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REPORT ON THE LEGISLATIVE AND OVERSIGHT ACTIVITIES

OF THE

COMMITTEE ON WAYS AND MEANS

DURING THE

107TH CONGRESS



JANUARY 2, 2003.—Committed to the Committee of the Whole House on
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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC, January 2, 2003.

Hon. JEFF TRANDAHL,
Office of the Clerk, House of Representatives,
The Capitol, Washington, DC.

DEAR MR. TRANDAHL: I am herewith transmitting, pursuant to House Rule XI, clause 1(d), the report of the Committee on Ways and Means on its legislative and oversight activities during the 107th Congress.

Best regards,

BILL THOMAS, *Chairman.*

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FOREWORD

Clause 1(d) of Rule XI of the Rules of the House, regarding the rules of procedure for committees, contains a requirement that each committee prepare a report at the conclusion of each Congress summarizing its activities. The 104th Congress added subsections on legislative and oversight activities, including a summary comparison of oversight plans and eventual recommendations and actions. The full text of the Rule, as recodified in the 107th Congress, follows:

(d)(1) Each committee shall submit to the House not later than January 2 of each odd-numbered year a report on the activities of that committee under this rule and rule X during the Congress ending at noon on January 3 of such year.

(2) Such report shall include separate sections summarizing the legislative and oversight activities of that committee during that Congress.

(3) The oversight section of such report shall include a summary of the oversight plans submitted by the committee under clause 2(d) of rule X, a summary of the actions taken and recommendations made with respect to each such plan, a summary of any additional oversight activities undertaken by that committee, and any recommendations made or actions taken thereon.

(4) After an adjournment sine die of the last regular session of a Congress, the chairman of a committee may file an activities report under subparagraph (1) with the Clerk at any time and without approval of the committee, provided that—

(A) a copy of the report has been available to each member of the committee for at least seven calendar days; and

(B) the report includes any supplemental, minority, or additional view submitted by a member of the committee.

The jurisdiction of the Committee on Ways and Means during the 107th Congress is provided in Rule X, clause 1(s), as follows:

(s) Committee on Ways and Means.

(1) Customs, collection districts, and ports of entry and delivery.

(2) Reciprocal trade agreements.

(3) Revenue measures generally.

(4) Revenue measures relating to the insular possessions.

(5) The bonded debt of the United States, subject to the last sentence of clause 4(f).

VIII

- (6) Deposit of public monies.
- (7) Transportation of dutiable goods.
- (8) Tax exempt foundations and charitable trusts.
- (9) National social security (except health care and facilities programs that are supported from general revenues as opposed to payroll deductions and except work incentive programs).

The general oversight responsibilities of committees are set forth in clause 2 of Rule X. The 104th Congress also added the requirement in clause 2 of Rule X that each standing committee submit its oversight plans for each Congress. The text of the Rule, as recodified in the 107th Congress, in pertinent part, follows:

2. (a) The various standing committees shall have general oversight responsibilities as provided in paragraph (b) in order to assist the House in—

(1) its analysis, appraisal, and evaluation of—

(A) the application, administration, execution, and effectiveness of Federal laws; and

(B) conditions and circumstances that may indicate the necessity or desirability of enacting new or additional legislation; and

(2) its formulation, consideration, and enactment of changes in Federal laws, and of such additional legislation as may be necessary or appropriate.

(b)(1) In order to determine whether laws and programs addressing subjects within the jurisdiction of a committee are being implemented and carried out in accordance with the intent of Congress and whether they should be continued, curtailed, or eliminated, each standing committee (other than the Committee on Appropriations) shall review and study on a continuing basis—

(A) the application, administration, execution, and effectiveness of laws and programs addressing subjects within its jurisdiction;

(B) the organization and operation of the Federal agencies and entities having responsibilities for the administration and execution of laws and programs addressing subjects within its jurisdiction;

(C) any conditions or circumstances that may indicate the necessity or desirability of enacting new or additional legislation addressing subjects within its jurisdiction (whether or not a bill or resolution has been introduced with respect thereto); and

(D) future research and forecasting on subjects within its jurisdiction.

(2) Each committee to which subparagraph (1) applies having more than 20 members shall establish an oversight subcommittee, or require its subcommittees to conduct oversight in their respective jurisdictions, to assist in carrying out its responsibilities under this clause. The establishment of an oversight subcommittee does not limit the responsibility of a subcommittee with legislative jurisdiction in carrying out its oversight responsibilities.

(c) Each standing committee shall review and study on a continuing basis the impact or probable impact of tax policies affecting subjects within its jurisdiction as described in clauses 1 and 3.

(d)(1) Not later than February 15 of the first session of a Congress, each standing committee shall, in a meeting that is open to the public and with a quorum present, adopt its oversight plans for that Congress. Such plan shall be submitted simultaneously to the Committee on Government Reform and to the Committee on House Administration. In developing its plan each committee shall, to the maximum extent feasible—

(A) consult with other committees that have jurisdiction over the same or related laws, programs, or agencies within its jurisdiction with the objective of ensuring maximum coordination and cooperation among committees when conducting reviews of such laws, programs, or agencies and include in its plan an explanation of steps that have been or will be taken to ensure such coordination and cooperation;

(B) review specific problems with Federal rules, regulations, statutes, and court decisions that are ambiguous, arbitrary, or nonsensical, or that impose severe financial burdens on individuals;

(C) give priority consideration to including in its plan the review of those laws, programs, or agencies operating under permanent budget authority or permanent statutory authority; and

(D) have a view toward ensuring that all significant laws, programs, or agencies within its jurisdiction are subject to review every 10 years.

To carry out its work during the 107th Congress, the Committee on Ways and Means had six standing Subcommittees, as follows:

Subcommittee on Trade;
 Subcommittee on Oversight;
 Subcommittee on Health;
 Subcommittee on Social Security;
 Subcommittee on Human Resources; and
 Subcommittee on Select Revenue Measures.

The membership of the six Subcommittees of the Committee on Ways and Means in the 107th Congress is as follows:

SUBCOMMITTEE ON TRADE

PHILIP M. CRANE, Illinois, *Chairman*

E. CLAY SHAW, JR., Florida	SANDER M. LEVIN, Michigan
AMO HOUGHTON, New York	CHARLES B. RANGEL, New York
DAVE CAMP, Michigan	RICHARD E. NEAL, Massachusetts
JIM RAMSTAD, Minnesota	WILLIAM J. JEFFERSON, Louisiana
JENNIFER DUNN, Washington	XAVIER BECERRA, California
WALLY HERGER, California	JOHN S. TANNER, Tennessee
PHIL ENGLISH, Pennsylvania	
JIM NUSSLE, Iowa	

X

SUBCOMMITTEE ON OVERSIGHT

AMO HOUGHTON, New York, *Chairman*

ROB PORTMAN, Ohio	WILLIAM J. COYNE, Pennsylvania
JERRY WELLER, Illinois	MICHAEL R. McNULTY, New York
KENNY C. HULSHOF, Missouri	JOHN LEWIS, Georgia
SCOTT McINNIS, Colorado	KAREN L. THURMAN, Florida
MARK FOLEY, Florida	EARL POMEROY, North Dakota
SAM JOHNSON, Texas	
JENNIFER DUNN, Washington	

SUBCOMMITTEE ON HEALTH

NANCY L. JOHNSON, Connecticut, *Chairman*

JIM McCRERY, Louisiana	FORTNEY PETE STARK, California
PHILIP M. CRANE, Illinois	GERALD D. KLECZKA, Wisconsin
SAM JOHNSON, Texas	JOHN LEWIS, Georgia
DAVE CAMP, Michigan	JIM McDERMOTT, Washington
JIM RAMSTAD, Minnesota	KAREN L. THURMAN, Florida
PHIL ENGLISH, Pennsylvania	
JENNIFER DUNN, Washington	

SUBCOMMITTEE ON SOCIAL SECURITY

E. CLAY SHAW, Jr., Florida, *Chairman*

SAM JOHNSON, Texas	ROBERT T. MATSUI, California
MAC COLLINS, Georgia	LLOYD DOGGETT, Texas
J.D. HAYWORTH, Arizona	BENJAMIN L. CARDIN, Maryland
KENNY C. HULSHOF, Missouri	EARL POMEROY, North Dakota
RON LEWIS, Georgia	XAVIER BECERRA, California
KEVIN BRADY, Texas	
PAUL RYAN, Wisconsin	

SUBCOMMITTEE ON HUMAN RESOURCES

WALLY HERGER, California, *Chairman*

NANCY L. JOHNSON, Connecticut	BENJAMIN L. CARDIN, Maryland
WES WATKINS, Oklahoma	FORTNEY PETE STARK, California
SCOTT McINNIS, Colorado	SANDER M. LEVIN, Michigan
JIM McCRERY, Louisiana	JIM McDERMOTT, Washington
DAVE CAMP, Michigan	LLOYD DOGGETT, Texas
PHIL ENGLISH, Pennsylvania	
RON LEWIS, Georgia	

SUBCOMMITTEE ON SELECT REVENUE MEASURES

JIM McCRERY, Louisiana, *Chairman*

J.D. HAYWORTH, Arizona	MICHAEL R. McNULTY, New York
JERRY WELLER, Illinois	RICHARD E. NEAL, Massachusetts
RON LEWIS, Georgia	WILLIAM J. JEFFERSON, Louisiana
MARK FOLEY, Florida	JOHN S. TANNER, Tennessee
KEVIN BRADY, Texas	
PAUL RYAN, Wisconsin	

The Committee on Ways and Means submits its report on its legislative and oversight activities for the 107th Congress pursuant to the above stated provisions of the Rules of the House. Section I of the report describes the Committees' legislative activities, divided into six sections as follows: Legislative Review of Tax, Trust Fund, and Pension Issues; Legislative Review of Trade Issues; Legislative Review of Health Issues; Legislative Review of Social Security Issues; Legislative Review of Human Resources Issues; and Legislative Review of Debt Issues.

Section II of the report describes the Committees' oversight activities. It includes a copy of the Committee's Oversight Agenda,

adopted in open session on February 7, 2001, along with a description of actions taken and recommendations made with respect to the oversight plan. The report then discusses additional Committee oversight activities, and any recommendations or actions taken as a result. Finally, the report includes four appendices with Committee information. Appendix I is an expanded discussion of the Jurisdiction of the Committee on Ways and Means along with a revised listing and explanation of blue slip resolutions and points of order under House Rule XXI 5(a). Appendix II is a brief Historical Note on the origins of the Committee; Appendix III is a Statistical Review of the Activities of the Committee on Ways and Means; and Appendix IV is a listing of the Chairmen and Membership of the Committee from the 1st–107th Congresses.

Union Calendar No. 502

107TH CONGRESS 2d Session	HOUSE OF REPRESENTATIVES	REPORT 107-801
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REPORT ON THE LEGISLATIVE AND OVERSIGHT ACTIVITIES OF THE COMMITTEE ON WAYS AND MEANS DURING THE 107TH CONGRESS

JANUARY 2, 2003.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means,
submitted the following

R E P O R T

I. Legislative Activity Review

A. LEGISLATIVE REVIEW OF TAX, TRUST FUND, AND PENSION ISSUES

1. BILLS ENACTED INTO LAW DURING THE 107TH CONGRESS

a. Fallen Hero Survivor Benefit Fairness Act

On May 3, 2001, Representative Ramstad introduced H.R. 1727, the “Fallen Hero Survivor Benefit Fairness Act of 2001.” On May 9, 2001, the Committee approved the bill, with an amendment, by voice vote. The amended bill passed the House under suspension of the rules on May 15, 2001, and passed the Senate by unanimous consent on May 22, 2001. The President signed the bill into law on June 5, 2001 (P.L. 107-15). The provisions of the bill were also included in H.R. 1836 (see I.A.1b), but were subsequently dropped from the bill after H.R. 1727 was enacted into law.

H.R. 1727 amended a provision in the Taxpayer Relief Act of 1997 (P.L. 105-34) regarding certain annuities paid to survivors of public safety officers who are killed in the line of duty. The Taxpayer Relief Act of 1997 provides that such annuities are excludible from income if the officer died after December 31, 1996. H.R. 1727 provides that survivor annuities are excludible from income regardless of when the officer died. The exclusion applies prospectively to annuities received after December 31, 2001.

b. Economic Growth and Tax Relief Reconciliation Act

On February 5 and 6, 2001, the Committee held hearings to discuss the President's fiscal year 2002 budget proposals. On February 13 and March 21, 2001, the Committee held hearings to discuss the tax relief proposals contained in the President's fiscal year 2002 budget.

On May 15, 2001, Chairman Thomas introduced H.R. 1836, the "Economic Growth and Tax Relief Reconciliation Act of 2001." The bill passed the House on May 16, 2001, and passed the Senate, with an amendment, on May 23, 2001. The conference report on H.R. 1836 passed the House and Senate on May 26, 2001, and was signed into law by the President on June 7, 2001 (P.L. 107-16).

H.R. 1836 included provisions similar to those contained in H.R. 3, the "Economic Growth and Tax Relief Act," H.R. 6, the "Marriage Penalty and Family Tax Relief Act," H.R. 8, the "Death Tax Elimination Act," H.R. 10, the "Comprehensive Retirement Security and Pension Reform Act" as passed by the House of Representatives, and H.R. 622, the "Hope for Children Act." The Committee and the House approved all of these bills.

In summary, Title I of the Act established a 10-percent individual income tax bracket and gradually reduced the 28-, 31-, 36-, and 39.6-percent income tax rates to 25 percent, 28 percent, 33 percent, and 35 percent, respectively. The benefits of the new 10-percent tax bracket for 2001 were delivered in the form of rebate checks that were mailed to eligible taxpayers during the 2001 calendar year to the greatest extent possible. Title I of the Act also phased out the limitation on itemized deductions and the personal exemption phase out.

Title II of the Act provided several tax benefits for families with children. The child tax credit was gradually doubled to \$1,000 per child, and a portion of the credit was made refundable. The adoption credit and the exclusion for employer-provided adoption assistance were expanded and made permanent. The dependent care credit was expanded, and an employer-provided childcare credit of up to \$150,000 per year was established to offset the cost of building childcare facilities or providing qualified childcare resources and referrals.

Title III of the Act provided marriage tax penalty relief by gradually increasing the standard deduction for married taxpayers filing jointly so that the deduction will be twice that of an individual filing a single return. The 15-percent income tax bracket for joint tax filers was gradually increased so that it will be twice the width of the bracket for an individual filing a single return. The earned income credit for joint tax filers was increased and several simplifications to the earned income credit were adopted.

Title IV of the Act contained several education tax incentives. Coverdell education savings accounts were expanded to cover qualified elementary and secondary education expenses, and the annual contribution limit was increased from \$500 to \$2,000, among other enhancements. Qualified tuition programs were expanded in several ways. Most notably, the Act provided that distributions are excludible from income if used for qualified higher education expenses. Certain private institutions of higher education were permitted to establish qualified tuition programs (but not savings programs). The exclusion for employer provided educational assistance

was expanded to include graduate courses and permanently extended. The 60-month limit on the student loan interest deduction was eliminated, and the income limitations for the deduction were increased. The Act provided that certain amounts received under the National Public Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program were excludible from income. The Act also enhanced the rules relating to tax-exempt bond financing for public schools. Finally, the Act established a temporary above-the-line deduction for qualified higher education tuition and related expenses.

Title V of the Act repealed the estate and generation-skipping transfer taxes effective January 1, 2010, and repealed the provisions relating to the basis of property acquired from a decedent (so that such property takes a carryover basis instead of a step up in basis). Several modifications to the estate and generation-skipping taxes were made prior to the effective date of the repeal. The State death tax credit was repealed beginning January 1, 2005, and replaced with a deduction for such taxes. Several other changes to the estate, generation-skipping, and gift taxes were also adopted.

Title VI provided several modifications to individual retirement accounts (IRAs), qualified retirement plans and annuities, and eligible plans of State and local governments, and tax-exempt organizations (457 plans). Among these changes, the Act gradually increased the annual contribution limit for IRAs to \$5,000. The annual contribution limits for qualified plans and 457 plans was gradually increased to \$15,000. Additional catch-up contributions for individuals age 50 and older were established. Several provisions aimed at expanding pension coverage were adopted, including an increase in the annual benefit and contribution limits and modifications to the top-heavy rules. The Act also provided an individual income tax credit of up to \$2,000 for qualified retirement savings contributions and included several provisions aimed at mitigating pension plan start-up costs for small employers. Several provisions to enhance portability were enacted, and faster vesting of certain employer matching contributions was required.

To comply with the Congressional Budget Act, most of the provisions of the Act are scheduled to expire (or “sunset”) after December 31, 2010.

c. Naming “Coverdell Education Savings Accounts”

On July 18, 2001, Senator Lott introduced S. 1190, a bill to amend the Internal Revenue Code of 1986 to rename “education individual retirement accounts” as “Coverdell education savings accounts.” The bill passed the Senate by unanimous consent on the same day. The Committee discharged the bill on July 23, 2001, and the House passed the bill by unanimous consent on the same day. The President signed the bill into law on July 26, 2001 (P.L. 107–22).

d. Railroad Retirement and Survivors’ Improvement Act

On March 14, 2001, Representative Portman introduced H.R. 10, the “Comprehensive Retirement Security and Pension Reform Act of 2001.” The Committee approved the bill, with an amendment, on April 25, 2001. The House passed the bill, with an amendment, on

May 2, 2001. The provisions of H.R. 10 were included in H.R. 1836, the “Economic Growth and Tax Relief Reconciliation Act of 2001,” which was signed into law by the President on June 7, 2001 (P.L. 107–16) (see I.A.1b).

H.R. 1140, the “Railroad Retirement and Survivors” Improvement Act of 2001,” was introduced on March 21, 2001, by Representative Young. The bill was discharged by the Committee on Ways and Means on July 12, 2001. The bill passed the House under suspension of the rules on July 31, 2001.

On December 5, 2001, Senate Amendment 2170 incorporated the provisions of H.R. 1140 as substitute text for H.R. 10. H.R. 10, as amended, passed the Senate on the same day. The House approved the Senate amendment on December 11, 2001, and the President signed the bill into law on December 21, 2001 (P.L. 107–90).

In summary, H.R. 10 increased benefits paid to railroad retirees and their beneficiaries, reduced the payroll taxes used to finance benefits, and revised the financing of the railroad retirement system.

The Act made several changes to railroad retirement annuities received by retired employees and surviving spouses.

The Act established a Railroad Retirement Trust Fund and a National Railroad Retirement Investment Trust to manage and invest the assets of the Railroad Retirement system. The Act provided that amounts needed to pay tier 1 and tier 2 annuities would be transferred to an independent disbursing agent outside of the U.S. Department of the Treasury. The disbursing agent would provide annuity checks to beneficiaries.

The Act repealed the supplemental annuity tax that was used to finance supplemental annuities for long-time rail employees. In addition, tier 2 tax rates were reduced for railroad employers and employees. The Act established an automatic adjustment mechanism to adjust tier II tax rates based on the financial status of the system. Under this mechanism, the Railroad Retirement Board is required to calculate the ratio of assets to benefits each year to determine tier 2 tax rates.

e. Airline Financial Stabilization

On September 21, 2001, Representative Young introduced H.R. 2926, the “Air Transportation Safety and System Stabilization Act.” The bill was discharged by the Committee and passed by the House on September 21, 2001. The Senate passed S. 1450, a companion bill to H.R. 2926 on the same day. Unanimous consent agreements in the Senate provided for the House bill to be passed in the Senate if it was identical to the Senate bill. The President signed the bill into law on September 22, 2001 (P.L. 107–42).

In summary, the Act provided financial assistance to the airline industry to help reduce the economic impact caused by the September 11, 2001, terrorist attacks. The tax title of the Act extended the deadline for an air carrier to make certain airline-related excise tax deposits. In addition to the tax title, the Act provided direct payments and loan guarantees to air carriers affected by the air stoppage occurring after September 10, 2001, authorized assistance for aviation insurance and reimbursed air carriers for any increase in the costs of insurance since September 11, 2001. The Act also created a Victims Compensation Fund to compensate the families

of victims who were injured or killed as a result of the terrorist attacks. Finally, the Act affirmed the President's decision to spend \$3 billion on airline safety.

f. Victims of Terrorism Tax Relief Act

On September 13, 2001, Chairman Thomas introduced H.R. 2884, the "Victims of Terrorism Tax Relief Act of 2001." The Committee discharged the bill, and the House approved the bill by unanimous consent on the same day. On November 16, 2001, the Senate approved H.R. 2884, with an amendment, by unanimous consent. On December 13, 2001, the House agreed to the Senate amendment with an amendment. On December 20, 2001, the Senate approved the House amendment with further amendment. The House approved the Senate amendment by unanimous consent on the same day. The President signed the bill into law on December 21, 2001 (P.L. 107-134).

The provisions of H.R. 2884 were also included in H.R. 3529, the "Economic Recovery and Worker Assistance Act of 2001," as passed by the House on December 20, 2001 (see I.A.1h).

In summary, the Act provided tax relief to individuals who died as a result of the terrorist attacks against the United States on April 19, 1995 (Oklahoma City bombing) or September 11, 2001 (World Trade Center and Pentagon), or who died as a result of the anthrax attacks occurring on or after September 11, 2001, and before January 1, 2002. The Act waived the income tax liability of such victims for the year of death and the year prior to death (and established a minimum benefit of \$10,000 for each victim). In addition, lower estate tax rates were established for such victims. Similar tax benefits already applied under prior law for members of the Armed Forces who died while serving in a combat zone. The Act provided an exclusion from income for certain death benefits paid by an employer and provided that payments from charitable organizations are to be treated as exempt payments that are excludible from income.

The Act also provided general tax relief provisions for victims of terrorist and military actions, Presidentially-declared disasters, and certain other disasters. The Act clarified that disaster relief payments are excludible from income.

The Act protected victims who sell structured settlements for a lump sum by imposing a 40-percent excise tax on such transactions unless the transaction is approved by a court as being in the victim's best interest.

The exemption amount for disability trusts was increased to \$3,000, thus reducing the taxation of these trusts.

The Act also allowed the Internal Revenue Service (IRS) to share tax return and taxpayer information with Federal law enforcement agencies investigating terrorist attacks. The new disclosure rules will expire after 3 years.

g. Simplified Administration and Reporting Requirements for Educational Institutions

On November 27, 2001, Representative Manzullo introduced H.R. 3346, a bill to amend the Internal Revenue Code (IRC) of 1986 to simplify the reporting requirements relating to higher education tuition and related expenses. On December 4, 2001, the House ap-

proved the bill under suspension of the rules. On December 20, 2001, the Senate approved the bill by unanimous consent. The President signed the bill into law on January 16, 2002 (P.L. 107–131).

The Taxpayer Relief Act of 1997 (P.L. 105–34) established reporting requirements under IRC section 6050S to help the IRS administer the Hope and Lifetime Learning tax credits and the interest deduction for student loans. In summary, H.R. 3346 simplified the reporting requirements under section 6050S by allowing educational institutions the option of reporting “amounts billed” for tuition and related expenses instead of “payments received.” The bill also eliminated the requirement that educational institutions report the name, Taxpayer Identification Number, and address of any person that can claim the student as a dependent. This information was not needed to administer the tuition tax credits or the interest deduction for student loans.

h. The Job Creation and Worker Assistance Act

On October 11, 2001, Chairman Thomas introduced H.R. 3090, the “Economic Security and Recovery Act of 2001.” The Committee approved the bill, with an amendment, on October 12, 2001. The House passed the bill on October 24, 2001. The Senate Committee on Finance approved the bill, with an amendment, on November 8, 2001. The bill passed the Senate by voice vote on February 14, 2002. On March 7, 2002, the House approved the Senate amendment with a substitute amendment. The Senate agreed to the House amendment on March 8, 2002, and the President signed the bill into law on March 9, 2002 (P.L. 107–147).

On February 14, 2001, Representative DeMint introduced H.R. 622, the “Hope for Children Act,” a bill to expand and permanently extend the adoption tax credit and the exclusion for employer-provided adoption assistance. Provisions similar to those contained in H.R. 622 were included in H.R. 1836, the “Economic Growth and Tax Relief Reconciliation Act of 2001,” which was signed into law on June 6, 2001 (P.L. 107–16) (see I.A.1b). The Senate passed H.R. 622 with an amendment in the nature of a substitute on February 6, 2002. The Senate substitute contained economic recovery and worker assistance provisions similar to some of the provisions contained in H.R. 3090. On February 14, 2002, the House passed the Senate substitute with amendment. The Senate did not act on the House amendment. However, similar provisions relating to economic recovery, extension of expiring provisions, tax benefits for the revitalization of New York City, miscellaneous provisions and technical corrections, and assistance for displaced workers were contained in H.R. 3090 as signed into law.

On December 19, 2001, Chairman Thomas introduced H.R. 3529, the “Economic Recovery and Worker Assistance Act of 2001.” The House passed the bill on December 20, 2001. The Senate did not act on H.R. 3529. However, similar provisions relating to economic recovery, extension of expiring provisions, tax benefits for the revitalization of New York City, miscellaneous provisions and technical corrections, and assistance for displaced workers were contained in H.R. 3090 as signed into law. Similar provisions relating to tax relief for victims of terrorism (contained in Title V of the bill) were included in H.R. 2884 as signed into law (P.L. 107–134) (see I.A.1f).

In summary, H.R. 3090 included two provisions aimed at stimulating the economy. The first provision generally provided an additional first year 30-percent depreciation allowance for certain property that was acquired between September 10, 2001, and September 11, 2004. The second provision extended the net operating loss carryback period from 2 to 5 years for businesses with net operating losses in taxable years ending in 2001 or 2002. This provision also repealed the depreciation preference under the alternative minimum tax and the 90-percent limitations on use of foreign tax credits and net operating losses.

The Act also provided unemployment assistance for displaced workers.

H.R. 3090 also provided tax benefits to assist with the revitalization of New York City after the terrorist attacks that occurred on September 11, 2001. These benefits included a wage credit for certain individuals employed in New York City, additional tax-exempt bond financing authority and advance refunding authority, 5-year recovery period for certain leasehold improvements, and additional expensing under IRC section 179.

The Act also provided several miscellaneous tax provisions including an exclusion for foster care payments made by qualified placement agencies (see summary of H.R. 586 under section I.A.3a), an expansion of the interest rate range that may be used to calculate current liability for defined benefit pension plans under the minimum funding requirements, and a temporary above-the-line deduction for certain out-of-pocket expenses incurred by school teachers.

Finally, the Act provided a 2-year extension of tax provisions expiring in 2001 and included several technical and clerical corrections to previously enacted laws.

i. Andean Trade Promotion and Drug Eradication Act

On February 13, 2002, the Committee held a hearing on the President's proposal to reduce the number of uninsured through the use of health care tax credits.

On October 3, 2001, Representative Crane introduced H.R. 3009, the "Andean Trade Promotion and Drug Eradication Act." On October 5, 2001, the Committee approved the amended bill by voice vote. The bill passed the House by voice vote on November 16, 2001. The Senate Committee on Finance approved the bill, with an amendment, on November 29, 2001. The Senate passed the bill, with amendment, on May 23, 2002. The conference report on H.R. 3009 was agreed to in the House on July 27, 2002, and in the Senate on August 1, 2002. President Bush signed the bill into law on August 6, 2002 (P.L. 107-210).

As enacted, H.R. 3009 incorporated provisions from H.R. 3005, H.R. 3008, H.R. 3010, and H.R. 3129. In summary, the Act included trade adjustment assistance (TAA) provisions, trade promotion authority (fast-track procedures), Andean trade preferences, and other trade provisions.

The Act included a refundable tax credit for 65 percent of the expenses incurred by eligible individuals who purchase qualified health insurance covering the taxpayer and qualifying family members. The credit is available only with respect to amounts paid by the taxpayer. An eligible individual is an: (1) eligible TAA recipi-

ent, (2) eligible alternative TAA recipient, or (3) eligible Pension Benefit Guaranty Corporation recipient. An otherwise eligible taxpayer is not eligible for the credit if he or she has other specified coverage. Qualifying family members are the taxpayer's spouse and any dependent of the taxpayer with respect to whom the taxpayer is entitled to claim a dependency exemption. The credit may be used to purchase COBRA continuation coverage, State-based continuation coverage, coverage offered through State high risk pools, a series of State-based options, coverage under a group health plan that is available through the employment of the eligible individual's spouse, and individual market coverage if the eligible individual was covered under individual health insurance during the entire 30-day period that ends on the date the individual became separated from the employment connected to the individual's qualification for the credit.

j. Clergy Housing Allowance Clarification Act

On April 10, 2002, Representative Ramstad introduced H.R. 4156, the "Clergy Housing Allowance Clarification Act of 2002." The House passed the bill under suspension of the rules on April 16, 2002. On May 2, 2002, the Senate Committee on Finance discharged the bill by unanimous consent, and the Senate passed the bill by unanimous consent on the same day. President Bush signed the bill into law on May 20, 2002 (P.L. 107-181).

Section 107 of IRC allows a minister of the gospel to exclude from gross income (1) the rental value of a home furnished as part of his or her compensation or (2) the rental allowance paid as part of his or her compensation, to the extent used to pay rent or provide a home. H.R. 4156 codified the IRS' long-standing position (Rev. Rul. 71-280, 1971-2 C.B.92) that the clergy housing allowance exclusion is limited to the fair market value of the home provided plus the cost of utilities.

k. Rules Regarding State and Local Committees of Candidates and of Political Parties

On October 10, 2002, Representative Brady introduced H.R. 5596, a bill to amend section 527 of the IRC of 1986 to eliminate notification and return requirements for State and local party committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes. On October 16, 2002, the Committee discharged the bill. The House passed the bill by unanimous consent on October 16, 2002, and the Senate passed the bill by unanimous consent on October 17, 2002. The President signed the bill into law on November 2, 2002 (P.L. 107-276).

In summary, H.R. 5596 exempted State and local committees of candidates and of political parties from specified notification requirements and required an annual income tax return from political organizations only with respect to political organization taxable income. The bill required the filing of an annual information return by a political organization with gross receipts of \$25,000 or more or with gross receipts of \$100,000 or more in the case of a qualified State or local political organization, except for certain organizations that are specifically exempted by the statute. The bill made addi-

tional amendments to the rules of IRC section 527 regarding: (1) unsegregated funds, (2) penalty assessment and collection procedures, (3) electronic filing, (4) public availability of notices and reports, and (5) timing of notice of material change.

l. Homeland Security Act

On June 24, 2002, Representative Armev introduced H.R. 5005, the "Homeland Security Act of 2002." The Committee approved the bill, with an amendment, on July 10, 2002. The Committee discharged the bill on July 12, 2002. The House approved the bill, with amendment, on July 26, 2002. The Senate passed the bill, with amendment, on November 19, 2002. The House agreed to the Senate amendment by unanimous consent on November 22, 2002. The President signed the bill into law on November 25, 2002 (P.L. 107-296).

In summary, the Act established a U.S. Department of Homeland Security to consolidate the government's law enforcement functions. Among the provisions of the Act, the law enforcement functions previously carried out by the Bureau of Alcohol, Tobacco, and Firearms (BATF) were transferred from the U.S. Department of the Treasury to the U.S. Department of Justice (where other traditional law enforcement agencies, such as the Federal Bureau of Investigation and the Drug Enforcement Agency, currently reside.) The BATF revenue administration and revenue enforcement functions will remain at the U.S. Department of the Treasury.

m. Terrorism Risk Protection Act

On November 1, 2001, Representative Oxely introduced H.R. 3210, the "Terrorism Risk Protection Act." The Committee marked up the revenue provisions of the bill on November 16, 2001, and approved an amendment in the nature of a substitute on the same day. The House approved the amended bill on November 29, 2001. The Senate approved H.R. 3210 with an amendment in the nature of a substitute on July 25, 2002, by unanimous consent. The substitute language reflected the provisions of S. 2600, introduced by Senator Dodd. The conference report on H.R. 3210 passed the House by voice vote on November 14, 2002, and passed the Senate on November 19, 2002. The President signed the bill into law on November 26, 2002 (P.L. 107-297).

In summary, H.R. 3210, as introduced in the House, provided for temporary Federal Government cost-sharing for commercial insurers of up to \$100 billion for 90 percent of the amount of insured losses resulting from acts of terrorism in the event of a "triggering determination." The financial assistance was to be repaid through assessments and surcharges. The introduced bill also included a revenue provision that allowed property and casualty insurers an additional deduction for increases to a "terrorism commercial business reserve." This reserve referred to amounts set aside in a segregated account to pay or to reinsure future unaccrued claims arising from declared terrorism losses or to pay certain other claims.

The bill, as approved by the Committee deleted the revenue provision in the underlying bill and required the Secretary of the Treasury to conduct a study of issues relating to permitting property and casualty insurance companies to establish deductible reserves against losses for future acts of terrorism. The Secretary

would be required to report to Congress no later than 4 months after date of enactment.

n. Holocaust Restitution Tax Fairness Act

On May 22, 2002, Representative Shaw introduced H.R. 4823, the “Holocaust Restitution Tax Fairness Act of 2002.” On June 4, 2002, the bill passed the House under suspension of the rules. On November 20, 2002, the bill passed the Senate by unanimous consent. The President signed the bill into law on December 17, 2002 (P.L. 107–358).

The Act permanently extended section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16) (see I.A.1b). Section 803 provides an exclusion from income for specified restitution payments received by persons (or heirs) persecuted by Nazi Germany, its allied or controlled countries, or any other Axis regime because of race, religion, physical or mental disability, or sexual orientation. The provision was scheduled to expire after December 31, 2010 because of the general sunset provision in Title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001.

2. TAX RELIEF PROPOSALS

a. Community Solutions Act

On March 29, 2001, Representative Watts introduced H.R. 7, the “Community Solutions Act of 2001.” On June 13, 2001, the Subcommittee on Human Resources and the Subcommittee on Select Revenue Measures held a joint hearing to examine the provisions of H.R. 7. The Committee approved the bill, with an amendment, on July 11, 2001, and the House approved the bill on July 19, 2001.

On July 16, 2001, the Senate Committee on Finance favorably reported H.R. 7 with an amendment in the nature of a substitute. The Senate did not consider the bill.

In summary, H.R. 7 as passed by the House provided several tax incentives to encourage individuals and businesses to increase charitable contributions. The bill allowed taxpayers who do not itemize deductions to deduct charitable contributions paid in cash. The maximum deduction would increase from \$25 (\$50 for joint returns) in 2002 to \$100 (\$200 for joint returns) by 2010. The bill also provided an exclusion from gross income for otherwise taxable withdrawals from traditional or Roth IRAs that are made for charitable provisions. The percentage limitation on corporate charitable contributions was increased from 10 percent to 15 percent of modified taxable income (phased in over 9 years). The bill also clarified the valuation rules applicable to donations of food inventory and provided that all businesses (not just C corporations) are eligible for an enhanced deduction for such donations.

H.R. 7 as passed by the House modified the excise tax on the net investment income of private foundations by replacing the two rates of tax under present law with a single tax rate of 1 percent. In addition, the bill imposed a 100-percent excise tax on the unrelated business taxable income of a charitable remainder trust, instead of removing the income tax exemption of such a trust for any year in which the trust has any unrelated business taxable income.

H.R. 7 modified the self-constructed property rule that applies to certain charitable contributions of scientific property used for research and computer technology and equipment. The bill also allowed shareholders in an S corporation to increase their basis in their S corporation shares to permit them to take a full charitable deduction for charitable contributions by the S corporation.

The bill also increased the authorization for the Assets for Independence Act matched savings program, which supports the creation and funding of Individual Development Accounts for low-income working families. The bill made several other modifications to the program.

b. Retirement Security Advice Act

On June 21, 2001, Representative Boehner introduced H.R. 2269, the “Retirement Security Advice Act of 2001.” The Committee approved the bill, with an amendment, on November 7, 2001, and the House approved the bill on November 15, 2001. The Senate did not act on the bill.

The provisions of the bill were also included in H.R. 3762, the “Pension Security Act of 2002,” which passed the House on April 11, 2002 (see I.A.2g).

In summary, the bill provided an exemption from the prohibited transaction rules of the IRC and the Employee Retirement Income Security Act that would allow qualified service providers to offer investment advice to plan sponsors, plan participants, and beneficiaries of defined contribution plans as long as certain disclosures were made. The exemption would be available only to “fiduciary advisors.” A fiduciary advisor was defined as a registered investment advisor, bank, insurance company, or registered broker dealer. An affiliate, employee, agent, or registered representative of these regulated institutions also qualified as a fiduciary advisor.

