 countries. Peace Corps Volunteers serve as teachers, business advisors, information technology consultants, health and HIV/AIDS educators, and youth and agriculture workers.

The Peace Corps is expanding and last year entered or re-entered Albania, Azerbaijan, Chad, and Fiji and in 2003 the number of people applying to serve as Volunteers increased by 10 percent. Today there are 7,500 individuals serving in 71 countries. This is the highest number of Volunteers in the field in over 28 years. Of those 7,500 dedicated individuals there are 32 people I would especially like to recognize:

Carrie A. Abendroth, Katherine P. Barnett, Micael D. Bogar, Nathan A. Borgford-Parnel, April R. Brown, John S. Brown, Robert P. Burns, Rosemary S. Burns, Rachel S. Chernin, Alison M. Coady, Kevin D. Cummins, Ross C. Doll, Joy M. Hamilton, Jennie A. Hurt, Tracey A. Lake, Amber L. Lancaster, Mahri S. Leonard-Fleckma, Nathan S. Lubetkin, Susannah M. Malarkey, Luke A. Mattheis, Marin McCutcheon, Alec E. Metz, Joan M. Michaels, Carrie J. Mitchell, Janet D. O'Neil, Teresa L. Peterson, Jean R. Salls, Barbara P. Schlieper, Blaine M. Somerville, Rebecca S. Talbott, Joseph S. Trahan, Karen M. Yantis

To those individuals I have just mentioned, you have made me and the people of the 7th district very proud. We salute your selfless dedication to the empowerment of people in developing countries and throughout the world. As your journey of good-will abroad comes to an end may you return home safe and continue to share your experiences with others so that they will endeavor to blaze their own trail using the Peace Corps as their guide.

HONORING THE CITY OF DELAWARE, OHIO FOR ITS DESIGNATION AS A "PRESERVE AMERICA" COMMUNITY

HON. PATRICK J. TIBERI

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. TIBERI. Mr. Speaker, I'm delighted to congratulate the City of Delaware for its designation as a "Preserve America" community. While Mayor Windell Wheeler and City Manager Tom Homan were in Washington recently to receive the designation from First Lady Laura Bush, the entire community is rightly proud of this honor. The city was one of the first eight across the country to gain this title.

The "Preserve America" designation is meant for those cities that have taken special care to preserve their heritage. The city has approved special ordinances to protect the historical integrity of its neighborhoods. A four-year, \$5 million "Streetscape" improvement project for the historic downtown area was also recently completed.

The Delaware area is among the fastest growing in the country, but officials are not let-

ting that growth stand in the way of protecting the unique aspects of their city. This award is one more reason why the Delaware area remains a great place to live, work and raise a family.

THE MEDICARE PRESCRIPTION DRUG IMPROVEMENT AND MODERNIZATION ACT

HON. ERIC CANTOR

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. CANTOR. Mr. Speaker, I rise today in support of the Medicare Prescription Drug Improvement and Modernization Act, which was signed into law in December by the President.

I spent a lot of time in the district explaining the new law to my seniors. They were excited to learn that this bill is about choices. It gives them the freedom to finally make choices that better fit their own needs.

Medicare once was an outdated, one size fits all program. Well, we know that not every senior is the same. Through this legislation, seniors now have a much better Medicare with lots of options. And if they like what they have now, they can keep it. But if they want to enhance their Medicare coverage, they have that choice.

Some examples of the choices seniors will have include the option of a free welcome to Medicare physical, diabetes screening, heart disease screening, and disease management programs. These options will enhance the health of our nation's seniors.

This law not only gives seniors better access to health care and prescription drugs, it puts seniors back in the driver seat when it comes to their health care.

TRIBUTE TO DOUG DONNELLY

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. McINNIS. Mr. Speaker, it is with a heavy heart that I rise before you to pay tribute to the life of a remarkable and loved man from my district. Doug Donnelly of Monte Vista, Colorado, passed away recently at the young age of forty-one. Doug will forever be remembered for his kind heart and spirit and I would like to take this opportunity to remember Doug here today.

Doug was my cousin; so I had the privilege to interact with him over the years and watch a young man with challenges grow into a man of accomplishment. Throughout his life, Doug helped us appreciate the surroundings around us that we typically did not see or have time for. From an early age, Doug was diagnosed with a debilitating condition that doctors told his family would cause him never to walk and affect his learning abilities. Doug's determination helped him overcome the odds facing him, eventually learning to walk and graduating from Boulder High School to a standing ovation.

Doug was an accomplished student, a class president, and would later work in the medical industry making medical devices. Another pas-

sion of his was designing and constructing tree houses. Doug could be found traveling between lumberyards asking for discarded lumber, and using tree branches as a ladder, climbed up to build elaborate homes in the sky, oh he loved his tree house.

Mr. Speaker, we are all terribly saddened by the loss of Doug Donnelly, but take comfort in the knowledge that our grief is overshadowed only by his legacy of courage and love of all that Doug left with all of us. Doug's overwhelming ability to live life to its fullest is a true testament to the man he was and serves as an inspiration for us all.

THE RECENT DC COURT DECISION ON FCC BROADBAND REGULATION

HON. CHARLES A. GONZALEZ

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. GONZALEZ. Mr. Speaker, I wish to express my support for yesterday's decision by the U.S. Court of Appeals—D.C. Circuit regarding the Triennial Review Order. The ruling sends a clear signal that the intent of Congress in the 1996 Telecommunications Act was to create a fair competitive marketplace which fosters job creation.

Regulatory uncertainty has been devastating to telecommunications workers and their families. The FCC's Triennial Review Order added to this uncertainty by delegating broadband policy-making to the states. In my view it was not the intent of Congress to put fifty individual states in charge of national broadband policy. Rather it expected the FCC to ensure a competitive national market for this critical technology. It is time for the FCC to put America's consumers and small businesses first and use its authority to ensure true broadband competition.

I hope that the FCC follows the D.C. Circuit's lead and uses its authority as intended by Congress to foster an environment that spurs capital investments by telecommunications companies rather than continue down the road of regulatory uncertainty.

IN MEMORY OF BILL SAMBRAILO

HON. SAM FARR

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. FARR. Mr. Speaker, I rise today to honor the life of Bill Sambrailo, a community leader who dedicated his life to improving the agriculture industry. Mr. Sambrailo passed away on January 31st, 2004, at the age of 76. He is survived by his wife Eileen Bromber Sambrailo and three children, Mark, Judy, and Michael, as well as seven grandchildren.

Bill Sambrailo was born in Watsonville, California to Charles and Henrietta King Sambrailo. He was an avid athlete and played on the football team at Watsonville High School, graduating in 1945. Bill attended Santa Clara University where he played running back on the university football team, including an appearance in the Orange Bowl. He graduated with a degree in business in 1950.

Bill went on to manage his family's business, with the help of his brother Chuck, and quickly became an entrepreneur and inventor. Bill helped the business grow by inventing new corrugated tray designs for containing produce, increasing their shelf life. He also started the Samco Plastic Company which invented and produced the green mesh baskets used for strawberries in the spring. He later invented the clamshell package designed to store many varieties of produce ranging from potatoes, beans, peas, strawberries, blueberries, raspberries, and cherries. Samco Plastic Company also holds a patent on MIXIM packaging which produces extremely efficient packaging materials that condense the produce into smaller areas without damaging them. In addition to his agricultural successes, Bill also became the founding director of the Pajaro Valley Bank, and later the director of the new First National Bank.

Mr. Speaker, I would like to express my deepest sympathy to Bill's family and honor him by celebrating his life and contribution to society. Furthermore, anyone who has purchased strawberries or raspberries can thank Bill for the packaging that keeps them fresh. Bill was admired by all for his dedication to both his business and community, and will be greatly missed.

HONORING LENNEX BURROUGHS

HON. DALE E. KILDEE

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. KILDEE, Mr. Speaker, I rise before you today on behalf of the Flint Community School district, to honor Mr. Lennex Burroughs for 33 years of dedicated service to the children of Flint, Michigan. On Friday, March 12, 2004, the Flint Community School district will honor Mr. Burroughs during a special retirement dinner to be held at the Grace Emmanuel Baptist Church in my hometown of Flint, Michigan.

Mr. Burroughs was born and raised in Inskter, Michigan. He graduated from Inskter High School, where he was noted as an outstanding athlete. He received letters in football, basketball, and baseball. In 1966 he was awarded the esteemed Willie Heston Scholarship-athletic award. Upon graduation from high school he immediately enrolled at the University of Central Michigan on a football scholarship. He graduated from the University holding a Master of Educational Leadership/Administration degree in 1978. In January of 1971 he began his career with the Flint Community School district as the physical education teacher and community school director for Dewey Elementary School. During the span of his career, Lennex held positions at the elementary, middle and high school level. He holds tenure at Dewey, Manley, Cook, Scott, Cummings, Merrill, Washington, Coolidge, Sobey, Civic Park Elementary, Bryant & Whittier Middle Schools and Northwestern High School, and for the past fourteen years he has held the position of Principal of Civic Park Elementary. Lennex is a strong advocate of community education. He is committed to keeping students, parents, and community involved in all aspects of school functions. He strongly believes that where there is community involvement, a student's education is enriched.

Lennex is going to be a hard act to follow. He is a superb role model for the children of Flint. His words are backed by his actions. He believes in the children and they believe in him. Aside from being an outstanding role model and educator he is also a talented Gospel singer. In 1996, he released two musical tapes entitled *Motivation and Inspiration*. Lennex has received numerous accolades for his community services, but of them all, Lennex considers his most esteemed award to be his recognition by the City of Flint as Father of the Year 1990. Lennex is a faithful family man. His wife of 33 years is Linda. They have two wonderful children named Erica and Sean.

Mr. Speaker, as a Member of Congress, I ask my colleagues in the 108th Congress to please join me in honoring my constituent and friend Mr. Lennex Burroughs and wishing him the very best in his retirement.

FREEDOM FOR JUAN ADOLFO FERNÁNDEZ SAINZ

HON. LINCOLN DIAZ-BALART

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Mr. LINCOLN DIAZ-BALART of Florida. Mr. Speaker, I rise today to speak about Juan Adolfo Fernández Sainz, a prisoner of conscience in totalitarian Cuba.

Mr. Fernández Sainz worked for about 15 years as an interpreter for government agencies before being dismissed for his support of democracy and the rule of law in 1994. After being forced from his government job, Mr. Fernández Sainz began to expose the repression and corruption of the dictator's regime as an independent journalist. He originally joined the independent news agency *Nueva Prensa* and a year later became part of the *Patria* agency where he wrote about all aspects of totalitarian Cuban society. Mr. Fernández Sainz contributed to numerous foreign publications and became a correspondent for *Prima*, the Russian human rights news agency, in July 2001.

Because Mr. Fernández Sainz wrote the truth about a ruthless, repressive, bankrupt, and broken tyranny, he was arrested as part of the brutal March 2003 crackdown against Cuban pro-democracy activists. After a sham trial, where he was accused of supplying information to the U.S. government and endangering Cuban internal security, Mr. Fernández Sainz was sentenced to 15 years in the totalitarian gulag.

However, Castro's ruthless machinery of repression does not stop after sentencing innocent Cubans to the totalitarian gulag. According to the U.S. State Department's 2003 Country Report on Human Rights Practices:

On December 6, a common prisoner in Holguin Provincial Prison beat 54-year-old political prisoner Adolfo Fernandez Sainz until Fernandez was unconscious. The prisoner who carried out the beating was authorized by prison guards to exercise control over other inmates. Prison officials told Fernandez the common prisoner should have beaten him harder in order to kill him. In April, Fernandez was sentenced to 15 years imprisonment for his work as an independent journalist.

Mr. Speaker, we cannot allow Mr. Fernández Sainz to languish in a gulag where

he is abused and tortured. My Colleagues, we cannot allow Mr. Fernández Sainz to remain in a gulag with totalitarian thugs who want to murder him. We must demand the immediate release of Juan Adolfo Fernández Sainz and every prisoner of conscience languishing in the totalitarian gulags of the nightmare called the Castro regime.

RECOGNIZING A KANSAS CITY PHOTOJOURNALISM EXHIBIT AND CULTURAL EXCHANGE COMMEMORATING THE 35TH ANNIVERSARY OF THE 1968 INVASION OF CZECHOSLOVAKIA

HON. KAREN MCCARTHY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 3, 2004

Ms. MCCARTHY of Missouri. Mr. Speaker, I rise to honor the opening of Ladislav Bielik's photojournalism exhibit at the Art Incubator Gallery in Kansas City, Missouri. Ross P. Marine, Honorary Consul of the Slovak Republic, along with the Czech and Slovak Club of Greater Kansas City have arranged for this outstanding public showing from March 5 to March 31. Mr. Miroslav Wlachovsky of the Embassy of the Slovak Republic will officially welcome guests to the exhibit on March 4. The collection commemorates the 35th anniversary of the 1968 invasion of Czechoslovakia by the Warsaw Pact armies, pictorially recorded through Ladislav Bielik's photographs.

On the evening of August 20, 1968, Warsaw Pact armies comprised of soldiers from the Soviet Union, East Germany, Poland, Hungary and Bulgaria invaded Czechoslovakia with the strength of approximately 200,000 troops and 5,000 tanks to squelch the Czech movement toward democracy. Bielik's photograph of one Czechoslovakian's desperate attempt to halt a tank captured the attention of the world and became *Life Magazine's* 1968 photograph of the year. This exhibit further pictorially illustrates the haunting images of sacrifice made in pursuit of democracy from the first days of the invasion at Bratislava, Czechoslovakia.

The invasion crushed Secretary Alexander Dubcek's new Action Program that promoted democratic elections and basic liberties. Prior to the invasion, the country had enjoyed a short period referred to as Prague Spring that revitalized their national culture. The impetus that perpetuated the Warsaw Pact wrath was a petition known as Two Thousand Words which called for democracy in Czechoslovakia. The Warsaw Pact invasion in 1968 crushed Czechoslovakia's quest for democracy, seized control of the government and killed hundreds of protesters. In 1993, following the 1989 Velvet Revolution, Czechoslovakia, through peaceful negotiations, evolved into two independent countries, the Slovak Republic and the Czech Republic.

On March 12, 1999, the Czech Republic officially became a member of the North Atlantic Treaty Organization (NATO) at a ceremony I attended at the Harry S Truman Library in Independence, Missouri. The Slovak Republic is expected to become a full member of NATO and the European Union in May of this year, thus completing a long journey for independence and achieving world status with acceptance into NATO.

Mr. Speaker, please join me in congratulating Ross P. Marine, Honorary Consul for the Slovak Republic in Kansas City, Missouri for arranging this significant cultural exchange.

Mr. Ladislav Bielik's historic photo exhibit celebrates courage and perseverance and serves as a timely reminder of how important democ-

racy is to free thinking people throughout the world.

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Meetings scheduled for Thursday, March 4, 2004 may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

MARCH 5

9:30 a.m.
Joint Economic Committee
To hold hearings to examine the employment situation for February.
SD-562

MARCH 8

12:30 p.m.
Foreign Relations
To hold a closed briefing regarding security preparations for 2004 Olympic Games.
S-407, Capitol

2 p.m.
Finance
To hold hearings to examine the nominations of Mark B. McClellan, of the District of Columbia, to be Administrator of the Centers for Medicare and Medicaid Services, Brian Carlton Roseboro, of New Jersey, to be an Under Secretary of the Treasury, Donald Korb, of Ohio, to be Chief Counsel for the Internal Revenue Service and an Assistant General Counsel in the Department of the Treasury, and Mark J. Warshawsky, of Maryland, to be an Assistant Secretary of the Treasury.
SD-215

3 p.m.
Foreign Relations
To hold a closed briefing on counter-terrorism cooperation relating to Saudi Arabia.
S-407, Capitol

MARCH 9

9:30 a.m.
Armed Services
To hold hearings to examine current and future worldwide threats to the national security of the United States; to be followed by a closed session in SH-219.
SD-106

Commerce, Science, and Transportation
Business meeting to consider pending calendar business; to be followed by a hearing to examine the use of scientific information in federal policy.
SR-253

Health, Education, Labor, and Pensions
To hold hearings to examine advantages and impediments in relation to a year round college calendar.
SD-430

10 a.m.
Energy and Natural Resources
To hold oversight hearings to examine water supply issues in the arid West.
SD-366