Employers who chose to provide their workers with access to an investment advisor were liable for the prudent selection of an investment advisor and the periodic review of that advisor. In addition to the qualification and disclosure rules, the bill required that: (1) any investment decisions must be made by the worker, not the advisor, (2) any compensation received by the advisor must be reasonable and the terms of any transaction must be at least as favorable as an arm’s length transaction, and (3) the advisor must maintain records of compliance for at least 6 years.

c. Increasing Limit on the Deduction of Net Capital Losses

On April 26, 2001, Representative Lofgren introduced H.R. 1619, a bill to amend the IRC of 1986 to increase the limitation on capital losses applicable to individuals. The Committee approved the bill, with an amendment, on October 8, 2002. The bill was not considered by the House or the Senate.

In summary, the amended bill increased the annual capital loss limit for individuals from \$3,000 to \$8,250 and provided for an annual inflation adjustment for tax years beginning after December 31, 2001.

d. Energy Tax Incentives

On March 5, 2001, the Subcommittee on Oversight held a field hearing on energy supply and prices. On May 3, June 12, and June

13, 2001, the Subcommittee on Select Revenue Measures held hearings on the effects of Federal tax laws on the production, supply, and conservation of energy.

On July 17, 2001, Representative McCrery introduced H.R. 2511, the "Energy Tax Policy Act of 2001." The Committee approved the bill, with an amendment, on July 18, 2001. H.R. 2511 amended the IRC of 1986 to provide tax incentives to encourage energy conservation, energy reliability, and energy production.

The provisions of H.R. 2511 were incorporated into H.R. 4, the "Securing America's Future Energy Act," a broad-based energy bill introduced by Representative Tauzin on July 27, 2001. The bill passed the House on August 2, 2001, and passed the Senate, with amendment, by unanimous consent on April 25, 2002. A conference report had not been agreed to prior to the adjournment of the 107th Congress.

In summary, the tax title of H.R. 4, as passed by the House, contained three sections: conservation, reliability, and production.

The conservation portion of the bill: allowed a 15-percent credit, up to \$2,000, for individuals who purchase qualified photovoltaic or solar water heating property; extended and expanded the section 45 credit for electricity produced from certain renewable resources (wind, closed- and open-loop biomass, and landfill gas) for 5 years; allowed a 10-percent credit for individuals and businesses, up to \$1,000 per kilowatt of capacity, for the purchase of qualified fuel cell power plants; allowed a credit to individuals and businesses who purchase qualified fuel cell motor vehicles, hybrid motor vehicles, alternative fuel motor vehicles, and advanced clean burn vehicles, and extended and expanded the existing tax credit for electric vehicles; allowed a business credit for the manufacture of certain high-efficiency appliances; allowed a 20-percent credit, up to \$2,000, to individuals who make qualified energy efficiency improvements for their existing homes and a credit to eligible contractors, up to \$2,000 for each new home they construct that is 30 percent more efficient than a national model home; allowed a deduction, up to \$2.25 per square foot, for energy-efficient commercial building property expenditures that reduce the total energy and power costs by at least 50 percent; allowed a \$30 deduction for the installation of qualified energy management devices and a 3-year cost recovery period for such devices; allowed a 10-percent credit for the purchase of combined heat and power property; held taxpayers harmless from the alternative minimum tax for new credits in the bill; repealed the 4.3-cents-per-gallon General Fund excise tax on rail and barge fuels; provided a reduced tax rate for diesel/water emulsion fuel; and allowed a 10-percent investment credit and a production credit for investments in qualified clean coal technologies.

The reliability portion of the bill: clarified that natural gas gathering lines are 7-year property for depreciation purposes; treated natural gas distribution lines as 10-year property for depreciation purposes; treated petroleum refining property as 7-year property for depreciation purposes; allowed small refiners 75 percent expensing of capital costs incurred and a credit for production in complying with the Environmental Protection Agency (EPA) low-sulfur diesel regulations; defined small refiners for purposes of percentage depletion as refiners whose refining operations do not run more

than 75,000 barrels of production on a daily average; modified current law to allow municipal utilities, investor-owned utilities, and rural electric co-operatives to compete in a deregulated electric market; repealed the diesel fuel and kerosene-dyeing mandate; and exempted certain prepayments for natural gas for tax-exempt bond arbitrage rules.

The production portion of the bill: created a \$3 per barrel credit on the first three barrels of daily production from such wells and a corresponding 50-cents per thousand cubic feet (Mcf) on the first 18 Mcf of natural gas from a marginal well, with the credit phasing out when oil prices exceed \$15 per barrel or natural gas prices exceed \$1.67 per Mcf; suspended the 65 percent of taxable income limitation on percentage depletion through December 31, 2006, and extended suspension of the 100 percent of net income limit with respect to marginal production through December 31, 2006; allowed delay rental payments and geological and geophysical expenditures to be deducted; created a 5-year carry-back of oil and gas net operating losses for oil and gas producers; extended and modified the credit for producing fuel from non-conventional sources through December 31, 2006; allowed certain business energy credits against the alternative minimum tax; repealed alternative minimum tax preference for intangible drilling costs; and extended accelerated depreciation and wage credit benefits for energy-related business on Indian lands through December 31, 2006.

e. Expansion of Renewal Communities

On October 11, 2001, Representative LaFalce introduced H.R. 3100, a bill to amend the IRC of 1986 to allow for the expansion of areas designated as renewal communities based on 2000 census data. The Committee discharged the bill on October 7, 2002, and the House approved the bill by unanimous consent on the same day. The Senate did not act on the bill.

In summary, the bill allowed the U.S. Department of Housing and Urban Development to expand an existing Renewal Community to include additional census tracts that now qualify under the 2000 census data if such an expansion is requested by the Renewal Community's nominating entity. (Under present law, census tracts qualify based on 1990 Census data.) The additional census tracts cannot cause the total Renewal Community to exceed the original population limitation (200,000). The additional census tracts would be required to meet the present law requirement that at least 20 percent of the population be at or below the poverty rate.

f. Employee Retirement Savings Bill of Rights

On February 4, 2002, Representative Portman introduced H.R. 3669, the "Employee Retirement Savings Bill of Rights." The Committee approved H.R. 3669, with an amendment, on March 14, 2002. The bill was approved by voice vote.

On February 14, 2002, Representative Boehner introduced H.R. 3762, the "Pension Security Act of 2002." The Committee on Education and the Workforce approved H.R. 3762, with an amendment, on March 20, 2002. The provisions of H.R. 3762 were similar to those contained in H.R. 3669.

On February 26, 2002, the Committee held a hearing on retirement security and defined contribution pension plans. The hearing

examined the rules and regulations that currently govern private defined contribution pension plans, including rules regarding diversification of plan assets, restrictions placed on plan assets, standards for investment education and advice, and notice and reporting requirements. On March 5, 2002, the Subcommittee on Oversight held a hearing to examine employer and employee views on retirement security.

On April 11, 2001, the House passed H.R. 3762, with an amendment. The amendment passed by the House reflected a combination of the provisions in H.R. 3669 (as passed by the Committee) and H.R. 3762 (as passed by the Committee on Education and the Workforce). The Senate did not act on H.R. 3762.

In summary, H.R. 3762 (as passed by the House) required employers to provide plan participants with quarterly pension benefit statements (in the case of defined contribution plans). The requirement did not apply to plans that are not covered by the Employee Retirement Income Security Act (ERISA). In addition, the bill required employers to provide participants with investment education notices. Different requirements applied to plans not covered by ERISA.

In addition, H.R. 3762 established new diversification requirements. The bill prohibited employers from requiring employees to invest their own pension contributions in company stock. Employer contributions could be invested in company stock, but employees must have the right to sell the stock after 3 years of service with the employer or after holding the stock in the account for 3 years. A 5-year transition rule applied for company stock already in the account when the new requirements take effect. The new diversification rules did not apply to plans that hold no publicly-traded securities or to certain types of Employee Stock Ownership Plans.

The bill allowed employees to purchase retirement planning services (including professional investment advice) from an outside adviser using pre-tax dollars that are automatically deducted from their paychecks. In addition, the provisions of H.R. 2269 were included in the bill (see I.A.2b).

H.R. 3762 also included several provisions contained in H.R. 10, the "Comprehensive Retirement Security and Pension Reform Act of 2001." Although most of the provisions of H.R. 10 were enacted in P.L. 107-16 (see I.A.1b), some provisions were not included in the final law because of procedural rules in the Senate that allow a point of order to be raised against certain measures in reconciliation bills.

H.R. 3762 also included provisions relating to minimum funding requirements and variable rate premiums assessed by the Pension Benefit Guaranty Corporation. Finally, H.R. 3762 clarified that the exercise of incentive stock options and stock purchased pursuant to an Employee Stock Purchase Plan does not give rise to wage income that is subject to payroll taxes or income tax withholding.

g. Taxpayer Protection and IRS Accountability Act

On March 19, 2002, Representative Houghton introduced H.R. 3991, the "Taxpayer Protection and IRS Accountability Act." The Committee approved the bill, with an amendment, on March 20, 2002. The bill was considered in the House under suspension of the

rules on April 10, 2002, but failed to receive the necessary two-thirds vote required for passage.

Most of the provisions of H.R. 3991 (except those related to section 527 of the IRC) were included in H.R. 586 (see I.A.3a). H.R. 586 passed the House on April 18, 2002, but was not considered by the Senate. Some of these provisions were subsequently included in H.R. 5728 (see I.A.2m). H.R. 5728 passed the House by unanimous consent on November 14, 2002, but was not considered by the Senate.

In summary, H.R. 3991 included many provisions previously passed by the House in the 106th Congress as part of H.R. 4163, the “Taxpayer Bill of Rights 2000.” The bill added new provisions to further assist and protect taxpayers and to improve the accountability of the IRS. The bill included an exclusion from gross income for interest that is paid by the IRS to individual taxpayers on overpayments of Federal income tax. The Secretary was given authority to address situations where taxpayers inappropriately took advantage of the exclusion. Furthermore, H.R. 3991 allowed taxpayers to limit their exposure to underpayment interest through the use of a qualified reserve account. Amounts deposited in a qualified reserve account could either be withdrawn with interest or used to offset an underpayment of tax.

H.R. 3991 also allowed taxpayers to enter into installment agreements that do not fully satisfy their tax obligations. The IRS was required to re-evaluate the taxpayer’s ability to pay at least once every 2 years during the running of the 10-year statute of limitations on collections. Taxpayers gained further protections under the bill through provisions that made unauthorized browsing of taxpayer records one of the “10 deadly sins” and granted the IRS Commissioner authority to specify penalties up to and including termination for improper activities by IRS employees.

The legislation also increased the total authorization of grant funding for low-income taxpayer clinics (from \$6 million to \$15 million) over 3 years. It also included a provision to correct the double-reporting problem that State and local campaign and political committees experienced in the wake of P.L. 106–230, the law that mandated contribution and expenditure reporting to the IRS for all organizations receiving tax-preferred status under IRC section 527.

h. Encouraging Work and Supporting Marriage Act

On May 1, 2002, Representative Houghton introduced H.R. 4626, the “Encouraging Work and Supporting Marriage Act of 2002.” The Committee approved the bill, with an amendment, by voice vote on May 2, 2002. The House passed the bill under suspension of the rules on May 21, 2002. The Senate did not act on the bill.

In summary, H.R. 4626 accelerated the scheduled increase in the standard deduction for married couples filing a joint tax return. The scheduled increase was enacted in P.L. 107–16. (See I.A.1b.)

In addition, the bill modified the work opportunity credit by: (1) repealing the family income test applicable to “qualified ex-felons” under present law, (2) increasing the maximum age for eligibility of food stamp recipients from 25 to 30 years, and (3) redefining the term “vocational rehabilitation referral” to reflect changes made in the “Ticket to Work and Work Incentives Improvement Act of 1999” (P.L. 106–170).

Finally, the bill simplified the administration of the work opportunity and welfare-to-work credits by merging the two credits and conforming their rules.

i. Improving Access to Long-Term Care Act

On June 17, 2002, Representative Hayworth introduced H.R. 4946, the “Improving Access to Long-Term Care Act of 2002.” The Committee approved the bill, with an amendment, on June 19, 2002. The House approved the bill under suspension of the rules on July 25, 2002. The Senate did not act on the bill.

In summary, H.R. 4946 provided an above-the-line deduction for a percentage of qualified long-term care insurance premiums. The deductible percentage of qualified long-term care insurance premiums was phased-in over 10 years from 25 percent to 50 percent. The deduction was available for individuals with adjusted gross income between \$20,000 and \$40,000 (twice this amount for married couples filed jointly).

In addition, the bill provided an additional personal exemption to home caregivers of family members. The additional personal exemption was phased-in from \$500 in 2003 to the full exemption amount in 2012 for each qualified family member with long-term care needs. (Under present law, the personal exemption amount for 2002 is \$3,000.)

Finally, the bill provided additional consumer protections for long-term care insurance policies, expanded human clinical trial expenses qualifying for the “orphan drug” tax credit, added the vaccine against Hepatitis A to the list of taxable vaccines, and modified Medicare+Choice medical savings accounts (MSAs) by permitting individuals who have a Medicare+Choice MSA to also have an Archer MSA and allowing employers to make contributions to an Archer MSA on behalf of a Medicare eligible individual.

j. Tax Relief for Members of the Military

On July 8, 2002, Representative Houghton introduced H.R. 5063, the “Armed Forces Tax Fairness Act of 2002.” The Committee did not consider the bill. The House approved the bill under suspension of the rules on July 9, 2002.

The Senate Committee on Finance approved H.R. 5063, with an amendment, on September 12, 2002. The Senate passed H.R. 5063, with an amendment, by unanimous consent on October 3, 2002.

On October 7, 2002, Chairman Thomas introduced H.R. 5557, the “Armed Forces Tax Fairness Act of 2002.” H.R. 5557 included the provisions of H.R. 5063 as passed by the House (with some modifications). It also included several provisions contained in the Senate-passed version of H.R. 5063. H.R. 5557 passed the House under suspension of the rules on October 9, 2002. The Senate passed H.R. 5557, with an amendment, by unanimous consent on November 14, 2002. The House did not act on the Senate amendment prior to adjourning.

In summary, H.R. 5557 (as passed by the House) allowed members of the uniformed services or Foreign Services to suspend (for up to 5 years) the 5-year period used to determine the exclusion of gain from the sale of such residence if the taxpayer is serving on qualified official extended duty in government quarters or at least 150 miles from their principal residence.

The bill also restored the tax-exempt status of the \$6,000 death gratuity payment paid to survivors of members of the Armed Services (only \$3,000 is excludible under present law). The bill also provided an exclusion from gross income for amounts received under the U.S. Department of Defense Homeowners Assistance Program. In addition, the bill clarified that benefits provided under certain dependent care assistance programs are excludible from gross income.

H.R. 5557 also extended certain rules concerning the postponement of certain acts under the IRC (such as filing, tax payments, etc.) to contingency operations. Such rules presently apply only to taxpayers serving in a combat zone. The bill also permitted ancestors and lineal descendants of past or present members of the Armed Forces to be taken into account in determining whether a veterans' organization qualifies for tax-exempt status.

The Senate amendment added several provisions to the House-passed version of H.R. 5557. First, the Senate amendment provided an above-the-line deduction of up to \$1,500 for unreimbursed overnight travel, meals, and lodging expenses incurred by National Guard and Reserve members who must travel 100 miles away from home and stay overnight as part of their official duties. Second, the amendment clarified that appointments to a military academy are treated as scholarships for purposes of payments to and distributions from Coverdell Education Savings Accounts and Qualified Tuition Programs. Third, it suspended the tax-exempt status of designated terrorist organizations and prohibited taxpayers from deducting contributions made to such organizations. This provision is similar to language in H.R. 5603, which passed the House by unanimous consent on October 16, 2002. Fourth, the amendment extended IRS user fees through September 30, 2012. Finally, it authorized the IRS to enter into partial payment installment agreements with taxpayers.

k. Back to School Act

On July 23, 2002, Representative Schaffer introduced H.R. 5193, the "Back to School Tax Relief Act of 2002." The Committee approved the bill, with an amendment, on September 5, 2002. The bill was not considered by the House or the Senate.

In summary, the bill provided an above-the-line deduction for up to \$3,000 of qualified elementary and secondary education expenses each year. The deduction was limited to taxpayers whose adjusted gross income is \$20,000 or less (\$40,000 in the case of married couples filing jointly). The deduction expired after tax year 2005.

l. Retirement Savings and Security Act

On October 7, 2002, Chairman Thomas introduced H.R. 5558, the "Retirement Savings and Security Act of 2002." The Committee approved the bill, with an amendment, on October 8, 2001. The bill included provisions similar to some of the provisions contained in H.R. 5553, the "Protecting America's Savings Act of 2002," introduced by Representative Portman on October 3, 2002. H.R. 5558 was not considered by the House or the Senate.

In summary, H.R. 5558 accelerated the scheduled increases in the annual contribution limits for IRAs, qualified pension plans, SIMPLE plans, and eligible plans of a State or local government

or tax-exempt organization (457 plans). The bill also accelerated the scheduled increases in catch-up contribution limits applicable to these plans. These scheduled increases were enacted in the “Economic Growth and Tax Relief Reconciliation Act of 2001” (P.L. 107–16) (see I.A.1b).

H.R. 5558 also gradually increased the age at which mandatory distributions must be made from IRAs and qualified pension plans from age 70½ to age 75.

m. Tax Administration Act

On November 14, 2002, Chairman Thomas introduced H.R. 5728, the “Tax Administration Act of 2002.” The Committee discharged the bill on November 15, 2002, and the House passed the bill by unanimous consent on the same day. The Senate did not act on the bill.

In summary, H.R. 5728 contained 30 provisions to reform the penalty and interest provisions of the IRC, improve administrative efficiency, further safeguard taxpayer confidentiality, and enhance the fairness of the tax collection process. These provisions were included in Title II of H.R. 586, which provided for the permanency of the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16) (see I.A.3a).

3. OTHER TAX MATTERS

a. Permanency of Provisions in Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16)

On June 7, 2001, the Economic Growth and Tax Relief Reconciliation Act of 2001 was signed into law (P.L. 107–16) (see I.A.1b). The provisions of the new law are scheduled to expire (or “sunset”) after December 31, 2010, because of a procedural rule that permits Senators to raise a point of order against extraneous provisions in a reconciliation bill. Under this rule, provisions with a revenue effect outside the 10-year revenue-estimating period are, by definition, extraneous. The sunset provision was included in the bill to prevent a point of order.

Making the Provisions of P.L. 107–16 Permanent

On February 13, 2001, Representative Lewis introduced H.R. 586, the “Fairness for Foster Care Families Act of 2001.” As introduced, the bill provided that the income exclusion for State or local government foster care payments also applied to payments made by any qualifying placement agency. The bill also expanded the definition of a qualified foster individual to include a foster care individual placed by any qualified placement agency (thus eliminating the restriction of State or local government agency or a tax-exempt agency placement applicable to individuals under the age of 19). On May 9, 2001, the Committee approved the bill, with an amendment. The bill passed the House under suspension of the rules on May 15, 2001, and passed the Senate, with an amendment, by unanimous consent on February 6, 2002. The provisions of H.R. 586 were included in H.R. 3090, the “Job Creation and Worker Assistance Act of 2002” (P.L. 107–147), which was signed into law on March 9, 2002 (see I.A.1h).

On April 17, 2002, the Committee on Rules reported H. Res. 390 to the House. The resolution provided for the consideration of the Senate amendment to H.R. 586 with an amendment. The amendment substituted the language in the Senate-passed version of H.R. 586 with a provision to repeal the sunset provision of P.L. 107-16. Thus, the amendment would have permanently extended all of the provisions in P.L. 107-16 to which the sunset applied. In addition, the amendment would have permanently extended the increase in the exemption amount in the alternative minimum tax applicable to individuals, which is scheduled to expire after December 31, 2005. Finally, the amendment included most of the provisions of H.R. 3991, the "Taxpayer Protection and IRS Accountability Act of 2002" (see I.A.2g). The House passed the amendment on April 18, 2002.

Making Certain Provisions of P.L. 107-16 Permanent

On June 12, 2001, Representative Weldon introduced H.R. 2143, the "Permanent Death Tax Repeal Act of 2001." The bill repealed the sunset provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 as it applied to the estate and gift tax provisions of that Act. The bill passed the House on June 6, 2002. The Senate did not act on the bill.

On March 20, 2002, Representative Weller introduced H.R. 4019, a bill to provide that the marriage penalty relief provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall be permanent. The bill passed the House on June 13, 2002. The Senate did not act on the bill.

On May 22, 2002, Representative Camp introduced H.R. 4800, a bill to repeal the sunset provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 with respect to the expansion of the adoption credit and adoption assistance programs. The bill passed the House under suspension of the rules on June 4, 2002. The Senate did not act on the bill.

On May 22, 2002, Representative Shaw introduced H.R. 4823, the "Holocaust Restitution Tax Fairness Act of 2002." The bill was signed into law on December 17, 2002 (see I.A.1n).

On June 13, 2002, Representative Portman introduced H.R. 4931, the "Retirement Savings Security Act of 2002." The bill repealed the sunset provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 as it applied to the pension reform provisions of that Act. The bill passed the House on June 21, 2002. The Senate did not act on the bill.

On July 24, 2002, Representative Hulshof introduced H.R. 5203, the "Education Savings and School Excellence Permanence Act of 2002." The bill repealed the sunset provision in the Economic Growth and Tax Relief Reconciliation Act of 2001 as it applied to the Coverdell Education Savings Account and Qualified Tuition Program provisions of that Act. In addition, the bill clarified that distributions from a Coverdell Education Savings Account could be used to pay qualified home school expenses. The bill also clarified that appointments to a military academy are treated as scholarships for purposes of payments to and distributions from Coverdell Education Savings Accounts and Qualified Tuition Programs (this provision was also included in H.R. 5557, the "Armed Forces Tax Fairness Act of 2002," as passed by the Senate on November 14,

2002 (see I.A.2j)). The bill failed to pass the House under suspension of the rules on September 4, 2002 because it did not receive the two-thirds vote necessary for passage.

b. Water Quality Financing Act

On March 12, 2002, Representative Duncan introduced H.R. 3930, the “Water Quality Financing Act of 2002.” The bill included several provisions that would increase spending on water and sewage facilities. In addition, the bill contained two revenue provisions that amended the rules relating to private activity bonds. First, the bill provided that private activity bonds used to finance water and sewage facilities would be exempt from the State volume caps that limit the amount of private activity bonds that may be issued annually. Second, the bill liberalized the arbitrage restrictions to exclude any amounts derived from a Federal grant or related State contribution made in connection with certain revolving loan funds.

The Committee approved the bill, with an amendment, on April 17, 2002. The amendment approved by the Committee deleted the two revenue provisions from the underlying bill. H.R. 3930 was not considered by the House or the Senate.

c. War Bonds Act

On September 17, 2001, Representative Sweeney introduced H.R. 2899, the “Freedom Bonds Act of 2001.” The bill authorized the Secretary of the Treasury to designate “Freedom Bonds” in response to the acts of terrorism perpetrated against the United States on September 11, 2001. Proceeds from the sale of the bonds could be used to help finance the war against terrorism.

The House passed H.R. 2899 by voice vote on October 23, 2001. The Senate did not act on the bill. However, the U.S. Department of the Treasury announced its intention to re-designate existing savings bonds as “Patriot Bonds.” The redesignation of an existing series of savings bonds does not require legislative action.

d. House Resolutions

The House passed several House Resolutions expressing the sense of the House that Congress should complete action on various legislation so that it may be signed into law.

On September 17, 2002, Representative Jim Nussle introduced H. Res. 524, expressing the sense of the House that Congress should complete action on the H.R. 2143, “Permanent Death Tax Repeal Act of 2002” (see I.A.3a), which would make permanent the estate and gift tax provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107–16). The House agreed to the resolution on September 19, 2002.

On September 19, 2002, Representative Pickering introduced H. Res. 540, expressing the sense of the House that Congress should complete action on H.R. 3762, the “Pension Security Act of 2002” (see I.A.2f). H.R. 3762 provided several pension protections for workers who participate in employer-sponsored pension plans. The House agreed to the resolution on September 25, 2002.

On September 24, 2002, Representative Weller introduced H. Res. 543, expressing the sense of the House that Congress should complete action on H.R. 4019, making marriage tax relief perma-

ment (see I.A.3a). The House agreed to the resolution on October 2, 2002.

On September 24, 2002, Representative Sullivan introduced H. Res. 544, expressing the sense of the House on permanency of pension reform provisions included in the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) (see I.A.3a). The House agreed to the resolution on September 25, 2002.

4. OTHER HEARINGS ON TAX, TRUST FUND, AND PENSION PROPOSALS

a. Tax Code Simplification

On July 17, 2001, the Subcommittees on Oversight and Select Revenue Measures held a hearing on tax code simplification. The hearing focused on the nature and cost of complexity in the tax code and the options for simplification. The Subcommittees examined proposals by the National Taxpayer Advocate and the Joint Committee on Taxation (JCT).

b. Extraterritorial Income Regime

On February 27, 2002, the Committee held a hearing to examine the decision by the World Trade Organization (WTO) that the Extraterritorial Income (ETI) regime is a prohibited export subsidy. Subsequently, the Subcommittee on Select Revenue Measures held hearings on April 10, May 9, and June 13, 2002 to examine possible legislative solutions to bring the tax code into compliance with the WTO's decision. The Subcommittee examined: (1) whether adjustments could be made to the existing ETI regime to bring it into compliance, (2) whether fundamental reform of the current corporate tax system is a viable alternative to the ETI regime, and (3) proposals to modify the tax code to promote the competitiveness of U.S. companies while meeting international obligations under the WTO.

On July 11, 2002, Chairman Thomas introduced H.R. 5095, the "American Competitiveness and Corporate Accountability Act of 2002." The bill would repeal the ETI regime, improve and simplify the U.S. international tax system, increase the competitiveness of U.S. companies, and require increased corporate accountability.

c. Land Use, Conservation, and Preservation

On April 30, 2002, the Subcommittee on Select Revenue Measures held a hearing on the effect of Federal tax laws on land use, conservation, and preservation. The focus of the hearing was to examine proposals to expand the tax incentives available to individuals and groups seeking to preserve open spaces and promote conservation.

d. Modeling the Economic Effect of Changes in Tax Policy

On May 7, 2002, the Subcommittee on Oversight held a hearing to review the economic models and assumptions that are used in current revenue estimating processes and to explore ways to improve overall forecasting and analysis regarding legislation before the Committee on Ways and Means and Congress.

e. Tax Incentives for Renewal Communities

On May 21, 2002, the Subcommittee on Oversight held a hearing to examine ways in which Renewal Communities plan to use available tax incentives to attract business investment to their communities and to highlight potentially useful models from Empowerment Zone activities.

f. Inversions

On June 6, 2002, the Committee held a hearing to examine the mechanics of inversion transactions and examine policy options that will deter inversions and enhance U.S. international competition. Subsequently, the Subcommittee on Select Revenue Measures held a hearing on June 25, 2002, to examine further options to deter inversions and increase the competitiveness of U.S. businesses in the global marketplace.

On July 11, 2002, Chairman Thomas introduced H.R. 5095, the “American Competitiveness and Corporate Accountability Act of 2002.” Among other provisions, the bill would deter future inversion transactions.

g. Retirement Security and Defined Benefit Plans

On June 20, 2002, the Subcommittee on Oversight held a hearing to examine the role of defined benefit plans in retirement security, the rules and regulations governing defined benefit pension plans, the advantages and disadvantages of offering and participating in such plans, and recommendations for improving coverage in defined benefit pension plans.

B. LEGISLATIVE REVIEW OF TRADE ISSUES

1. TRADE PROMOTION AUTHORITY

a. Trade Act of 2002

On August 6, 2002, the President signed into law H.R. 3009, the Trade Act of 2002 (P.L. 107–210), which included the Bipartisan Trade Promotion Authority Act of 2002, the Trade Adjustment Assistance Reform Act of 2002, the Andean Trade Promotion and Drug Eradication Act, the Customs Border Security Act of 2002, and a number of miscellaneous provisions. Each of these bills included in the Trade Act arose from separate legislation (provisions from H.R. 3005, H.R. 3008, H.R. 3009, and H.R. 3010), and the history and the content of these bills are discussed throughout this report.

b. Trade Promotion Authority

i. Legislation

On October 3, 2001, Chairman Thomas, on behalf of himself and Representatives Crane, Dreier, Jefferson, Tanner, and Dooley, introduced H.R. 3005, the Bipartisan Trade Promotion Authority Act of 2001. On October 5 and October 9, the Committee met to consider the legislation. At that time, Chairman Thomas offered an amendment in the nature of a substitute, which was agreed to by voice vote. Representative Rangel offered an amendment in the nature of a substitute, which was defeated by a recorded vote of 12 yeas, 26 nays, and 1 present. On October 9, the Committee on

Ways and Means favorably reported the bill, as amended, by a recorded vote of 26 yeas to 13 nays (H. Rept. 107–249).

On December 6, 2001, the House passed H.R. 3005, as amended, by a recorded vote of 215 to 214. The House defeated a motion to recommit with instructions offered by Representative Rangel by a vote of 162 to 267.

On December 12, 2001, the Senate Committee on Finance reported out its version of H.R. 3005, which included amendments to the House-passed version of Trade Promotion Authority (TPA) (S. Rept. 107–139). On May 23, 2002, the Senate agreed to an amendment to include its version of Trade Promotion Authority, the Andean Trade Promotion and Drug Eradication Act, TAA, the Generalized System of Preferences (GSP), and other miscellaneous provisions as a substitute amendment to the House-passed H.R. 3009, the Andean Trade Promotion and Drug Eradication Act, by a vote of 66 to 30.

On June 26, 2002, the House, pursuant to H. Res. 450, agreed to the Senate amendment with an amendment to include the House versions of Trade Promotion Authority, the Andean Trade Promotion and Drug Eradication Act, TAA, and the GSP, by a vote of 216 to 215. A conference committee to reconcile the House and Senate versions of H.R. 3009 was then formed, chaired by Chairman Thomas.

On July 27, 2002, the House passed the conference report to H.R. 3009 by a recorded vote of 215 to 212. On August 1, the Senate passed the conference report by a vote of 64 to 34. On August 6, 2002, the President signed the bill into law (P.L. 107–210).

As enacted, the Bipartisan Trade Promotion Authority Act of 2002 grants Trade Promotion Authority to the President through July 1, 2005, with an extension through July 1, 2007, subject to disapproval. This authority provides that once the President formally submits to Congress legislation to implement a trade agreement, Congress must consider the legislation within certain deadlines and without amendment. In return, the Congress provides the Administration with detailed guidance on its objectives for such negotiations and improves consultations between the Administration and Congress, before, during, and after negotiations of a trade agreement. In addition, the bill establishes a new Congressional Oversight Group (COG) (see below) to provide an opportunity for consultation with the Administration by all committees with jurisdiction over laws that might be affected by a trade agreement.

The legislation contains principal negotiating objectives relating to agriculture, goods, services, investment, intellectual property, transparency, anti-corruption, and electronic commerce. The objectives also direct the President to preserve the ability of the United States to enforce rigorously its trade laws, avoid agreements that lessen the effectiveness of unfair trade disciplines, and address and remedy market distortions that lead to dumping and subsidization. With regard to labor and environment, the legislation directs the President to ensure that parties to trade agreements do not fail to effectively enforce their labor or environmental laws through a sustained course of action or inaction in a manner affecting trade. With respect to enforcement, the legislation directs the President to seek enforcement mechanisms in trade agreements that will result in: the effective and timely resolution of disputes; the provision

of trade-liberalizing compensation; the imposition of appropriate penalties to the situation with the aim of not adversely affecting interests not party to the dispute while maintaining the effectiveness of the enforcement mechanism; and treating all U.S. principal negotiating objectives equally with respect to ability to use dispute settlement, availability of equivalent procedures, and availability of equivalent remedies. The legislation also contains a number of other important priorities for the President in conducting negotiations, such as capacity building and reports.

The legislation provides that TPA would not apply to an agreement if both Houses separately agree to a procedural disapproval resolution within any 60-day period stating that the Administration has failed to consult with Congress. In addition, the legislation requires the President to provide a 180-day advance report on any proposals advanced in trade negotiations that could require amendments to trade remedy laws, and any Member may introduce a privileged non-binding resolution which identifies whether the proposals referred to in the President's report are consistent with the trade remedy negotiating objectives. If such a resolution is reported by the Committee, then a disapproval resolution for failure to consult is not in order, and vice versa. Finally, the statute does not include the so-called "Dayton-Craig Amendment," included in the Senate version of the bill, which would have prohibited the use of TPA procedures for any changes to U.S. trade remedy laws.

ii. Hearing on President Bush's Trade Agenda for 2001

On March 7, 2001, the Committee held a hearing on President Bush's trade agenda for 2001. This hearing addressed the content and strategy of trade negotiations in which the United States is participating, including negotiations to establish the Free Trade Area of the Americas (FTAA) and on the World Trade Organization (WTO) "built-in agenda" on services and agriculture. The Committee also reviewed the status of preparations to launch a new round of multilateral negotiations in the WTO and progress in negotiations to establish trade agreements with Singapore, Chile, and other nations in the Pacific Rim region. Finally, the Committee analyzed the relationship of these negotiations to trade negotiating authority and whether the United States was disadvantaged by not having the authority in place.

iii. Hearing on President Bush's Trade Agenda for 2002

Following passage of H.R. 3005, legislation to grant the President Trade Promotion Authority, the Committee held a hearing on February 7, 2002, to address President Bush's trade agenda for 2002 and the content and strategy of these trade negotiations. At this hearing, the Committee also examined: (1) the success of the WTO Ministerial Meeting which launched the Doha Development Agenda, a new round of multilateral trade negotiations; and (2) progress in negotiations with Chile and Singapore, in light of House passage of H.R. 3005.

iv. Field Hearing on Benefits of Trade to the Medical Technology and Agriculture Sectors

The Subcommittee held a field hearing on the benefits of trade to the medical technology and agriculture sectors in Bloomington,

Minnesota, on May 14, 2001. The goals of this field hearing were to promote awareness of trade issues affecting the medical technology and agriculture industries and to examine the importance of international markets for both of these industries. Witnesses, including Minnesota Governor Ventura, focused on significant trade issues such as challenging foreign-imposed non-tariff barriers on U.S. medical technology and agriculture products, the negotiations in the WTO on services and agriculture, China's entry into the WTO, and the long-standing trade dispute with the European Union (EU) over genetically modified organisms.

v. Hearing on Free Trade Deals and Whether the United States Is Losing Ground

On March 29, 2001, the Trade Subcommittee held a hearing on the increasing number of bilateral and regional trade agreements to which the United States is not a party and the implications for the United States. This hearing focused on how these new trade agreements disadvantage U.S. business, workers, and families and assessed opportunities for the United States to move forward with new negotiations.

c. Congressional Oversight Group

i. Trade Act of 2002

Section 2017 of the Trade Act of 2002 (P.L. 107-210) establishes the COG, to be co-chaired by the Chairmen of the House Committee on Ways and Means and the Senate Committee on Finance and to be comprised of the Chairman and Ranking Member of those Committees of the House and Senate which would have jurisdiction over provisions of law affected by trade agreement negotiations during this Congress. The purpose of the COG is to provide the President and the United States Trade Representative (USTR) with advice regarding the formulation of specific objectives, negotiating strategies and positions, the development of trade agreements, and compliance and enforcement of negotiated commitments under trade agreements.

ii. Operation of the COG

In mid-September 2002, Chairman Thomas invited the Chairmen and Ranking Members of the following Committees of the House to participate in the COG: Committees on Ways and Means (total of five Members); Agriculture, Energy and Commerce, Financial Services, Judiciary, Rules, International Relations, Government Reform and Oversight, and Resources. In addition, he invited the Chairmen and Ranking Members of the Committees on Education and the Workforce and Small Business to participate in the organizational meeting of the COG. The first meeting of the COG was held on September 19, 2002. In addition, Chairman Thomas convened a sub-group of the House COG on September 26, 2002, to discuss specific issues relating to the Chile and Singapore free trade agreement negotiations.

2. MULTILATERAL TRADE ISSUES

a. Foreign Sales Corporations

On January 14, 2002, the WTO Appellate Panel issued its report finding the United States Extraterritorial Income Exclusion Act (ETI) rules to be a prohibited export subsidy, marking the fourth and final time in 2½ years that the United States has lost this issue, twice in the Foreign Sales Corporation (FSC) case and twice in the ETI case. On August 30, 2002, a WTO Arbitration Panel authorized the EU to apply trade sanctions in the amount of \$4 billion against U.S. exports to the EU.