Finance
To hold hearings to examine the administration's international trade agenda.
SD-215

Governmental Affairs
To hold hearings to examine sustaining the 9 million jobs in the \$900 billion mailing industry relating to postal reform.
SD-342

Appropriations
Homeland Security Subcommittee
To hold hearings to examine proposed budget estimates for fiscal year 2005 for border and transportation security.
SD-124

Appropriations
Transportation, Treasury and General Government Subcommittee
To hold hearings to examine budget and management challenges for the Department of Transportation.
SD-138

Aging
To hold hearings to examine the new Medicare drug discount card.
SD-628

10:30 a.m.
Appropriations
Commerce, Justice, State, and the Judiciary Subcommittee
To hold hearings to examine proposed budget estimates for fiscal year 2005 for the Department of Justice.
SD-192

2:30 p.m.
Energy and Natural Resources
National Parks Subcommittee
To hold hearings to examine S. 1306, to introduce the efforts of the California Missions Foundation to restore and repair the Spanish colonial and mission-era missions in the State of California and to preserve the artworks and artifacts of these missions, H.R. 1521, to provide for additional lands to be included within the boundary of the Johnstown Flood National Memorial in the State of Pennsylvania, H.R. 1446, to support the efforts of the California Missions Foundation to restore and repair the Spanish colonial and mission-era missions in the State of California and to preserve the artworks and artifacts of these missions, S. 1430, to direct the Secretary of the Interior to conduct a study of the Baranov Museum in Kodiak, Alaska, for potential inclusion in the National Park System, and S. 1687, to direct the Secretary of the Interior to conduct a study on the preservation and interpretation of the historic sites of the Manhattan Project for potential inclusion in the National Park System.
SD-366

Armed Services
Readiness and Management Support Subcommittee
To hold hearings to examine military readiness programs in review of the defense authorization request for fiscal year 2005.
SR-232A

Armed Services
Readiness and Management Support Subcommittee
To hold hearings to examine military readiness programs in review of the defense authorization request for fiscal year 2005.
SR-232A

MARCH 10

9:30 a.m.
Commerce, Science, and Transportation
To hold hearings to examine the use and effects of steroids.
SR-253

Armed Services
Emerging Threats and Capabilities Subcommittee
To hold hearings to examine the defense nuclear nonproliferation programs of the Department of Energy and the Cooperative Threat Reduction programs of the Department of Defense in review of the defense authorization request for fiscal year 2005; to be followed by closed hearings in SR-232A.
SR-222

Environment and Public Works
To hold hearings to examine the President's proposed fiscal year 2005 budget for the Environmental Protection Agency.
SD-406

Foreign Relations
To hold hearings to examine non-proliferation and arms control issues, focusing on strategic choices.
SD-419

Indian Affairs
To hold oversight hearings to examine proposed reorganization of major agencies and functions related to Indian trust reform matters within the Department of the Interior.
SR-485

Rules and Administration
To hold hearings to examine the scope and operation of organizations registered under Section 527 of the Internal Revenue Code.
SR-301

10 a.m.
Appropriations
Defense Subcommittee
To hold hearings to examine proposed budget estimates for fiscal year 2005 for Navy and Marine Corps programs.
SD-192

Judiciary
To hold hearings to examine the constitutional amendment authorizing congress to prohibit physical desecration of the flag of the United States.
SD-106

Veterans' Affairs
To hold joint hearings with the House Committee on Veterans' Affairs to examine the legislative presentation of the Veterans of Foreign Wars.
SH-216

Joint Economic Committee
To hold hearings to examine issues relative to helping Americans save.
SD-628

11:30 a.m.
Energy and Natural Resources
Business meeting to consider pending calendar business.
SD-366

1 p.m.
Banking, Housing, and Urban Affairs
International Trade and Finance Subcommittee
To hold hearings to examine Argentina's financial crisis.
SD-538

2 p.m.
Armed Services
SeaPower Subcommittee
To hold hearings to examine the posture of the U.S. Transportation Command in review of the defense authorization request for fiscal year 2005 and the future years defense program.

SR-232A

2:30 p.m.
Judiciary
To hold hearings to examine judicial nominations.

SD-226

Energy and Natural Resources
Public Lands and Forests Subcommittee
To hold hearings to examine S. 1354, to resolve certain conveyances and provide for alternative land selections under the Alaska Native Claims Settlement Act related to Cape Fox Corporation and Sealaska Corporation, S. 1575 and H.R. 1092, both to direct the Secretary of Agriculture to sell certain parcels of Federal land in Carson City and Douglas County, Nevada, S. 1778, to authorize a land conveyance between the United State and the City of Craig, Alaska, S. 1819 and H.R. 272, both to direct the Secretary of Agriculture to convey certain land to Lander County, Nevada, and the Secretary of the Interior to convey certain land to Eureka County, Nevada, for continued use as cemeteries, and H.R. 3249, to extend the term of the Forest Counties Payments Committee.

SD-366

Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To hold hearings to examine NASA/Mars exploration program.

SR-253

MARCH 11

9:30 a.m.
Commerce, Science, and Transportation
To hold hearings to examine lessons learned relating to the 1996 Telecommunications Act.

SR-253

Governmental Affairs
To hold hearings to examine sustaining the 9 million jobs in the \$900 billion mailing industry relating to postal reform.

SD-342

10 a.m.
Health, Education, Labor, and Pensions
Children and Families Subcommittee
To hold hearings to examine child and family issues.

SD-430

Energy and Natural Resources
To hold hearings to examine S. 2086, to amend the Surface Mining Control and Reclamation Act of 1977 to improve the reclamation of abandoned mines, and S. 2049, to amend the Surface Mining

Control and Reclamation Act of 1977 to reauthorize collection of reclamation fees, revise the abandoned mine reclamation program, promote remining, authorize the Office of Surface Mining to collect the black lung excise tax, and make sundry other changes.

SD-366

2 p.m.
Armed Services
Airland Subcommittee
To hold hearings to examine Army Transformation in review of the defense authorization request for fiscal year 2005 and the future years defense program.

SR-232A

2:30 p.m.
Energy and Natural Resources
To hold hearings to examine the nomination of Sue Ellen Wooldridge, of Virginia, to be Solicitor of the Department of the Interior.

SD-366

MARCH 18

10 a.m.
Veterans' Affairs
To hold joint hearings with the House Committee on Veterans Affairs to examine the legislative presentations of the Air Force Sergeants Association, the Retired Enlisted Association, Gold Star Wives of America, and the Fleet Reserve Association.

345 CHOB

MARCH 23

9:30 a.m.
Armed Services
To hold hearings to examine atomic energy defense activities of the Department of Energy relating to the Defense Authorization request for fiscal year 2005.

SD-106

10 a.m.
Health, Education, Labor, and Pensions
Substance Abuse and Mental Health Services Subcommittee
To hold hearings to examine mental health services.

SD-430

MARCH 24

9:30 a.m.
Indian Affairs
To hold hearings to examine S. 1529, to amend the Indian Gaming Regulatory Act to include provisions relating to the payment and administration of gaming fees.

SR-485

MARCH 25

9:30 a.m.
Armed Services
To hold hearings to examine the role of the U.S. Northern Command and U.S.

Special Operations Command in defending the homeland and in the global war on terrorism, in review of the defense authorization request for fiscal year 2005; to be followed by a closed session in SH-219.

SH-216

10 a.m.
Health, Education, Labor, and Pensions
Employment, Safety, and Training Subcommittee
To hold hearings to examine MSDS and OSHA hazardous commission.

SD-430

Veterans' Affairs
To hold joint hearings with the House Committee on Veterans' Affairs to examine the legislative presentations of the National Association of State Directors of Veterans Affairs, AMVETS, American Ex-Prisoners of War, the Vietnam Veterans of America, and the Military Officers Association of America.

345 CHOB

2:30 p.m.
Energy and Natural Resources
Water and Power Subcommittee
To hold hearings to examine S. 1085, to provide for a Bureau of Reclamation program to assist states and local communities in evaluating and developing rural and small community water supply systems, and S. 1732, to direct the Secretary of the Interior to establish a rural water supply program in the Reclamation States to provide a clean, safe, affordable, and reliable water supply to rural residents.

SD-366

MARCH 31

10 a.m.
Health, Education, Labor, and Pensions
Business meeting to consider pending calendar business.