On February 27, 2002, the Committee held a hearing on the WTO decision in order to (1) outline the history of the FSC–ETI dispute, (2) analyze the January 14, 2002, WTO Appellate Panel Decision, and (3) discuss the potential trade ramifications of the decision. Officials from the U.S. Department of the Treasury and the USTR, as well as representatives from the business community, testified at the hearing.

On July 11, 2002, Chairman Thomas introduced H.R. 5095, the American Competitiveness and Corporate Accountability Act of 2002, in order to put the United States in compliance with its WTO obligations and to address competitiveness and corporate accountability issues. A fuller discussion of this legislation and other hearings of the Committee is located in the tax section of this report.

b. Administration Notification of WTO Negotiations

On November 4, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the United States is engaged in negotiations to strengthen and extend as well as establish new trade agreements under the auspices of the World Trade Organization.

c. U.S. General Accounting Office (GAO) Report on Doha Round

On September 4, 2002, the Committee received a GAO report, requested by Chairman Thomas, Subcommittee Chairman Crane, and Senator Grassley, on the preparations for and the outcome of the Doha Ministerial Meeting, held in November 2001, which succeeded in launching a new round of multilateral trade negotiations. In this report, GAO analyzed the factors that contributed to the meeting's successful outcome and evaluated the most significant challenges to the WTO in the overall negotiations.

d. H. Con. Res. 262

On November 7, 2001, the House passed H. Con. Res. 262 by a vote of 410 to 4, expressing the sense of Congress on trade remedies in negotiations in the WTO. The bill was sponsored by Representatives English, Berry, Brown (OH), Callahan, Dingell, Doyle, Ehrlich, Evans, Gekas, Houghton, Jones (OH), Myrick, Ney, Quinn, Shimkus, Spratt, Stupak, and Visclosky. The resolution urged the President during the WTO Ministerial in Doha, Qatar, and any subsequent rounds of WTO negotiations to: avoid an agreement which lessens the effectiveness of domestic and international disciplines on unfair trade, especially dumping and subsidies; and ensure that U.S. exports are not subject to the abusive use of trade

laws, including antidumping and countervailing duty laws, by other countries. No further action was taken.

3. BILATERAL AND REGIONAL TRADE ISSUES

a. Andean Countries

On March 7, 2001, May 8, 2001, and February 7, 2002, the Committee held hearings on whether to extend and expand trade benefits for Colombia, Peru, Ecuador, and Bolivia under the Andean Trade Preference Act, which expired on December 4, 2001. On October 3, 2001, Subcommittee Chairman Crane introduced H.R. 3009 to extend and enhance trade benefits available under the Andean Trade Preferences Act (ATPA) as a way to create viable alternatives to illicit drug production, thereby enhancing political security in the Andean region and the hemisphere. Specifically, the bill expands benefits for apparel made of U.S. fabric, Andean apparel made of regional fabric subject to a cap, and certain tuna. On October 5, 2001, the Committee on Ways and Means approved H.R. 3009, as amended, by voice vote (H. Rept. 107-290). The House approved H.R. 3009 on November 16, 2001, by voice vote.

On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107-126). The amendments adopted by the Senate Committee on Finance differed from trade provisions in H.R. 3009, as approved by the House, by requiring that imports of apparel products from the Andean region qualifying for duty free and quota free entry be made of U.S. yarn and fabric. In addition, the Senate Committee on Finance bill provided trade benefits for a small allowance of knit apparel made from U.S. yarn. On May 23, 2002, the Senate passed H.R. 3009, as amended. On June 26, 2002, the House concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which contained the Andean language already passed by the House. The conference report was passed by the House on July 26, 2002, and by the Senate August 1, 2002. The bill was signed into law on August 6, 2002 (P.L. 107-210).

On January 31, 2001, the Committee received the Third Report to Congress on the Operation of the Andean Trade Preference Act, prepared by USTR pursuant to P.L. 102-182.

b. U.S.-Jordan Free Trade Agreement Implementation Act

The United States-Jordan Free Trade Agreement (FTA), signed on October 24, 2000, was the first FTA with an Arab nation and was the culmination of many years of increasing U.S.-Jordanian economic integration. The FTA strengthens U.S.-Jordanian bilateral relations, expresses the United States' appreciation for Jordan's role in the Middle East peace process and in cooperating in international counter-terrorism activities, promotes economic growth in the Middle East, improves the region's stability and security, and helps Jordan's efforts to promote economic reform and liberalization. It also signals to Jordan's neighbors in the Middle East the benefits to maintaining peace and instituting open economic regimes.

President Clinton transmitted the agreement to Congress on January 6, 2001 (H. Doc. 107-15). The Jordanian parliament ratified the agreement in May 2001. On April 4, 2001, His Majesty King

Abdullah II of Jordan met with the Committee on Ways and Means to discuss implementation of the FTA.

On July 23, 2001, USTR Robert Zoellick and Jordanian Ambassador Marwan Muasher exchanged formal and official letters which discussed the implementation of the agreement's dispute settlement procedures. In the letters, both countries stated their intention not to apply the agreement's dispute settlement enforcement procedures in a manner that results in blocking trade. The letters also stated that bilateral consultations and other procedures (i.e., alternative mechanisms) would be appropriate measures that will help secure compliance without recourse to traditional trade sanctions.

On July 24, 2001, H.R. 2603, the United States-Jordan Free Trade Area Implementation Act of 2001, was introduced by Chairman Thomas and was referred to the Committee on Ways and Means and to the Committee on the Judiciary. The Committee on Ways and Means marked up H.R. 2603 and on July 31, 2001, favorably reported it with an amendment in the nature of a substitute by voice vote. The Committee on the Judiciary was discharged from H.R. 2603 on July 31, 2001, following an exchange of letters between Chairman Thomas and Judiciary Chairman Sensenbrenner acknowledging the Judiciary Committee's jurisdiction over certain provisions in H.R. 2603 and agreeing to forego Judiciary Committee consideration of the bill.

On July 31, 2001, the House passed H.R. 2603 under suspension by voice vote. On September 24, 2001, the Senate Committee on Finance was discharged from consideration of H.R. 2603 by unanimous consent, and the Senate approved the bill by voice vote. On September 28, 2001, H.R. 2603 was signed into law by the President (P.L. 107-043).

c. Caribbean Basin

H.R. 3009, the Andean Trade Promotion and Drug Eradication Act, which was approved by the Committee on October 5, 2001, by voice vote, contained several provisions relating to trade with Caribbean Basin countries as described below:

1. Knit-to-shape amendment: Draft regulations issued by Customs to implement P.L. 106-200 stipulate that knit-to-shape garments, because technically they do not go through the fabric stage, are not eligible for trade benefits under the Act. Sections 3106 and 3107 of H.R. 3009 amended P.L. 106-200 to clarify that preferential treatment is provided to knit-to-shape apparel articles assembled in beneficiary countries.

2. Hybrid cutting amendment: Draft regulations issued by Customs to implement P.L. 106-200 deny preferential access to garments that are cut both in the United States and beneficiary countries, on the rationale that the legislation does not specifically list this variation in processing (the so-called "hybrid cutting problem"). Section 3107 of H.R. 3009 adds new rules in the Caribbean Basin Trade Partnership Act (CBTPA) to provide preferential treatment for apparel articles that are cut both in the United States and beneficiary countries.

3. Increases in caps: P.L. 106-200 extended duty-free benefits to knit apparel made in CBI countries from regional fabric made with U.S. yarn and to knit-to-shape apparel (except socks), up to a cap

of 250,000,000 square meter equivalents (SMEs), with a growth rate of 16 percent per year for first 3 years. Section 3106 of H.R. 3009 raises this cap to the following amounts: 250,000,000 SMEs for the 1-year period beginning October 1, 2001; 500,000,000 SMEs for the 1-year period beginning on October 1, 2002; 850,000,000 SMEs for the 1-year period beginning on October 1, 2003; 970,000,000 SMEs in each succeeding 1-year period through September 30, 2008. P.L. 106-200 extends benefits for an additional category of CBI regional knit apparel products (T-shirts) up to a cap of 4.2 million dozen, growing 16 percent per year for the first 3 years. Section 3106 of H.R. 3009 raises this cap to the following amounts: 4,872,000 dozen during the 1-year period beginning October 1, 2001; 9,000,000 dozen for the 1-year period beginning on October 1, 2002; 10,000,00 dozen for the 1-year period beginning on October 1, 2003; 12,000,000 dozen in each succeeding 1-year period through September 30, 2008.

The House approved H.R. 3009, including these provisions relating to trade with Caribbean countries (although the caps were slightly different) on November 16, 2001, by voice vote. On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107-126). The amendments adopted by the Senate Committee on Finance did not include any provisions relating to trade with Caribbean Basin countries. On May 23, 2002, the Senate passed H.R. 3009, as amended. On June 26, 2002, the House concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which included the provisions related to trade with Caribbean Basin countries described above. In addition, H. Res. 450 incorporated one provision relating to trade with Caribbean Basin countries that was not included in H.R. 3009 when it passed the House. The new provision is a requirement that apparel made of U.S. knit or woven fabric assembled in CBTPA country qualifies for benefits only if the U.S. knit or woven fabric is dyed and finished in the United States.

The conference agreement to H.R. 3009 contains increases in the quotas nearly identical to the levels approved by the House as well as the dyeing and finishing change, the knit-to-shape rule, and the hybrid cutting rule. On July 26, 2002, the House agreed to the conference report, and on August 1, 2002, the Senate agreed to the conference report. The bill was signed into law on August 6, 2002 (P.L. 107-210).

The conference report on the Supplemental Appropriations Bill for the fiscal year ending September 30, 2002, H.R. 4775, which passed the House on July 23, 2002, by a vote of (397 to 32), includes a provision within the jurisdiction of the Committee on Ways and Means. Section 3001 of the conference report creates a new requirement that apparel made of U.S. knit or woven fabric assembled in CBTPA country qualifies for benefits only if the U.S. knit or woven fabric is dyed and finished in the United States. H.R. 4775 was signed into law on August 2, 2002.

On October 1, 2002, Ambassador Zoellick notified the Committee of his intention to initiate free trade agreement negotiations with the five member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua).

In September 2001, the Committee received a report prepared by the U.S. International Trade Commission (ITC) on the impact of Caribbean Basin Economic Recovery Act on U.S. industries and consumers.

On February 19, 2002, a bipartisan staff delegation from the Committee on Ways and Means conducted an oversight trip to Montgomery and Alexander City, Alabama to observe yarn spinning, knitting, dyeing and finishing, and manufacturing of cut apparel parts for “southbound shipping” to Mexico and Central America. Representatives from these manufacturing operations explained that U.S. firms are made stronger against Asian competition by the ability to take advantage of trade preferences under the CBTPA.

Between February 20–22, 2002, the delegation then traveled to Guatemala City, Guatemala, and Tegucigalpa, Honduras, to discuss bilateral and regional trade issues with government and private sector officials. The issues discussed in Guatemala and Honduras included: (1) The possible negotiation of a free trade agreement between the United States and Central American countries, (2) implementation of the CBTPA, (3) the potential effects of a possible amendment to the CBTPA to require that U.S. fabric qualifying for benefits under the Act be dyed and finished in the United States, (4) the status of legislation to grant the President Trade Promotion Authority, and (5) status of negotiations to establish the FTAA.

d. Africa

P.L. 107–210 contains several provisions relating to trade with African countries described below:

1. Knit-to-shape amendment: Draft regulations issued by Customs to implement P.L. 106–200 stipulate that knit-to-shape garments, because technically they do not go through the fabric stage, are not eligible for trade benefits under the Act. Sections 3106 and 3107 of H.R. 3009 amend P.L. 106–200 to clarify that preferential treatment is provided to knit-to-shape apparel articles assembled in beneficiary countries.

2. Hybrid cutting amendment: Draft regulations issued by Customs to implement P.L. 106–200 deny preferential access to garments that are cut both in the United States and beneficiary countries, on the rationale that the legislation does not specifically list this variation in processing (the so-called “hybrid cutting problem”). Sections 3107 of H.R. 3009 adds new rules to the African Growth and Opportunity Act (AGOA) to provide preferential treatment for apparel articles that are cut both in the United States and beneficiary countries.

3. Merino wool amendment: AGOA was supposed to provide duty-free, quota-free treatment to sweaters knit in African beneficiary countries from fine merino wool yarn, regardless of where the yarn was formed. However, due to a drafting problem, the wrong diameter was included, making it impossible to use the provision. Section 3107 of the House bill corrects the yarn diameter in the AGOA legislation so that sweaters knit to shape from merino wool of a specific diameter are eligible.

4. Botswana and Namibia: Botswana and Namibia exceed the income eligibility for the least developed countries, set at \$1,500 in

AGOA, and therefore these countries were not eligible to use third country fabric for the transition period under the AGOA regional fabric country cap. Section 3105 of H.R. 3009 allows Namibia and Botswana to use third country fabric for the transition period under the AGOA regional fabric country cap.

5. Eligibility and increase in caps: Section 112(b)(3) of the AGOA provides preferential treatment for apparel made in beneficiary sub-Saharan African countries from “regional” fabric (i.e., fabric formed in one or more beneficiary countries) from yarn originating either in the United States or one or more such countries. Section 112(b)(3)(B) establishes a special rule for lesser developed beneficiary sub-Saharan African countries which provides preferential treatment, through September 30, 2004, for apparel wholly assembled in one or more such countries regardless of the origin of the fabric used to make the articles. Section 112(b)(3)(A) establishes a quantitative limit or “cap” on the amount of apparel that may be imported under section 112(b)(3) or section 112(b)(3)(B). This “cap” is 1.5 percent of the aggregate square meter equivalents of all apparel articles imported into the United States for the year that began October 1, 2000, and increases in equal increments to 3.5 percent for the year beginning October 1, 2007. Section 3107 clarifies that apparel wholly assembled in one or more beneficiary sub-Saharan African countries from components knit-to-shape in one or more such countries from U.S. or regional yarn is eligible for preferential treatment under section 112(b)(3) of AGOA. Similarly, section 3015 clarifies that apparel knit-to-shape and wholly assembled in one or more lesser developed beneficiary sub-Saharan African countries is eligible for preferential treatment, regardless of the origin of the yarn used to make such articles. The legislation increases the “cap” by changing the applicable percentages from 1.5 percent to 3 percent in the year that began October 1, 2000, and from 3.5 percent to 7 percent in the year beginning October 1, 2007.

The Committee approved H.R. 3009, which included the provisions described above relating to trade with Africa, on October 5, 2001, by voice vote, and the House approved the bill on November 16, 2001, by voice vote. On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107–126). The amendments adopted by the Senate Committee on Finance did not include any provisions relating to trade with African countries. On May 23, 2002, the Senate passed H.R. 3009, as amended. On June 26, 2002, the House concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which included the House-passed provisions related to trade with African countries. The conferees retained the House provisions but amended the cap increase to limit it to apparel products made with regional or U.S. fabric and yarn (meaning no increase in amounts of apparel made of third country fabric beyond current law). On July 26, 2002, the House agreed to the conference report, and on August 1, 2002, the Senate agreed to the conference report. The bill was signed into law on August 6, 2002 (P.L. 107–210).

In December 2000 and 2001, the Committee received annual reports by the ITC on U.S. Trade and Investment with sub-Saharan Africa that are required in P.L. 106–200.

In May 2000 and 2001, the Committee received annual reports by the President prepared by USTR on U.S. Trade and Investment Policy Toward sub-Saharan Africa and Implementation of the Africa Growth and Opportunity Act.

On November 4, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the President intends to initiate negotiations for a free trade agreement with the five member countries of the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland).

e. Iran and Libya Sanctions Act Renewal

The Iran and Libya Sanctions Act (ILSA) (P.L. 104–172), approved August 5, 1996, mandates sanctions against foreign investment in the petroleum sectors of Iran and Libya, as well as exports of weapons, oil equipment, and aviation equipment to Libya in violation of United Nations Resolutions 748 and 883. This law expired on August 5, 2001.

In general, ILSA requires the President to impose at least two out of a menu of six sanctions on foreign companies that make an investment of \$20 million in 1 year in Iran’s energy sector, or \$40 million in 1 year in Libya’s energy sector. There are two grounds on which the President may waive sanctions. First, under section 4(c) of P.L. 104–172, the President may waive sanctions for investment in Iran for firms of countries that join a multilateral sanctions regime, including economic sanctions, against Iran. Second, under Section 9(c) of the law, the President may waive sanctions on the grounds that doing so is important to the U.S. national interest. This waiver applies to Iran and Libya.

On June 20, 2001, H.R. 1954, the “ILSA Extension Act of 2001,” was ordered reported by the Committee on International Relations (H. Rept. 107–107 Part I) and sequentially referred to the Committee on Ways and Means. The Committee on Ways and Means reported the bill, as amended, on July 12, 2001 (H. Rept. 107–107 Part II). As reported by the Committee on Ways and Means, H.R. 1954 extended the Act for 5 years and established a review mechanism to allow Congress to consider termination of the Act after: (1) receiving a Presidential report on the effectiveness of the sanctions, and (2) assessing the impact of sanctions on other foreign policy and national security interests of the United States. The House passed H.R. 1954 under suspension on July 26, 2001, by a vote of 409 to 6 (with 1 present). H.R. 1954 passed the Senate without amendment by unanimous consent on July 21, 2001, and was signed into law on August 3, 2001 (P.L. 107–24).

f. China

On June 1, 2001, the President announced his intention to waive for another year the freedom of emigration requirements in Title IV of the Trade Act of 1974 with respect to the People’s Republic of China, thereby granting normal trade relations (NTR) treatment to China between July 1, 2001 and June 30, 2002 (H. Doc. 107–79). Although Congress had passed in the 106th Congress legislation to grant permanent normal trade relations to China, that legislation did not take effect until the President certified the terms of China’s accession. On June 5, 2001, Representative Rohrabacher introduced H.J. Res. 50, a joint resolution to disapprove the exten-

sion of the waiver authority contained in section 402(c) of the Trade Act of 1974 with respect to the People's Republic of China, recommended by the President on June 1, 2001. On July 10, 2001, the Trade Subcommittee held a hearing on overall United States trade relations with the People's Republic of China and the status of China's negotiations to join the WTO, and to consider the extension of NTR status for China for an additional year. On July 12, 2001, the Committee reported H.J. Res 50 adversely, without amendment (H. Rept. 107-145). On July 19, 2001, the House defeated H.J. Res. 50 by a vote of 169 to 259. The effect of this resolution would have been to withdraw NTR benefits from Chinese products.

On November 13, 2001, the House received a message from the President certifying that the terms and conditions for accession of China to the WTO are at least equivalent to those agreed to in the November 15, 1999, bilateral agreement between the United States and China. On December 27, 2001, the President granted permanent nondiscriminatory treatment (normal trade relations treatment) pursuant to P.L. 106-286. The Committee on Ways and Means continues to monitor the progress China is making in implementing the obligations it assumed when it joined the WTO on December 11, 2001.

A bipartisan delegation of the Committee on Ways and Means staff and the Senate Committee on Finance staff participated in an oversight trip to China with Undersecretary of Commerce Grant Aldonas from April 1-7, 2002. The delegation visited Beijing and Shanghai to investigate compliance issues and to highlight the importance that Congress and the Administration place on China's full implementation of its trade obligations resulting from China's accession to the WTO on December 11, 2001.

During the 107th Congress, the Committee on Ways and Means received two studies on China from the GAO. On October 3, 2002, the Committee received a report requested by Chairman Thomas and Representative Rangel entitled "World Trade Organization: Analysis of China's Commitments to Other Members." On September 23, 2002, the Committee received a report, also requested by these Members, entitled "World Trade Organization: Selected U.S. Company Views about China's Membership." The GAO's work for the Committee in assessing China's compliance with its WTO obligations is ongoing.

g. Vietnam

i. H.J. Res. 51

Vietnam's trade status is subject to the "Jackson-Vanik" provisions in Title IV of the Trade Act of 1974. This provision of law governs the extension of NTR, including NTR tariff treatment, and access to U.S. Government credits, or credit or investment guarantees, to nonmarket economy countries ineligible for NTR treatment as of the enactment of the Act. A country subject to the provision may gain eligibility for U.S. trade financing programs by complying with the freedom of emigration provisions under the Act or by receiving a Presidential waiver of such requirements. The extension of NTR tariff treatment also requires the conclusion and approval

by Congress of a bilateral trade agreement with the United States providing for reciprocal nondiscriminatory treatment.

The President first determined in 1998 that a Jackson-Vanik waiver for Vietnam would substantially promote the freedom of emigration objectives under the Trade Act of 1974. The President has renewed Vietnam's waiver every year since 1998, most recently on June 3, 2002 (H. Doc. 107-221).

The U.S.-Vietnam bilateral trade agreement (BTA) was signed by USTR Charlene Barshefsky and Vietnam's Trade Minister Vu Khoan on July 13, 2000. On June 8, 2001, President Bush transmitted the agreement to Congress for its approval. The BTA is the most comprehensive trade agreement ever negotiated with a non-market economy country. It covers most major trade issues and is aimed at bringing about over time significant reforms in Vietnam's trade and economic policies. Overall, the BTA commits Vietnam to open its goods and services markets, implement significant economic reforms, expand rule of law, and broaden economic freedom.

On June 12, 2001, identical bills were introduced in the House and Senate (by request) to grant normal trade relations status to Vietnam (subject to annual waivers) by approving the BTA. H.J. Res. 51 was introduced in the House by Representatives Armeiy, Gephardt, and Crane; S.J. Res. 16 was introduced in the Senate by Senators Daschle and Lott.

On July 27, 2001, the Senate Committee on Finance reported favorably S.J. Res. 16 without amendment by a voice vote with a quorum present (S. Rept. 107-49). On September 5, 2001, the Committee on Ways and Means reported favorably H.J. Res. 51 without amendment by voice vote (H. Rept. 107-198). On September 6, 2001, the House approved H.J. Res. 51 without amendment by voice vote. On October 3, 2001, the Senate approved H.J. Res. 51 without amendment by a vote of 88 to 12. On October 16, 2001, the President signed H.J. Res. 51 (P.L. 107-052). On December 10, 2001, USTR Robert Zoellick and Vietnamese Deputy Prime Minister Nguyen Tan Dungon formally exchanged letters allowing the BTA to enter into force and NTR for Vietnam to become effective, subject to annual waivers.

ii. H.J. Res. 55

Under the Trade Act of 1974, in order for Vietnam to continue to be eligible for NTR status and U.S. Government credits, or credit or investment guarantees, the President is required to submit to Congress a recommendation to extend Vietnam's waiver from the freedom of emigration requirements for a 12-month period no later than 30 days prior to the previous waiver's expiration. This waiver authority continues in effect unless disapproved by Congress within 60 calendar days after the expiration of the previous waiver (i.e., September 1). Disapproval would take the form of a joint resolution disapproving of the President's waiver determination. The President renewed Vietnam's waiver on June 1, 2001 (H. Doc. 107-82).

H.J. Res. 55 was introduced on June 21, 2001, by Representative Rohrabacher to disapprove the President's extension of Vietnam's waiver. On July 23, 2001, the Committee on Ways and Means reported adversely H.J. Res. 55 without amendment by voice vote (H. Rept. 107-154). On July 24, 2002, H.J. Res. 55 failed in the House

by a vote of 91 to 324 (with 1 present vote), thus leaving NTR status in place for an additional year.

iii. H.J. Res. 101

On June 3, 2002, the President renewed Vietnam's waiver from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974 (H. Doc. 107-221). H.J. Res. 101 was introduced on June 25, 2002, by Representative Rohrabacher to disapprove the President's extension of Vietnam's waiver. On July 18, 2002, the Committee's Subcommittee on Trade held a hearing on the President's waiver for Vietnam. Witnesses at the hearing included Ralph Ives, Assistant USTR for Asia and the Pacific; Chris LaFleur, Acting Assistant Secretary of State for East Asian and Pacific Affairs Bureau; and representatives from the business and agriculture communities and nongovernmental organizations. On July 22, 2002, the Committee on Ways and Means reported adversely H.J. Res. 101 without amendment by voice vote (H. Rept. 107-602). On July 23, 2002, H.J. Res. 101 failed in the House by a vote of 91 to 338, thus leaving NTR status in place for an additional year.

h. Chile

On March 7, 2001, the Committee held a hearing on President Bush's trade agenda for 2001. During that hearing, the Committee reviewed progress in negotiations to establish a free trade agreement with Chile. Following House passage of H.R. 3005, legislation to grant the President Trade Promotion Authority, the Committee held a hearing on February 7, 2002, on President Bush's trade agenda for 2002, which addressed progress in negotiations with Chile.

On August 22, 2002, the Committee received a letter from Ambassador Zoellick indicating his intention to conclude a free trade agreement negotiations with Chile.

i. Singapore

On March 7, 2001, the Committee held a hearing on President Bush's trade agenda for 2001. During that hearing, the Committee reviewed progress in negotiations to establish a free trade agreement with Singapore. Following House passage of H.R. 3005, legislation to grant the President Trade Promotion Authority, the Committee held a hearing on February 7, 2002, on President Bush's trade agenda for 2002, which addressed progress in negotiations with Singapore.

On August 22, 2002, the Committee received a letter from Ambassador Zoellick indicating his intention to conclude a free trade agreement negotiations with Singapore.

In 2001, U.S.-Singapore trade reached \$32.7 billion, making Singapore the United States' 8th largest trading partner. The United States and Singapore began negotiations to establish a free trade agreement in December 2000. There is no firm deadline for concluding the negotiations, although both sides have indicated a preference to conclude them by the end of 2002. The U.S.-Singapore FTA would be the first U.S. FTA with an Asian country, and negotiators are working to draft a "world-class" agreement that will

serve as a strong basis for future negotiations in the region, particularly services.

j. Morocco

The United States and Morocco have been working closely together since 1995 to promote closer economic ties and strong investment climates under a bilateral Trade and Investment Framework Agreement (TIFA). On August 22, 2002, USTR Zoellick wrote a letter to the Congressional leadership and the Committee outlining the reasons that it is in the United States' interest to pursue a free trade agreement with Morocco. On October 1, 2002, Ambassador Zoellick formally notified Congress of the President's intention to negotiate an FTA with Morocco, noting that such an agreement would deepen the ongoing trade dialogue in the Middle East, reinforce important American values in the region, and build upon the free trade agreements already completed with Israel and Jordan.

Ambassador Zoellick noted that in addition to tariff elimination, an FTA with Morocco would include commitments to increase access to the Moroccan services sector. In addition to the telecommunications and tourism sectors, there are likely opportunities for U.S. firms in the energy, transport, financial services, and insurance sectors. The FTA would support Morocco's commitment to transparency, openness, and the rule of law, and would include increased protection for intellectual property and specific provisions to encourage the development of e-commerce.

k. Free Trade Agreement of the Americas

On March 29, 2001, the Trade Subcommittee held a hearing on the increasing number of bilateral and regional trade agreements to which the United States is not a party, particularly in its own hemisphere, and the implications for the United States. This hearing focused on how these new trade agreements disadvantage U.S. business, workers, and families and assessed opportunities for the United States to move forward with new negotiations.

Between April 20–22, 2001, a staff member from the Committee on Ways and Means accompanied a Congressional delegation from the Committee on Agriculture led by Representative Combest that attended the FTAA Summit in Quebec, Canada.

On May 8, 2001, the Trade Subcommittee held a hearing on the outcome of the Summit of the Americas held in Quebec City, Canada, and the prospects and timing for achieving the FTAA.

Also, on May 8, 2001, the Committee received a report from the GAO, requested by Trade Subcommittee Chairman Crane entitled "Free Trade Area of the Americas: April 2001 Meetings Set Stage for Hard Bargaining to Begin."

On July 20, 2001, the Committee received a report from the GAO, requested by Trade Subcommittee Chairman Crane, entitled "North American Free Trade Agreement: U.S. Experience with Environment, Labor, and Investment Dispute Settlement Cases."

l. Turkey

In 1996, Congress established the Qualifying Industrial Zone (QIZ) initiative under the U.S.-Israel Free Trade Agreement to support the peace process in the Middle East by encouraging Israeli-

Jordan and Israeli-Egypt economic integration. On June 24, 2002, H.R. 5002 was introduced by Trade Subcommittee Chairman Crane along with Representatives Wexler, Armey, Lantos, and Sessions. The bill would expand the QIZ program to allow Israel-Turkey QIZs to help Turkey attract foreign direct investment, diversify its exports away from dependence on textiles, boost trade, and increase employment opportunities. Products manufactured in a QIZ that meet the necessary criteria would enjoy duty-free access to the United States. During the markup of the Miscellaneous Trade and Technical Corrections Act of 2002 (H.R. 5385) by the Committee on Ways and Means, Chairman Thomas included the text of H.R. 5002 in his amendment in the nature of a substitute. The Committee then approved the legislation as amended, on September 18, 2002, by voice vote. The House approved H.R. 5385 on October 7, 2002, under suspension by voice vote. The Senate took no action on H.R. 5002 or H.R. 5385.

m. Yugoslavia

Yugoslavia's NTR status was withdrawn by Congress in 1992 (P.L. 102-420) because Serbia and Montenegro were not complying with the provisions of the Final Act of the Conference on Security and Cooperation in Europe (also known as the "Helsinki Final Act"). On April 17, 2002, Representative Sessions introduced H.R. 4478 to give the President the authority to proclaim NTR status to Yugoslavia (Serbia and Montenegro) notwithstanding the 1992 law. The text of H.R. 4478 was included in the Miscellaneous Trade and Technical Corrections Act of 2002 (H.R. 5385), which was introduced on September 17, 2002, by Representative Crane. During the markup of H.R. 5385 by the Committee on Ways and Means, an amendment introduced by Representative Levin (at the request of Representative Cardin) was accepted which requires the President to first certify, before he may grant NTR status to Yugoslavia, that the Federal Republic of Yugoslavia is (1) cooperating with the International War Crimes Tribunal and (2) complying with the Dayton Peace Accords. The Committee then approved the legislation, as amended, on September 18, 2002, by voice vote. Before the House considered H.R. 5383 on the Floor, Representative Cardin asked that the amendment adopted in the markup be withdrawn. The House approved H.R. 5385 with the original text of H.R. 4478 on October 7, 2002 under suspension by voice vote. The Senate took no action on H.R. 4478 or H.R. 5383.

n. Russia

Russia's trade status remains subject to the Jackson-Vanik provisions in Title IV of the Trade Act of 1974. Russia was first extended NTR in 1992 under a waiver from the Jackson-Vanik emigration requirements. Since 1994, the President has found Russia to be in full compliance with the emigration criteria; however, the country's trade status remains conditioned upon annual compliance determinations by the President. The compliance determinations are vulnerable to a resolution of disapproval by Congress. There has not been an annual vote in Congress on Russia's trade status because no Member of Congress has introduced a disapproval resolution.

On December 20, 2001, Chairman Thomas, along with Subcommittee Chairman Crane and Representative Dreier, introduced H.R. 3553 to provide for the extension of permanent NTR treatment to the products of the Russian Federation. The Subcommittee on Trade held a hearing on April 11, 2002, to explore whether to graduate Russia from the Jackson-Vanik provisions and extend PNTR, and to assess U.S.-Russian trade relations. Witnesses at the hearing included Representatives Lantos and Cox, Deputy USTR Peter F. Allgeier, Under Secretary of State for Economic, Business, and Agricultural Affairs Alan P. Larson, and representatives from the business and agriculture communities and non-governmental organizations. No further action was taken.

o. Israel

The House approved H.R. 3009, the Andean Trade Promotion and Drug Eradication Act, on November 16, 2001, by voice vote and did not include any provision relating to Israel. On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107-126). The amendments adopted by the Senate Committee on Finance included a provision that provided that articles eligible for preferential treatment under the Andean Trade Promotion and Drug Eradication Act would not be ineligible for duty-free treatment because they contain certain nylon filament yarn from a country that had a FTA in force prior to January 1, 1995. On May 23, 2002, the Senate passed H.R. 3009, as amended.

On June 26, 2002, the House concurred with the Senate amendment with an amendment, pursuant to H. Res. 450, which included no provision relating specifically to trade with Israel. The conference agreement to H.R. 3009 included the Senate provision. In addition, at the insistence of the House, the conference agreement included a requirement that USTR should review implementation of the United States-Israel FTA and submit a report to Congress on whether Israel is implementing its market access commitments to the United States under the FTA and under any other trade agreements this country has with the United States. On July 26, 2002, the Israeli Ambassador to the United States wrote to Chairman Thomas to express the view of his government that Israel is in compliance with the agreement. On July 26, 2002, the House agreed to the conference report, and on August 1, 2002, the Senate agreed to the conference report. The bill was signed into law on August 6, 2002 (P.L. 107-210).

p. Taiwan

On January 17, 2002, the Senate Committee on Finance formally requested the ITC to conduct an assessment of the economic effects of the establishment of a free trade agreement between the United States and Taiwan. As part of that request, the Senate Committee on Finance asked the ITC to provide information on Taiwan's economy, the current economic relationship between the United States and Taiwan, an analysis of the barriers to trade between the United States and Taiwan, the estimated economic effects of eliminating all quantifiable trade barriers (with special attention to agricultural goods), and a qualitative assessment of the economic effects of removing non-quantifiable trade barriers. On June 10, 2002, several Members of the Committee on Ways and Means (Rep-

representatives Dunn, Rangel, Crane, Levin, Shaw, McDermott, Ramstad, McNulty, Herger, Houghton, English, Hayworth, Foley, and Brady) wrote a letter to ITC Chairman Steve Koplan expressing their support for the economic impact study. The ITC issued its report in October 2002.

q. Australia and New Zealand

On November 13, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the President intends to initiate negotiations for a free trade agreement with Australia and soliciting the view of the Committee on including New Zealand as part of that agreement.

4. OPERATIONS OF THE U.S. CUSTOMS SERVICE, THE U.S. INTERNATIONAL TRADE COMMISSION, AND THE OFFICE OF THE U.S. TRADE REPRESENTATIVE

a. Customs Border Security Act of 2002

The Trade Subcommittee held a hearing on July 17, 2001, on budget authorizations for the U.S. Customs Service, the Office of the USTR, and the ITC. Representatives of these agencies, the GAO, the National Treasury Employees Union, and invited private sector witnesses testified at the hearing.

At the hearing, the Subcommittee examined Customs automation issues—the Automated Commercial System (ACS), the Automated Commercial Environment (ACE), and the International Trade Data System (ITDS). In addition, the Subcommittee received testimony on Customs’ premium and overtime pay laws and practice, as well as Customs’ backlog of prospective rulings.

On October 16, 2001, Subcommittee Chairman Crane introduced H.R. 3129, authorizing appropriations for fiscal years 2002 and 2003 for the Customs Service for non-commercial and commercial operations and air and marine interdiction programs, as well as authorizations for the Office of the USTR and the ITC. With respect to the Customs authorization for commercial operations, the legislation included funding for ACE (\$308 million for fiscal years 2002 and 2003). In addition, H.R. 3129 included authorization for the prevention of online child pornography, the purchase of specific inspection equipment, the addition of Customs Service officers at the United States-Canada border, the establishment and implementation of a cost accounting system at the Customs Service, implementation of a new means of calculation of fees for customs inspections at express courier facilities, the National Customs Automation Program, reestablishment of customs operations in New York City, for textile transshipment enforcement operations, and implementation of the Africa Growth and Opportunity Act. H.R. 3129 also included provisions amending overtime and premium pay for Customs officers, providing immunity to Customs officers from lawsuits arising from personal searches at the border, and authorizing authority to Customs to search outbound mail. H.R. 3129 was referred to the Committee on Ways and Means.

The Committee on Ways and Means marked up and favorably reported H.R. 3129 as amended on October 16, 2001, by voice vote. The Committee filed H. Rept. 107–320 on December 5, 2001. On December 6, 2001, an amended version of H.R. 3129 that omitted

the provision on overtime and premium pay for Customs officers failed to pass the House under suspension of the rules (requiring a two-thirds vote) by a vote of 256 to 168. On May 22, 2002, the House passed a substantially similar version of H.R. 3129, as amended, by a vote of 327 to 101.

On December 4, 2001, the Senate Committee on Finance favorably reported S. 1209, the Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001, that incorporated via amendment substantial portions of H.R. 3129 as it had been favorably reported by the House Committee on Ways and Means. The Senate Committee on Finance amendment to S. 1209 omitted the provisions of H.R. 3129 on overtime and premium pay for Customs officers and immunity for Customs inspectors. The Committee filed S. Rept. 107–134 on February 4, 2002. The Senate passed these incorporated provisions of H.R. 3129 as part of the Senate amendment to H.R. 3009 by a vote of 66 to 30 on May 23, 2002.

No further action was taken on H.R. 3129 in the 107th Congress, but the provisions of H.R. 3129 as amended and passed by the House were substantially incorporated into H.R. 3009, which was enacted on August 6, 2002 (P.L. 107–210). In the final enacted version, the budget authorization dates were changed from fiscal years 2002–2003 to fiscal years 2003–2004, and the authorization amounts were changed accordingly. Other significant revisions of the Customs Border Security Act of 2002 that were enacted as part of the Trade Act of 2002 are discussed below:

1. Immunity for Customs Officers Acting in Good Faith

Customs Service officials provided information to the Committee about the risk to inspectors of personal lawsuits. According to these officials, some Customs inspectors have been sued unfairly in their personal capacity by people who underwent personal searches at the border. H.R. 3129 as introduced and passed by the House, and later included in H.R. 3009, included a provision to provide immunity for U.S. officials from lawsuits stemming from personal searches of people entering the country so long as the officers conduct the searches in good faith. To be covered by this immunity provision, inspectors must follow Customs Service inspection rules including the rule against profiling using race, religion, or ethnic background. The Senate amendment to H.R. 3009 as passed by the Senate omitted this provision. The Senate receded to the House in the conference for the Trade Act of 2002, and the conferees added a clarification in section 341 of the conference report that the means to effectuate such searches must be reasonable.

2. Outbound Mail Border Search Authority

Customs Service officials provided information to the Committee about the inability of Customs to inspect mail traveling out of the country. Although Customs searched all inbound mail, and although it searched outbound mail sent via private carriers, outbound mail carried by the U.S. Postal Service was not subject to search. Customs officials stated that illegal inbound smuggling is often accompanied by an outbound transaction. For example, illegal drugs may enter the United States, and the money collected for the drugs may then be mailed back to the smuggler.

H.R. 3129 as introduced and passed by the House, and later included in H.R. 3009, authorizes officials of the Customs Service to search mail traveling out of the country. H.R. 3009, as amended by the Senate, included this provision with an exception for mail weighing 16 ounces or less that required Customs to obtain a search warrant before searching. H.R. 3009 as enacted includes the Senate text in section 344.

3. Requests Submitted to the GAO

The GAO prepared a report for the Committee that confirmed complaints from the business community about the unreasonably lengthy delays in obtaining prospective rulings from the Customs Service. H.R. 3129, as introduced and passed by the House and later included in H.R. 3009, directed the GAO to monitor and provide an update on the progress of Customs in substantially decreasing the time it takes to issue prospective rulings. This provision was subsequently enacted as section 335 of H.R. 3009.

The Committee received information about alleged textile goods entering the country that have been transshipped, meaning that an importer had entered the goods with an incorrect declaration for the purpose of obtaining entry or a lower duty. H.R. 3129, as introduced and passed by the House and later included in H.R. 3009, directed the GAO to conduct an audit of the systems at the Customs Service to monitor and enforce textile transshipment. This provision was subsequently enacted as section 345 of H.R. 3009.

Customs Service officials provided information to the Committee about the inadequacy of the existing accounting system used by Customs. Customs cannot accurately track the cost of providing services to fee payers nor account for its budget expenditures on a commercial versus non-commercial basis. One consequence of having inadequate data is that importer user fees may not reflect the level of services provided for by the fee. H.R. 3129, as introduced and passed by the House and later included in H.R. 3009, directed the GAO to prepare a confidential report to determine whether current user fees are appropriately set at a level commensurate with the service provided for the fee. This provision was subsequently enacted as section 336 of H.R. 3009.

4. Mandatory Advanced Electronic Information for Cargo

Customs Service officials provided information to the Committee about the commercial and non-commercial need for additional cargo and passenger information. H.R. 3129, as introduced and passed by the House and later included in H.R. 3009, directed the Secretary of the Treasury to promulgate regulations pertaining to the electronic transmission to the Customs Service of cargo information relevant to aviation, maritime, and surface transportation safety and security prior to a cargo carrier's arrival in the United States. The Senate amendment to H.R. 3009 included a similar provision that applied to out-bound cargo as well. Conferees agreed to a modified provision that deleted specific requirements on private carriers and shippers and set general parameters for Treasury's regulations. This provision was subsequently enacted as section 343 of H.R. 3009.

b. Port Security: Maritime Transportation Antiterrorism Act of 2002

On May 22, 2002, by a vote of 327 to 101, the House passed H.R. 3129, as amended, that included section 343 addressing mandatory advanced electronic information for cargo discussed above. On December 20, 2001, the Senate passed S. 1214, which included a similar provision that was more detailed and applied to outbound cargo and passenger information as well. S. 1214 was held at the Speaker's desk until June 4, 2002.

On June 4, 2002, Chairman Thomas wrote a letter to Speaker Hastert on the matter of H.R. 3983, the Maritime Transportation Antiterrorism Act of 2002, acknowledging that the Committee had modified H.R. 3129 to assure that agencies beyond Customs would have access to the information collected by Customs pursuant to the Act. The letter demurred on the action of the Committee Transportation and Infrastructure to incorporate an identical Customs provision in H.R. 3983. H.R. 3983 was passed under suspension of the rules by the House with this provision on June 4, 2002, by voice vote. On June 4, 2002, the House agreed to go to conference on H.R. 3983 and S. 1214, and the Speaker named Chairman Thomas, Subcommittee Chairman Crane, and Ranking Member Rangel as conferees on this provision. Because final Senate and House agreement to a provision was included in enactment of H.R. 3009 that was signed by the President on August 2, 2002, and because the conference report on H.R. 3983 contained no tax or user fee, the conference report contained only technical amendments within the Committee's jurisdiction. The conference report was later enacted.

c. H.R. 3525, the Enhanced Border Security and Visa Entry Reform Act of 2002

On April 23, 2002, Chairman Thomas wrote a letter to Chairman Sensenbrenner of the Committee on the Judiciary concerning section 102 of H.R. 3525, the "Enhanced Border Security and Visa Entry Reform Act of 2001," which passed the Senate as amended on April 18, 2002. Included in the Senate amendment to H.R. 3525 was section 102, which authorized increases in funding to improve facilities for the border patrol, Immigration and Naturalization Service, and U.S. Customs Service in light of the increased border security issues related to the terrorist attack of September 11, 2001. The letter stated that this provision of the Senate amendment fell within the Committee's jurisdiction but that the Committee would seek no action on the legislation in order to expedite it for Floor consideration. The final version of H.R. 3525 included this provision intact, and the bill was signed into law on May 14, 2002 (P.L. 107-173).

d. Creation of the U.S. Department of Homeland Security: Homeland Security Act of 2002

On June 18, 2002, President Bush proposed to transfer all of the authority and assets of the Customs Service, as well as many other Federal agencies, to a new U.S. Department of Homeland Security. Specifically, Customs would be placed under an Under Secretariat for Border and Transportation Security along with the Immigration and Naturalization Service, the Animal and Plant Health Inspection Service, the Coast Guard, and the Transportation Security Ad-

ministration. On June 24, 2002, Chairman Armey of the House Select Committee on Homeland Security introduced H.R. 5005, "The Homeland Security Act of 2002." The bill was referred to the Committees of jurisdiction for each section of the bill, including the Committee on Ways and Means.

On June 19, 2002, Chairman Thomas announced that the Committee would hold a hearing on the President's proposal to create a U.S. Department of Homeland Security including the transfer of all assets and authority of the U.S. Customs Service to the new Department. The full Committee held the hearing on June 26, 2002. Testifying at the hearing were the Honorable Jimmy Gurule, Undersecretary for the Office of Enforcement, U.S. Department of the Treasury, and several members of the trade as well as the president of the National Treasury Employees Union.

Chairman Thomas and the Committee on Ways and Means ordered favorably reported recommendations for legislative changes to H.R. 5005, the "Homeland Security Act of 2002," with amendment, by voice vote, after adopting the Chairman's amendment by a vote of 34 to 3. The legislative language adopted by the Committee was recommended to the House Select Committee on Homeland Security for incorporation into a final bill consolidating relevant House committee recommendations.

The overarching goal of the Committee was to give the new Department the tools it needs to protect U.S. borders while at the same time to ensure that revenue continues to be collected and that goods keep moving across the border with little delay. The bipartisan amendment that formed the Chairman's mark would: (1) transfer the Customs Service in its entirety to the U.S. Department of Homeland Security Division for Border and Transportation Security; (2) identify revenue-related offices and functions within Customs (about 25 percent of the agency) and prohibit reorganization or decrease in their funding or staff or reductions to Title V pay and benefits levels; (3) require that adequate staffing of customs revenue services be maintained, and require notice to Congress of actions that would reduce such service; (4) maintain the Commissioner of Customs as Senate-confirmed; (5) transfer all authority exercised by Customs to Homeland Security with the exception of revenue collecting authority, which would remain at the U.S. Department of the Treasury, which may delegate this authority to Homeland Security; (6) specify that a portion of the Customs Merchandise Processing Fee must go to build the new Customs computer.

Four amendments were offered to the Chairman's substitute. The first amendment, offered by Representative Cardin, would have designated the existing Customs Service as a "distinct entity" within the Homeland Security Department. This amendment failed by voice vote. The second amendment, offered by Representative Becerra, would have expanded the dedicated use provision for the merchandise processing fee (MPF) in the Chairman's substitute to require use of MPF receipts (in excess of the \$350 million dedicated for ACE development) for commercial operations. This amendment failed by a roll call vote of 12 yeas to 24 nays. The third amendment, offered by Representative McDermott, would have preserved existing and future Customs' employees pay, performance standards, etc., as provided under Title 19 and Title 5. This amendment

failed by a voice vote. Representative Doggett offered an amendment to prohibit the Customs Service from entering into contracts with companies that have reincorporated overseas in order to avoid U.S. taxation. This amendment was agreed to without objection.

On July 23, 2002, the House Select Committee on Homeland Security reported H.R. 5005 with the Committee on Ways and Means language intact. On July 31, 2002, H.R. 5005 passed the House by a vote of 295 to 132. No further action was taken on this bill in the 107th Congress.

On November 13, 2002, the House Select Committee on Homeland Security reported H.R. 5710 as a substitute to H.R. 5005. Minor changes were incorporated in the Customs section from the language reported in H.R. 5005. The House passed the bill by a vote of 299 to 121 on November 13, 2002. The Senate passed the House bill with some technical amendments on November 19. The House agreed to the technical amendments on November 22, and the bill was signed into law on November 25, 2002.

e. H. Res. 385 (Concerning the Destruction of the Customs Services Offices at the World Trade Center)

On April 10, 2002, Representative Istook introduced H. Res. 385, a resolution to honor the men and women of the U.S. Customs Service who had offices at the World Trade Center, for their hard work, commitment, and compassion during the terrorist attacks on the World Trade Center on September 11, 2001. The resolution was referred to the Committee on Ways and Means. The resolution passed under suspension of the rules by voice vote on April 23, 2002.

f. Customs User Fees

i. Patients' Bill of Rights

Customs user fees under Title 19, section 58c will expire in September 2003. As a source of revenue, user fees are sometimes attached to unrelated legislation as a means to "pay for" the spending created by that legislation. For example, section 502 of Senator McCain's bill, S. 1052, the Patients Protection Act (also known as the Patients' Bill of Rights), would extend Customs user fees until 2011. S. 1052 passed the Senate as amended on June 29, 2001, with the provision remaining intact although renumbered to section 602. No further action was taken on S. 1052 during the 107th Congress.

ii. Reports Required Under the Trade Act of 2002

Section 334 of the Trade Act of 2002 requires the implementation of a cost accounting system for the U.S. Customs Service and a quarterly report from Customs on its progress. Once implemented, Customs will be able to accurately identify the cost of performing certain services or activities that currently have fees associated with them.

5. GENERALIZED SYSTEM OF PREFERENCES

On October 3, 2001, Trade Subcommittee Chairman Crane introduced H.R. 3010, a bill to amend the Trade Act of 1974 to extend the GSP until December 31, 2002. On October 5, 2001, the Com-

mittee ordered H.R. 3010 favorably reported, without amendment, by voice vote. On June 26, 2002, the House concurred with the Senate amendment to H.R. 3009 with an amendment pursuant to H. Res. 450, by a vote of 216 to 215 with one Member voting “present.” This resolution incorporated H.R. 3010 into H.R. 3009, the Trade Act of 2002. On July 26, 2002, the House agreed to the conference report, and on August 1, 2002, the Senate agreed to the conference report. The conference report extends GSP benefits through December 31, 2006. The bill was signed into law on August 6, 2002 (P.L. 107–210).

6. TRADE ADJUSTMENT ASSISTANCE

H.R. 3008 was introduced by Representative Nancy Johnson and referred to the Committee on Ways and Means. On October 15, 2001, the Committee favorably reported H.R. 3008 to reauthorize until 2004 the TAA programs for workers and firms and the North American Free Trade Agreement-related (NAFTA) TAA program, all of which were scheduled to expire on September 30, 2001. The Committee filed H. Rept. 107–244 on October 16, 2001. The House passed H.R. 3008, as amended, by a vote of 420 to 3 with one Member voting “present,” on December 6, 2001. H.R. 3008, as amended, included provisions to shorten the period for Administration review of petitions, increase benefits for additional time, and authorize a new temporary program to address workers laid off from the national economic impacts of the terrorist attack of September 11, 2001. No further action was taken on H.R. 3008 during the 107th Congress, but the text of H.R. 3008 was partially incorporated into the conference report to H.R. 3009 as amended and passed by the House on June 26, 2002, and signed into law on August 6, 2002 (P.L. 107–210).

On December 4, 2001, the Senate Committee on Finance favorably reported S. 1209 with a substitute amendment. The Senate Committee on Finance filed S. Rept. 107–134 on February 4, 2002. S. 1209 was a significant rewrite of existing TAA law that included provisions to: consolidate the TAA and NAFTA–TAA programs; shorten the period for Administration review of TAA petitions; extend TAA to secondary workers, workers in firms that shift production abroad, and workers in taconite mining firms; allow Congress to initiate TAA investigations; increase notice to potential beneficiaries; increase benefits for additional time; increase time allowed for breaks in training; raise the training expenditure cap; increase personal allowances; provide wage insurance for older workers; create a self-employment pilot program; expand authorization for TAA for firms; create a new TAA for communities, farmers, and fishermen; create a new healthcare benefit for TAA workers; and extend Customs user fees through 2010. No further action was taken on S. 1209 during the 107th Congress, but the provisions of S. 1209 were incorporated into the Senate amendment to H.R. 3009 that passed on May 23, 2002, by a vote of 66 to 30.

The conference report to H.R. 3009 makes significant changes to the House and Senate passed versions of TAA but retains existing law as the basis for the amendments instead of adopting the method of rewriting the statute followed by the Senate in S. 1209. Conferees agreed to consolidate the TAA and NAFTA–TAA programs, decrease the review period for petitions, extend TAA to down-

stream secondary workers, increase notice to potential beneficiaries, increase benefits for additional time, increase time allowed for breaks in training, raise the training expenditure cap to \$220 million, increase personal allowances, create an alternative TAA program for older workers, increase funding to TAA for firms, create a new TAA program for farmers subject to limitations related to income and eligibility for other farm program payments, and provide a healthcare tax credit to TAA workers and recipients of benefits from the Pension Benefit Guaranty Corporation. H.R. 3009 was signed into law on August 6, 2002 (P.L. 107–210).

7. MISCELLANEOUS TRADE ISSUES

a. Miscellaneous Trade and Technical Corrections Act

On March 8, 2002, Subcommittee Chairman Crane requested written comments from parties interested in miscellaneous trade proposals, technical corrections to the trade laws, and temporary suspensions on certain imports. These technical corrections related to the ongoing process of identifying changes to improve the efficiency of the trade laws.

On September 17, 2002, Subcommittee Chairman Crane introduced H.R. 5385, the “Miscellaneous Trade and Technical Corrections Act of 2002.” This legislation included provisions which were non-controversial based on public comments received, Administration comments, and revenue analysis by the Congressional Budget Office (CBO). H.R. 5385 was referred to the Committee on Ways and Means.

H.R. 5385 contains two parts. The first part includes legislation relating to: (1) temporary duty suspensions, (2) review of protests against Customs Service decisions, and (3) miscellaneous provisions. The duty suspension provisions of the first part of H.R. 5385 relate mostly to products (largely chemical) for which there is no U.S. domestic manufacturer. Other duty suspension articles include rubber riding boots and high performance loud speakers.

The review of protests against Customs Service decisions included provision for articles including tramway cars, a replica of the Liberty Bell, and certain 13-inch televisions. These provisions were found to be adjustments to duty payments made on articles that were past administrative remedy.

The second part of H.R. 5385 contains provisions relating to: (1) the establishment of a Turkey QIZ (see discussion in Turkey section of this report), (2) ship repair record-keeping elimination (the bill reverses Customs regulations written in April 2001 and eliminates onerous record-keeping requirements for repairs made by regular crew on American ships while on the high seas, without change to current law requiring duties for foreign ship repairs), (3) GSP benefits for certain hand-made rugs (the primary beneficiary is Pakistan; other countries that would benefit from the bill include Turkey, Nepal, Egypt, and Morocco), and (4) other technical amendments to the Trade Act of 2002.

On September 18, 2002, the Committee on Ways and Means amended and marked up H.R. 5385 and ordered it favorably reported by voice vote. The Committee amendment included a change relating to the Turkey QIZ. In addition, the Committee allowed for revision of the bill to correct for score and content. On October 7,

2002, the bill was agreed to by the House under suspension of the rules by voice vote.

The Senate received the bill on October 8, 2002. The Senate took no action on the legislation.

b. Farm Security and Rural Investment Act of 2002

On September 17, 2001, Chairman Thomas wrote to Representative Combest, Chairman of the Committee on Agriculture, to assert jurisdiction over two provisions of H.R. 2646, the Agriculture Act of 2002. The provisions were section 127, which would change the level of import quotas on cotton permitted under U.S. law, and section 146, which would require importers of dairy products to pay assessments applied to domestic dairy producers to offset the costs of dairy sales promotion programs. The Committee on Ways and Means did not seek action on these proposals. On September 18, 2001, Representative Combest sent a letter to Chairman Thomas, agreeing as to the Committee's jurisdictional prerogatives. On August 2, 2001, H.R. 2646 passed the House by a recorded vote of 291 to 120.

On February 13, 2002, the Senate passed its version of H.R. 2646. Chairman Thomas, Ranking Member Rangel, and Representative Herger were named House conferees for the provisions within the jurisdiction of the Committee, specifically the raw cotton quotas, the dairy marketing fee assessment on imports, the reallocation of the sugar quota, and certain provisions of the Animal Health Protection Act and the Bear Protection Act.

The House passed the conference report on May 2, 2002, containing provisions within the Committee's jurisdictions as modified to the Committee's satisfaction. The Senate passed the conference report on May 8, 2002, and it was signed into law on May 13, 2002 (P.L. 107-171).

c. Steel—H.J. Res. 84

On June 22, 2001, USTR Robert Zoellick requested the ITC to initiate a safeguard investigation under section 201 of the Trade Act of 1974 concerning the effect of steel imports on the U.S. steel industry. The request covered four broad categories of steel products: certain carbon and alloy flat products, certain carbon and alloy long products, certain carbon and alloy pipe and tube, and certain stainless steel and alloy tool steel products.

For purposes of its investigation, the ITC divided steel imports into 33 product categories. On October 22, 2001, the ITC made an affirmative determination of injury for 12 of these product categories, finding that the products were being imported into the United States in such increased quantities that they are a substantial cause of serious injury or threat of serious injury to the U.S. industry. In addition, the ITC was evenly divided in its determinations for 4 product categories and made negative determinations for 17 product categories. In cases where the ITC was evenly divided, both determinations were forwarded to the President, who may consider either determination as the ITC's determination (section 330(d)(1) of the Tariff Act of 1930). The imported products covered by the ITC's affirmative and evenly divided determinations accounted in the year 2000 for 27 million tons of steel, valued at \$10.7 billion (74 percent of the imports under investigation).

On December 7, 2001, the ITC announced the recommendations and views on the remedies regarding steel. According to section 202(e)(6) of the Trade Act of 1974, only Commissioners who made affirmative injury determinations for a product are eligible to recommend remedies for that product. On December 19, 2001, the ITC transmitted to the President its remedy recommendations.

Section 203 provides that the President, not the ITC, makes the final decision whether to provide relief to the U.S. industry and the type and amount of relief. On March 5, 2002, President Bush announced trade remedies for all products on which the ITC affirmatively determined or had an evenly divided determination that imports had caused substantial injury except two specialty categories (tool steel and stainless steel flanges and fittings). The President's remedies were imposed as of March 20, 2002, and are effective for 3 years and 1 day. Since that time, the President has issued a number of exclusions.

On March 7, 2002, Representative Jefferson introduced H.J. Res. 84 to disapprove the action taken by the President. The effect of the resolution would be to enact instead the remedy recommendations of the ITC transmitted to the President on December 19, 2001. The resolution was referred to the Committee on Ways and Means. On May 7, 2002, the Committee on Ways and Means reported adversely H.J. Res. 84 without amendment by voice vote (H. Rept. 107-437). On May 8, 2002, the House approved H. Res. 414, which laid H.J. Res. 84 on the table, by a vote of 386 to 30 (with 1 present vote), leaving the President's order in place. No further action was taken.

d. Diamonds

There were a number of legislative proposals in Congress during the 107th Congress seeking to address the trade in conflict diamonds. Such diamonds generally come from mines controlled by rebel forces and are traded for arms to fuel civil war in Africa. Some of the proposals included banning diamonds imported from specified countries and requiring a certification of where the imported diamond was mined.

The Senate passed H.R. 2500, an act making appropriations for the U.S. Departments of Commerce, Justice, and State, the Judiciary, and related agencies, which at section 404 would create an explicit ban on the importation of diamonds from certain countries. As an import ban provision, section 404 was a revenue measure that contravened the Origination Clause of the Constitution (Article I, Section 7, Clause 1). On September 20, 2001, Chairman Thomas introduced H. Res. 240 to return H.R. 2500 to the Senate because the bill violated the Origination Clause. H. Res. 240 passed the House by voice vote, and H.R. 2500 was returned to the Senate. The Senate voted on September 21, 2001, to strike section 404 from the bill.

On October 10, 2001, the Trade Subcommittee held a hearing on the importation of conflict diamonds. This hearing was an effort to obtain viewpoints from the Administration, the industry, non-governmental organizations, and other interested parties for possible solutions to the issues relating to the trade in conflict diamonds. This hearing was a follow-up to one held by the Subcommittee on September 12, 2000.

On August 2, 2001, Representative Houghton introduced H.R. 2722, the Clean Diamonds Trade Act, to restrict the importation of diamonds from countries with inadequate controls against the trade of conflict diamonds. H.R. 2722 was referred to the Committee on Ways and Means. Based upon information gathered at the hearing, Chairman Thomas brought H.R. 2722, as amended, to the Floor under suspension of the rules on November 28, 2001. H.R. 2722 as amended would provide the President of the United States with the authority to evaluate control measures used by countries to prevent the trade of conflict diamonds. The President would also have the authority to ban diamond imports that were found to be from countries with inadequate control measures. H.R. 2722 passed the House by a vote of 408 to 6. The Senate took no action on this legislation.

e. Energy Bill

Section 2 of the Securing America's Future Energy Act of 2001 (H.R. 4) contains a sense of Congress that the United States should reduce its dependence on Iraqi energy sources from 700,000 barrels per day to 250,000 barrels per day by January 1, 2012. The House passed H.R. 4 on August 2, 2001 by a vote of 240 to 189. In considering H.R. 4, the Senate stripped the House text and substituted the text of S. 517, as amended. On April 18, 2002, Senator Murkowski offered Senate Amendment 3159 adding Title XXVI to prohibit direct or indirect import of Iraqi-origin oil 30 days after enactment of the Act. The ban would remain in effect until the President certifies to Congress that: (1) Iraq is in compliance with United Nations Security Council resolutions on destruction of weapons of mass destruction and the food-for-oil program, and Iraq stops compensating families of Palestinian suicide bombers, or (2) resuming imports of oil from Iraq would not be inconsistent with the national security and foreign policy interests of the United States. The Senate amendment also included a sense of the Senate that the President should ensure that humanitarian needs of Iraqi people are not affected by this Act and encourage humanitarian assistance to Iraq. The Senate accepted Senate amendment 3159 by a vote of 88 to 10.

On April 25, 2002, the Senate agreed by unanimous consent to Senate amendment 3082 by Senator Reid as an amendment to S. 517, which was incorporated as an amendment to H.R. 4, the Energy Policy Act of 2002. The provision provided that any gasoline or diesel fuel sold at a duty-free sales enterprise would be considered to be entered for consumption into the customs territory of the United States.

The Senate passed its version of H.R. 4 by a vote of 88 to 11. No further action was taken by either body in the 107th Congress.

f. Miscellaneous Provisions Included in the Trade Act of 2002

i. Duty on Certain Steam or Other Vapor Generating Boilers Used in Nuclear Facilities

On May 4, 2001, the Committee requested comments on a proposal to temporarily suspend the duty on certain steam or other vapor generating boilers used in nuclear facilities (H.R. 1067). The

Committee received comments from supporters and opponents to the provision.

The Senate amendment to the Senate version of H.R. 3009, the Trade Act of 2002, included a provision to provide duty-free treatment for such nuclear steam generators through 2006. H.R. 3009 as passed by the House did not include any similar provision. The House receded to the Senate on this provision in conference, and the bill was signed into law by the President on August 6, 2002 (P.L. 107-210).

ii. Wool Provisions

H.R. 3009, the Trade Act of 2002, as passed by the House did not include a provision related to wool. The Senate amendment to H.R. 3009 as passed by the Senate included a provision to extend a duty reduction on fabrics of wool to 2005 and increase the quantity of wool fabrics that may be imported. The House receded to the Senate on this provision in conference, and the bill was signed into law by the President on August 6, 2002 (P.L. 107-210).

iii. Fund for WTO Dispute Settlements

Section 5201 of the Trade Act of 2002 (P.L. 107-210) establishes in the U.S. Department of the Treasury a \$50 million fund for the payment of the settlement of any dispute pursuant to proceedings under the WTO. This provision was included in the House's amendment, pursuant to H. Res. 450, to the Senate amendment to H.R. 3009, which passed the House by a vote of 216 to 215 on June 26, 2002.

iv. Sugar Tariff-Rate Quota Circumvention

H.R. 3009, the Trade Act of 2002, as passed by the House did not include a provision related to sugar tariff-rate quota circumvention. The Senate amendment to H.R. 3009 as passed by the Senate included a provision requiring the implementation of anti-circumvention measures on certain sugar and sugar-related imports identified by the Secretary of Agriculture. Conferees agreed to clarify the existing provision of the Harmonized Tariff Schedule (HTS) of the United States and establish a monitoring program to identify potential circumvention of tariff-rate quotas on sugar. This provision was included in the conference report, and the bill was signed into law by the President on August 6, 2002 (P.L. 107-210).

g. Export Administration Act

On November 16, 2001, the Committee on Ways and Means received joint and sequential referral, until December 7, 2001, of H.R. 2581, the "Omnibus Export Administration Act," as reported by the House International Relations Committee (H. Rept. 107-297 Part 1). The referral period was extended several times. On October 25, 2002, the Committee on Ways and Means sent a letter to Speaker Hastert waiving jurisdiction on H.R. 2581 in order to expedite Floor consideration as requested by President Bush. The bill included two significant provisions within the jurisdiction of the Committee, which would essentially recodify import sanctions for trade in violation of the Missile Technology Control Regime (MTCR) and for proliferation of chemical and biological weapons. No further action was taken on this bill.

h. Section 332 Study by the ITC on Tool and Die Industry

On December 21, 2001, Chairman Thomas wrote a letter to ITC Chairman Koplan requesting a study of the domestic tool and die manufacturing industry under section 332(g) of the Tariff Act of 1930. More specifically, the Committee requested that the ITC institute a fact-finding investigation of the current competitive conditions facing producers in the U.S. tool, die, and industrial mold, or tooling industries, including a profile of the U.S. industry, trends in production, consumption, and trade, a global market overview, and a comparison of the strengths and weaknesses of U.S. and foreign producers. In October 2002, the ITC submitted a report to the Committee, providing an overview and analysis of the industry (ITC Investigation 332–435).

i. Atlantic Marlin

On June 26, 2002, Representative Gilchrest introduced H. Con. Res. 427 expressing the sense of the Congress regarding the imposition of sanctions on nations that are undermining the effectiveness of conservation and management measures for Atlantic marlin adopted by the International Commission for the Conservation of Atlantic Tunas and that are threatening the continued viability of U.S. commercial and recreational fisheries. The bill contained provisions within the jurisdiction of the Committee on Ways and Means. On October 8, 2002, Chairman Thomas and Committee on Resources Chairman Hansen exchanged letters acknowledging the Committee on Ways and Means' jurisdiction over these provisions and agreeing to forego the Committee on Ways and Means' consideration of the bill. No further action was taken.

C. LEGISLATIVE REVIEW OF HEALTH ISSUES

1. MEDICARE REGULATORY AND CONTRACTING REFORM ACT OF 2001 (H.R. 2768/H.R. 3391)

The Subcommittee on Health held a hearing on March 14, 2001, on the regulatory burden on Medicare's providers and beneficiaries.

On August 2, Subcommittee Chairman Johnson and Ranking Member Stark introduced the Medicare Regulatory and Contracting Reform Act (H.R. 2768). The bill would streamline the regulatory bureaucracy to create a more collaborative working relationship with providers. It would create time frames for issuance of new regulations, prohibit retroactive application of the issuance of new regulations, improve provider education, improve provider appeals, reform recovery of overpayments, improve new technology integration, and delay by 1 year the Medicare+Choice adjusted community rate (ACR) filing deadline and implementation of the beneficiary lock-in. In addition, the bill would reform Medicare's contracting system by consolidating contracting functions for Part A and Part B, requiring competition among contractors, and providing for more flexibility for contractors.

After a legislative hearing on H.R. 2768 on September 25, 2001, the Health Subcommittee approved H.R. 2768 by a voice vote October 4, 2001. This was followed by full Committee approval by voice vote October 11, 2001. After conferring with the Committee on Energy and Commerce, a revised version was introduced (H.R. 3391) and passed the House 408 to 0 on December 4, 2001.

The Senate failed to act on the measure. However, the Bioterrorism Preparedness and Response Act of 2002 Act (H.R. 3448), which passed the House 418 to 2 on June 12, 2002, (P.L. 107-188), incorporated the Medicare+Choice provisions from H.R. 3391 but applied them for 3 years. The Medicare Modernization and Prescription Drug Act (H.R. 4954), which passed the House on June 27, 2002, incorporated all other regulatory and contracting reform provisions from H.R. 3391. The Senate failed to act on that measure as well.

2. PATIENT PROTECTION ACT OF 2001 (H.R. 2563)

The Health Subcommittee held a hearing on patient protections in managed care on April 24, 2001.

The Subcommittee Majority in conjunction with the Committee on Education and Workforce and the Committee on Energy and Commerce drafted the Patient Bill of Rights (H.R. 2315), which held health plans accountable for medical decisions, and was endorsed by the White House. That bill became the basis for a Floor amendment to the Bipartisan Patient Protection Act (H.R. 2563). In addition, Chairman Thomas offered a Floor amendment to expand the Archer Medical Savings Account program and make it permanent, which passed 236 to 194. H.R. 2563, as amended, passed the House 226 to 203 on August 2, 2001. The Senate passed a different version of the bill on June 29, 2001, but a Conference Committee was never called to address differences between the two bills.

3. ADMINISTRATIVE SIMPLIFICATION COMPLIANCE ACT (H.R. 3323)

The administrative simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) of 1996 will improve administrative efficiencies in the health care market, but many covered entities stated that they would have difficulty coming into compliance with HIPAA regulations by the October 16, 2002, deadline.

The Administrative Simplification Compliance Act (H.R. 3323) passed the House December 4, 2001, 410 to 0. It was later adopted by the Senate by unanimous consent and became law (P.L. 107-105).

H.R. 3323 permits a 1-year extension of the deadline for compliance with the HIPAA required transaction standards. Entities that submit a compliance plan with the Secretary demonstrating how they will come into compliance with the standard within the next year are permitted a 1-year extension. It also requires the U.S. Department of Health and Human Services (HHS) to issue model compliance plans. Medicare providers must submit electronic Medicare claims to Centers for Medicare and Medicaid Services (CMS) as a condition of payment, with exceptions for small providers.

4. MEDICARE MODERNIZATION AND PRESCRIPTION DRUG ACT (H.R. 4954)

The Committee on Ways and Means and its Health Subcommittee held a series of 16 hearings on the state of the Medicare program and how it needs to be modernized. These hearings included an extensive review of many aspects of the Medicare program. Specifically, the hearings addressed the regulatory burden

on providers and beneficiaries (March 15, 2001, and September 25, 2001), Medicare's solvency and overall sustainability (March 20, 2001), the need to integrate a prescription drug benefit into Medicare (March 27, 2001, and April 17, 2002), the state of the Medicare+Choice program (May 1, 2001, and December 4, 2001), modernizing beneficiary cost-sharing and reforming Medigap (May 9, 2001, and March 14, 2002), strengthening rural health care (June 12, 2002), stabilizing payments to physicians (February 28, 2002), promoting disease management (April 16, 2002), and the Bush Administration priorities on Medicare (March 14, 2001, July 19, 2001, and February 6, 2002). These hearings provided the foundation for the comprehensive Medicare Modernization and Prescription Drug Act (H.R. 4954).

H.R. 4954 was introduced June 19, 2002, and was reported out of the Committee on Ways and Means June 20, 2002, 22 to 16. On June 28, the House passed H.R. 4954, 221 to 208. The Senate failed to pass any Medicare bill.

The Medicare Modernization and Prescription Drug Act (H.R. 4954) would provide a voluntary, comprehensive prescription drug benefit in Medicare delivered through competing private health plans, costing about \$323 billion over 10 years. The plans would have the incentive and flexibility to aggressively negotiate with pharmaceutical manufacturers, pharmacies, and others in the distribution chain. The CBO estimated that a provision which exempts Medicare prices from the "Medicaid best price" would encourage greater discounting from the pharmaceutical industry to save \$18 billion in lower prices.

These plans would either provide a standard benefit or actuarially equivalent benefit approved by Medicare within certain parameters. The standard benefit would cover 80 percent of the first \$750 after a \$250 deductible, 50 percent of expenses between \$1,000 and \$2,000 and all drug costs once an individual had spent \$3,700 out-of-pocket. These stop loss attachment points would rise with prescription drug cost inflation. Subject to an asset test, low-income individuals with incomes up to 175 percent of poverty would be fully subsidized up to the initial benefit limit of \$2,000 and for the catastrophic benefit for their premiums and cost sharing (except nominal copays). All other Medicare beneficiaries receive a 67 percent premium subsidy. The CBO estimates beneficiaries would pay an average premium of about \$33 per month in 2005, although premiums could vary between plans. Beneficiaries could access the drug benefit in one of three ways: (1) by enrolling in newly created prescription drug plans, (2) by enrolling in a Medicare+Choice plan that offers a prescription drug benefit, or (3) if eligible, by enrolling in qualified retiree coverage (where employers could access subsidies).

Medicare would be made primary and states' Medicaid and pharmacy assistance program's obligations would be phased out over 10 years. Beneficiaries could apply for the low-income subsidy at Social Security offices. The bill also created authority for the Administration to provide a prescription drug discount card and a temporary low-income assistance program.

The bill provides a number of quality improvements and beneficiary protections, including electronic prescribing, formulary appeals, the ability to visit any pharmacy for a higher fee, and medi-

cation therapy management programs. The bill also added other new benefits for Medicare beneficiaries including an initial preventative physical examination, coverage of cholesterol, and blood lipid screening once every 2 years.

The bill allocated about \$27 billion to improve and modernize payments to Medicare's providers. The bill would stabilize the Medicare+Choice program and in 2005 initiate a competitive approach to encourage beneficiaries to select more efficient plans and save money for the Medicare program. The bill would block the significant payment cuts to physicians and provide 3 years of payment increases. The bill significantly strengthens rural hospitals by equalizing the "standardized amount," increasing rural DSH funding, improving the critical access hospital program, and providing temporary bonus payments to areas with negative margins. In addition, the bill provides an increase in payments to all hospitals through increasing the inpatient update and temporarily increases indirect medical education payments while retaining the freeze on direct graduate medical education. One of the temporary bonus payments for skilled nursing facilities would be extended for 3 years, costing about \$2 billion. The 15 percent home health care payment adjustment, which results in a 7-percent reduction in payments, would be repealed, but home health agencies would receive lower updates and a smaller outlier pool. Dialysis facilities would receive a payment update in 2004. Durable medical equipment providers would be subject to a competitive bidding program, saving about \$7.7 billion over 10 years.