SD-430

SEPTEMBER 21

10 a.m.
Veterans' Affairs
To hold joint hearings with the House Committee on Veterans' Affairs to examine the legislative presentation of the American Legion.

345 CHOB

CANCELLATIONS

MARCH 10

10 a.m.
Health, Education, Labor, and Pensions
Business meeting to consider pending calendar business.

SD-430

Daily Digest

HIGHLIGHTS

The House passed S. 2136, to extend the final report date and termination date of the National Commission on Terrorist Attacks Upon the United States, to provide additional funding for the Commission—clearing the measure for the President.

The House passed H.R. 1561, United States Patent and Trademark Fee Modernization Act of 2003.

Senate

Chamber Action

Routine Proceedings, pages S2019–S2176

Measures Introduced: Four bills and two resolutions were introduced, as follows: S. 2159–2162, and S. Res. 308–309. **Pages S2105–06**

Measures Passed:

U.S. Armed Forces Reimbursement: Committee on Armed Services was discharged from further consideration of S. 2057, to require the Secretary of Defense to reimburse members of the United States Armed Forces for certain transportation expenses incurred by the members in connection with leave under the Central Command Rest and Recuperation Leave Program before the program was expanded to include domestic travel, and the bill was then passed. **Page S2171**

Jumpstart Our Business Strength (JOBS) Act: Senate began consideration of S. 1637, to amend the Internal Revenue Code of 1986 to comply with the World Trade Organization rulings on the FSC/ETI benefit in a manner that preserves jobs and production activities in the United States, to reform and simplify the international taxation rules of the United States, agreeing to the committee amendment in the nature of a substitute, which will be considered as original text for the purpose of further amendment, and taking action on the following amendments proposed thereto: **Pages S2025–S2102**

Adopted:

Grassley/Baucus Amendment No. 2645, to provide certain modifications to the revenue provisions. **Page S2072**

Grassley/Baucus Amendment No. 2646 (to Amendment No. 2645), modifying provisions relating to leasing. **Page S2072**

Bingaman Amendment No. 2651 (to Amendment No. 2647), to expand the research credit. **Pages S2079–88**

By a unanimous vote of 93 yeas (Vote No. 31), Hatch Amendment No. 2647, to extend and modify the research credit. **Pages S2073–88**

Pending:

Dodd Amendment No. 2660, to protect United States workers from competition of foreign workforces for performance of Federal and State contracts. **Page S2088**

A unanimous-consent agreement was reached providing for further consideration of the bill at 10:30 a.m., on Thursday, March 3, 2004. **Page S2171**

Messages From the President: Senate received the following message from the President of the United States:

Transmitting, pursuant to law, a notification of the continuation of the national emergency blocking property of persons undermining democratic processes or institutions in Zimbabwe; to the Committee on Banking, Housing, and Urban Affairs. (PM–69) **Page S2104**

Nominations Received: Senate received the following nomination:

Benjamin Grumbles, of Virginia, to be an Assistant Administrator of the Environmental Protection Agency. **Page S2176**

Record Votes: One record vote was taken today. (Total—31) **Page S2088**

Adjournment: Senate convened at 9:30 a.m., and adjourned at 6:36 p.m., until 9:30 a.m., on Thursday, March 4, 2004. (For Senate's program, see the remarks of the Acting Majority Leader in today's Record on page S2171.)

Committee Meetings

(Committees not listed did not meet)

APPROPRIATIONS: DEPARTMENT OF ENERGY

Committee on Appropriations: Subcommittee on Energy and Water Development concluded a hearing to examine proposed budget estimates for fiscal year 2005 for the Department of Energy's Office of Science, Office of Nuclear Energy, Science and Technology, and Office of Energy Efficiency and Renewable Energy, after receiving testimony from David Garman, Assistant Secretary, Energy Efficiency and Renewable Energy, Raymond L. Orbach, Director, Office of Science, and William D. Magwood, IV, Director, Office of Nuclear Energy, Science and Technology, all of the Department of Energy.

APPROPRIATIONS: DISTRICT OF COLUMBIA

Committee on Appropriations: Subcommittee on the District of Columbia concluded a hearing to examine proposed budget estimates for fiscal year 2005 for the government of the District of Columbia, focusing on Court Services, Offender Supervision Agency, and the Public Defender Service, after receiving testimony from Paul A. Quander, Jr., Director, Court Services and Offender Supervision Agency for the District of Columbia; Ronald S. Sullivan, Jr., Director, Public Defender Service for the District of Columbia; and Rev. Donald Isaac, East of the River Clergy-Police-Community Partnership, Washington, D.C.

APPROPRIATIONS: DEPARTMENT OF THE ARMY

Committee on Appropriations: Subcommittee on Defense concluded a hearing to examine proposed budget estimates for fiscal year 2005 for the Department of the Army, after receiving testimony from R. Les Brownlee, Acting Secretary of the Army; and General Peter T. Schoomaker, Chief of Staff, Department of the Army.

DEPARTMENT OF DEFENSE AUTHORIZATION

Committee on Armed Services: Subcommittee on Emerging Threats and Capabilities concluded a hearing to examine the role of defense science and technology in the global war on terrorism and in preparing for

emerging threats in review of the defense authorization request for fiscal year 2005, after receiving testimony from Dale G. Uhler, Acquisition Executive and Senior Procurement Executive, Special Operations Acquisition and Logistics Center, United States Special Operations Command; Brigadier General Thomas D. Waldhauser, USMC, Commanding General, Marine Corps Warfighting Laboratory, Vice Chief, Office of Naval Research; Brigadier General Charles A. Cartwright, USA, Deputy Commanding General for Systems of Systems Integration, United States Army Research, Development and Engineering Command; Ronald M. Sega, Director, Defense Research and Engineering; Thomas H. Killion, Acting Deputy Assistant Secretary of the Army for Research and Technology, Chief Scientist; Rear Admiral Jay M. Cohen, USN, Chief of Naval Research; and James B. Engle, Deputy Assistant Secretary of the Air Force for Science, Technology and Engineering.

DEPARTMENT OF DEFENSE AUTHORIZATION

Committee on Armed Services: Subcommittee on Seapower concluded a hearing to examine future Navy and Marine Corps capabilities and requirements in review of the defense authorization request for fiscal year 2005 and the future years defense program, after receiving testimony from John J. Young, Jr., Assistant Secretary of the Navy for Research, Development and Acquisition; Vice Admiral John B. Nathman, USN, Deputy Chief of Naval Operations for Warfare Requirements and Programs; Vice Admiral J. Cutler Dawson, Jr., USN, Deputy Chief of Naval Operations for Resources, Requirements and Assessments; Lieutenant General Robert Magnus, USMC, Deputy Commandant for Programs and Resources, Headquarters, United States Marine Corps; and Lieutenant General Edward Hanlon, Jr., USMC, Commanding General, Combat Development Command, United States Marine Corps.

2005: BUDGET

Committee on the Budget: Committee met to mark up a proposed concurrent resolution setting forth the fiscal year 2005 budget for the Federal Government, but did not complete consideration thereon, and will meet again tomorrow.

CLIMATE CHANGE

Committee on Commerce, Science, and Transportation: Committee concluded a hearing to examine the impact and consequences of climate change, focusing on its implications for society, effects of burning of fossil fuels (coal, oil, and natural gas), and climate variability and changes across the Arctic region, including issues relative to UV radiation, after receiving

testimony from Senator Lieberman; Marvin A. Geller, Stony Brook University Institute for Terrestrial and Planetary Atmospheres, Stony Brook, New York; Jerry Mahlman, National Center for Atmospheric Research, Boulder, Colorado; Robert W. Corell, Arctic Climate Impact Assessment, Lee Hannah, Climate Change Biology, and Lara Hansen, World Wildlife Fund Climate Change Program, all of Washington, D.C.

IMPACT OF ABORTION

Committee on Commerce, Science, and Transportation: Subcommittee on Science, Technology and Space concluded a hearing to examine the impact of abortion on women, after receiving testimony from Georgette Forney, National Organization of Episcopalians for Life (NOEL), Sewickley, Pennsylvania; Michaelene Jenkins, Life Resource Network, San Diego, California; Roselyn Smith-Withers, The Pavilion of God, Washington, D.C., on behalf of the Clergy Advisory Committee of the Religious Coalition for Reproductive Choice (RCRC); Elizabeth Shadigian, University of Michigan Department of Obstetrics and Gynecology, Ann Arbor; and Nada L. Stotland, Rush Medical College, Chicago, Illinois.