A newly created Medicare Benefits Administrator would be created to oversee the new prescription drug benefit and the Medicare+Choice program. The entire regulatory reform bill (HR 3391) was included in the legislation to streamline the regulatory process and modernize Medicare's contracting functions.

5. TRADE ACT

On April 4, 2001, the Health Subcommittee held a hearing on reducing the number of uninsured and received testimony on health tax credits. On February 13, 2002, the full Committee held a hearing about using tax credits to decrease the number of uninsured.

On October 3, 2001, Chairman Thomas introduced the Bipartisan Trade Promotion Authority Act, which the Committee ordered reported on October 9, 2001, by a vote of 26 to 13. The House passed the bill on December 6, 2001, 215 to 214. On June 26, 2002, the House passed H. Res. 450, which provided for consideration of the Senate amendment to H.R. 3009, the Andean Trade Promotion and Drug Eradication Act. H. Res. 450 allowed for consideration of an amendment that folded in provisions of H.R. 3005, as well as a health tax credit, disagreed to the Senate amendment, and called for a conference between the two chambers. The House passed the conference report to the Trade Act (H.R. 3009, P.L. 107-210), 215 to 212 on July 27, 2002.

The law includes an advanceable, refundable tax credit for displaced workers similar to the provision passed by the House. The bill incorporated some of the ideas explored in the hearings and included provisions similar to those included in two prior economic stimulus bills (H.R. 3529 and H.R. 622) for unemployed individuals eligible for unemployment insurance. H.R. 3009 provides a 65-per-

cent tax credit for qualified TAA eligible individuals for COBRA coverage and various options arranged by the States, including high-risk pools, insurance policies, and State employee plans. Individuals with 3 months of prior coverage would receive guarantee issue and pre-existing condition protections. The bill provides new funding for state high risk pools to offer coverage to uninsurable individuals.

6. MEDICAL ERRORS

On March 7, 2002, the Health Subcommittee held a hearing on improving health care quality and reducing medical errors. On June 9, 2002, Subcommittee Chairman Johnson introduced the Patient Safety Improvement Act (H.R. 4899). After the Subcommittee held a hearing on the legislation September 10, 2002, the bill was revised and approved by the Health Subcommittee on a voice vote September 12. The bill was further revised and approved by the full Committee September 18, 2002, 33 to 4. The Committee on Energy and Commerce approved a similar bill modeled on H.R. 4889 as amended, but the Committees were unable to resolve jurisdictional concerns prior to the conclusion of the 107th Congress.

H.R. 4889 would allow providers to report medical errors to newly established patient safety organizations and provide legal protections for such reported information, while maintaining access to original source materials currently available. These organizations and HHS would work with providers to help them learn from their mistakes. The bill would also develop voluntary standards for the interoperability of health medical technology.

D. LEGISLATIVE REVIEW OF SOCIAL SECURITY ISSUES

1. SOCIAL SECURITY AND MEDICARE LOCK-BOX ACT OF 2001

On February 8, 2001, Representative Wally Herger introduced H.R. 2, the "Social Security and Medicare Lock-box Act of 2001." The bill was jointly referred to the Committee on the Budget and the Committee on Rules.

On February 13, 2001, the bill was considered by the House under suspension of the rules and passed, as amended, by a vote of 407 to 2. In the Senate, H.R. 2, which was referred to the Senate Committee on Finance and discharged from the Committee, was jointly referred to the Budget and Governmental Affairs Committees where no action was taken.

The bill would have helped ensure Social Security and Medicare annual surpluses would be used to reduce publicly-held debt by amending the Congressional Budget Act of 1974 to provide a point of order against consideration of any: (1) budget resolution that sets forth a surplus for any fiscal year that is less than the projected surplus of the Medicare Hospital Insurance (HI) Trust Fund for such year; or (2) legislation that would cause a reduction in the portion of projected budget surpluses attributable to projected Social Security and Medicare HI Trust Fund surpluses. H.R. 2 would have also required any Federal budget submitted by the President that recommended an on-budget surplus for any fiscal year that is less than the projected surplus of the Medicare HI Trust Fund for such year to include a proposal for Social Security or Medicare re-

form legislation. The Act would have become inapplicable upon the enactment of Social Security and Medicare reform legislation.

2. ECONOMIC GROWTH AND TAX RELIEF ACT OF 2001

On February 28, 2001, Chairman Thomas introduced H.R. 3, the “Economic Growth and Tax Relief Act of 2001.” The bill, as amended, was ordered reported by the Committee on March 1, 2001, by a vote of 23 to 15 (H. Rept. 107–7).

On March 8, 2001, H.R. 3 passed the House by a vote of 230 to 198. The bill included a provision to protect the Social Security and Medicare Trust Funds from any loss of revenue they receive from the taxation of Social Security benefits that would result from a reduction in tax rates and other tax provisions. Amounts transferred to the trust funds were to be determined as if the tax law had not been enacted. Although some provisions of H.R. 3 were included in H.R. 1836, the “Economic Growth and Tax Relief Reconciliation Act of 2001,” which became P.L. 107–16 on June 7, 2001, the provision protecting the Social Security and Medicare Trust Funds from any related revenue loss was not included in the version passed by the Senate or among the enacted provisions.

3. RAILROAD RETIREMENT AND SURVIVORS’ IMPROVEMENT ACT OF 2001

On March 21, 2001, Representative Don Young introduced H.R. 1140, the “Railroad Retirement and Survivors’ Improvement Act of 2001.” On May 16, 2001, the Committee on Transportation and Infrastructure ordered the bill, as amended, to be reported (H. Rept. 107–82 Part 1). The bill was referred to the Committee on Ways and Means and was discharged from the Committee on July 12, 2001. (In the previous session of Congress, the Committee had favorably reported similar legislation, H.R. 4844; H. Rept. 106–777 Part 2.) H.R. 1140 was considered by the House under suspension of the rules and passed, as amended, on July 31, 2001, by a vote of 384 to 33.

The bill was referred to the Senate Committee on Finance but was never reported out of Committee. On December 5, 2001, the Senate substituted the text of H.R. 10, formerly the “Comprehensive Retirement Security and Pension Reform Act of 2001,” with the text of H.R. 1140 and passed H.R. 10, as amended, by a vote of 90 to 9.

On December 11, 2001, the House agreed by a vote of 369 to 33 to suspend the rules and agree to the Senate amendment, sending the bill onto the President, who signed it into law on December 21, 2001 (P.L. 107–90).

H.R. 10 made several changes to the tax and benefit structure of the Railroad Retirement program and expanded the program’s investment authority. The bill made four changes to Railroad Retirement benefits. First, widow(er)s’ benefits were increased from 50 percent to 100 percent of the deceased worker’s Tier 2 annuity. Second, vesting requirements for Tier 1 and Tier 2 annuities were reduced from 10 years to 5 years of service after 1995. Third, the normal retirement age was reduced from 62 to 60 for workers with 30 years of service in the rail industry, thus restoring the retirement age to its pre-1983 level. Fourth, the maximum benefit, which applied to Tier 2 annuities, was repealed.

H.R. 10 established a National Railroad Retirement Investment Trust outside of the U.S. Department of the Treasury to invest railroad retirement funds in non-governmental assets, such as equities and debt, as well as in governmental securities. An independent Board of Trustees was appointed to administer the Trust. A private disbursing agent would consolidate all funds needed to pay current benefits and issue a single monthly benefit check to each beneficiary.

The supplemental annuity tax paid by railroad employers was eliminated, and supplemental annuity benefits would be paid from the National Railroad Retirement Investment Trust. In addition, the Tier 2 payroll tax rate levied on employers would be gradually reduced from 16.1 percent to 14.2 percent in 2003. The Tier 2 tax rate paid by employees would remain 4.9 percent through 2003. Thereafter, the tax rate for both employers and employees would be set each calendar year pursuant to a statutory formula based on a ratio of the balances and benefit obligations of the National Railroad Retirement Investment Trust. Depending on the ratio, Tier 2 tax rates for employers will range between 8.2 and 22.1 percent; Tier 2 tax rates for employees will range between 0 and 4.9 percent.

4. KEEPING THE SOCIAL SECURITY PROMISE INITIATIVE

On December 6, 2001, Subcommittee Chairman Shaw introduced H. Con. Res. 282, the "Keeping the Social Security Promise Initiative." The bill was considered by the House under suspension of the rules on December 12, 2001, and passed by a vote of 415 to 5. The Senate took no action.

H. Con. Res. 282 expressed the sense of the Congress that the "President's Commission to Strengthen Social Security" should present options to protect the program without lowering benefits or increasing taxes. It also stated that the President and the Congress should join to develop legislation to strengthen Social Security as soon as possible, and that such legislation should recognize the unique needs of women and minorities, as well as guarantee current law promised benefits and cost-of-living adjustments without increasing taxes.

5. SOCIAL SECURITY BENEFIT ENHANCEMENTS FOR WOMEN ACT OF 2002

On March 20, 2002, Subcommittee Chairman Shaw introduced H.R. 4069, the "Social Security Benefit Enhancements for Women Act of 2002." On May 14, 2002, the bill, as amended, was considered by the House under suspension of the rules and passed by a vote of 418 to 0. The Senate took no action.

H.R. 4069 would have eliminated the requirement that widow(er)s seeking disability benefits must have become disabled within 7 years of the worker's death or the date of last entitlement to benefits as a mother, father, or disabled widow(er). In cases of divorce, a divorce must be final for at least 2 years before an ex-spouse may collect benefits on a worker's record. The bill would have eliminated this 2-year waiting period in cases where the worker remarries someone other than the ex-spouse during the 2 years following the divorce. Lastly, H.R. 4069 would have increased the applicable limit on certain widow(er)s' benefits in cases where

the deceased worker started collecting Social Security retirement benefits and died before reaching the full retirement age.

In addition, the bill contained three offsetting tax provisions that would have amended the Internal Revenue Code. First, H.R. 4069 would have allowed individual taxpayers to exclude from gross income any interest payments received from the government on tax overpayments. Second, the bill would have allowed taxpayers to deposit cash with the Treasury to cover any future tax underpayment. Interest charges would not accrue on the portion of the tax underpayment covered by the advance cash deposit. Finally, the bill would have authorized the Secretary of the Treasury to enter into installment agreements for the partial payment of tax liabilities (rather than full payment) if the Secretary determines that such agreement would facilitate collection of the tax liability.

6. SOCIAL SECURITY PROGRAM PROTECTION ACT OF 2002

On March 20, 2002, Subcommittee Chairman Shaw introduced H.R. 4070, the "Social Security Program Protection Act of 2002." On April 25, 2002, the Subcommittee favorably reported the legislation, as amended, to the full Committee. On June 26, 2002, the House considered the bill under suspension of the rules and passed the legislation as amended by a vote of 425 to 0.

The bill was referred to the Senate on June 27, 2002. On November 18, 2002, the Senate passed the legislation, as amended, by unanimous consent. No further action was taken on the bill.

H.R. 4070 would have protected vulnerable recipients from misuse of benefits by their representative payees by: authorizing the reissuance of certain misused benefits; requiring enhanced oversight of representative payees; disqualifying fugitive felons or persons convicted and imprisoned more than a year from serving as representative payees; requiring representative payees who misuse funds to forfeit their fees; providing for the recovery of misused benefits from the representative payee through the overpayment recovery process; requiring representative payees who are delinquent in filing annual accounting reports to collect the individual's benefits in person at a local office; and extending civil monetary penalties to representative payees who misuse benefits.

In addition, H.R. 4070 would have provided further protections for the Social Security program by withholding Social Security benefits from those fleeing prosecution, or custody or confinement after conviction of a felony. The legislation would have also required individuals who provide Social Security Administration-related services for a fee to explain in their solicitation that such services may be provided by SSA free of charge. The bill would have made improvements to the attorney fee payment system to ensure adequate access to legal representation for claimants who may need assistance in the disability claims process.

Miscellaneous and technical amendments were also included, a number of which were aimed at improving the effectiveness of programs established in the Ticket to Work and Work Incentives Improvement Act of 1999. For example, the bill would have ensured that employers who hire individuals with disabilities through referral by an employment network under the Ticket to Work and Self-Sufficiency program would qualify for the Work Opportunity Tax Credit. Lastly, the legislation would have corrected, clarified, and

modified various technical aspects of Social Security law, including adding Kentucky to those States that may divide their retirement systems to obtain Social Security coverage, under State agreement, for those State and local employees who want such coverage.

7. HELP AMERICA VOTE ACT OF 2002

On November 14, 2001, Representative Ney introduced H.R. 3295, the "Help America Vote Act of 2001." The House approved H.R. 3295 on December 12, 2001, by a vote of 362 to 63. The bill, as passed, did not include provisions addressing the use of Social Security numbers (SSNs) for voter registration. Similarly, the Senate version of the bill, S. 565, did not include any SSN provisions when it was introduced.

However, the Senate amended S. 565 on the Senate Floor, and added provisions amending the Social Security Act that would allow States to require an individual to furnish his or her SSN to confirm identity, and would require the Commissioner of Social Security to match a State's computerized listing of registered voters with the names and SSNs in the Commissioner's database. The Senate passed S. 565, as amended, on April 11, 2002, by unanimous consent. Representatives Thomas, Rangel, and Shaw were named as conferees.

On October 10, 2002, the House agreed to the conference report (H. Rept. 107-730) by a vote of 357 to 48. On October 16, 2002, the Senate, by a vote of 92 to 2 agreed to the conference report. On October 29, 2002, the President signed the bill into law (P.L. 107-252). The bill required individuals registering to vote to provide a driver's license number or, if the individual does not have a driver's license, the last four digits of his or her Social Security number. A State election official then must match the data in the statewide voter registration database with the information in the State's motor vehicle database. The State's motor vehicle authority must enter into an agreement with the Commissioner of Social Security to verify information (name, date of birth, SSN, whether deceased) and include safeguards in the agreement to ensure confidentiality and procedures to permit the State motor vehicle authority to use the applicable information for maintaining its records. Also, the Commissioner was required to develop methods to verify the accuracy of information, including applications for which the last 4 digits of the SSN are provided in lieu of a driver's license number. In addition, with the Election Assistance Commission, the Commissioner was required to study and report to Congress on the feasibility and advisability of using SSNs or other information compiled by the agency to establish voter registration or other election law eligibility or identification requirements, the impact of such use on national security issues, and whether adequate safeguards or waiver procedures exist to protect the privacy of the individual voter.

E. LEGISLATIVE REVIEW OF HUMAN RESOURCES ISSUES

1. CHILD WELFARE, FOSTER CARE, AND ADOPTION

H.R. 2873, Promoting Safe and Stable Families Amendments of 2001, reauthorized, amended, and expanded the Promoting Safe and Stable Families program, which provides grants to States and Indian Tribes for family support, family preservation, time-limited

family reunification, and adoption promotion and support services. The legislation reauthorized the program for 5 years, adding a new \$200 million authorization on top of the \$305 million in mandatory funding the program received in fiscal year 2001, for a total authorization of \$505 million per fiscal year 2002 through 2006. The legislation added new program findings and purposes, as well as new authority for the Secretary of HHS to re-allot program funds not used by one or more States among other States. Finally, the legislation added new provisions concerning research and technical assistance, for example requiring the Secretary of HHS to give priority to research and evaluation of promising program models, including models designed to address parental substance abuse.

H.R. 2873 also created a new matching grant program to support mentoring networks for the children of prisoners. The program authorized \$67 million for competitive grants for each of fiscal years 2002 and 2003, and such sums as may be necessary for fiscal years 2004 through 2006. Finally, H.R. 2873 created a new program of education and training vouchers for youths aging out of foster care. For each fiscal year 2002 through 2006, \$60 million is authorized for this purpose. The bill allowed States to fund education vouchers in amounts up to \$5,000 per year under the Chafee Foster Care Independence Program for youths up to age 23 (at State option) for the cost of attendance at postsecondary education and training institutions.

A Human Resources Subcommittee hearing on the Promoting Safe and Stable Families program was held on May 10, 2001. The focus of the hearing was to explore how States used Promoting Safe and Stable Families program funds, to learn which programs have been effective, and to consider issues for further review and action during the reauthorization process. Testimony at the hearing was presented by program administrators, researchers, and other experts on child welfare issues.

H.R. 2873 was introduced September 10, 2001, by Subcommittee Chairman Herger and Ranking Member Cardin of the Subcommittee on Human Resources. Considered by the Subcommittee on September 25, 2001, the bill was ordered favorably reported to the full Committee, as amended, by voice vote. The Committee on Ways and Means considered the Subcommittee reported bill on October 31, 2001, and ordered it favorably reported, as amended, by voice vote. The House approved H.R. 2873, as amended, by voice vote on November 13, 2001. The legislation passed the Senate without amendment by unanimous consent on December 13, 2001. The bill was signed by the President on January 17, 2002 (P.L. 107-133).

2. WELFARE REFORM

a. Extension of the Contingency Fund Under the Temporary Assistance for Needy Families Program

The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193), often referred to as the 1996 welfare reform law, authorized a new Temporary Assistance for Needy Families (TANF) contingency fund providing a total of up to \$2 billion in added Federal assistance for certain needy States. This fund originally was authorized through fiscal year 2001.

H.R. 3090 as enacted, the Job Creation and Worker Assistance Act of 2002, included a section providing a 1-year extension of the contingency fund through fiscal year 2002. The contingency fund provides capped matching grant funds to eligible States meeting certain criteria of need based on unemployment and food stamp participation. H.R. 3090 was amended and passed in the House on March 7, 2002, was passed in the Senate on March 8, 2002, and was signed into law by President Bush on March 9, 2002 (P.L. 107–147). Further information regarding H.R. 3090 may be found in the review of unemployment compensation issues below. The contingency fund also was extended through the first two quarters of fiscal year 2003 as part of the temporary extension of TANF and related programs described below.

b. Extension of Supplemental Grants for States With Population Increases

The 1996 welfare reform law also created a program of supplemental grants within the TANF program, authorizing a total of \$800 million in payments to eligible States in fiscal years 1998 through 2001. H.R. 3090 as enacted, the Job Creation and Worker Assistance Act of 2002, included a provision reauthorizing the supplemental grants program for fiscal year 2002. These grants provide additional funds to States meeting certain criteria such as high-population growth. The provision in H.R. 3090 appropriated funds for supplemental grants in fiscal year 2002 at the same level as in fiscal year 2001, that is, a total of \$319 million in the 17 eligible States. H.R. 3090 was amended and passed in the House on March 7, 2002, was passed in the Senate on March 8, 2002, and was signed into law by President Bush on March 9, 2002 (P.L. 107–147). Further information regarding H.R. 3090 may be found in the review of unemployment compensation issues below. Supplemental grants also were extended through the first two quarters of fiscal year 2003 as part of the temporary extension of TANF and related programs described below.

c. Reauthorization of the Temporary Assistance for Needy Families Program

The Personal Responsibility, Work, and Family Promotion Act of 2002, H.R. 4737, extended and made improvements to TANF and related programs. The TANF program, first authorized by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193), currently provides cash assistance to 2 million low-income families through a program of temporary cash benefits, work supports, and other assistance. The 1996 welfare reform law authorized the TANF program through September 30, 2002.

Titles I and II of H.R. 4737 extended the authorization of the TANF block grant through fiscal year 2007, with block grant funding for States and territories maintained at the current level of \$16.6 billion per year, and increased funding for the Child Care and Development Block Grant. Title I also amended the purposes of TANF, including by adding an overarching purpose of improving child well-being. The legislation also focused additional funding specifically on promoting healthy marriage, including by replacing the current \$100 million bonus fund rewarding decreases in out-of-wedlock birth ratios with an annual \$200 million program of

healthy marriage promotion grants (composed of \$100 million in Federal funds with an equal matching requirement). The bill also provided for the creation of a \$102 million fund for research, demonstrations and technical assistance, to be used primarily for promoting healthy marriage programs; \$2 million of this fund is reserved for improving child welfare among American Indian families. Thus, the legislation reserved a total of \$300 million per year for activities and programs promoting the formation and maintenance of healthy marriages. The legislation also authorized a new \$20 million per year fatherhood program. The legislation converted high performance bonus funds into a new \$100 million per year bonus fund to reward employment achievement.

H.R. 4737 increased mandatory funds for the Child Care and Development Block Grant under the Committee on Ways and Means' jurisdiction from \$2.717 billion in 2002 to \$2.917 billion for each of fiscal years 2003 through 2007, for a total increase of \$1 billion over the 5-year period. The legislation increased from 30 percent to 50 percent the share of TANF funds that States may transfer to the Child Care and Development and Social Services Block Grants, including permitting States to transfer up to 10 percent of TANF funds to the Social Services Block Grant in each of fiscal years 2003 through 2007.

H.R. 4737 specified universal engagement and self-sufficiency plan requirements for all families receiving cash assistance. It eliminated the option for individuals to receive benefits for up to 2 years without participating in work or other activities and specified certain conditions under which States must provide for a full check sanction. Further, H.R. 4737 gradually increased the overall State work participation rate requirement to 70 percent by fiscal year 2007 and raised the total number of required hours in certain activities. The legislation eliminated the separate and higher State work participation rate requirement that currently applies to two-parent families, and updated the credit for net caseload reduction used in calculating the effective work rate that States must achieve to satisfy Federal standards.

Title III of H.R. 4737 made changes to the Internal Revenue Code to improve taxpayer protections. The bill allowed taxpayers to exclude interest paid on overpayments from gross income, limit underpayment interest through the use of a qualified reserve account, and enter into partial payment installment agreements.

Title IV of H.R. 4737 amended the child support program to provide matching Federal funds to States passing through a limited amount of child support to families receiving cash welfare benefits, allowed States to distribute all child support collected to former welfare families, and imposed a \$25 annual user fee on certain child support cases. In addition, the legislation required a report on undistributed child support payments, provided access to the National Directory of New Hires for administration of State unemployment programs, reduced the amount of past-due child support that would trigger passport denial, specified that the Federal income tax refund offset program could be used for collection of past-due child support when a child is no longer a minor, expanded the Federal administrative offset program for certain past-due child support, allowed for limited withholding of veterans' disability ben-

efits for child support purposes, and revised technical funding formulas related to technical assistance.

Title V of H.R. 4737 extended and expanded waiver authority for Federal child welfare programs administered under Title IV–E of the Social Security Act. The authority for HHS to approve demonstration projects of Title IV–E Foster Care and Adoption Assistance programs expired on September 30, 2002. H.R. 4737 extended this authority through fiscal year 2007, eliminated the cap on the number of waivers that can be approved, and clarified that States may operate more than one waiver at a time and that States may replicate successful projects initiated by other States.

Title VI of H.R. 4737 amended Title XVI of the Social Security Act to require review of a specified share of State agency disability benefit eligibility determinations before benefit payments under the Supplemental Security Income program may begin.

Title VII of H.R. 4737 authorized States to apply for State Flex demonstrations to coordinate multiple Federal programs that provide assistance to low-income families. For example, a State could apply to align administrative rules for operating TANF, workforce development, and housing programs to better serve families transitioning from welfare to work.

Titles VIII and IX of H.R. 4737 extended the authorization of Transitional Medical Assistance and Abstinence Education programs under the jurisdiction of the Committee on Energy and Commerce.

A series of Subcommittee hearings in preparation for reauthorization of the 1996 welfare reform law included a March 15, 2001, hearing to review research on the effects of the 1996 welfare reform law, an April 3, 2001, hearing on programs that promote work, an April 26, 2001, hearing to examine “rainy day” and other special funding issues under the TANF program, and a May 22, 2001, hearing to review how States have used TANF funds to promote marriage and family formation and what additional approaches or programmatic changes may hold promise to better promote marriage and family formation and discourage illegitimacy.

A number of additional hearings leading up to introduction of reauthorization legislation were held, including a July 11, 2001, hearing on human resources proposals contained in the President’s fiscal year 2002 budget proposal, a November 15, 2001, hearing on teen pregnancy prevention efforts since enactment of the welfare reform law in 1996 and recommendations for further improvements to prevent and reduce the incidence of teen pregnancy, a March 7, 2002, hearing on implementation of welfare work requirements and time limits, a field hearing on April 2, 2002, to review welfare reform outcomes in Michigan, and an April 11, 2002, open hearing on welfare reform reauthorization proposals.

Legislation to reauthorize the Temporary Assistance for Needy Families program was introduced by Subcommittee Chairman Herger on April 9, 2002, as the Personal Responsibility, Work, and Family Promotion Act of 2002 (H.R. 4090). Considered by the Subcommittee on Human Resources on April 18, 2002, the bill was ordered favorably reported to the full Committee, as amended, by a 6 to 4 vote. The full Committee considered the Subcommittee-reported bill on May 2, 2002, and ordered it favorably reported, as amended, by a 23 to 16 vote. H.R. 4090 was discharged by the

Committee on Education and the Workforce on May 14, 2002. The Committee on Energy and Commerce on April 24, 2002, discharged legislation, H.R. 4122, addressing transitional medical assistance and abstinence education programs. This legislation was consolidated with H.R. 4090 as approved by the Committee on Ways and Means as H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, which was introduced on May 15, 2002. On May 16, 2002, the House approved H.R. 4737 by a recorded vote of 229 to 197. The legislation was considered by the Senate Committee on Finance in a markup session on June 26, 2002. On July 25, 2002, the Senate Committee on Finance ordered favorably reported a substitute version of H.R. 4737, as amended, to the full Senate. The Senate failed to consider the Finance-reported legislation, and no further action was taken on H.R. 4737 during the remainder of the 107th Congress.

d. Temporary Extension of Authorization for the Temporary Assistance for Needy Families and Related Programs

The 1996 welfare reform law authorized TANF and several related programs through the end of fiscal year 2002. In order to avoid a disruption of these programs in the absence of agreement on broad reauthorization legislation, section 114 of H.J. Res. 111, a Joint Resolution making continuing appropriations for the fiscal year 2003 and for other purposes, extended the authorization and funding for TANF, child care, transitional medical assistance, and abstinence education programs through December 31, 2002. H.J. Res. 111 was introduced September 25, 2002, was passed in the House and Senate on September 26, 2002, and became law on September 30, 2002 (P.L. 107-229).

H.J. Res. 124, a Joint Resolution making further continuing appropriations for the fiscal year 2003, amended P.L. 107-229 to provide in January 2003 an additional quarter of program funding, maintaining TANF and related programs in current form through March 31, 2003. H.J. Res. 124 was introduced on November 12, 2002, passed in the House on November 13, 2002, passed in the Senate on November 19, 2002, and became law on November 23, 2002 (P.L. 107-294).

As amended and passed in the House on November 14, 2002, H.R. 5063 included a technical and clarifying amendment regarding the extension of TANF and related programs in H.J. Res. 124. No further action was taken on H.R. 5063 before the 107th Congress adjourned.

3. UNEMPLOYMENT COMPENSATION

a. Temporary Extended Unemployment Compensation Act

During the 107th Congress, the Committee on Ways and Means led efforts in the House of Representatives to provide extended unemployment benefits to workers affected by the recession that began in March 2001 and by the September 11, 2001, terrorist attacks. As described below, the House of Representatives passed a series of bills in the wake of the September 11 attacks providing for economic stimulus and added supports for unemployed workers. This process culminated in the signing on March 9, 2002, of P.L. 107-147, legislation providing workers nationwide with up to 13

additional weeks of extended unemployment benefits, and up to 26 additional weeks in certain high unemployment States. This legislation also provided all States with a share of \$8 billion in excess Federal unemployment funds to be used to support unemployed workers and assist in their return to work.

Committee on Ways and Means Chairman Bill Thomas introduced H.R. 3090, the Economic Security and Recovery Act of 2001, on October 11, 2001. Title III of this legislation transferred \$9 billion in excess Federal unemployment trust funds to the States and increased the Social Services Block Grant program by \$3 billion in fiscal year 2002 to assist the States in providing health care coverage for unemployed workers and their families. On October 12, 2001, the Committee on Ways and Means ordered H.R. 3090 as amended favorably reported by a vote of 23 to 14. This legislation was reported to the House on October 17, 2001. H.R. 3090 as amended passed in the House on October 24, 2001, by a vote of 216 to 214. On November 9, 2001, H.R. 3090 was placed on the Senate Legislative Calendar after being ordered favorably reported as amended from the Senate Committee on Finance. H.R. 3090 as amended by the Senate Committee on Finance was entitled the Economic Recovery and Assistance for American Workers Act of 2001, and included temporary enhanced unemployment benefits provisions. These provisions provided federally funded extended unemployment benefits, expanded benefit eligibility, and mandated increased benefit payments.

On December 19, 2001, Chairman Thomas introduced H.R. 3529, the Economic Security and Worker Assistance Act of 2001. Title VII of this bill, entitled the Temporary Extended Unemployment Act of 2001, provided for a temporary program of up to 13 weeks of federally funded extended unemployment compensation benefits to individuals who exhausted their regular State unemployment benefits. In addition, the legislation provided for distribution to the States of \$9 billion in excess Federal unemployment trust funds. On December 20, 2001, the House approved H.R. 3529 by a vote of 224 to 193.

Originally introduced as the Hope for Children Act on February 14, 2001, H.R. 622 amended the Internal Revenue Code to expand the adoption credit, and was passed in the House on May 17, 2001, by a vote of 420 to 0. The Senate amended and passed H.R. 622 as the Temporary Extended Unemployment Compensation Act of 2002 on February 6, 2002, to extend unemployment benefits for 13 weeks nationwide. On February 14, 2002, by a vote of 225 to 199, the House passed H.R. 622, as amended, titled the Economic Security and Worker Assistance Act of 2002. Title VI of this legislation, the Temporary Extended Unemployment Compensation Act of 2002, extended unemployment benefits nationwide for up to 13 weeks and provided up to an additional 13 weeks of extended unemployment benefits in States experiencing high rates of unemployment through December 2002. The legislation also would have transferred \$8 billion in surplus Federal unemployment funds to the States. Title VII of this legislation established a displaced worker health insurance credit. No further action was taken on H.R. 622 in the 107th Congress.

On February 14, 2002, the Senate approved H.R. 3090, as amended, renamed the Temporary Extended Unemployment Com-

pensation Act of 2002. The bill extended federally funded unemployment benefits for 13 weeks nationwide. Finally, H.R. 3090, as amended and renamed the Job Creation and Worker Assistance Act of 2002, passed in the House on March 7, 2002, by a vote of 417 to 3. The Senate passed the amended H.R. 3090 on March 8, 2002, and the legislation was signed into law by President Bush on March 9, 2002 (P.L. 107-147).

Title II of H.R. 3090 provided for up to 13 weeks of federally funded extended unemployment benefits under the Temporary Extended Unemployment Compensation (TEUC) Act of 2002. The TEUC benefits were made available in every State through December 2002 to individuals exhausting their rights to up to 26 weeks of State unemployment benefits. In addition, in certain high unemployment States (i.e., those with an insured unemployment rate of 4 percent or higher, among other criteria for accessing benefits under the permanent law Federal-State Extended Benefits program) up to an additional 13 weeks of temporary extended benefits were made available. Finally, the unemployment provisions of this legislation provided for the immediate transfer of \$8 billion in surplus Federal unemployment funds to the States.

As the 107th Congress drew to a close, the House and Senate approved separate bills to extend part or all of the TEUC program created in P.L. 107-147. On November 14, 2002, the House approved by voice vote an amended version of the Senate-passed amendment to H.R. 5063, originally titled the Armed Forces Tax Fairness Act of 2002, which included a section continuing for up to 5 weeks the extended unemployment benefits of those receiving benefits as of the program's original expiration on December 28, 2002. This legislation also provided for the continued availability of additional weeks of special extended unemployment benefits in certain high unemployment States. Also, on November 14, 2002, the Senate amended H.R. 3529, the Economic Security and Worker Assistance Act, which provided for a continuation of the TEUC program created in P.L. 107-147 and passed it by unanimous consent. No further action was taken on either H.R. 5063 or H.R. 3529 during the remainder of the 107th Congress.

4. CHARITABLE CHOICE AND INDIVIDUAL DEVELOPMENT ACCOUNTS

The Charitable Choice Act of 2001 was included as Title II of H.R. 7, the Community Solutions Act of 2001, as passed in the House on July 19, 2001, by a vote of 233 to 198. This legislation established guidelines for religious organizations or their affiliates to receive Federal funds for the provision of social services. Any governmental organization that contracts with a religious organization to provide social services was required to guarantee that eligible individuals who object to a specific service provider on religious grounds be directed to a different provider of comparable services.

Title III of H.R. 7 amended the Assets for Independence Act to increase the authorization for a matched savings program, which supports the creation and funding of Individual Development Accounts or IDAs for low-income working families. Funding for the program was increased from \$25 million annually to \$50 million annually beginning in fiscal year 2002, with funds authorized through fiscal year 2008. Other program changes included allowing additional federally-insured credit unions to serve as eligible grant

applicants to operate IDA projects, replacing the current lifetime limit on individual and household receipt of Federal matching grants with an annual limit of up to \$500 in Federal matching grants per individual, and making certain other technical and conforming changes. On July 11, 2001, H.R. 7 was amended and approved by the Committee on Ways and Means by a vote of 23 to 16. The House approved H.R. 7 as further amended by a vote of 233 to 198 on July 19, 2001. The bill was referred to the Senate Committee on Finance, where it was considered, amended, and reported to the full Senate on July 16, 2002. No further action was taken on H.R. 7 during the remainder of the 107th Congress.

On June 14, 2001, the Subcommittee on Human Resources held a joint hearing with the Subcommittee on Select Revenue Measures to review H.R. 7, the Community Solutions Act of 2001. Witnesses included Members of Congress, policy specialists, faith-based program representatives, State program administrators, religious organizations, and organized labor.

5. CHILD SUPPORT

Title IV of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, amended the child support program to provide matching Federal funds to States passing through a limited amount of child support to families receiving cash welfare benefits, allowed States to distribute all child support collected to former welfare families, and imposed a \$25 annual user fee on certain child support cases. In addition, the legislation required a report on undistributed child support payments, provided access to the National Directory of New Hires for administration of State unemployment programs, reduced the amount of past-due child support triggering passport denial, allowed the Federal income tax refund offset program to be used for collection of past-due child support when the child is no longer a minor, expanded the Federal administrative offset program for certain past-due child support, allowed limited withholding of veterans' disability benefits for child support purposes, and revised funding formulas related to technical assistance. Additional information regarding H.R. 4737 is provided in the review of welfare reform issues above.

6. SUPPLEMENTAL SECURITY INCOME

a. Disability Decision Review

Title VI of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, amended the Social Security Act to require the SSA to review an increasing share of Supplemental Security Income program disability decisions made by State agencies before any benefits are paid. Additional information regarding H.R. 4737 is provided in the review of welfare reform issues above.

b. Social Security Protection

Title I of H.R. 4070, the Social Security Protection Act of 2002, included provisions improving and strengthening the representative payee system for Supplemental Security Income program recipients. H.R. 4070 as passed in the House also extended the attorney fee system now used in the Old Age, Survivors, and Disability Insurance program to the Supplemental Security Income program.

H.R. 4070 as amended passed in the House on June 26, 2002, by a vote of 425 to 0 and passed the Senate as amended on November 18, 2002. As passed in the Senate, H.R. 4070 maintained the representative payee provisions and did not contain the attorney fee provisions related to the Supplemental Security Income program. No further action was taken on H.R. 4070 in the 107th Congress.

7. SOCIAL SERVICES BLOCK GRANTS

Section 107(d) of Title I of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, as passed in the House on May 16, 2002, increased to 10 percent the limit on transfers from State TANF grants to carry out State programs pursuant to Title XX of the Social Security Act (Block Grants to States for Social Services). This would restore for fiscal year 2003 and each succeeding fiscal year the original limit on TANF transfers established in the 1996 welfare reform law (P.L. 104-193). Additional information regarding H.R. 4737 is provided in the review of welfare reform issues above.

8. CHILD CARE

Title II of HR 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, as passed in the House on May 16, 2002, increased funding for the mandatory portion of the Child Care and Development Block Grant from \$2.717 billion in fiscal year 2002 per year to \$2.917 billion in each of fiscal years 2003 through 2007. Additional information regarding H.R. 4737 is provided in the review of welfare reform issues above.

F. LEGISLATIVE REVIEW OF DEBT ISSUES

On June 24, 2002, Senator Tom Daschle introduced S. 2578, a bill to amend Title 31 of the U.S. Code to increase the public debt limit. The bill passed the Senate on June 11, 2002. The House of Representatives passed the bill on June 27, 2002, and the President signed the bill into law on June 28, 2002 (P.L. 107-199). The bill increased the public debt limit from \$5.95 trillion to \$6.4 trillion. The bill does not violate the origination clause of the Constitution of the United States because increasing the debt limit is not a revenue measure.

II. Oversight Review

A. OVERSIGHT AGENDA

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, DC, February 7, 2001.

Hon. DAN BURTON,
Chairman, Committee on Government Reform, Rayburn House Office Building, Washington, DC.

Hon. ROBERT W. NEY,
Chairman, Committee on House Administration, Longworth House Office Building, Washington, DC.

DEAR CHAIRMAN BURTON AND CHAIRMAN NEY: In accordance with the requirements of Clause 2 of Rule X of the rules of the

House of Representatives, the following is a list of oversight hearings and other oversight-related activities which the Committee on Ways and Means and its Subcommittees plan to conduct during the 107th Congress.

FULL COMMITTEE

1. Rules, Regulations, Statutes and Court Decisions. On an ongoing basis, the Committee and its Subcommittees will review specific problems within the Committee's jurisdiction with Federal rules, regulations, statutes and court decisions that are ambiguous, arbitrary, or nonsensical, or impose a severe financial burden on individuals.

2. President Bush's Proposed Tax Relief Measures. The full Committee will hold hearings to consider the proposals in President Bush's tax relief plan.

3. Tax Simplification. The full Committee will hold hearings to examine proposals to simplify existing tax laws.

SUBCOMMITTEE ON OVERSIGHT

1. Taxpayer Advocate Report. The Subcommittee will hold a hearing to examine the annual report of the Internal Revenue Service (IRS) Taxpayer Advocate to the tax-writing committees. In this report, which was mandated by the Taxpayer Bill of Rights 2 (TBOR2), the Taxpayer Advocate identified initiatives undertaken to improve taxpayer services and IRS responsiveness and provided recommendations from the Problem Resolution Officers in IRS District Offices as to how to resolve problems which taxpayers experience in their dealings with the IRS.

2. Most Serious Management Problems. The Subcommittee will hold hearings to receive testimony from the GAO and the Inspectors General regarding high-risk programs (i.e., programs vulnerable to waste, fraud, or abuse) within the Committee's jurisdiction. The information obtained at this hearing about high risk-programs will lay the groundwork for additional oversight activities in the 107th Congress.

3. IRS Budget, Filing Season. The Subcommittee will hold a hearing in March or April in both 2001 and 2002 to review the Administration's request for the IRS fiscal year 2002 and fiscal year 2003 budgets respectively and the current tax return filing season. Among other things, the Subcommittee will review how the IRS is improving customer service, how it is implementing recent changes in the tax law, and how it is progressing in its effort to modernize its computer system to handle the growing workload.

4. Tax Law Complexity and the Compliance Burden. In cooperation and coordination with the full Committee and Subcommittee on Select Revenue Measures, the Subcommittee continued its efforts from the 105th and 106th Congresses to examine areas of complexity in Federal tax law. Section 4022(a) of the IRS Restructuring and Reform Act of 1998 (RRA) directed the Commissioner to conduct a yearly analysis of the sources of complexity in the administration of Federal tax laws. The Commissioner's report must include any recommendation for reducing complexity in the Federal tax laws and for repealing or modifying any provision, which adds undue complexity. The same section requires the JCT to report at least once each Congress on the "overall state of the Federal tax

system, together with recommendations with respect to possible simplification proposals and other matters relating to the administration of the Federal tax system.”

5. Tax Laws and the New Economy. On September 26 and 28, 2000, the Subcommittee held hearings on whether Federal tax laws are keeping pace with the “new economy.” A major focus was the comprehensive study of recovery periods and depreciation methods which the Tax and Trade Relief Extension Act of 1998 directed the Treasury Secretary to conduct. In cooperation and coordination with the full Committee and Subcommittee on Select Revenue Measures, the Subcommittee will follow up on its work in this area.

6. Stock Option Plans. In cooperation and coordination with the full Committee and Subcommittee on Select Revenue Measures, the Subcommittee will continue its efforts, begun in the 106th Congress, to determine whether current tax rules are limiting the ability of businesses to offer stock options to a broad base of employees.

7. Tax Scams. The IRS and news reports have described promoters who incorrectly are advising business owners that the 16th Amendment was fraudulently adopted or that no tax laws require them to withhold taxes from employee paychecks. The Subcommittee will investigate the efforts by the IRS to address this situation.

8. International Tax System. In cooperation and coordination with the full Committee and Subcommittee on Select Revenue Measures, the Subcommittee will continue its efforts from the 106th Congress to review impediments to the competitiveness of U.S. companies in the current international tax regime, including electronic commerce, in order to promote efficient growth for U.S. goods and services in the global economy.

9. IRS Systems Modernization. The Subcommittee will continue its efforts to monitor the progress of the IRS in modernizing its computer systems. Protecting the security of taxpayer information will be a major focus of this ongoing review. Over the next decade the IRS will spend tens of billions of dollars to update its systems. Success of this effort is critical to the IRS’ ability to provide efficient service to taxpayers.

10. Taxpayer Rights. The 105th Congress passed the landmark RRA, which contains numerous taxpayer safeguards, as part of its Taxpayer Bill of Rights 3 title. The RRA also includes significant IRS organizational changes. The Subcommittee will review the ongoing implementation of the new law regarding various aspects of improved service for law-abiding taxpayers as well as compliance issues related to tax law violators. For example, the Subcommittee could examine the IRS progress regarding the RRA provisions dealing with offers in compromise and innocent spouses.

11. Taxpayer Privacy. On April 11, 2000, the House passed H.R. 4163, the Taxpayer Bill of Rights 2000. The measure includes a number of provisions to strengthen taxpayer privacy. However, the Senate did not take up the measure. Pursuant to the RRA, the U.S. Department of the Treasury and the JCT have completed studies on the confidentiality of taxpayer information. The Subcommittee will continue to examine the need to strengthen taxpayer privacy protection.

12. Customs Oversight. In cooperation with the Trade Subcommittee, the Subcommittee will review the operations of the Cus-

toms Service, including efforts to upgrade computer systems, interdict illegal drugs at the border, and comply with the Customs Modernization Act. The Subcommittee also should review the ability of the Customs Service to detect outbound shipments of illegal drugs and cash in light of the refusal of the U.S. Postal Service to permit the Customs Service to examine outbound mail.

13. Administration of Medicare. The Subcommittee will work with the Health Subcommittee to coordinate oversight of the Health Care Financing Administration.

14. Social Security Administration. The Subcommittee will work with the Social Security Subcommittee to coordinate oversight of the SSA.

15. Field Investigations and Hearings. The Subcommittee will conduct such field investigations and hearings as Committee staffing and budget resources permit, and as are necessary for purposes of evaluating the effectiveness of and compliance with the programs and laws under the jurisdiction of the Committee on Ways and Means.

SUBCOMMITTEE ON TRADE

1. Bush Administration Trade Policy. The Subcommittee will hold a hearing to give the new Administration an opportunity to describe its trade policy and respond to Member questions.

2. Andean Trade Preference Act. The Subcommittee will hold a hearing on the question of extending and expanding the Andean Trade Preference Act, which has proven a valuable weapon in the war against drugs by creating economic incentives to encourage Colombia, Bolivia, Ecuador, and Peru to move out of the production and shipment of illegal drugs and into legitimate products. Authorization for this program expires on December 4, 2001. The Committee will consider legislation to extend and expand trade benefits to additional product categories.

3. Extension of Fast Track Authority. The Subcommittee will hold hearings and work with the new Administration, the business community, and other interested groups to construct an effective procedure for implementing trade agreements into U.S. law with the goal of strengthening the hand of the United States at the negotiating table and maximizing Congressional oversight and input with respect to trade negotiations.

4. Free Trade Area of the Americas. In preparation for the Quebec Summit meeting scheduled for April 20, 2001, the Subcommittee will hold a hearing on the status of negotiations to establish a Free Trade Area of the Americas.

5. Jackson-Vanik Waiver and Extension of Normal Trade Relations to the Socialist Republic of Vietnam. The Subcommittee will hold a hearing in the spring on the U.S.-Vietnam Bilateral Trade Agreement, which was concluded on July 13, 2000, and consider approval of the agreement. Congressional approval would make Vietnam eligible for normal trade relations, subject to annual renewal under the Jackson-Vanik amendment. Approval procedures are covered by permanent fast track provisions in the Trade Act of 1974, which are triggered by the transmittal of the agreement to Congress by the President. The Subcommittee's annual review of Vietnam's Jackson-Vanik waiver will begin in June with a Presidential determination of what that country's status should be for

the upcoming year. Until the U.S.-Vietnam Bilateral Trade Agreement is transmitted and approved by Congress, the effect of the waiver is to make U.S. exporters eligible for certain export credit guarantees in doing business with Vietnam. If a resolution of disapproval is introduced with respect to the President's Jackson-Vanik determination for Vietnam, the Subcommittee plans to hold a hearing and consider the issue.

6. Trade Agreement with Jordan. The Subcommittee will hold a hearing in the spring on the U.S.-Jordan Free Trade Agreement, which was concluded on October 24, 2000, and will consider legislation to implement it. The agreement is not covered by fast track authority or implementing procedures.

7. Preparations for the 2001 World Trade Organization Ministerial. The Subcommittee will hold hearings on United States preparations for the 2001 WTO Ministerial in Qatar, progress in the ongoing WTO negotiations on services and agriculture, and progress on the launch of a new round of trade negotiations in the WTO.

8. Negotiation of Other Free Trade Agreements. The Subcommittee will hold a hearing on H.R. 1942, a bill introduced by Chairman Crane in the 106th Congress, to encourage the negotiation of free trade agreements between the United States and countries in the Pacific Rim region, such as New Zealand, Australia, Singapore and Chile. Testimony will also be taken on the status of negotiations to establish separate free trade agreements with Singapore and Chile that were initiated by the President in December of 2000. In addition, the Subcommittee will explore whether other countries may be appropriate candidates for free trade agreements.

9. Trade Relations with Europe. The Subcommittee will review the failure of Europe to implement WTO panel determinations that trade restrictions on bananas and beef hormones are inconsistent with Europe's trade obligations under the WTO by contrast with U.S. full implementation of the FSC decision.

10. Trade and Development Act of 2000. The Subcommittee will hold a hearing or request public comment on the Trade and Development Act of 2000 to ensure that the legislation (Africa/Caribbean Basin Initiative) is being implemented in a manner that works for the companies and the countries that are trying to participate.

11. U.S. Trade Remedy Laws. The Subcommittee will continue to review the application of U.S. antidumping and countervailing duty laws as well as the effect of antidumping orders on downstream users of products subject to these orders. The Subcommittee will continue to monitor the status of World Trade Organization consultations, panel proceedings, and decisions concerning U.S. trade remedy laws or their application, and will work with the Administration to determine if any changes in U.S. law or policy are appropriate.

12. Authorizations for U.S. Customs, the Office of the USTR, and the ITC. The Subcommittee will hold hearings on authorizations for the trade agencies for fiscal years 2002 and 2003 and work towards passage of authorization legislation. The Subcommittee will review funding for the Customs Automated Commercial Environment (ACE), the Customs Cyber-smuggling Center, drug enforcement efforts, and the International Trade Data System (ITDS). The Subcommittee will also examine the compensation package for Cus-

toms officers to determine whether it is adequate and appropriate and will consider measures to reform premium and overtime pay for Customs officers. The Subcommittee will continue to review Customs drug interdiction efforts to analyze their effectiveness as well as their impact on business facilitation. In addition, the Subcommittee will review annually the portions of the President's budget for other agencies that have functions within Ways and Means oversight jurisdiction, such as the Commerce Department, State Department (payments to international organizations), etc.

13. Trade Relations with China. The Subcommittee will continue to examine China's progress in acceding to the WTO and will monitor China's compliance with its WTO obligations.

14. Miscellaneous Reforms of U.S. Customs Laws and Practices. The Subcommittee will likely hold oversight hearings on Customs procedures to streamline the entry process and facilitate the movement of goods. The Subcommittee will follow up on the Customs study required by H.R. 4868 (106th Congress) concerning streamlining and expediting the entry process and will continue to work with Customs on the Entry Revision Project. In addition, in light of a GAO study requested by Chairman Crane which found that the Office of Regulations and Rulings at the Customs Service did not issue rulings timely, the Subcommittee will continue its oversight to ensure that Customs is making the changes needed to address this concern. Finally, the Subcommittee will review GAO's conclusions regarding Customs self-inspection program and take any needed action.

15. Sanctions Reform. In response to the dramatic growth in the imposition of unilateral economic sanctions and their impact on U.S. trade and competitiveness in international markets, the Subcommittee will continue its oversight on the use and effectiveness of U.S. unilateral trade sanctions. In addition, the Subcommittee will work for passage of the "Enhancement of Trade, Security, and Human Rights Through Sanctions Reform Act" to establish a procedural framework for the consideration of future U.S. unilateral sanctions. Among other things, this framework would require that Congress and the President consider a number of factors before imposing future unilateral trade sanctions, including the likelihood that a proposed sanction will achieve its intended objectives and whether the achievement of those objectives outweigh any likely costs to United States foreign policy, national security, economic, and humanitarian interests. In addition, the legislation would ensure that the public has an opportunity to comment on proposed unilateral trade sanctions before they are imposed.

16. U.S. Policy Toward Cuba. The Subcommittee will consider and review the findings of an ITC study requested by the Committee pursuant to section 332 of the Tariff Act of 1930 on the economic impact of U.S. sanctions with respect to Cuba. The ITC's report is due in February 2001 and will include an overview of U.S. sanctions with respect to Cuba, a description of the Cuban economy and trade regime, and an analysis of the historical impact of U.S. sanctions on both the U.S. and Cuban economies.

17. Trade Relations with Japan. The Subcommittee will continue its oversight of U.S.-Japan trade relations, focusing on the necessity for Japan to implement broad structural reforms, including deregulation of its economy, reform of its banking system, improved

transparency, and the opening of its distribution system to eliminate exclusionary business practices.

18. Permanent Normal Trade Relations with Jackson-Vanik Countries that Join the WTO. At present, many countries whose trade status is subject to the Jackson-Vanik amendment to Title IV of the Trade Act of 1974 are in the process of joining the WTO. The Subcommittee will continue to monitor the progress of these countries in negotiating accession to the WTO and will consider country-specific legislation authorizing the President to determine that the Jackson-Vanik amendment should no longer apply as a country becomes a WTO member. Currently, the Subcommittee is aware that Armenia and Moldova may join the WTO in the near future.

19. Trade Adjustment Assistance. The Subcommittee will continue its oversight and consider reauthorization of the general TAA programs for workers and firms, as well as the NAFTA-related TAA programs. All of the TAA programs will expire on September 30, 2001.

20. Generalized System of Preferences. The Subcommittee will continue its oversight of and consider the reauthorization of the GSP which expires on September 30, 2001.

21. Asia Pacific Economic Cooperation (APEC) Forum. The Subcommittee will continue to review the status of U.S. trade policy objectives in Asia, particularly in the Asia Pacific Economic Cooperation Forum negotiations.

22. User Fees. The Subcommittee will continue its oversight of Customs user fees, including the amount of the fees and their relationship to the actual cost for providing services. The Subcommittee will examine issues surrounding the Consolidated Omnibus Reconciliation Act of 1985 (COBRA) account, especially whether the account contains sufficient resources to fund inspectional services and whether revised fee collections are needed.

23. Rules of Origin and Country of Origin Marking. The Subcommittee will review and continue to consult with the Administration and the trade community on the status of the rules of origin negotiations underway in the World Customs Organization; update rules of origin and country of origin marking to implement those negotiations so they reflect current business production, sales, and distribution practices; review whether U.S. law and U.S. Customs enforcement efforts are effective in preventing unlawful transshipment; review labeling requirements of U.S. trading partners with respect to meat, fresh produce, forged hand tools, and genetically modified products.

24. Normal Trade Relations with the Lao People's Democratic Republic. In 1997, the United States and the Lao People's Democratic Republic concluded a bilateral commercial agreement which calls for a reciprocal extension of normal trade relations. In the 107th Congress, the Subcommittee will continue its oversight of bilateral relations between the United States and Laos.

25. Drug Interdiction. The Subcommittee will hold a hearing to review U.S. Customs Service activities (and other Federal efforts) to interdict illegal drugs.

SUBCOMMITTEE ON HEALTH

1. Management of the Health Care Financing Administration. The Subcommittee will hold a hearing to evaluate the management

of the Health Care Financing Administration (HCFA) and to explore changes that could be made to improve its organization and efficiency.

2. MedPAC Report and Recommendations. The Subcommittee will hold a hearing on the Medicare Payment Advisory Commission's (MedPAC) 2001 recommendations to Congress regarding Medicare payment policies. Every year, MedPAC's panel of health care experts makes recommendations to Congress and its Committees with jurisdiction over the program.

3. Medicare+Choice Program. The Subcommittee will hold a hearing to examine the structure and operation of the Medicare+Choice program with particular focus on ways to stabilize and expand access to the program and to examine the efficiency of the funding structure of the program.

4. Progress in the Development of Prospective Payment Systems. The Subcommittee will hold a hearing to assess the progress and monitor the operation of the various prospective payment systems (PPS) in the Medicare program, including the payment systems for home health, hospital outpatient, hospital inpatient rehabilitation and other services furnished to Medicare beneficiaries.

5. Health Care Quality. The Subcommittee will hold a hearing to examine health care quality issues, including changes in the health care market place that affect consumers and small providers.

6. Administrative Simplification under the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The Subcommittee will hold a hearing on the implementation of administrative simplification requirements of HIPAA and their potential effect on providers.

7. Medicare Waste, Fraud and Abuse. The Subcommittee will hold a hearing on the enforcement of laws to combat waste, fraud and abuse in the Medicare program and what steps might be taken to improve their application. In addition, the hearing will examine whether steps can be taken to improve the application of these laws so that providers, and small providers in particular, are not unnecessarily hampered.

8. Medically Uninsured. The Subcommittee will examine options to reduce the number of individuals and families without health insurance.

9. Benefits. The subcommittee will examine the adequacy of the current benefit package and review whether changes are needed in areas such as out-patient prescription drugs, mental health care, breast cancer, chronic care and the ESRD program.

10. Other Issues. Further hearings will be scheduled as time permits to examine certain additional aspects of Medicare program management.

SUBCOMMITTEE ON HUMAN RESOURCES

1. Welfare Reform. The Subcommittee will conduct a series of hearings to prepare for reauthorization of the welfare reform law. Issues of particular interest to the Subcommittee are the impact of welfare reform on children and families, and the use of welfare funds to promote family formation including pro-marriage initiatives, abstinence education, and fatherhood. The Subcommittee also will examine the use of sanctions, mandatory work programs, and time limits to achieve self-sufficiency.

2. Child Care. Under welfare reform total Federal funding to States for childcare was increased by about \$4 billion over 6 years. The Subcommittee will examine whether States are experiencing problems with the availability, cost, or quality of child care, focusing especially on whether States are using all the Federal funds available to them for child care.

3. Child Support Enforcement. Given the dramatic decline in the welfare caseload, the financing and distribution of child support orders has become an important issue in the States. The Subcommittee will examine proposals to simplify and improve the collection and distribution of child support payments to families both on and off public assistance. In addition, the Subcommittee will hold hearings to examine how child support programs are financed, with special attention to the decline in the welfare caseload.

4. Supplemental Security Income (SSI). For the past several years the SSI program has been on the GAO list of programs at high risk of waste, fraud, and abuse. The Subcommittee will conduct a hearing on various proposals to reduce this risk.

5. Child Protection. The GAO has determined that there exists a lack of accountability in state use of foster care funds. The Subcommittee will hold hearings to examine accountability in the foster care system, focusing especially on outcomes of the newly established Federal review system and the implementation of the 1997 Adoption and Safe Families Act. In addition, the Subcommittee will examine various proposals to provide more flexibility in the financing of the child protection system. Finally, the Subcommittee will consider the reauthorization of the Safe and Stable Families program which provides grants to states for family preservation, community-based family support, time-limited family reunification, and adoption promotion and support services.

6. Unemployment Compensation. The Subcommittee will conduct hearings on the nation's unemployment compensation system. Several issues, including comprehensive reform proposals that would increase State flexibility in designing and administering the unemployment compensation program, will be examined in these hearings.

SUBCOMMITTEE ON SOCIAL SECURITY

1. Social Security Trust Fund solvency issues. The Subcommittee will hold a series of hearings to examine various issues affecting the well-being of individual recipients and the long-term solvency of the Social Security Trust Funds. In addition the Subcommittee will examine work incentives to delay retirement, senior tax burdens, impacts of the global aging crisis, and Social Security coverage issues.

2. Use of the Social Security Number (SSN). The Subcommittee will continue their examination of the use of the Social Security number (SSN) as an identifier and the degree to which such use contributes to identity theft and Social Security program fraud. Legislative options to restrict the use of SSNs in both the public and private sectors will also be reviewed.

3. Disability program reform and oversight. The Subcommittee will hold a series of hearings on the Social Security Disability Insurance (DI) program, including: the SSA's implementation of the Ticket to Work and Work Incentives Improvement Act; oversight of

SSA's disability program management, including efforts to improve workload processing at both the initial application and appeals levels; and a comprehensive review of the challenges facing individuals with disabilities today and the degree to which Social Security disability programs address those challenges.

4. Stewardship of the Social Security programs. The Subcommittee will conduct oversight hearings to examine the management of the Social Security programs, to assess their potential vulnerability to fraud, and to explore legislative remedies, including provisions to protect beneficiaries whose benefits are managed by representative payees.

5. Service delivery. The Subcommittee will continue its ongoing oversight of SSA's service delivery as the agency prepares to address the service needs of aging baby boomers while facing the loss of one half of its workforce due to retirement. The Subcommittee will address the agency's management of information technology, efforts to modernize service delivery to meet the changing expectations of today's customers, plans to recruit and retain new workers, and initiatives to educate the public on Social Security programs and the challenges they face.

SUBCOMMITTEE ON SELECT REVENUE MEASURES

As directed by the Chairman of the full Committee, the Subcommittee on Select Revenue Measures will conduct hearings and develop legislation on a variety of tax issues. In some cases, the Subcommittee's work will build upon the findings of the Oversight Subcommittee.

This list is not intended to be exclusive. The Committee anticipates that additional oversight activities will be scheduled as issues arise and/or as time permits.

Sincerely,

BILL THOMAS, *Chairman*.

B. ACTIONS TAKEN AND RECOMMENDATIONS MADE WITH RESPECT TO OVERSIGHT PLAN

Full Committee

1. Economic Growth and Tax Relief Reconciliation Act.

Actions taken: On February 5 and 6, 2001, the Committee held hearings to discuss the President's fiscal year 2002 budget proposals. On February 13 and March 21, 2001, the Committee held hearings to discuss the tax relief proposals contained in the President's fiscal year 2002 budget.

On May 15, 2001, Chairman Thomas introduced H.R. 1836, the "Economic Growth and Tax Relief Reconciliation Act of 2001." The bill included many of the President's tax relief proposals, including the creation of a new 10-percent bracket, reduction of the individual income tax rates, an increase in the child tax credit, marriage tax penalty relief, an expansion of Coverdell Education Savings Accounts, and a phase out of the estate tax.

The bill passed the House on May 16, 2001, and passed the Senate, with an amendment, on May 23, 2001. The conference report on H.R. 1836 passed the House and Senate on May 26, 2001 and was signed into law by the President on June 7, 2001 (P.L. 107-16).

2. Tax Code Simplification.

Actions taken: On July 17, 2001, the Subcommittees on Oversight and Select Revenue Measures held a hearing on tax code simplification. The hearing focused on the nature and cost of complexity in the tax code and the options for simplification. The Subcommittees examined proposals by the National Taxpayer Advocate and the JCT.

3. Hearings to examine Social Security Trust Fund issues.

Actions taken: The Committee held a joint hearing with the Senate Committee on Finance on the Social Security and Medicare Trustee's 2001 Annual Report on March 20, 2001. The Managing Trustee, Secretary of the U.S. Department of the Treasury Paul O'Neill, testified that while the short-term financial status of both Social Security and Medicare improved somewhat over the previous year's report, long-term analysis indicated that both the HI and Old Age, Survivors, and Disability Insurance (OASDI) programs' tax income was estimated to fall short of expenditures beginning in 2016, that the HI trust fund would be exhausted by 2029, and that the OASDI trust funds would be depleted by 2038. He stated both programs should be strengthened at the earliest opportunity.

Subcommittee on Oversight

A. Subcommittee Hearings for 107th Congress

1. Taxpayer Advocate Report.

Actions taken: The Subcommittee held hearings on July 12, 2001, and February 28, 2002, to examine the annual reports of the Internal Revenue Service (IRS) Taxpayer Advocate. In these reports, mandated by the Taxpayer Bill of Rights 2, the Taxpayer Advocate identified initiatives undertaken to improve taxpayer services and IRS responsiveness and provided recommendations about how to resolve problems that taxpayers experience in their dealings with the IRS.

2. Tax Code Compliance Burden.

Actions taken: The Subcommittee, in conjunction with the Subcommittee on Select Revenue Measures, held a hearing on July 17, 2001, to focus on the nature and cost of complexity in the tax code and the options for tax simplification. The hearing reviewed various recommendations by the JCT for simplification of the tax code, as presented in its study released in April 2001, entitled, "Study of the Overall State of the Federal Tax System and Recommendations for Simplification" (JCS-3-01). The report makes suggestions concerning many areas of the tax code, including individual and corporate alternative minimum tax, earned income credit, individual capital gains, the definition of a qualifying child, phase-outs, individual retirement accounts (IRAs), foreign tax credits, pass-through entities, tax-exempt entities, excise taxes, and taxation of Social Security benefits. The Subcommittee also heard testimony from representatives of the National Taxpayers Union, the Taxpayers Foundation, Urban Institute, and the Brookings Institution regarding ideas for simplification, and the effects of the JCT's recommendations for simplification.

3. IRS Fiscal Year 2003 Budget/2001 and 2002 Tax Return Filing Seasons.

Actions taken: The Subcommittee held a hearing on the 2001 Tax Filing Return Season on April 3, 2001, to review the progress in customer service offered by the IRS in the 2001 tax filing season, including progress in the customer communications system, electronic filing, and systems modernization. The Subcommittee held a hearing on April 9, 2002, to review developments in the 2002 tax-filing season, including progress in the customer communications system, electronic filing, and systems modernization. In addition, the Subcommittee reviewed the proposed budget for the IRS for fiscal year 2003.

4. Pension Policy.

Actions taken: The Subcommittee held two hearings on pension policy issues. The first hearing, held on March 5, 2002, was on employee and employer views on defined contribution pension plans. The hearing focused on possible improvements that could be made to employer-sponsored defined contribution retirement plans, to increase employee confidence, and maintain employer support of such plans. The second hearing, held on June 20, 2002, focused on issues related to retirement security and defined benefit pension plans. The Subcommittee examined the role of defined benefit pension plans in retirement security, including advantages, disadvantages, and reasons for trends in the decrease of the number of such plans. The Subcommittee also examined the role of “cash-balance” pension plans as a hybrid alternative to traditional defined benefit pension plans, as well as the rules and practical effects of converting a traditional defined benefit into a cash balance plan.

5. Implementation of IRS Restructuring and Reform.

Actions taken: The IRS Restructuring and Reform Act of 1998 established the IRS Oversight Board, which was charged with producing independent reviews of the IRS and its budgetary needs, and mandated bicameral, annual reviews of the IRS. The Subcommittee reviewed the first IRS Oversight Board annual report and heard testimony from the Oversight Board’s Chairman, Larry Levitan, on February 28, 2002. The Subcommittee assisted with the annual IRS Joint Congressional Reviews on May 8, 2001, and May 14, 2002. These annual reviews are comprised of Members of both the House and Senate from six Congressional committees including, the House Committees on Ways and Means, Appropriations, Government Reform, and the Senate Committees on Finance, Appropriations, and Government Affairs. The Joint Reviews are organized to review progress of the IRS in implementing the Restructuring and Reform Act of 1998, as well as review the strategic plans and budget of the IRS for the upcoming fiscal year.

6. Penalty and Interest Reform.

Actions taken: The latest comprehensive revision of the overall penalty structure in the Internal Revenue Code was enacted as part of the Omnibus Reconciliation Act of 1989. The IRS Restructuring and Reform Act of 1998 required the JCT and the U.S. Department of the Treasury to conduct separate studies, reviewing the interest and penalty provisions of the Code and making recommendations for administrative and legislative changes. On March 19, 2001, the Subcommittee requested written comments on taxpayer rights, including penalty and interest reform and taxpayer privacy. The Subcommittee reviewed the studies and assessed the recommendations, and incorporated selected portions of

these into section I of H.R. 3991, the Taxpayer Protection and IRS Accountability Act of 2002. On April 9, 2002, the full Committee held a markup on H.R. 3991, in which the bill with amendment was favorably reported. The House failed to pass H.R. 3991 with changes on April 10, 2002. The provisions in H.R. 3991 later passed the House twice as part of H.R. 586, the Tax Relief Guarantee bill, on April 18, 2002, and as part of H.R. 5728, the Tax Administration Reform Act of 2002, on November 14, 2002. Certain provisions were also included in House-passed bills, H.R. 4757, Our Lady of Peace Act, on October 15, 2002, and H.R. 4069, the Social Security Benefit Enhancements for Women Act of 2002, on May 14, 2002.

7. Taxpayer Information Privacy.

Actions taken: The Internal Revenue Code prohibits disclosure of tax returns and taxpayer information, except as specifically authorized by the Code. These provisions have been amended in a piecemeal fashion since a major revision in 1976. The IRS Restructuring and Reform Act of 1998 mandated that the U.S. Department of the Treasury and the JCT each conduct a study on this issue. The JCT released its Study Of Present-Law Taxpayer Confidentiality And Disclosure Provisions As Required By Section 3802 Of The Internal Revenue Service Restructuring And Reform Act Of 1998 on January 28, 2000, and the U.S. Department of the Treasury released its report, Scope and Use of Taxpayer Confidentiality and Disclosure Provisions on October 2, 2000. The Subcommittee reviewed these studies, and incorporated a subset of the recommendations in section IV of H.R. 3991, the Taxpayer Protection and IRS Accountability Act of 2002.

8. Field Investigations and Hearings.

Actions taken: The Subcommittee conducted a field hearing on March 5, 2001, in Mayville, New York, to examine on the impact of Federal tax laws on the cost and supply of energy. The hearing focused on (1) the adequacy of current tax incentives for production and conservation, (2) the causes of current shortages and high prices, and (3) the impact of shortages and high prices on individual consumers and business.

Subcommittee on Trade

1. Bush Administration Trade Policy.

Actions taken: On March 7, 2001, the Committee held hearings on President Bush's trade agenda for 2001. This hearing addressed the content and strategy of trade negotiations in which the United States is participating, including negotiations to establish the FTAA and negotiations on the WTO "built-in agenda" on services and agriculture. The Committee also reviewed the status of preparations to launch a new round of multilateral negotiations in the WTO and progress in negotiations to establish trade agreements with Singapore, Chile, and other nations in the Pacific Rim region. Finally, the Committee analyzed the relationship of these negotiations to trade negotiating authority and whether the United States was disadvantaged by not having the authority in place.

Following House passage of H.R. 3005, legislation to grant the President Trade Promotion Authority, the Committee held a hearing on February 7, 2002, to address President Bush's trade agenda for 2002 and the content and strategy of these trade negotiations.

At this hearing, the Committee also examined: (1) the success of the WTO Ministerial Meeting which launched the Doha Development Agenda, a new round of multilateral trade negotiations, and (2) progress in negotiations with Chile and Singapore, in light of House passage of H.R. 3005.

On March 29, 2001, the Trade Subcommittee held a hearing on the increasing number of bilateral and regional trade agreements to which the United States is not a party and the implications for the United States. This hearing focused on how these new trade agreements disadvantage U.S. business, workers, and families and assessed opportunities for the United States to move forward with new negotiations.

2. Andean Trade Preference Act.

Actions taken: On March 7, 2001, May 8, 2001, and February 7, 2002, the Committee held hearings on whether to extend and expand trade benefits for Colombia, Peru, Ecuador, and Bolivia under the Andean Trade Preference Act, which expired on December 4, 2001. On October 3, 2001, Subcommittee Chairman Crane introduced H.R. 3009 to extend and enhance trade benefits available under the ATPA as a way to create viable alternatives to illicit drug production, thereby enhancing political security in the Andean region and the hemisphere. On October 5, 2001, the Committee on Ways and Means approved H.R. 3009, as amended, by voice vote. The House approved H.R. 3009 on November 16, 2001, by voice vote.

On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107–126). On May 23, 2002, the Senate passed H.R. 3009, as amended. On June 26, 2002, the House concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which contained the more expansive Andean language already passed by the House. The conference report was passed by the House on July 26, 2002, and by the Senate on August 1, 2002. H.R. 3009 was signed into law on August 6, 2002 (P.L. 107–210).

On January 31, 2001, the Committee received the Third Report to Congress on the Operation of the Andean Trade Preference Act, prepared by USTR pursuant to P.L. 102–182.

3. Extension of Trade Promotion Authority (formerly referred to as “Fast Track”).

Actions taken: The Committee held hearings on March 7 and March 29, 2001, and February 7, 2002 (described above) to address the need for fast-track or trade promotion authority. On October 3, 2001, Chairman Thomas, on behalf of himself and Representatives Crane, Dreier, Jefferson, Tanner, and Dooley, introduced H.R. 3005, the Bipartisan Trade Promotion Authority Act of 2001. The House passed H.R. 3005 on December 6, 2001.

On December 12, 2001, the Senate Committee on Finance reported out its version of H.R. 3005, which included amendments to the House-passed version of Trade Promotion Authority (S. Rept. 107–139). On May 23, 2002, the Senate agreed to an amendment to include its version of Trade Promotion Authority and several other major trade provisions as a substitute amendment to the House-passed H.R. 3009, the Andean Trade Promotion and Drug Eradication Act, by a vote of 66 to 30. On June 26, 2002, the House

concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which contained the TPA legislation.

The conference report on H.R. 3009, which contained TPA, passed the House on July 27, 2002, and the Senate on August 1, 2002. On August 6, 2002, the President signed the bill into law (P.L. 107–210).

As enacted, the Bipartisan Trade Promotion Authority Act of 2002 grants TPA to the President through July 1, 2005, with an extension through July 1, 2007, subject to disapproval. This authority provides that once the President formally submits to Congress legislation to implement a trade agreement, Congress must consider the legislation within certain deadlines and without amendment. In return, the Congress provides the Administration with detailed guidance on its objectives for such negotiations and improves consultations between the Administration and Congress, before, during, and after negotiations of a trade agreement.

4. Free Trade Area of the Americas.

Actions taken: On March 29, 2001, the Trade Subcommittee held a hearing on the increasing number of bilateral and regional trade agreements to which the United States is not a party, particularly in its own hemisphere, and the implications for the United States. This hearing focused on how these new trade agreements disadvantage U.S. business, workers, and families and assessed opportunities for the United States to move forward with new negotiations.

Between April 20–22, 2001, a staff member from the Committee accompanied a Congressional Delegation from the Committee on Agriculture led by Representative Combest that attended the FTAA Summit in Quebec, Canada.

On May 8, 2001, the Trade Subcommittee held a hearing on the outcome of the Summit of the Americas held in Quebec City, Canada, and the prospects and timing for achieving the FTAA.

Also, on May 8, 2001, the Committee received a report requested by Trade Subcommittee Chairman Crane entitled “Free Trade Area of the Americas: April 2001 Meetings Set Stage for Hard Bargaining to Begin.”

On July 20, 2001, the Committee received a report, requested by Trade Subcommittee Chairman Crane, entitled “North American Free Trade Agreement: U.S. Experience with Environment, Labor, and Investment Dispute Settlement Cases.”

Following House passage of H.R. 3005, legislation to grant the President Trade Promotion Authority on February 7, 2002, the Committee held a hearing on President Bush’s trade agenda for 2002, and considered prospects for successfully concluding the FTAA negotiations.

5. Jackson-Vanik Waiver and Extension of Normal Trade Relations to the Socialist Republic of Vietnam.

Actions taken: On June 8, 2001, President Bush transmitted the U.S.-Vietnam BTA to Congress for its approval. Congressional approval of the BTA makes Vietnam eligible for normal trade relations, subject to annual renewal under the Jackson-Vanik provisions in Title IV of the Trade Act of 1974. Approval procedures are covered by permanent fast track provisions in the Trade Act of 1974, which are triggered by the transmittal of the agreement to Congress by the President.