OUTFITTER POLICY ACT

Committee on Energy and Natural Resources: Subcommittee on Public Lands and Forests concluded a hearing to examine S. 1420, to establish terms and conditions for use of certain Federal land by outfitters and to facilitate public opportunities for the recreational use and enjoyment of such land, after receiving testimony from David Tenny, Deputy Under Secretary of Agriculture for Natural Resources and Environment; Jim Hughes, Deputy Director, Bureau of Land Management, Department of the Interior; Todd Davidson, Oregon Tourism Commission, Salem, on behalf of the Western States Tourism Policy Council; David L. Brown, America Outdoors, Knoxville, Tennessee; and Dave Simon, Sierra Club, San Francisco, California.

EPA GRANTS MANAGEMENT

Committee on Environment and Public Works: Committee concluded an oversight hearing to examine grants management within the Environmental Protection Agency, focusing on a comprehensive system of management controls and initiatives to address grants management challenges, after receiving testimony from David J. O'Connor, Acting Assistant Administrator for the Office of Administration and Resources Management, and Melissa Heist, Assistant Inspector General for Audit, both of the Environmental Protection Agency; John B. Stephenson, Director, Natural Resources and the Environment,

General Accounting Office; and Steve Ellis, Taxpayers for Common Sense, Washington, D.C.

HEALTH INSURANCE CHALLENGES

Committee on Finance: Committee concluded a hearing to examine health insurance challenges, focusing on insurance scams, and their effect on workers and their families, and business owners who wish to provide health benefits, after receiving testimony from Ann L. Combs, Assistant Secretary of Labor for Employee Benefits Security; Kathryn G. Allen, Director, Health Care—Medicaid and Private Health Insurance Issues, and Robert J. Cramer, Managing Director, Office of Special Investigations, both of the General Accounting Office; Fred Nepple, Wisconsin Office of the Commissioner of Insurance, Madison, on behalf of the National Association of Insurance Commissioners ERISA Working Group; and Jose Montemayor, Texas Department of Insurance, Austin; Mila Kofman, Georgetown University Health Policy Institute, Washington, D.C.; Marie Almond, Albemarle, North Carolina; and Joan Piantadosi, Deerfield Beach, Florida.

FOREIGN AFFAIRS AGENCIES

Committee on Foreign Relations: Committee concluded a hearing to examine S. 2127, to build operational readiness in civilian agencies, focusing on post conflict stabilization and reconstruction requiring a broadly-based government response, including Federal efforts to fulfill ongoing objectives in Iraq and Afghanistan, after receiving testimony from James Dobbins, RAND International Security and Defense Policy Center, John J. Hamre, Center for Strategic and International Studies, and Hans Binnendijk, National Defense University, all of Washington, D.C.

BUSINESS MEETING

Committee on Indian Affairs: Committee met and approved the committee's views and estimates with respect to the President's proposed budget request for fiscal year 2005 for Indian programs.

NATIONAL MUSEUM OF THE AMERICAN INDIAN

Committee on Indian Affairs: Committee concluded an oversight hearing to examine the status of the completion of the Smithsonian Institution's National Museum of the American Indian, after receiving testimony from W. Richard West, Jr., Director, National Museum of the American Indian; and Jacqueline Johnson, National Congress of American Indians, of Washington, D.C.

JUDICIAL ACTIVISM VS. DEMOCRACY

Committee on the Judiciary: Subcommittee on the Constitution, Civil Rights and Property Rights concluded a hearing to examine national implications of the Massachusetts Goodridge decision and the judicial invalidation of traditional marriage laws, after receiving testimony from Nebraska Attorney General Jon Bruning, Lincoln; Richard Richardson, St. Paul African Methodist Episcopal (AME) Church, Boston, Massachusetts, on behalf of the Black Ministerial Al-

liance of Greater Boston; Daniel de Leon, Sr., Templo Calvario, Santa Ana, California, on behalf of Asociacion Evangelica de Ministerios Nacionales (AMEN); Hilary Shelton, National Association for the Advancement of Colored People, and Chuck Muth, Citizen Outreach, both of Washington D.C.; R. Lea Brilmayer, Yale University School of Law, New Haven, Connecticut; and Maggie Gallagher, Institute for Marriage and Public Policy, New York, New York.

House of Representatives

Chamber Action

Measures Introduced: 11 public bills, H.R. 3879–3889; and 1 resolution, H. Res. 550, were introduced. **Page H830**

Additional Cosponsors: **Pages H830–31**

Reports Filed: No reports were filed today.

Speaker Pro Tempore: Read a letter from the Speaker wherein he appointed Representative Shaw to act as Speaker Pro Tempore for today. **Page H755**

Suspensions: The House agreed to suspend the rules and pass the following measures:

Urging the introduction of a resolution calling upon the Government of the People's Republic of China to end its human rights violations in China: Debated on Tuesday, March 2, H. Res. 530, amended, urging the appropriate representative of the United States to the 60th session of the United Nations Commission on Human Rights to introduce a resolution calling upon the Government of the People's Republic of China to end its human rights violations in China, by a $\frac{2}{3}$ yeas-and-nay vote of 402 yeas to 2 nays, Roll No. 34; **Page H787**

Agreed to amend the title so as to read: resolution urging the appropriate representative of the United States to the 60th Session of the United Nations Commission on Human Rights to introduce a resolution calling upon the Government of the People's Republic of China to end its human rights violations in China. **Page H787**

Charles 'Pete' Conrad Astronomy Awards Act: H.R. 912, amended, to authorize the Administrator of the National Aeronautics and Space Administration to establish an awards program in honor of Charles "Pete" Conrad, astronaut and space scientist, for recognizing the discoveries made by amateur astronomers of asteroids with near-Earth orbit trajec-

tories, by a $\frac{2}{3}$ yeas-and-nay vote of 404 yeas to 1 nays, Roll No. 35; **Pages H757–59, H787–88**

Amending the Stevenson-Wydler Technology Innovation Act of 1980: H.R. 3389, to amend the Stevenson-Wydler Technology Innovation Act of 1980 to permit Malcolm Baldrige National Quality Awards to be made to nonprofit organizations, by a $\frac{2}{3}$ yeas-and-nay vote of 408 yeas with none voting "nay", Roll No. 36; and **Pages H759–62, H788–89**

Copyright Royalty and Distribution Reform Act of 2003: H.R. 1417, amended, to amend title 17, United States Code, to replace copyright arbitration royalty panels with a Copyright Royalty Judge, by a $\frac{2}{3}$ yeas-and-nay vote of 406 yeas with none voting "nay", Roll No. 37. **Pages H762–72, H789**

Agreed to amend the title so as to read: to amend title 17, United States Code, to replace copyright arbitration royalty panels with Copyright Royalty Judges. **Page H789**

Suspensions—Proceedings Postponed: The House completed debate on the following measures to suspend the rules. Further proceedings were postponed until Thursday, March 4.

Honoring the men and women of the Drug Enforcement Administration on the occasion of its 30th Anniversary: H. Res. 412, honoring the men and women of the Drug Enforcement Administration on the occasion of its 30th Anniversary; and **Pages H772–78**

Supporting the goals of Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance: H. Res. 56, supporting the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of the events surrounding the restriction, exclusion, and

internment of individuals and families during World War II. **Pages H778–84**

Recess: The House recessed at 12:25 p.m. and reconvened at 1:33 p.m. **Page H785**

National Commission on Terrorist Attacks Upon the United States: By unanimous consent the House passed S. 2136, to extend the final report date and termination date of the National Commission on Terrorist Attacks Upon the United States, to provide additional funding for the Commission—clearing the measure for the President. **Page H785**

Rule for Consideration of Commercial Space Launch Amendments Act of 2004: The House agreed to H. Res. 546, the rule providing for consideration of H.R. 3752, to promote the development of the emerging commercial human space flight industry, to extend the liability indemnification regime for the commercial space transportation industry, to authorize appropriations for the Office of the Associate Administrator for Commercial Space Transportation, by a voice vote. **Pages H785–86**

Recess: The House recessed at 2:32 p.m. and reconvened at 4:08 p.m. **Pages H789–90**

United States Patent and Trademark Fee Modernization Act of 2003—Order of Business: Agreed by unanimous consent that the amendment placed at the desk be considered as the amendment printed in H. Rept. 108–431 and numbered 1. **Page H790**

United States Patent and Trademark Fee Modernization Act of 2003: The House passed H.R. 1561, to amend title 35, United States Code, with respect to patent fees, by a yea-and-nay vote of 379 yeas to 28 nays, Roll No. 38. **Pages H793–S804**

Pursuant to the rule, the amendment in the nature of a substitute was considered as an original bill for the purpose of amendment. **Page H799**

Agreed to:

Sensenbrenner amendment that creates a “refund” program to eliminate the potential for diverting PTO revenue to non-PTO revenue programs and sets other regulations on patent searches (agreed to by voice vote). **Pages H801–03**

H. Res. 547, the rule providing for consideration of the bill was agreed to by a voice vote. **Pages H790–93**

Meeting Hour: Agreed that when the House adjourn today, it adjourn to meet at 11:30 a.m. on Thursday, March 4. **Page H804**

Presidential Message: Read a letter from the President wherein he notified Congress of the continuation of the National Emergency with respect to Zimbabwe—referred to the Committee on Inter-

national Relations and ordered printed (H. Doc. 108–168). **Page H784**

Senate Message: Message from the Senate appears today on page H755.

Senate Referral: S. 2136 was held at the desk.

Amendments: Amendments ordered printed pursuant to the rule appear on page H831.

Quorum Calls—Votes: Five yea-and-nay votes developed during the proceedings today. There were no quorum calls. **Pages H787, H787–88, H788–89, H789, H803**

Adjournment: The House met at 10 a.m. and adjourned at 9:25 p.m.

Committee Meetings

BUDGET VIEWS AND ESTIMATES

Committee on Agriculture: Approved Committee’s Budget Views and Estimates for Fiscal Year 2005 for submission to the Committee on the Budget.

AGRICULTURE, RURAL DEVELOPMENT, FHA AND RELATED AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies held a hearing on Inspector General. Testimony was heard from the following officials of the USDA: Phyllis K. Fong, Inspector General; Joyce N. Fleischman, Deputy Inspector General; Robert W. Young, Jr., Assistant Inspector General, Audit; Jon E. Novak, Deputy Assistant Inspector General, Investigations; Delmas R. Thornsbury, Director, Resources Management Division; and Stephen B. Dewhurst, Budget Officer.

COMMERCE, JUSTICE, STATE, JUDICIARY AND RELATED AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Commerce, Justice, State, Judiciary and Related Agencies held a hearing on the Secretary of State. Testimony was heard from Colin L. Powell, Secretary of State.

INTERIOR AND RELATED AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Interior and Related Agencies held a hearing on the Forest Service. Testimony was heard from Dale Bosworth, Chief, Forest Service, USDA.

LABOR, HHS, EDUCATION AND RELATED AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on P–16 Education Systems. Testimony was heard from public witnesses.

MILITARY CONSTRUCTION APPROPRIATIONS

Committee on Appropriations: Subcommittee on Military Construction held a hearing on Family Housing Privatization. Testimony was heard from William A. Armbruster, Deputy Assistant Secretary, Privatization and Partnerships, Department of the Army.

The Subcommittee also held a hearing on Central Command Budget Request. Testimony was heard from Gen. John Abizaid, USA, Commander, U.S. Central Command, Department of Defense.

TRANSPORTATION, TREASURY AND INDEPENDENT AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Transportation, Treasury and Independent Agencies held a hearing on the Secretary of Transportation. Testimony was heard from Norman Y. Mineta, Secretary of Transportation.

VA, HUD, AND INDEPENDENT AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on VA, HUD, and Independent Agencies on the Department of Housing and Urban Development. Testimony was heard from the following officials of HUD: Michael Liu, Assistant Secretary, Public and Indian Housing; and John C. Weicher, Assistant Secretary, Housing/Federal Housing Commissioner.

NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST—DOD

Committee on Armed Services: Held a hearing on the Fiscal Year 2005 National Defense Authorization budget request for the Department of Defense. Testimony was heard from the following officials of the Department of Defense: General John Abizaid, USA, Commander, U.S. Central Command; and Peter W. Rodman, Assistant Secretary, International Security Affairs.

NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST

Committee on Armed Services: Subcommittee on Projection Forces held a hearing on the Fiscal Year 2005 National Defense Authorization budget request—Department of Defense Capabilities for Conducting Conventional Long-range Strike Operations. Testimony was heard from the following officials of the Department of Defense: Lt. Gen. James E. Cartwright, USMC, Director, Force Structure, Resources and Assessment (J8), Joint Chiefs of Staff; Gen. T. Michael Moseley, USAF, Vice Chief of Staff, U.S. Air Force; and Rear Adm. Mark P. Fitzgerald, USN, Director, Air Warfare, Staff, Chief of Naval Operations; and the following officials of the Congres-

sional Research Services, Library of Congress: Christopher Bolkcom; and Ronald O'Rourke, both Specialists in National Defense.

NATIONAL DEFENSE AUTHORIZATION BUDGET REQUEST

Committee on Armed Services: Subcommittee on Total Force held a hearing on the Fiscal Year 2005 National Defense Authorization budget request on Military Resale and Morale, Welfare and Recreation Programs. Testimony was heard from the following officials of the Department of Defense: Charles S. Abell, Principal Under Secretary, Personnel and Readiness; Maj. Gen. Mike Wiedemer, USAF, Director, Defense Commissary Agency; Maj. Gen. Kathryn Frost, USA, Commander, Army and Air Force Exchange Service Command; Rear Adm. William J. Maguire, USN, Supply Corps, U.S. Navy, Commander, Navy Exchange Service Command; and Michael P. Downs, USMC, Director, Personnel and Family Readiness Division, Headquarters, U.S. Marine Corps; and public witnesses.

MEMBERS' DAY

Committee on the Budget: Held a hearing on Members' Day. Testimony was heard from Representatives Young of Alaska, Hunter, Skelton, Evans, LoBiondo, Kirk, Hayes, Mica, Herger, Tiahrt, Ehlers, Bordallo, Radanovich, Ryan of Wisconsin, Rogers of Alabama, Case, Blackburn, Issa, Shaw, Alexander, Ross, Miller of Florida, Holt and Biggert.

"NO CHILD LEFT BEHIND: IMPROVING RESULTS FOR CHILDREN WITH DISABILITIES"

Committee on Education and the Workforce: Held a hearing entitled "No Child Left Behind: Improving Results for Children with Disabilities." Testimony was heard from public witnesses.

MISCELLANEOUS MEASURES; COMMITTEE BUSINESS

Committee on Energy and Commerce: Ordered reported the following measures: H.R. 3717, amended, Broadcast Decency Enforcement Act of 2004; H.R. 3261, unfavorably, Database and Collections of Information Misappropriation Act; H.R. 3658, amended, Stroke Treatment and Ongoing Prevention Act; H. Res. 522, Expressing the sense of the House of Representatives that there is a critical need to increase awareness and education about heart disease and the risk factors of heart disease among women; S. 1881, amended, Medical Devices Technical Corrections Act; and H.R. 3872, Consumer Access to Information Act of 2004.

The Committee also approved pending Committee business.

STOCK OPTION ACCOUNTING REFORM ACT

Committee on Financial Services: Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises held a hearing on H.R. 3574, Stock Option Accounting Reform Act. Testimony was heard from public witnesses.

OVERSIGHT—FINANCIAL REPORT U.S. GOVERNMENT FISCAL YEAR 2003

Committee on Government Reform: Subcommittee on Government Efficiency and Financial Management held an oversight hearing on “Financial Report of the U.S. Government for Fiscal Year 2003.” Testimony was heard from David M. Walker, Comptroller General, GAO; Linda M. Springer, Controller, Office of Federal Financial Management, OMB; and Donald V. Hammond, Fiscal Assistant Secretary, Department of the Treasury.

FEDERAL INFORMATION TECHNOLOGY INVESTMENT MANAGEMENT

Committee on Government Reform: Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census held a hearing entitled “Federal Information Technology Investment Management, Strategic Planning, and Performance Measurement: 60 Billion Reasons Why.” Testimony was heard from the following officials of the OMB: Clay Johnson III, Deputy Director, Management and Budget; and Karen S. Evans, Administrator, E-Government and Information Technology; and David A. Powner, Director, Information Technology Management Issues, GAO.