On June 12, 2001, identical bills were introduced in the House and Senate (by request) to grant normal trade relations status to Vietnam by approving the BTA. H.J. Res. 51 was introduced in the House by Representatives Arme y, Gephardt, and Crane. On September 5, 2001, the Committee on Ways and Means reported favorably H.J. Res. 51 without amendment by voice vote. On September 6, 2001, the House approved H.J. Res. 51 without amendment by voice vote. On October 3, 2001, the Senate approved H.J. Res. 51 without amendment by a vote of 88 to 12. On October 16, 2001, the President signed H.J. Res. 51 (P.L. 107-052).

Under the Trade Act of 1974, in order for Vietnam to be eligible for NTR status and access to U.S. Government credits, or credit or investment guarantees, the President is required to submit to Congress a recommendation to extend Vietnam's waiver from the freedom of emigration requirements for a 12-month period no later than 30 days prior to the previous waiver's expiration. The President renewed Vietnam's waiver on June 1, 2001 (H. Doc. 107-82). A resolution disapproving the President's determination was reported unfavorably by the Committee and was defeated by the House by a vote of 91 to 324 (with 1 present vote).

On June 3, 2002, the President renewed Vietnam's waiver from the Jackson-Vanik freedom of emigration requirements in Title IV of the Trade Act of 1974 (H. Doc. 107-221). A resolution disapproving the President's determination was reported unfavorably by the Committee and was defeated by the House by a vote of 91 to 338.

6. Trade Agreement with Jordan.

Actions taken: President Clinton transmitted the United States-Jordan Free Trade Agreement to the Congress for approval on January 6, 2001 (H. Doc. 107-15). On April 4, 2001, His Majesty King Abdullah II of Jordan met with the Committee on Ways and Means to discuss implementation of the FTA. On July 24, 2001, H.R. 2603, the United States-Jordan Free Trade Area Implementation Act of 2001, was introduced by Chairman Thomas. The Committee on Ways and Means marked up H.R. 2603 and on July 31, 2001, favorably reported it with an amendment in the nature of a substitute by voice vote. On July 31, 2001, the House passed H.R. 2603 under suspension by voice vote. On September 24, 2001, the Senate Committee on Finance was discharged from consideration of H.R. 2603 by unanimous consent, and the Senate approved the bill by voice vote. On September 28, 2001, H.R. 2603 was signed by the President (P.L. 107-043).

7. Preparations for the 2001 World Trade Organization Ministerial.

Actions taken: On September 4, 2002, the Committee received a GAO report, requested by Chairman Thomas, Subcommittee Chairman Crane, and Senator Grassley, on the preparations for and the outcome of the Doha Ministerial Meeting, held in November 2001, which succeeded in launching a new round of multilateral trade negotiations. In this report, GAO analyzed the factors that contributed to the meeting's successful outcome and evaluated the most significant challenges to the WTO in the overall negotiations.

Following passage of H.R. 3005, legislation to grant the President Trade Promotion Authority on February 7, 2002, the Committee held a hearing on President Bush's trade agenda for 2002.

At this hearing, the Committee examined the success of the WTO Ministerial Meeting which launched the Doha Development Agenda, a new round of multilateral trade negotiations.

On June 8, 2001, the Trade Subcommittee received a report, requested by Trade Subcommittee Chairman Phil Crane entitled "International Trade: Comparison of U.S. and European Union Preference Programs."

On November 4, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the United States is engaged in negotiations to strengthen and extend as well as establish new trade agreements under the auspices of the WTO.

As part of Trade Act of 2002, Congress approved the establishment of a small fund to pay small settlement in WTO cases.

8. Negotiation of Other Free Trade Agreements.

Actions taken: On March 7, 2001, the Committee held a hearing on President Bush's trade agenda for 2001. This hearing addressed the content and strategy of trade negotiations in which the United States is participating, including negotiations to establish trade agreements with Singapore, Chile, and other nations in the Pacific Rim region. Finally, the Committee analyzed the relationship of these negotiations to trade negotiating authority and whether the United States was disadvantaged by not having the authority in place.

Following House passage of H.R. 3005, legislation to grant the President Trade Promotion Authority on February 7, 2002, the Committee held a hearing on President Bush's trade agenda for 2002, which addressed the content and strategy of negotiations with Chile and Singapore, in light of House passage of H.R. 3005.

On March 29, 2001, the Trade Subcommittee held a hearing on the increasing number of bilateral and regional trade agreements to which the United States is not a party and the implications for the United States. This hearing focused on how these new trade agreements disadvantage U.S. business, workers, and families and assessed opportunities for the United States to move forward with new negotiations, such as with countries in the Pacific Rim.

On August 22, 2002, the Committee received a letter from Ambassador Zoellick indicating his intention to conclude a free trade agreement negotiations with Chile.

On August 22, 2002, the Committee received a letter from Ambassador Zoellick indicating his intention to conclude a free trade agreement negotiations with Singapore.

On October 1, 2002, Ambassador Zoellick notified the Committee his intention to initiate free trade agreement negotiations with the five member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua).

On November 4, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the President intends to initiate negotiations for a free trade agreement with the five member countries of the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland).

On November 13, 2002, the Committee received a letter from Ambassador Zoellick notifying Congress that the President intends to initiate negotiations for a free trade agreement with Australia

and soliciting the view of the Committee on including New Zealand as part of that agreement.

On January 17, 2002, the Senate Committee on Finance formally requested the ITC to conduct an assessment of the economic effects of the establishment of a free trade agreement between the United States and Taiwan. On June 10, 2002, several Members of the Committee on Ways and Means (Representatives Dunn, Rangel, Crane, Levin, Shaw, McDermott, Ramstad, McNulty, Herger, Houghton, English, Hayworth, Foley, and Brady) wrote a letter to ITC Chairman Steve Koplan expressing their support for the economic impact study. The ITC issued its report in October 2002.

9. Trade Relations with Europe.

Actions taken: On June 8, 2001, the Trade Subcommittee received a report requested by Trade Subcommittee Chairman Phil Crane entitled "International Trade: Comparison of U.S. and European Union Preference Programs."

On January 14, 2002, the WTO Appellate Panel issued its report finding the United States' ETI rules to be a prohibited export subsidy. On August 30, 2002, a WTO Arbitration Panel authorized the EU to apply trade sanctions in the amount of \$4 billion against U.S. exports to the EU. On February 27, 2002, the Committee held a hearing on the WTO decision in order to (1) outline the history of the FSC-ETI dispute, (2) analyze the January 14, 2002, WTO Appellate Panel Decision, and (3) discuss the potential trade ramifications of the decision. Officials from the U.S. Department of the Treasury and the USTR, as well as representatives from the business community, testified at the hearing.

On July 11, 2002, Chairman Thomas introduced H.R. 5095, the American Competitiveness and Corporate Accountability Act of 2002, in order to put the United States in compliance with its WTO obligations and to address competitiveness and corporate accountability issues. A fuller discussion of this legislation and other hearings of the Committee is located in the tax section of this report.

10. Trade and Development Act of 2000.

Actions taken: H.R. 3009, the Andean Trade Promotion and Drug Eradication Act, which was signed into law by the President on August 6, 2002, contains several provisions to expand the Trade and Development Act of 2002. Specifically, the legislation clarifies that preferential treatment is provided to knit-to-shape apparel articles assembled in beneficiary countries in CBI and Africa and provides preferential treatment for apparel articles that are cut both in the United States and beneficiary CBI or African countries. In addition, the legislation increases the caps for knit apparel made in CBI countries from regional fabric made with U.S. yarn, T-shirts, and knit-to-shape apparel (except socks).

With respect to Africa, the legislation corrects the yarn diameter in the AGOA legislation so that sweaters knit to shape from merino wool of a specific diameter are eligible and allows Namibia and Botswana to use third country fabric for the transition period under the AGOA regional fabric country cap. The bill also clarifies that apparel wholly assembled in one or more beneficiary sub-Saharan African countries from components knit-to-shape in one or more such countries from U.S. or regional yarn is eligible for preferential treatment, clarifies that apparel knit-to-shape and wholly assembled in one or more lesser developed beneficiary sub-Saharan

African countries is eligible for preferential treatment regardless of the origin of the yarn used to make such articles, and increases the amount of articles eligible for benefits.

The conference report was based on the House version of H.R. 3009, which was approved by the Committee on October 5, 2001, by voice vote. The House approved H.R. 3009, on November 16, 2001, by voice vote. On December 14, 2001, the Senate Committee on Finance reported H.R. 3009, as amended (S. Rept. 107-126). The amendments adopted by the Senate Committee on Finance did not include any provisions relating to trade with Caribbean Basin or African countries. On May 23, 2002, the Senate passed H.R. 3009, as amended. On June 26, 2002, the House concurred with the Senate amendment with an amendment pursuant to H. Res. 450, which included the House provisions related to trade with Caribbean Basin and African countries described above. In addition, H. Res. 450 incorporated one provision relating to trade with Caribbean Basin countries that was not included in H.R. 3009 when it passed the House. The new provision is a requirement that apparel made of U.S. knit or woven fabric assembled in a CBTPA country qualifies for benefits only if the U.S. knit or woven fabric is dyed and finished in the United States. On July 26, 2002, the House agreed to the conference report, and on August 1, 2002, the Senate agreed to the conference report. The bill was signed into law on August 6, 2002 (P.L. 107-210).

On October 1, 2002, Ambassador Zoellick notified the Committee of his intention to initiate free trade agreement negotiations with the five member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua).

11. U.S. Trade Remedy Laws.

Actions taken: The Subcommittee continued to review the application of U.S. antidumping and countervailing duty laws as well as the effect of antidumping orders on downstream users of products subject to these orders. The Subcommittee continued to monitor the status of WTO consultations, panel proceedings, and decisions concerning U.S. trade remedy laws or their application, and worked with the Administration to determine if any changes in U.S. law or policy are appropriate. The Subcommittee held several consultations with USTR and the U.S. Department of Commerce on the states of implementation of panel decisions as well as ongoing negotiations in the WTO and the Organization for Economic Cooperation and Development. In June 2001, the CBO issued a report requested by the Subcommittee titled "Antidumping Action in the United States and Around the World: An Update." The report updates a June 1998 analysis examining international data on antidumping activity to determine trends, compare U.S. activity with that of other countries, and study claims made by various participants in the debate over U.S. policy.

On November 7, 2001, the House passed H. Con. Res. 262 by a vote of 410 to 4, expressing the sense of Congress on trade remedies negotiations in the WTO. The resolution urged the President during the WTO Ministerial in Doha, Qatar and any subsequent rounds of WTO negotiations to (1) avoid an agreement which lessens the effectiveness of domestic and international disciplines on unfair trade, especially dumping and subsidies, and (2) ensure

that U.S. exports are not subject to the abusive use of trade laws, including antidumping and countervailing duty laws, by other countries.

12. Authorizations for U.S. Customs, the Office of the USTR, and the ITC.

Actions taken: Subcommittee Chairman Crane held a hearing on July 17, 2001, on budget authorizations for the U.S. Customs Service, the Office of the USTR, and the ITC. The Subcommittee received information on the activities of these agencies and projected work loads and examined their budget submissions, inspector general reports, strategic plans, and performance plans. On October 16, 2001, Subcommittee Chairman Crane introduced H.R. 3129, authorizing appropriations for fiscal years 2002 and 2003, and it was enacted as part of the Trade Act of 2002 (P.L. 107-210) as signed into law by the President on August 6, 2002. The Act reflected the need for more resources by USTR in conducting international trade negotiations and the need for more and special resources for Customs to carry out its enhanced anti-terrorism missions in addition to facilitating trade and interdicting illegal drug smuggling. The Committee also considered border security issues in the context of the Maritime Transportation Anti-terrorism Act of 2002 and the Enhanced Border Security and Visa Entry Reform Act of 2002, which were both enacted in the 107th Congress.

In addition, on June 26, 2002, the Committee held a hearing on the President's proposal to create a U.S. Department of Homeland Security including the transfer of all assets and authority of the U.S. Customs Service to the new Department. The Committee collected extensive information on the structure and functions of Customs and favorably reported a legislative proposal to transfer Customs in its entirety to the new Department while maintaining legal authority with the Secretary of the Treasury and mandating the continuation of customs revenue functions and specific offices. That proposal was adopted by the House on November 13, 2002, as part of H.R. 5005 (H. Rept. 107-609). On November 13, 2002, the House Select Committee on Homeland Security reported H.R. 5710 as a substitute to H.R. 5005, with minor changes in the Customs section, and the House passed the bill on November 13, 2002. Following Senate passage on November 19, the President signed the bill into law on November 25, 2002.

13. Trade Relations with China.

Actions taken: The Committee examined the President's annual determination to continue China's NTR status for the period between July 1, 2001, and June 30, 2002 (H. Doc. 107-79). A resolution disapproving the President's determination, H.J. Res. 50, was introduced on June 5, 2001. On July 10, 2001, the Trade Subcommittee held a hearing on overall U.S. trade relations with the People's Republic of China and the status of China's negotiations to join the WTO, and to consider the extension of NTR status for China for an additional year. On July 12, 2001, the Committee reported H.J. Res. 50 adversely, without amendment. On July 19, 2001, the House defeated H.J. Res. 50 by a vote of 169 to 259. The effect of this resolution would have been to withdraw NTR benefits from Chinese products.

On November 13, 2001, the House received a message from the President certifying the terms and conditions for accession of China

to the WTO are at least equivalent to those agreed to in the November 15, 1999, bilateral agreement between the United States and China. On December 27, 2001, the President granted permanent nondiscriminatory treatment (normal trade relations treatment) pursuant to P.L. 106-286. The Committee on Ways and Means continues to monitor the progress China is making in implementing the obligations it assumed when it joined the WTO on December 11, 2001.

During the 107th Congress, the Committee on Ways and Means received two studies on China from the GAO. On October 3, 2002, the Committee received a report requested by Chairman Thomas and Representative Rangel entitled "World Trade Organization: Analysis of China's Commitments to Other Members." On September 23, 2002, the Committee received a report, also requested by these Members, entitled "World Trade Organization: Selected U.S. Company Views about China's Membership."

A bipartisan delegation of the Committee on Ways and Means staff and the Senate Committee on Finance staff participated in an oversight trip to China with Undersecretary of Commerce Grant Aldonas from April 1-7, 2002. The delegation visited Beijing and Shanghai to investigate compliance issues and to highlight the importance that Congress and the Administration place on China's full implementation of its trade obligations resulting from China's accession to the WTO on December 11, 2001.

14. Miscellaneous Reforms of U.S. Customs Laws and Practices.

Actions taken: The Trade Act of 2002 included several reforms to Customs laws and practices. Customs was directed to implement a year-long regulatory process for the ultimate goal of requiring advanced electronic information on cargo. Also, the methodology for collection of Customs user fees for enhanced inspectional services for express air couriers was changed from a direct reimbursement method to a per mail item method. Customs legal authority to collect duties was modified to accommodate automation improvements in the near future. The Trade Act also authorized the search of outbound mail and provided immunity to inspectors performing personal searches at the border subject to civil rights protections.

On March 8, 2002, Subcommittee Chairman Crane requested written comments from parties interested in miscellaneous trade proposals, technical corrections to the trade laws, and temporary suspensions on certain imports. On September 17, 2002, Subcommittee Chairman Crane introduced H.R. 5385, the "Miscellaneous Trade and Technical Corrections Act of 2002." The bill passed the House on October 7, 2002, and included provisions to suspend duties on various products, expand trade benefits to GSP recipients targeted at Pakistan, extend trade benefits to Turkey, and amend Customs ship repair record-keeping requirements. The Senate took no action on the bill.

15. Sanctions Reform.

Actions taken: In response to the dramatic growth in the imposition of unilateral economic sanctions and their impact on U.S. trade and competitiveness in international markets, the Subcommittee continued its oversight on the use and effectiveness of U.S. unilateral trade sanctions. In particular, the Subcommittee analyzed existing and proposed unilateral trade sanctions against terrorist states in the wake of the terrorist attacks on September

11, 2001. In this context, the Subcommittee focused on the importance of examining whether unilateral economic sanctions are effective in achieving U.S. policy goals.

16. U.S. Policy Toward Cuba.

Actions taken: In February 2001, the ITC issued a study requested by the Committee pursuant to section 332 of the Tariff Act of 1930 on the economic impact of U.S. sanctions with respect to Cuba. The Subcommittee considered and reviewed the findings of the ITC report, which included an overview of U.S. sanctions with respect to Cuba, a description of the Cuban economy and trade regime, and an analysis of the historical impact of U.S. sanctions on both the U.S. and Cuban economies.

17. Trade Relations with Japan.

Actions taken: On March 7, 2001, the Committee held hearings on President Bush's trade agenda for 2001, which included consideration of U.S.-Japan trade issues. This hearing addressed the content and strategy of trade negotiations on the WTO "built-in agenda" relating to services and agriculture. The Committee also reviewed the status of preparations to launch a new round of multilateral negotiations in the WTO. The Committee analyzed the relationship of these negotiations to trade negotiating authority and whether the United States was disadvantaged in achieving its trade objectives with countries such as Japan by not having the authority in place. Following passage of H.R. 3005, legislation to grant the President Trade Promotion Authority, the Committee held a hearing on February 7, 2002, to address President Bush's trade agenda for 2002. At the hearing, the Committee examined the success of the WTO Ministerial Meeting which launched the Doha Development Agenda, a new round of multilateral trade negotiations which will address important issues on the U.S.-Japan trade agenda such as agriculture and market access for industrial products and forest products. Committee staff also held several consultations sessions with USTR officials responsible for implementing the Regulatory Reform and Competition Policy Initiative, which was launched by the two governments on June 30, 2001.

18. Permanent Normal Trade Relations with Jackson-Vanik Countries that Join the WTO.

Actions taken: At present, several countries whose trade status is subject to the Jackson-Vanik provisions in Title IV of the Trade Act of 1974 are in the process of joining the WTO. The Subcommittee continued to monitor the progress of these countries in negotiating their accession to the WTO. Moldova joined the WTO on July 26, 2001. Armenia is expected to join the WTO in the near future. No legislative action has been taken with regard to Jackson-Vanik provisions for either country. Russia is currently negotiating its accession to the WTO. On December 20, 2001, Chairman Thomas, along with Representatives Crane and Dreier, introduced H.R. 3553 to provide for the extension of permanent NTR treatment to the products of the Russian Federation. The Subcommittee on Trade held a hearing on April 11, 2002, to explore whether to graduate Russia from the Jackson-Vanik provisions and extend PNTR, and to assess U.S.-Russian trade relations.

19. Trade Adjustment Assistance.

Actions taken: The Subcommittee evaluated several reports from the GAO on the TAA programs; several of the recommendations

from GAO were eventually adopted with enactment of the Trade Act of 2002. The Trade Act made significant changes to the existing TAA programs such as consolidating the TAA and NAFTA-TAA programs, extending TAA to downstream secondary workers, raising the training expenditure cap to \$220 million, increasing personal allowances, creating an alternative TAA program for older workers, creating a new TAA program for farmers, and providing a healthcare tax credit to TAA workers and participants in the Pension Benefit Guaranty Corporation.

20. Generalized System of Preferences.

Actions taken: On October 3, 2001, Trade Subcommittee Chairman Crane introduced H.R. 3010, a bill to amend the Trade Act of 1974 to extend the GSP until December 31, 2002. On October 5, 2001, the Committee ordered H.R. 3010 favorably reported. On June 26, 2002, the House concurred with the Senate amendment with an amendment to H.R. 3009 pursuant to H. Res. 450, which incorporated H.R. 3010 into H.R. 3009, the Trade Act of 2002. The conference report was passed by the House on July 26, 2002, and by the Senate on August 1, 2002. The conference report extends GSP benefits through December 31, 2006. The bill was signed into law on August 6, 2002 (P.L. 107-210).

21. Asia Pacific Economic Cooperation Forum.

Actions taken: Committee staff continued consultations with USTR to monitor developments in APEC, including results of the APEC Ministerial meeting held in Puerto Vallarta, Mexico, on May 30, 2002.

22. User Fees.

Actions taken: The Subcommittee has continued to oversee the collection of user fees by Customs to evaluate whether fee levels are appropriately set. The lack of quality cost data from Customs has made it difficult for the Subcommittee to properly oversee fees. Accordingly, the Trade Act of 2002 include a provision mandating that Customs implement a cost accounting system and directing the GAO to evaluate fees to determine whether importers are receiving an appropriate level of service in return.

23. Rules of Origin and Country of Origin Marking.

Actions taken: The Subcommittee has continued to review and consult with the Administration and the trade community on the status of the rules of origin negotiations underway in the World Customs Organization (WCO). In addition, the Subcommittee continues to review whether U.S. law and Customs enforcement efforts are effective in preventing unlawful transshipment. The Subcommittee is also reviewing labeling requirements of U.S. trading partners with respect to meat, fresh produce, forged hand tools, forged tool and dies, and genetically modified products.

24. Normal Trade Relations with the Lao People's Democratic Republic.

Actions taken: The Subcommittee continued its oversight of bilateral relations between the United States and Laos and heard from several parties interested in Lao NTR. Laos does not currently receive NTR status because it is included in the HTS of the United States in General Note 3(b) on the list of countries whose products are subject to column 2 (non-NTR) tariff rates. The only action required to grant permanent NTR status to Laos is for Congress to enact legislation amending the HTS to strike Laos permanently

from General Note 3(b). In 1997, the United States and the Lao People's Democratic Republic concluded a bilateral commercial agreement which calls for a reciprocal extension of normal trade relations. That agreement has not yet entered into force. At a hearing on May 8, 2001, the Committee heard testimony from USTR Zoellick stating that the United States should grant NTR for Laos.

25. Drug Interdiction.

Actions taken: The Subcommittee continued to monitor the actions of the U.S. Customs Service in enforcing the laws against illegal drug smuggling. The Subcommittee reviewed this topic as part of its oversight hearing on Customs on July 17, 2001. The Trade Act of 2002, signed into law on August 6, 2002, included an authorization for the air and marine interdiction functions of Customs in addition to equipment used for inspectional purposes. The Trade Act also enhances Customs' ability to interdict illegal drug smuggling by providing it with new legal authority to collect cargo information and perform border searches.

Subcommittee on Health—Comparison of oversight plan developed in January 2001 to actual activities of the Subcommittee during the 107th Congress.

1. Management of the Centers for Medicare and Medicaid Services.

Actions taken: The full Committee held hearings on the Bush Administration's health and welfare priorities on March 14, 2001, and on the President's fiscal year 2003 budget on February 6, 2002. The Subcommittee held a hearing on the Medicare Regulatory and Contracting Reform Act on September 25, 2001. Testimony taken at these hearings helped form the basis of legislation considered by the Committee which was included in H.R. 2768/H.R. 3391, the "Medicare Regulatory and Contracting Reform Act." Almost all regulatory and contracting reform provisions from H.R. 3391 were incorporated into H.R. 4954, the "Medicare Modernization and Prescription Drug Act."

The Committee has continued its oversight and review of the HHS regulations and practices to ensure that HHS is not creating an unnecessary burden to health care beneficiaries and providers. On May 14, 2001, the Subcommittee Chair and Ranking Member wrote to the Secretary with a list of administrative changes to reduce regulatory burden and make Medicare more responsive to beneficiaries and the providers that serve them. The HHS responded by implementing many of these recommendations.

The Committee has also exercised its oversight on the Secretary's implementation of the Benefit Improvement and Protection Act provisions. On February 12, 2002, the Committee and Subcommittee Chairmen along with the Ranking Members wrote to the Secretary asking that the Department expeditiously move to implement the coverage and appeals reforms required by the Benefit Improvement and Protection Act. On September 27, 2002, the Committee and Subcommittee Chairmen along with the Ranking Members wrote to the Secretary about how the proposed regulation on Medicare National Coverage Determinations contravenes Congressional intent.

The Subcommittee requested and received a report related to CMS from the GAO on the performance of the claims review process.

2. Medicare Payment Advisory Commission (MedPAC) Report and Recommendations.

Actions taken: The Subcommittee heard MedPAC's testimony on its recommendations at the following hearings: rural health care in Medicare on June 12, 2001; physician payment reform February 28, 2002; and wage index issues on July 23, 2002. Testimony taken at these hearings helped form the basis of legislation considered by the Committee which was included in H.R. 4954, the "Medicare Modernization and Prescription Drug Act."

On January 14, 2002, the Subcommittee Chairman wrote to the Chairman of MedPAC asking for recommendations on how to restructure the physician payment system to ensure greater predictability and stability in the physician payment updates. Additionally, a number of informal requests were made and information was provided on teaching hospitals, Medicare margins of various providers, technology integration, and geographic payment issues.

3. Medicare+Choice Program.

Actions taken: On Medicare+Choice lessons for reform on May 1, 2001, and on the status of the Medicare+Choice program on December 4, 2001, the Subcommittee held hearings on the Medicare+Choice program. Testimony taken at these hearings helped form the basis of legislation considered by the Committee that was included in H.R. 4954, the "Medicare Modernization and Prescription Drug Act." The Medicare+Choice provisions were included in H.R. 3391, the "Medicare Regulatory and Contracting Reform Act." The Medicare+Choice provisions from H.R. 3391 were incorporated into H.R. 3448, the "Public Health Security and Biodefense Preparedness and Response Act of 2002" (P.L. 107-188), but were applied for 3 years.

On May 24, 2001, the Subcommittee Chairman wrote to the CMS to ask them to move the due date for plan submission of the adjusted community rate. The Subcommittee requested and received a report from GAO on selected program requirements and other entities standards for health maintenance organizations (HMOs).

4. Progress in the Development of Prospective Payment Systems.

Actions taken: The Subcommittee held a hearing on physician payments on February 28, 2002, and on Medicare's geographic cost adjusters on July 23, 2002. Testimony taken at these hearings helped form the basis of legislation considered by the Committee which was included in H.R. 4954, the "Medicare Modernization and Prescription Drug Act."

The Subcommittee continued its oversight and review of Medicare payment regulations. On February 8, 2002, the Committee and Subcommittee Chairmen wrote to the Secretary, and Director of the Office of Management and Budget asking whether and how Congress should address the provider payment problems identified by MedPAC. Moreover, the letter asked whether any of the money set aside in the budget for prescription drugs should be used for providers.

The Subcommittee wrote to the Administration a number of times on implementation issues surrounding the new hospital outpatient prospective payment system. On July 27, 2001, the Committee and Subcommittee Chairmen along with the Subcommittee Ranking Member wrote to the Administration proposing changes to the payment for drugs, biologicals, and devices under the Medicare

outpatient payment system. The CMS responded by adopting many of the recommendations in the letter, including folding 75 percent of technology costs into the base. On December 12, 2001, the Committee and Subcommittee Chairmen and Ranking Members along with the Committee on Commerce and Subcommittee Chairmen and Ranking Members and the Senate Committee on Finance Chairman and Ranking Member wrote to the Secretary asking to delay implementation of the 2002 outpatient hospital rates because of technical problems in the rates. The CMS responded and deferred the system for one quarter. On May 10, 2002, the Committee and Subcommittee Chairmen along with the Committee on Commerce and Subcommittee Chairmen requested further corrections to the hospital outpatient rates for 2002. On October 21, 2002, the Committee and Subcommittee Chairmen along with the Committee on Commerce and Subcommittee Chairmen and the Senate Committee on Finance Ranking Member wrote to the Administrator asking for improvements in 2003 rates specifically to improve the accuracy of the rates and to ameliorate any redistributions in payments from 2002 to 2003.

On other payment issues, the Subcommittee Chairman wrote to the Administrator on the following issues: changes to the proposed fee schedule for ambulance services on April 8, 2002, and on the proposed design of the implementation of the Benefit Improvement and Protection Act provisions on inpatient technology on August 14, 2001. Finally, the Committee and Subcommittee Chairmen wrote to the Administrator of CMS on actions that the agency could take to fix the sustainable growth rate for physician payment on March 21, 2002.

5. Health Care Quality.

Actions taken: The Subcommittee held a hearing on health quality and medical errors on March 7, 2002, and on legislation to reduce medical errors on September 10, 2002. Testimony taken at these hearings helped form the basis of legislation considered by the Committee that was included in H.R. 4889, the "Patient Safety and Improvement Act of 2002."

The Subcommittee requested and received a report from GAO on the current supply of nurses.

6. Administrative Simplification under the Health Insurance Portability and Accountability Act (HIPAA) of 1996.

Actions taken: Testimony from previous hearings helped form the basis of legislation that was included in H.R. 3323, the "Administrative Simplification Compliance Act" (P.L. 107-105).

The Subcommittee continued its oversight of the regulations related to HIPAA. On May 9, 2001, the Committee and Subcommittee Chairmen sent a letter to the President on the final rule on patient confidentiality. The Committee expressed its concern with the patient consent requirements, the standards for minimum necessary use and disclosure of information, coverage of oral communications, and advisory opinions for conflicting State standards. On December 10, 2001, the Committee Chairman wrote to the Secretary about the confidentiality of individually identifiable health information in regards to supplemental insurance policies. On February 26, 2002, the Committee and Subcommittee Chairmen wrote to the OMB and the Secretary on the proposed changes to the medical records confidentiality rule. On April 19, 2002, the Committee

Chairman wrote to the Secretary about HIPAA's portability requirements. On April 26, 2002, the Committee Chairman and Subcommittee Chairmen commended the Secretary for accepting its suggestions on a number of HIPAA changes such as elimination of the mandatory consent requirements. The Committee expressed additional concerns regarding the confidentiality of medical records on patient consent, minimum necessary, the definition of identifiable data for medical research, and the business associate contract requirements.

The Subcommittee requested and received a report from GAO on the issues around the HIPAA standardization of the coding sets used for payment and diagnosis of illness.

7. Medicare Waste, Fraud and Abuse.

Actions taken: Testimony from previous hearings helped form the basis of legislation considered by the Committee that was included in H.R. 4954, the "Medicare Modernization and Prescription Drug Act." The provision on a demonstration for recovery auditors permits the Secretary to hire these entities, identify under and overpayments, and provide incentives to collect overpayments.

On October 3, 2002, the Subcommittee held a hearing on Medicare payment for currently covered drugs. Medicare does not cover most outpatient prescription drugs. However, it does cover certain categories of outpatient prescription drugs, including drugs used in dialysis, organ transplantation, cancer treatment, and certain drugs used with durable medical equipment, such as infusion pumps and nebulizers. According to GAO, about 450 outpatient drugs are covered under these categories.

The Balanced Budget Act of 1997 (P.L. 105-33) specified that Medicare payment for covered outpatient prescription drugs would equal 95 percent of the average wholesale price (AWP) for the drug. The AWP, however, are not defined by law or regulation. The AWP is reported by drug manufacturers to organizations that publish the data in compendia. Medicare carriers use the published data in calculating payment for Medicare covered drugs, but AWP is not grounded in any real market transaction, and does not reflect the actual price paid by purchasers. The AWP for a product is often far greater than the acquisition cost paid by suppliers and physicians, resulting in taxpayer and beneficiary overpayments estimated at more than \$1 billion annually. In addition, AWP does not reflect the discounts, rebates, or "charge backs" that manufacturers and wholesalers customarily offer to providers. Therefore, AWP represents neither average prices nor prices charged by wholesalers.

The hearing examined the current Medicare overpayments. Potential solutions discussed included H.R. 5167, the "Medicare Market Acquisition Drug Price Act," introduced by Subcommittee Ranking Member Pete Stark, and proposed changes to the statute to introduce competitive bidding for Part B covered drugs.

As part of its oversight responsibilities, the Committee Chairman and Ranking Members wrote to GAO asking to be kept apprised of the recent inquiry into personnel and other changes affecting the Office of the Inspector General.

8. Medically Uninsured.

Actions taken: The full Committee held a hearing on health care tax credits to decrease the number of uninsured on February 13, 2002, and the Subcommittee held a hearing on the Nation's unin-

sured on April 4, 2001. Testimony taken at these hearings helped form the basis of legislation considered by the Committee that was included in H.R. 3009 (P.L. 107–210), the “Trade Act of 2002.”

On October 21, 2002, the Committee Chairman wrote to the Secretary of Labor to clarify Congressional intent related to the health tax credit for workers adversely affected by Trade.

9. Benefits.

Actions taken: The full Committee held hearings on the Social Security and Medicare Trustees 2001 Annual Reports (joint hearing with the Senate Committee on Finance) on March 20, 2001, on Medicare solvency on March 20, 2001, on the Administration’s Principles to strengthen and modernize Medicare on July 19, 2001, and on integrating prescription drugs into Medicare on April 17, 2002. The Subcommittee held hearings on Medicare reform on February 28, 2001, on laying the groundwork for a Rx drug benefit on March 27, 2001, on strengthening Medicare: modernizing beneficiary cost sharing on May 9, 2001, on Medicare supplemental insurance on March 14, 2002, and on Medicare payments for currently covered prescription drugs on October 3, 2002. Testimony taken at these hearings helped form the basis of legislation considered by the Committee that was included in H.R. 4954, the “Medicare Modernization and Prescription Drug Act.”

10. Managed Care Reform.

Actions taken: The Subcommittee held a hearing on patient protections and managed care reform on April 24, 2001. Testimony taken at that hearing helped form the basis of H.R. 2563, the “Patient Protection Act,” which passed the House on August 2, 2001.

Subcommittee on Human Resources—Comparison of oversight plan developed in February 2001 to actual activities of the Subcommittee during the 107th Congress:

1. Temporary Assistance for Needy Families/Welfare Reform.

Actions taken: To prepare for reauthorization of the 1996 welfare reform law which implemented the TANF program, the Subcommittee held a series of hearings. At a March 15, 2001, Subcommittee hearing to review research on the effects of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, witnesses from the GAO, the Congressional Research Service, and research organizations testified. An April 3, 2001, hearing focused on efforts to require work in exchange for benefits, and the effects of current programs promoting work. The hearing included testimony from program administrators, the Congressional Research Service, scholars, and program participants. On April 26, 2001, a hearing with witnesses from the GAO, program administrators, and scholars was held to examine “rainy day” and other special funding issues under the TANF program. A May 22, 2001, hearing on welfare and marriage issues reviewed how States have used TANF funds to promote marriage and family formation and additional approaches or programmatic changes that may hold promise for better promoting healthy marriages and discouraging illegitimacy. Witnesses included State legislators, State program administrators, non-profit organizations, and research experts.

During a July 11, 2001, hearing on Subcommittee-related proposals in the Administration’s fiscal year 2002 budget, testimony was received from a representative of HHS. Teen pregnancy prevention efforts since enactment of the 1996 welfare reform law and

recommendations for further program improvements to prevent and reduce teen pregnancy were the focus of a November 15, 2001, Subcommittee hearing. The HHS, teen pregnancy prevention and abstinence education organizations, and researchers testified.

On March 7, 2002, the Subcommittee heard testimony from the GAO, State and local program administrators, program participants, and policy experts on issues related to the implementation of welfare work requirements and time limits. At a field hearing in University Center, Michigan, on April 2, 2002, to review welfare reform outcomes in Michigan, witnesses included the Governor of Michigan, former recipients, employers, and caseworkers who have been instrumental in the success of the State's program in terms of reducing poverty, ending dependence, and promoting work.

An April 11, 2002, hearing on welfare reform reauthorization proposals provided an opportunity for public witnesses to present their views to the Subcommittee. The Subcommittee received testimony from 44 individuals, including Members of Congress, the Secretary of HHS, representatives of the nation's governors, State legislators, and State welfare directors, local program operators, policy specialists, advocacy organizations, former welfare recipients, and non-profit organizations.

Legislation to reauthorize TANF was introduced by Subcommittee Chairman Herger on April 9, 2002, as the Personal Responsibility, Work, and Family Promotion Act of 2002 (H.R. 4090). At a Subcommittee on Human Resources markup on April 18, 2002, H.R. 4090 was reported to the full Committee, from which it was reported to the House on May 14, 2002. On May 16, 2002, the House approved H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002. H.R. 4737 included the text of H.R. 4090 as reported by the Committee on Ways and Means. The legislation was considered by the Senate Committee on Finance on July 25, 2002 and reported to the full Senate. No further action was taken on H.R. 4737 during the remainder of the 107th Congress.

H.J. Res. 111 (P.L. 107-229), legislation making continuing appropriations for the fiscal year 2003, extended authorization for TANF and related welfare programs through December 31, 2002. H.J. Res. 124 (P.L. 107-294), making further continuing appropriations, maintained TANF and related programs in current form through March 31, 2003.