RESOLUTION REGARDING DEATH OF MACEDONIAN PRESIDENT; U.S. PRIORITIES IN EUROPE

Committee on International Relations: Subcommittee on Europe approved for full Committee action H. Res. 540, Expressing the condolences and deepest sympathies of the House of Representatives for the untimely death of Macedonian President Boris Trajkovski.

The Subcommittee also held a hearing on U.S. Priorities in Europe. Testimony was heard from A. Elizabeth Jones, Assistant Secretary, Bureau of European and Eurasian Affairs, Department of State.

SITUATION IN HAITI

Committee on International Relations: Subcommittee on Western Hemisphere held a hearing on The Situation in Haiti. Testimony was heard from the following officials of the Department of State: Roger F. Noriega, Assistant Secretary, Bureau of Western

Hemisphere Affairs; Arthur E. Dewey, Assistant Secretary, Bureau of Population, Refugees, and Migration; and Adolfo A. Franco, Assistant Administrator, Bureau for Latin America and the Caribbean, AID; Timothy M. Carney, former U.S. Ambassador to Haiti; and public witnesses.

“MINERALS AND ENERGY; OUTSOURCING AMERICAN JOBS OVERSEAS”

Committee on Resources: Subcommittee on Energy and Mineral Resources held an oversight hearing entitled “Minerals and Energy: Outsourcing American Jobs Overseas.” Testimony was heard from public witnesses.

REVIEW—HYDROGEN FUEL AND FREEDOMCAR INITIATIVES

Committee on Science: Held a hearing to Review the Hydrogen Fuel and FreedomCAR Initiatives. Testimony was heard from David K. Garman, Assistant Secretary, Energy Efficiency and Renewable Energy, Department of Energy; and public witnesses.

DOD INTELLIGENCE SURVEILLANCE AND RECONNAISSANCE

Permanent Select Committee on Intelligence: Met in executive session to hold a hearing on Department of Defense Intelligence Surveillance and Reconnaissance. Testimony was heard from departmental witnesses.

ENABLING INFORMATION SHARING ACROSS INTELLIGENCE COMMUNITY

Permanent Select Committee on Intelligence: Subcommittee on Technical and Tactical Intelligence met in executive session to hold a hearing on Enabling Information Sharing Across the Intelligence Community. Testimony was heard from departmental witnesses.

DEPARTMENT OF HOMELAND SECURITY—EMERGENCY PREPAREDNESS AND RESPONSE DIRECTORATE BUDGET

Select Committee on Homeland Security: Subcommittee on Emergency Preparedness and Response held a hearing entitled “Department of Homeland Security Emergency Preparedness and Response Directorate Fiscal Year 2005 Budget.” Testimony was heard from Michael D. Brown, Under Secretary, Emergency Preparedness and Response, Department of Homeland Security.

NEW PUBLIC LAWS

(For last listing of Public Laws, see DAILY DIGEST, p. D137)

H.R. 743, to amend the Social Security Act and the Internal Revenue Code of 1986 to provide additional safeguards for Social Security and Supplemental Security Income beneficiaries with representative payees, to enhance program protections. Signed on March 2, 2004. (Public Law 108–203).

S. 523, to make technical corrections to law relating to Native Americans. Signed on March 2, 2004. (Public Law 108–204).

**COMMITTEE MEETINGS FOR THURSDAY,
MARCH 4, 2004**

(Committee meetings are open unless otherwise indicated)

Senate

Committee on Agriculture, Nutrition, and Forestry: Subcommittee on Marketing, Inspection, and Product Promotion, to hold oversight hearings to examine the development of a national animal identification plan, 2 p.m., SH–216.

Committee on Appropriations: Subcommittee on Interior, to hold hearings to examine proposed budget estimates for fiscal year 2005 for the Department of Energy, 9:30 a.m., SD–124.

Subcommittee on Labor, Health and Human Services, and Education, to hold hearings to examine proposed budget estimates for fiscal year 2005 for the Department of Education, 9:30 a.m., SD–192.

Subcommittee on Legislative Branch, to hold hearings to examine proposed budget estimates for fiscal year 2005 for the General Accounting Office, the Government Printing Office, and the Congressional Budget Office, 11 a.m., SD–116.

Committee on Armed Services: to hold open and closed hearings to examine the Defense Authorization Request for Fiscal Year 2005, focusing on military strategy and operational requirements (closed in SH–219), 9:30 a.m., SH–216.

Subcommittee on Personnel, to hold hearings to examine compensation, benefits, and health care for active and Reserve military personnel and their families in review of the defense authorization request for fiscal year 2005, 2:30 p.m., SR–222.

Committee on the Budget: business meeting to mark up the concurrent resolution on the budget for fiscal year 2005, 10 a.m., SD–608.

Full Committee, business meeting to mark up the concurrent resolution on the budget for fiscal year 2005, 10 a.m., SD–608.

Committee on Commerce, Science, and Transportation: to hold hearings to examine the nominations of Rhonda Keenum, of Mississippi, to be Assistant Secretary of Commerce and Director General of the United States and Foreign Commercial Services, Linda Morrison Combs, of North Carolina, to be an Assistant Secretary for Budget and Programs and Chief Financial Officer, Department of

Transportation, W. Douglas Buttrey, of Tennessee, and Francis Mulvey, of Maryland, both to be a Member of the Surface Transportation Board, 2:30 p.m., SR–253.

Committee on Energy and Natural Resources: to hold hearings to examine the Energy Information Administration (EIA) Annual Energy Outlook 2004 forecast regarding the supply, demand, and price projections for oil, natural gas, nuclear, coal and renewable sources, including commercial and market perspectives on the state of oil and natural gas markets, 10 a.m., SD–366.

Subcommittee on Energy, to hold hearings to examine new nuclear power generation in the United States, 2:30 p.m., SD–366.

Committee on Foreign Relations: business meeting to consider S. 2144, to authorize appropriations for the Department of State and international broadcasting activities for fiscal year 2005, for the Peace Corps for fiscal year 2005 through 2007, for foreign assistance programs for fiscal year 2005, S. 2096, to promote a free press and open media through the National Endowment for Democracy, S. 2127, to build operational readiness in civilian agencies, Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed at Washington on November 6, 2003, together with a Protocol and an exchange of notes (the “Convention”) (Treaty Doc. 108–14), Protocol Amending the Convention Between the Government of the United States of America and the Government of the Democratic Socialist Republic of Sri Lanka for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed at Colombo on March 14, 1985, together with an exchange of notes, signed at Washington on September 20, 2002 (the “Protocol”) (Treaty Doc. 108–09), the Protocol Additional to the Agreement Between the United States of America and the International Atomic Energy Agency for the Application of Safeguards in the United States of America, with annexes, signed at Vienna June 12, 1998 (Treaty Doc. 107–07), and the nominations of Feliciano Foyo, of Florida, and Robert Hurley McKinney, of Indiana, each to be a Member of the Advisory Board for Cuba Broadcasting, Edward E. Kaufman, of Delaware, and Steven J. Simmons, of Connecticut, each to be a Member of the Broadcasting Board of Governors, Glyn T. Davies, of the District of Columbia, for the rank of Ambassador during his tenure of service as the Political Director for the United States Presidency of the G–8, and Sanford Gottesman, of Texas, Diane M. Ruebling, of California, C. William Swank, of Ohio, each to be a Member of the Board of Directors of the Overseas Private Investment Corporation, and Richard S. Williamson, of Illinois, for the rank of Ambassador during his tenure of service as Representative of the United States of America on the Human Rights Commission of the Economic and Social Council of the United Nations, 9:30 a.m., SD–419.

Subcommittee on East Asian and Pacific Affairs, to hold hearings to examine the state of democracy in Hong Kong, 2:30 p.m., SD–419.

Committee on Health, Education, Labor, and Pensions: to hold hearings to examine issues for reauthorization of the Higher Education Act, 10 a.m., SD-430.

Committee on the Judiciary: business meeting to consider the nominations of Henry W. Saad, of Michigan, to be United States Circuit Judge for the Sixth Circuit, William James Haynes II, of Virginia, to be United States Circuit Judge for the Fourth Circuit, Raymond W. Gruender, of Missouri, to be United States Circuit Judge for the Eighth Circuit, Franklin S. Van Antwerpen, of Pennsylvania, to be United States Circuit Judge for the Third Circuit, Diane S. Sykes, of Wisconsin, to be United States Circuit Judge for the Seventh Circuit, Judith C. Herrera, to be United States District Judge for the District of New Mexico, F. Dennis Saylor IV, to be United States District Judge for the District of Massachusetts, Sandra L. Townes, to be United States District Judge for the Eastern District of New York, Louis Guirola, Jr., to be United States District Judge for the Southern District of Mississippi, Virginia E. Hopkins, to be United States District Judge for the Northern District of Alabama, Kenneth M. Karas, to be United States District Judge for the Southern District of New York, Ricardo S. Martinez, of Washington, to be United States District Judge for the Western District of Washington, Gene E. K. Pratter, to be United States District Judge for the Eastern District of Pennsylvania, Neil Vincent Wake, to be United States District Judge for the District of Arizona, William S. Duffey, Jr., to be United States District Judge for the Northern District of Georgia, James L. Robart, to be United States District Judge for the Western District of Washington, Juan R. Sanchez, to be United States District Judge for the Eastern District of Pennsylvania, Lawrence F. Stengel, to be United States District Judge for the Eastern District of Pennsylvania and Michele M. Leonhart, of California, to be Deputy Administrator of Drug Enforcement, Domingo S. Herraiz, of Ohio, to be Director of the Bureau of Justice Assistance, LaFayette Collins, to be United States Marshal for the Western District of Texas, and Ronald J. Tenpas, of Illinois, to be United States Attorney for the Southern District of Illinois, all of the Department of Justice, 9:30 a.m., SD-226.

Committee on Veterans' Affairs: to hold joint hearings with the House Committee on Veterans' Affairs to examine the legislative presentations of the Non-Commissioned Officers Association, the Military Order of the Purple Heart, the Paralyzed Veterans of America, the Jewish War Veterans, and the Blinded Veterans Association, 10 a.m., 345 CHOB.

Select Committee on Intelligence: to hold closed hearings to examine certain intelligence matters, 2:30 p.m., SH-219.

United States Senate Caucus on International Narcotics Control: to hold hearings to examine the current status of federal efforts to coordinate and combat money laundering and terrorist financing, 2 p.m., SD-215.

House

Committee on Appropriations, Subcommittee on Agriculture, Rural Development, Food and Drug Administra-

tion and Related Agencies, on Marketing and Regulatory Programs, 9:30 a.m., 2362A Rayburn.

Subcommittee on Energy and Water Development, on Bureau of Reclamation, 10 a.m., 2362B Rayburn.

Subcommittee on Homeland Security, on Secretary of Homeland Security, 10 a.m., 2359 Rayburn.

Subcommittee on Interior and Related Agencies, on Fish and Wildlife Service, 10 a.m., B-308 Rayburn.

Subcommittee on Labor, Health and Human Services, Education and Related Agencies, on Secretary of Health and Human Services, 10 a.m., 2358 Rayburn.

Subcommittee on Veterans' Affairs, HUD and Independent Agencies, on EPA, 1:30 p.m., 2359 Rayburn.

Committee on Armed Services, Subcommittee on Readiness, hearing on the Fiscal Year 2005 National Defense Authorization budget request—Military Construction Budget Request for the Programs of the Department of the Army and the Department of the Navy, 2 p.m., 2118 Rayburn.

Subcommittee on Tactical Air and Land Forces, hearing on the Fiscal Year 2005 National Defense Authorization budget request—Aviation Industrial Base and Department of Defense Rotorcraft Investment Programs, 9 a.m., 2118 Rayburn.

Subcommittee on Terrorism, Unconventional Threats and Capabilities, hearing on the Fiscal Year 2005 National Defense Authorization Budget Request—Department of Defense Responsibilities in Homeland Defense and Homeland Security Missions, 3 p.m., 2212 Rayburn.

Committee on Education and the Workforce, Subcommittee on Education Reform, to mark up H.R. 3873, Child Nutrition Improvement and Integrity Act, 10:15 a.m., 2175 Rayburn.

Committee on Energy and Commerce, Subcommittee on Health, hearing entitled "Prescription Drug Monitoring: Strategies to Promote Treatment and Deter Prescription Drug Abuse," 1 p.m., 2123 Rayburn.

Subcommittee on Oversight and Investigations, hearing entitled "A Review of Security DOE Nuclear Facilities and the Implementation of the Revised Design Basis Threat," 11 a.m., 2322 Rayburn.

Committee on Financial Services, Subcommittee on Oversight and Investigations, hearing entitled "Oversight of the Federal Deposit Insurance Corporation," 10 a.m., 2128 Rayburn.

Committee on Government Reform, to consider the following bills: H.R. 3059, To designate the facility of the United States Postal Service located at 304 West Michigan Street in Stuttgart, Arkansas, as the "Lloyd L. Burke Post Office;" H.R. 3723, To designate the facility of the United States Postal Service located at 8135 Forest Lane in Dallas, Texas, as the "Vaughn Gross Post Office Building;" and H.R. 3855, To designate the facility of the United States Postal Service located at 607 Pershing Drive in Laclede, Missouri, as the "General John J. Pershing Post Office;" followed by a hearing entitled "America's New Welcome Mat: A Look at the Goals and Challenges of the US-VISIT Program," 2 p.m., 2154 Rayburn.

Committee on International Relations, hearing on The United States Government Strategy for Fighting HIV/

AIDS: Implementation of Public Law 108–25, 10:30 a.m., 2172 Rayburn.

Committee on the Judiciary, Subcommittee on Immigration, Border Security, and Claims, oversight hearing on Alien Removal Under “Operation Predator,” 10 a.m., 2141 Rayburn.

Committee on Transportation and Infrastructure, Subcommittee on Coast Guard and Maritime Transportation, oversight hearing on the U.S. Coast Guard and Federal Maritime Commission Fiscal Year 2005 Budget Requests, and on the Coast Guard Authorization Act for Fiscal Year 2005, 11 a.m., 2167 Rayburn.

Committee on Ways and Means, to mark up Committee’s Budget Views and Estimates for Fiscal Year 2005 for submission to the Committee on the Budget; followed by a hearing on the President’s Fiscal Year 2005 Budget for the Department of Labor, 10 a.m., 1100 Longworth.

Permanent Select Committee on Intelligence, executive, hearing on Terror Threats, 10 a.m., and, executive, hearing on Detainee Information Update, 1 p.m., H–405 Capitol.

Select Committee on Homeland Security, Subcommittee on Intelligence and Counterterrorism and the Subcommittee on Infrastructure and Border Security, joint hearing entitled “The Department of Homeland Security’s Information Analysis and Infrastructure Protection Budget Proposal for Fiscal Year 2005,” 10 a.m., 2318 Rayburn.

Joint Meetings

Joint Meetings: Senate Committee on Veterans’ Affairs, to hold joint hearings with the House Committee on Veterans’ Affairs to examine the legislative presentations of the Non-Commissioned Officers Association, the Military Order of the Purple Heart, the Paralyzed Veterans of America, the Jewish War Veterans, and the Blinded Veterans Association, 10 a.m., 345 CHOB.

Next Meeting of the SENATE

9:30 a.m., Thursday, March 4

Next Meeting of the HOUSE OF REPRESENTATIVES

11:30 a.m., Thursday, March 4

Senate Chamber

Program for Thursday: After the transaction of any morning business (not to extend beyond 10:30 a.m.), Senate will continue consideration of S. 1637, Jumpstart Our Business Strength (JOBS) Act.

House Chamber

Program for Thursday: Rolled Suspension votes:

(1) H. Res. 412, honoring the men and women of the Drug Enforcement Administration on the occasion of its 30th Anniversary; and

(2) H. Res. 56, supporting the goals of the Japanese American, German American, and Italian American communities in recognizing a National Day of Remembrance to increase public awareness of the events surrounding the restriction, exclusion, and internment of individuals and families during World War II.

Consideration of H.R. 3752, Commercial Space Launch Amendments Act of 2004 (modified closed rule).

Extensions of Remarks, as inserted in this issue

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