2. Child Care.

Actions taken: The Subcommittee received testimony on issues concerning the availability and supply of child care for families on or leaving TANF, and State spending on child care programs. The testimony included witnesses from Congressional and other research organizations at the March 15, 2001, hearing on the effects of the 1996 welfare reform law. Testimony was also received on this topic at the April 26, 2001, hearing on "Rainy Day" and other special TANF funding issues, and the March 7, 2002, hearing on implementation of welfare reform work requirements and time limits. A number of witnesses at the April 11, 2002, hearing on welfare reform reauthorization proposals provided the Subcommittee recommendations on child care funding and related issues.

Title II of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, which passed in the House on May 16, 2002, increased mandatory child care funding by \$1 billion over

5 years. Other provisions in H.R. 4090 as approved by the Committee on Ways and Means and H.R. 4737 as approved by the House provided States added flexibility in using welfare funds for child care needs.

3. Child Support Enforcement.

Actions taken: On June 28, 2001, the Subcommittee held a hearing on the child support program and fatherhood proposals. Witnesses, including Members of Congress, State program administrators, policy experts, advocates, and program participants, reviewed the program as well as proposals for improving child support collection and distribution and options for fatherhood programs.

Title IV of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, which passed in the House on May 16, 2002, made improvements to the child support program. Section 119 of that legislation included the Promotion and Support of Responsible Fatherhood and Healthy Marriage Act of 2002.

4. Supplemental Security Income.

Actions taken: At a July 25, 2002, hearing on fraud and abuse in the Supplemental Security Income (SSI) Program, the Subcommittee heard from representatives of the SSA, the SSA's Office of Inspector General, the Social Security Advisory Board, and disability advocates.

Title VI of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, which passed in the House on May 16, 2002, and Title I of H.R. 4070, the Social Security Protection Act of 2002, which passed in the House on June 26, 2002, amended the Social Security Act to improve the SSI program. No further action was taken on H.R. 4737 or H.R. 4070 during the remainder of the 107th Congress.

5. Child Protection.

Actions taken: The Subcommittee held a hearing on May 10, 2001, on the Promoting Safe and Stable Families Program to explore how States have used Promoting Safe and Stable Families program funds, to learn which programs are more effective, and to review program reauthorization issues. Witnesses included State and local program administrators, policy experts, and program participants.

At a Subcommittee on Human Resources markup on September 25, 2001, H.R. 2873, the Promoting Safe and Stable Families Amendments of 2001, was amended and reported to the full Committee. The full Committee considered and reported the Subcommittee-reported bill, as amended, on October 31, 2001. The House approved H.R. 2873 by voice vote on November 13, 2001, and the legislation passed the Senate by unanimous consent on December 13, 2001. H.R. 2873 was signed by the President on January 17, 2002 (P.L. 107-133).

6. Unemployment Compensation.

Actions taken: On March 5, 2002, the Subcommittee held a hearing on the unemployment compensation system and on proposals in the Administration's fiscal year 2003 budget to reform the administrative financing of the Nation's Unemployment Compensation and Employment Security programs. Testimony was heard from the U.S. Department of Labor, State program administrators, small and large employers, and organized labor. A June 11, 2002, unemployment compensation program hearing focused on waste, fraud,

and abuse with regard to unemployment compensation benefits and a review of measures that would better ensure program integrity. At this hearing, witnesses included representatives from the U.S. Department of Labor and the GAO, the Inspector General of the U.S. Department of Labor, State program administrators, researchers, and private sector technical specialists.

The Committee acted on a number of initiatives to stimulate the economy and provide additional assistance to unemployed workers: H.R. 3090, first introduced as the Economic Security and Recovery Act of 2001, passed in the House on October 24, 2001. Title IV of this version of H.R. 3090 provided States with additional resources to address increased unemployment. In addition, Title V increased Social Services Block Grant funding to provide health care assistance for the unemployed. H.R. 3529, the Economic Security and Worker Assistance Act of 2001, which was introduced by Chairman Thomas on December 19, 2001, and was approved by the House on December 20, 2001, contained a version of the Temporary Extended Unemployment Compensation Act of 2002 that was later amended (P.L. 107–147). H.R. 622, the Economic Security and Worker Assistance Act of 2002, which passed in the House on February 14, 2002, included as Title VI the Temporary Extended Unemployment Compensation Act of 2002 (P.L. 107–147.) Finally, Title II of H.R. 3090, as amended and renamed the Job Creation and Worker Assistance Act of 2002, which passed in the House on March 7, 2002 (P.L. 107–147), included the final version of the Temporary Extended Unemployment Compensation Act of 2002. This legislation also included provisions from H.R. 3841, the Displaced Worker Assistance Act of 2002, which Chairman Thomas introduced on March 5, 2002.

H.R. 5063, the Armed Forces Tax Fairness Act of 2002, was amended and passed in the House November 14, 2002, to extend certain provisions of the temporary extended unemployment program begun under P.L. 107–147 until February 1, 2003. No further action was taken on H.R. 5063 during the remainder of the 107th Congress.

Subcommittee on Social Security—Comparison of oversight plan developed in January 2001 to actual activities of the Subcommittee during the 107th Congress:

1. Hearings to examine Social Security Trust Fund issues.

Actions taken: On June 18, 2001, the Subcommittee held a field hearing in Columbia, Missouri, to discuss Americans' views on the future of Social Security. An expert with the American Academy of Actuaries presented information on Social Security's financial challenges and options for strengthening the program. Members of the public in attendance took a quiz on the Social Security program, debated in groups, and presented their thoughts on strengthening Social Security's finances.

On July 31, 2001, the Subcommittee held a hearing on the experiences of other countries that utilized personal accounts in their public pension reforms. Experts on the pension systems of the United Kingdom, Australia, Sweden, Chile, and the United States presented testimony.

On February 28, 2002, and March 6, 2002, the Subcommittee held a 2-day hearing on Social Security improvements for women, seniors, and working Americans. On the first day of the hearing,

the Subcommittee heard testimony from the Commissioner of Social Security, Social Security experts, and representatives of organizations that promote issues of importance to women and seniors. Witnesses offered recommendations for changes to the law that would address inequities in the Social Security program and help lift retired women out of poverty. On the second day of the hearing, the Subcommittee heard testimony from Members of the House of Representatives. Witnesses discussed Social Security's importance to seniors, particularly women and minorities, and the need to assure seniors and near retirees that their benefits are secure while addressing Social Security's long-term financial challenges.

2. Hearings to examine use of the Social Security number.

Actions taken: On May 22, 2001, the Subcommittee held a hearing on protecting the privacy of SSNs and preventing their misuse. The Subcommittee heard testimony from the SSA's Inspector General, local government officials and law enforcement, experts in privacy issues, representatives from industries that would be affected if SSN use were limited, and victims of identity theft. Witnesses discussed the growing use and misuse of the SSN in the public and private sectors, proposals for combating SSN misuse and protecting privacy, and the impact of such proposals on businesses, government, and consumers.

In response to information gathered at this hearing and previous hearings in the 106th Congress, Subcommittee Chairman Shaw introduced H.R. 2036, the "Social Security Number Privacy and Identity Theft Prevention Act of 2001." The bill would have restricted the sale, purchase, and display of SSNs, limited dissemination of SSNs by credit reporting agencies, and made it more difficult for businesses to deny services if a customer refused to provide his or her Social Security number. Neither the House nor the Senate acted on the bill.

On November 8, 2001, the Subcommittee held a joint hearing with the Committee on Financial Services, Subcommittee on Oversight and Investigations, on prevention of identity theft by terrorists and criminals. Testimony was heard from the U.S. Department of Commerce, the SSA, the SSA's Inspector General, and GAO, who presented their findings, as requested by the Subcommittees, regarding the process for gathering death information and reporting it to financial institutions. Testimony was also heard from representatives of industries that rely heavily on SSN use, privacy experts, and a State law enforcement official. Witnesses discussed proposals for improving the accuracy and distribution of the Death Master File, which is maintained and distributed by the SSA and contains the SSNs and other identifying information of deceased individuals.

On April 29, 2002, the Subcommittee held a field hearing in Lake Worth, Florida, on protecting the privacy of Social Security numbers and preventing their misuse. Testimony was heard from the GAO, who discussed (1) the extent and nature of government agencies' use of SSNs as they administer programs to provide benefits and services and the actions government agencies take to safeguard these SSNs from improper disclosure; and (2) the extent and nature of governments' use of SSNs when they are contained in public records and the options available to better safeguard SSNs traditionally found in these public records, as requested by Sub-

committee Chairman Shaw. Testimony was also heard from Florida law enforcement officials, the SSA's Office of the Inspector General, and victims of identity theft. Witnesses discussed the financial and emotional costs of identity theft; the challenges law enforcement agencies face as they pursue identity thieves; the use of SSNs by government agencies at the Federal, State, and local levels; and proposals aimed at combating SSN misuse and protecting privacy.

On September 19, 2002, the Subcommittee held a joint hearing with the Committee on Judiciary, Subcommittee on Immigration, Border Security, and Claims, on preserving the integrity of SSNs and preventing their misuse by terrorists and identity thieves. Testimony was heard from the Deputy Commissioner of Social Security, Federal law enforcement agencies, a privacy expert, and a small-business owner. Witnesses discussed the role SSNs play in identity theft and Federal agency coordination and cooperation, including data sharing, to verify identification documents and to detect and prevent fraud. Witnesses also discussed the need to improve the integrity of the SSA's enumeration and wage crediting process and recommended legislative proposals aimed at combating SSN misuse and protecting privacy.

3. Hearings to examine Social Security disability programs.

Actions taken: On February 28, 2001, the Subcommittee held a hearing to assess the SSA's proposed regulation to implement the Ticket to Work and Self-Sufficiency program. Witnesses included two members of the Ticket to Work and Work Incentives Advisory Panel, consumer advocates, and program experts, who provided their perspectives on the SSAs proposed regulations.

On June 28, 2001, the Subcommittee began a hearing series on the challenges and opportunities facing Social Security's disability programs. Witnesses included the Chairman of the Social Security Advisory Board and representatives from the SSA's employee organizations involved in the disability determination process. Recommendations focused on ways to decrease processing times at all levels of disability claims adjudication.

The second hearing in the series was a two-part hearing held on June 11 and June 20, 2002, examining the disability determination and appeals process. During part one of the hearing, the Subcommittee heard from the GAO (whose testimony was based on work requested by the Subcommittee), the Social Security Advisory Board, a disability researcher, and agency employee organizations. Part two focused on the appeals process. The Subcommittee heard testimony from disability advocates, representatives from the National Organization of Social Security Claimants' Representatives, the American Bar Association and the Federal Bar Association, professors of law, and employee organizations from the SSA. During both parts of the hearing, witnesses provided their perspectives regarding the reasons for delays, complexities, and inconsistencies, and offered recommendations for change.

The third hearing in the series, held on July 11, 2002, examined how the Agency determines disability as defined in the statute and the degree to which the definition of disability in law addresses the needs of today's workers, beneficiaries, and the intent of the Social Security Disability Insurance and Supplemental Security Income programs. Testimony was heard from the SSA, the Ticket to Work and Work Incentives Advisory Panel, the GAO, a disability advo-

cate, disability researchers, disability experts and a professor of law.

The fourth hearing in the series was held on September 26, 2002, during which the Subcommittee examined progress in implementing the Ticket to Work and Work Incentives Improvement Act, including preliminary results, issues of concern, and needed improvements. Testimony was heard from the SSA, the Ticket to Work and Work Incentives Advisory Panel, disability advocates and researchers, the Program Manager—Maximus, representatives from State Vocational Rehabilitation agencies, employment networks and a ticket holder.

4. Hearings to examine the SSA's stewardship of Social Security programs.

Actions taken: On May 10, 2001, the Subcommittee held a hearing to examine the SSA's efforts to prevent payment of benefits to those individuals who are ineligible to receive them and to prevent misuse of benefits by representative payees. Testimony was heard from the SSA, the SSA's Office of the Inspector General, a disability advocate, an organizational representative payee, and law enforcement officials.

5. Hearings to examine the SSA's service delivery.

Actions taken: On May 17, 2001, the Subcommittee held a hearing on the SSA's processing of attorney fees. The hearing focused on the GAO's study and findings from their report, the adequacy of attorney fee processing, and recommendations for change to the attorney fee process. Testimony was heard from the SSA, the GAO, the National Organization of Social Security Claimants' Representatives, and the Consortium for Citizens with Disabilities. In response to information gathered at this hearing and previous hearings in the 106th Congress, Subcommittee Chairman Shaw introduced H.R. 3332, the "Attorney Fee Payment System Improvement Act of 2001," which would have increased the maximum allowable cap on attorney fees to \$5,200, extended withholding of attorney fee payments to SSI claims, and capped the 6.3 percent assessment on an attorney's approved fee at \$100 in both Social Security and SSI claims. Modified provisions from this bill were incorporated into H.R. 4070, the "Social Security Program Protection Act," which passed the House, as amended, on June 26, 2002, under suspension of the rules by a vote of 425 to 0. The bill was referred to the Senate on June 27, 2002. On November 18, 2002, the Senate passed the legislation, as amended, by unanimous consent. No further action was taken on the bill.

On November 1, 2001, the Subcommittee held a hearing on how the SSA served the victims and families of the September 11 terrorist attacks, how their operations were impacted, and how the Agency assisted with Federal investigations of the attacks. Testimony was heard from Representative Sue Kelly, the Acting Commissioner of Social Security, Social Security Regional Commissioners from New York and Pennsylvania, and the Inspector General. Subcommittee Members heard how the Agency was able to quickly and effectively support the victims and their families during this crisis and how the Office of the Inspector General assisted in the investigation of the identities of terrorists.

On May 2, 2002, the Subcommittee held a hearing on the challenges facing the new Commissioner of Social Security. Testimony

was heard from the Commissioner of Social Security, the Inspector General, and representatives from the GAO (whose testimony was based on a number of reports requested by the Subcommittee), Social Security Advisory Board, AARP, Consortium for Citizens with Disabilities, and the National Committee to Preserve Social Security and Medicare.

In addition, Subcommittee Chairman Shaw has requested or has received the following studies from the GAO: SSN use in the private sector and how SSN use benefits or harms the public; the extent to which SSNs of deceased individuals are being used fraudulently; the efficacy of continuing disability reviews and implications for the Ticket-to-Work program; uses of the SSN authorized or mandated under current Federal law and extent to which the public's access to public records containing SSNs facilitates identity fraud and theft; the SSA's verification of SSNs for government agencies; the SSA's files on earnings that cannot be matched to a worker (earnings suspense file); the SSA's policies on disclosure to law enforcement agencies; the SSA's current and future human capital needs and recruitment efforts; the SSA's enumeration procedures; and the extent to which individuals are transferring to other jobs to avoid the Government Pension Offset.

C. ADDITIONAL OVERSIGHT ACTIVITIES AND ANY RECOMMENDATION OR ACTIONS TAKEN

1. ADDITIONAL OVERSIGHT ACTIVITIES OF THE TRADE SUBCOMMITTEE

In addition to the oversight activities detailed above with respect to the Committee's oversight plan, the Committee convened the Congressional Oversight Group established under the Trade Act of 2002 (P.L. 107-210), co-chaired by the Chairmen of the Committee on Ways and Means and Senate Committee on Finance. The COG is comprised of the Chairman and Ranking Member of those Committees of the House and Senate which would have jurisdiction over provisions of law affected by trade agreement negotiations during this Congress. The purpose of the COG is to provide the President and the USTR with advice regarding the formulation of specific objectives, negotiating strategies and positions, the development of trade agreements, and compliance and enforcement of negotiated commitments under trade agreements.

The Committee continued its oversight over U.S. international tax law, particularly in light of the WTO Appellate Body's report finding that the United States' ETI rules are a prohibited export subsidy. The Committee's activities on this issue are discussed in the Europe section of this report.

The Committee continued its oversight of the QIZ initiative under the U.S.-Israel Free Trade Agreement to support the peace process in the Middle East by encouraging economic integration with Israel. The Committee included in the Miscellaneous Trade and Technical Corrections Act of 2002 (H.R. 5385) legislation to expand the QIZ program to allow Israel-Turkey QIZs to help Turkey attract foreign direct investment, diversify its exports away from dependence on textiles, boost trade, and increase employment opportunities. The bill was approved by the Committee on September 18, 2002, and by the House approved on October 7, 2002. The Senate took no action on the legislation.

The Committee conducted oversight over the NTR status of Yugoslavia (Serbia and Montenegro), which was withdrawn by Congress in 1992 because Serbia and Montenegro were not complying with the provisions of the Final Act of the Conference on Security and Cooperation in Europe. The Committee included in the Miscellaneous Trade and Technical Corrections Act of 2002 (H.R. 5385) legislation to give the President the authority to proclaim NTR status to Yugoslavia notwithstanding the 1992 law. This legislation was approved by the Committee on September 18, 2002, and by the House on October 7, 2002. However, the Senate took no action on this legislation.

In the aftermath of September 11, the Committee expanded its oversight of the Customs Service to include consideration of a new U.S. Department of Homeland Security. On June 26, 2002, the Committee held a hearing on the President's proposal to create a U.S. Department of Homeland Security including the transfer of all assets and authority of the U.S. Customs Service to the new Department and on H.R. 5005, "The Homeland Security Act of 2002." On the basis of this hearing, the Committee ordered favorably reported recommendations for legislative changes to H.R. 5005, the "Homeland Security Act of 2002," with amendment, and this language was incorporated into a final bill passed by the House on July 31, 2002. No further action was taken on this bill in the 107th Congress. On November 13, 2002, the House Select Committee on Homeland Security reported H.R. 5710 as a substitute to H.R. 5005, with minor changes in the Customs section, and the House passed the bill on November 13, 2002. Following Senate passage on November 19, the President signed the bill into law on November 25, 2002.

On March 8, 2002, Subcommittee Chairman Crane requested written comments from parties interested in miscellaneous trade proposals, technical corrections to the trade laws, and temporary suspensions on certain imports. Based on this public comment, the Committee reported out H.R. 5385, the "Miscellaneous Trade and Technical Corrections Act of 2002." On October 7, 2002, the bill was agreed to by the House under suspension of the rules by voice vote. The Senate took no action on the legislation.

The Committee also considered provisions of the Agriculture Act of 2002 within its jurisdiction, concerning raw cotton import quotas, the dairy marketing fee assessment on imports, the reallocation of the sugar quota, and certain provisions of the Animal Health Protection Act and the Bear Protection Act. The House passed the conference report to this legislation on May 2, 2002, containing provisions within the Committee's jurisdiction as modified to the Committee's satisfaction. The Senate passed the conference report on May 8, 2002, and it was signed into law on May 13, 2002 (P.L. 107-171).

The Committee continued its oversight over trade in conflict diamonds, which are diamonds that generally come from mines controlled by rebel forces and are traded for arms to fuel civil war in Africa. The Trade Subcommittee held a hearing on October 10, 2001, on the importation of conflict diamonds in order to obtain viewpoints from the Administration, the industry, non-governmental organizations, and other interested parties for possible solutions. On August 2, 2001, Representative Houghton introduced

H.R. 2722, the Clean Diamonds Trade Act, to restrict the importation of diamonds from countries with inadequate controls against the trade of conflict diamonds. Based upon information gathered at the hearing, Chairman Thomas brought H.R. 2722, as amended, to the Floor under suspension of the rules on November 28, 2001. H.R. 2722 as amended would provide the President with the authority to evaluate control measures used by countries to prevent the trade of conflict diamonds. The President would also have the authority to ban diamond imports that were found to be from countries with inadequate control measures. H.R. 2722 passed the House by a vote of 408 to 6. The Senate took no action on this legislation.

The Committee continued its oversight of the U.S.-Israel Free Trade Agreement, particularly concerning agriculture, and obtained a letter from the Israeli Government concerning its compliance with agriculture obligations.

Finally, the Committee requested and received a study of the domestic tool and die manufacturing industry under section 332(g) of the Tariff Act of 1930.

2. ADDITIONAL OVERSIGHT ACTIVITIES OF THE OVERSIGHT SUBCOMMITTEE

1. Renewal Communities.

Actions taken: The Subcommittee held a hearing on Renewal Communities on May 21, 2002. Renewal Communities were created in December 2000 (P.L. 106-554), as part of the "Community Renewal Tax Relief Act of 2000," which was later incorporated into the "Consolidated Appropriations Act, 2001." This legislation allows the U.S. Department of Housing and Urban Development to select up to 40 Renewal Communities, 12 of which must be rural, that are nominated by States and local governments. The designated communities are eligible for a variety of tax incentives available between 2002 and 2009. The hearing focused on how the newly designated Renewal Communities planned to use available incentives to attract business investment to their communities. On October 7, 2002, the House passed additional Renewal Community legislation, H.R. 3100. This bill allows for the expansion of areas designated as Renewal Communities based on 2000 census data.

2. Unrelated Business Income Tax.

Actions taken: On June 24, 2002, the Subcommittee requested written comments on H.R. 2237, a bill to amend the Internal Revenue Code of 1986 to provide that the conducting of certain games of chance shall not be treated as an unrelated trade or business. The Internal Revenue Code requires tax-exempt organizations to pay tax at corporate rates on income derived from an unrelated trade or business. In general, an unrelated trade or business is any trade or business that is not substantially related to the tax-exempt purpose that is the basis for the exemption from Federal income tax. Activities in which substantially all of the work is performed by volunteers are not, however, considered to be unrelated trade or business.

3. Charitable Organizations' Response to the Recent Terror Attacks.

Actions taken: The Subcommittee held a hearing on November 8, 2001, to review the response of charitable organizations to the ter-

rorist attacks on September 11, 2001. The hearing focused on the charitable solicitations, funds raised and distributed to those in need, and the organizations' short- and long-term plans for the future. The IRS discussed its role in the oversight of charities, relevant tax law requirements, and the expedited approval process of September 11 charities. Throughout the remainder of the 107th Congress, the Subcommittee received briefings from charitable organizations on their activities.

4. Internal Revenue Code Section 511(c)(3) Requirements for Religious Organizations.

Actions taken: The Subcommittee held a hearing on May 14, 2002, to review whether churches receiving tax-exempt status under section 501(c)(3) of the Code, should be allowed to retain that preferred status, including the deductibility of contributions, while engaging in political activity. The hearing focused on two bills, H.R. 2931, the Bright Line Act of 2001, and H.R. 2357, the Houses of Worship Political Speech Protection Act. The House failed to pass H.R. 2357 on October 2, 2002.

5. Deceptive Mailing Concerning Tax Refunds.

Actions taken: The Subcommittee held a hearing on July 19, 2001, to raise consumer awareness about a deceptive mailing being sent to individuals that was designed to look like an IRS mailing. The Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) directed the U.S. Department of the Treasury to send checks to most taxpayers beginning in the summer of 2001 as an advance payment to reflect the new 10-percent tax bracket. However, there were reports of unscrupulous entities hoping to take advantage of taxpayers who wanted further details about their eligibility for the advance tax payment. Taxpayers in at least 5 States received postcards designated as "2001 Form 16-B," resembling an official IRS tax form, and bearing the designation, "Revenue Resource Center," a "Non-Partisan Bureaucratic Agency." The postcard offered to send information on the amount of the recipient's tax refund check in exchange for \$14.95. The postcard, which could be easily confused with official IRS correspondence because of its use of certain terms, typeface, and a quotation, attributed to President Bush, that requested money "in order to identify the amount of the tax credit you are scheduled to receive." The IRS and Postal Inspection Service outlined steps they were taking to stop this fraud and publicize legitimate information about the advance tax payment. Individuals were later arrested and convicted for participating in the scheme.

6. Modeling Economic Effects of Changes in Tax Policy.

Actions taken: The Subcommittee held a hearing on May 7, 2002, to review the economic models and assumptions that are used for the current tax revenue estimating process, and explore ways to improve overall forecasting and analysis regarding legislation before the Committee on Ways and Means and Congress. At the hearing, Lindy Paull, the Chief of Staff of the JCT, discussed the recent efforts of JCT economists to estimate the macroeconomic feedback efforts of major tax proposals. The JCT described its plan to create a Blue Ribbon Panel of economists to evaluate dynamic scoring, and, currently, is finalizing a report that summarizes the work of the Panel.

7. Low-Income Taxpayer Clinics.

Actions taken: On July 12, 2001, the Subcommittee held a hearing on the Annual Report of the National Taxpayer Advocate and Low-Income Taxpayer Clinics. The hearing focused on the funding and functioning of the low-income taxpayer clinic program, specifically the need for additional funding for this program. The IRS Restructuring and Reform Act of 1998 established a program to grant up to \$6 million to low-income taxpayer clinics for the purpose of helping low-income taxpayers to resolve tax disputes. This program arose from a proposal developed in 1997 by the National Commission on Restructuring the IRS. A low-income clinic can be granted up to \$100,000 per year, and the funds must be matched by private money. The Taxpayer Relief and IRS Accountability Act of 2002 (H.R. 3991) contained a provision for increasing the total amount of funds for low-income taxpayer clinic grants from \$6 million to \$15 million in 3 years. H.R. 586, which included this provision of H.R. 3991, passed the House on April 18, 2002. In addition, the provision for low-income taxpayer clinic grants increase was included in H.R. 5728, the Tax Administration Reform Act of 2002, which passed the House on November 15, 2002.

3. ADDITIONAL OVERSIGHT ACTIVITIES OF THE HUMAN RESOURCES SUBCOMMITTEE

In addition to the Subcommittee's oversight activities on welfare reform and other legislative issues described above, on June 14, 2001, the Subcommittee conducted a joint hearing with the Subcommittee on Select Revenue Measures to review H.R. 7, the Community Solutions Act of 2001. Subcommittee Members were particularly interested in testimony related to "charitable choice," a term that refers to changes made under welfare reform and subsequent laws designed to permit more involvement by churches, synagogues, mosques, and others in the faith-based community in the delivery of social services to needy families. Witnesses included Members of Congress, policy specialists, representatives from faith-based programs, program operators, State program administrators, religious organizations, and organized labor.

On July 11, 2001, H.R. 7 was amended and approved by the Committee on Ways and Means. The House approved H.R. 7 by a vote of 223 to 198 on July 19, 2001. The bill was referred to the Senate Committee on Finance, where it was considered and amended on June 13 and June 18, 2002. The measure was reported to the full Senate for action on July 16, 2002. No further action was taken on H.R. 7 during the remainder of the 107th Congress.

4. ADDITIONAL OVERSIGHT ACTIVITIES OF THE HEALTH SUBCOMMITTEE

In addition to the activities detailed above, the Subcommittee on Health continued its investigations into several matters of importance to the Medicare program. Among these was a hearing on promoting disease management in Medicare, held on April 16, 2002. Testimony taken at these hearings helped form the basis of legislation considered by the Committee which was included in H.R. 4954, the "Medicare Modernization and Prescription Drug Act."

5. ADDITIONAL OVERSIGHT ACTIVITIES OF THE SOCIAL SECURITY
SUBCOMMITTEE

In addition to the hearings detailed above, the Subcommittee on Social Security held a hearing on July 26, 2001, on misleading mailings targeted to seniors. Testimony was heard from the Inspector General, a representative of the Arkansas Office of the Attorney General, and a fraud victim. Subpoenaed witnesses included current and former employees or associates of The Retired Enlisted Association (TREA) Senior Citizens League, an independent affiliate of (TREA). Testimony included the experiences of victims and related investigation findings.

Appendix I. Jurisdiction of the Committee on Ways and Means

A. U.S. CONSTITUTION

Article I, section 7, of the Constitution of the United States provides as follows:

All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills.

In addition, Article I, Section 8, Constitution of the United States provides the following:

The Congress shall have Power To lay and collect Taxes,
Duties, Imposts and Excises, to pay the Debts and * * *
To borrow Money on the credit of the United States.

B. RULE X, CLAUSE 1, RULES OF THE HOUSE OF REPRESENTATIVES

Rule X, clause 1(s), of the Rules of the House of Representatives, in effect during the 107th Congress, provides for the jurisdiction of the Committee on Ways and Means, as follows:

(s) Committee on Ways and Means.

(1) Customs, collection districts, and ports of entry and delivery.

(2) Reciprocal trade agreements.

(3) Revenue measures generally.

(4) Revenue measures relating to insular possessions.

(5) The bonded debt of the United States, subject to the last sentence of clause 4(f). [The last sentence of clause 4(f) requires the Committee on Ways and Means to include in its annual report to the Committee on the Budget a specific recommendation, made after holding public hearings, as to the appropriate level of the public debt that should be set forth in the concurrent resolution on the budget and serve as the basis for an increase or decrease in the statutory limit on such debt.]

(6) Deposit of public monies.

(7) Transportation of dutiable goods.

(8) Tax exempt foundations and charitable trusts.

(9) National Social Security (except health care and facilities programs that are supported from general

revenues as opposed to payroll deductions and except work incentive programs).

C. BRIEF DESCRIPTION OF COMMITTEE'S JURISDICTION

The foregoing recitation of the provisions of House Rule X, clause 1, paragraph (s), does not convey the comprehensive nature of the jurisdiction of the Committee on Ways and Means. The following summary provides a more complete description:

(1) *Federal revenue measures generally.*—The Committee on Ways and Means has the responsibility for raising the revenue required to finance the Federal Government. This includes individual and corporate income taxes, excise taxes, estate taxes, gift taxes, and other miscellaneous taxes.

(2) *The bonded debt of the United States.*—The Committee on Ways and Means has jurisdiction over the authority of the Federal Government to borrow money. Title 31 of Chapter 31 of the U.S. Code authorizes the Secretary of the Treasury to conduct any necessary public borrowing subject to a maximum limit on the amount of borrowing outstanding at any one time. This statutory limit on the amount of public debt (“the debt ceiling”) currently is \$6.4 trillion. The Committee’s jurisdiction also includes conditions under which the U.S. Department of the Treasury manages the Federal debt, such as restrictions on the conditions under which certain debt instruments are sold.

(3) *National Social Security programs.*—The Committee on Ways and Means has jurisdiction over most of the programs authorized by the Social Security Act, which includes not only those programs that are normally referred to colloquially as “Social Security” but also social insurance programs and a whole series of grant-in-aid programs to State governments for a variety of purposes. The Social Security Act, as amended, contains 20 titles (a few of which have either expired or have been repealed). The principal programs established by the Social Security Act and under the jurisdiction of the Committee on Ways and Means in the 107th Congress can be outlined as follows:

(a) Old-age, survivors, and disability insurance (Title II)—At present, there are approximately 153 million workers in employment covered by the program, and for calendar year 2001, \$432 billion in benefits were paid to 46 million individuals.

(b) Medicare (Title XVIII)—Provides hospital insurance benefits to 34 million persons over the age of 65 and to 5.7 million disabled persons. Voluntary supplementary medical insurance is provided to 32.7 million aged persons and 5.0 million disabled persons. Total program outlays under these programs were \$240.9 billion in 2001.

(c) Supplemental security income (SSI) (Title XVI)—The SSI program was inaugurated in January 1974 under the provisions of P.L. 92–603, as amended. It replaced the former Federal-State programs for the needy aged, blind, and disabled. On average in calendar year 2001, 6.4 million individuals received Federal SSI benefits on a monthly basis. Of these 6.4 million persons, approximately 1.2 million received benefits on the basis of age, and 5.2 million on the basis of blindness or disability. Federal expenditures for cash SSI payments in 2001

totalled \$30.5 billion, while State expenditures for federally administered SSI supplements totalled \$3.5 billion.

(d) Temporary Assistance for Needy Families (TANF) (part A of Title IV)—The TANF program is a block grant of about \$16.5 billion dollars awarded to States to provide income assistance to poor families, to end dependency on welfare benefits, to prevent nonmarital births, and to encourage marriage, among other purposes. The TANF also includes incentive funds for States that achieve overall program goals and additional incentive funds for States that are successful in reducing nonmarital births. In most cases, Federal TANF benefits for individuals are limited to 5 years and individuals must work to maintain their eligibility. In June 2002, about 2 million families and 5 million individuals received benefits from the TANF program.

(e) Child support enforcement (part D of Title IV)—In fiscal year 2001 Federal administrative expenditures totalled \$3.5 billion for the child support enforcement program. Child support collections for that year totalled \$18.9 billion.

(f) Child welfare, foster care, and adoption assistance (parts B and E of Title IV)—Titles IV B and E provide funds to States for child welfare services for abused and neglected children; foster care for children who meet Aid to Families with Dependent Children eligibility criteria; and adoption assistance for children with special needs. In fiscal year 2002, Federal expenditures for child welfare services totalled \$667 million. Federal expenditures for foster care and adoption assistance were approximately \$6.6 billion.

(g) Unemployment compensation programs (Titles III, IX, and XII)—These titles authorize the Federal-State unemployment compensation program and the permanent extended benefits program. In the first three quarters of fiscal year 2002, an estimated \$31.5 billion was paid in unemployment compensation benefits, with approximately 8.1 million workers receiving unemployment benefits.

(h) Social services (Title XX)—Title XX authorizes the Federal Government to reimburse the States for money spent to provide persons with various services. Generally, the specific services provided are determined by each State. The statutory ceiling on Federal matching funds available to the States for fiscal year 2002 was \$2.4 billion and \$1.7 billion was appropriated for fiscal year 2002. These funds are allocated on the basis of population.

(4) TRADE AND TARIFF LEGISLATION.—The Committee on Ways and Means has responsibility over legislation relating to tariffs, import trade, and trade negotiations. In the early days of the Republic, tariff and customs receipts were major sources of revenue for the Federal Government. As the Committee with jurisdiction over revenue-raising measures, the Committee on Ways and Means thus evolved as the primary Committee responsible for international trade policy.

The Constitution vests the power to levy tariffs and to regulate international commerce specifically in the Congress as one of its enumerated powers. Any authority to regulate imports or to negotiate trade agreements must therefore be delegated to the executive

branch through legislative action. Statutes including the Reciprocal Trade Agreements Acts beginning in 1934, Trade Expansion Act of 1962, Trade Act of 1974, Trade Agreements Act of 1979, Trade and Tariff Act of 1984, Omnibus Trade and Competitiveness Act of 1988, North American Free Trade Agreement Implementation Act, Uruguay Round Agreements Act, and Trade Act of 2002 provide the basis for U.S. bargaining with other countries to achieve the mutual reduction of tariff and nontariff trade barriers under reciprocal trade agreements.

The Committee's jurisdiction includes the following authorities and programs:

- (a) The tariff schedules and all tariff preference programs, such as the GSP and the CBI;
- (b) Laws dealing with unfair trade practices, including the antidumping law, countervailing duty law, section 301, and section 337;
- (c) Other laws dealing with import trade, including section 201 (escape clause), section 232 national security controls, section 22 agricultural restrictions, international commodity agreements, textile restrictions under section 204, and any other restrictions or sanctions affecting imports;
- (d) General and specific trade negotiating authority, as well as implementing authority for trade agreements and the grant of normal-trade-relations (NTR) status;
- (e) General and NAFTA-related TAA programs for workers, and TAA for firms;
- (f) Customs administration and enforcement, including rules of origin and country-of origin marking, customs classification, customs valuation, customs user fees, and U.S. participation in the World Customs Organization (WCO);
- (g) Authorization of the budget for the ITC, the U.S. Customs Service, and the Office of the U.S. Trade Representative (USTR).

D. REVENUE ORIGINATING PREROGATIVE OF THE HOUSE OF REPRESENTATIVES

The Constitutional Convention debated adopting the British model in which the House of Lords could not amend revenue legislation sent to it from the House of Commons. Eventually, however, the Convention proposed and the States later ratified the Constitution providing that "All bills for raising revenue shall originate in the House of Representatives, but the Senate may propose or concur with amendments as on other bills." (Article 1, Section 7, clause 1.)

In order to pass constitutional scrutiny under this "origination clause," a tax bill must be passed first by the House of Representatives. After the House has completed action on a bill and approved it by a majority vote, the bill is transmitted to the Senate for formal action. The Senate may have already reviewed issues raised by the bill before its transmission. For example, the Senate Committee on Finance frequently holds hearings on tax legislative proposals before the legislation embodying those proposals is transmitted from the House of Representatives. On occasion, the Senate will consider a revenue bill in the form of a Senate or "S." bill, and then await passage of a revenue "H.R." bill from the House. The Senate

then will add or substitute provisions of the “S.” bill as an amendment to the “H.R.” bill and send the “H.R.” bill back to the House of Representatives for its concurrence or for conference on the differing provisions.

E. THE HOUSE’S EXERCISE OF ITS CONSTITUTIONAL PREROGATIVE:
“BLUE-SLIPPING”

When a Senate bill or amendment to a House bill infringes on the constitutional prerogative of the House to originate revenue measures, that infringement may be raised in the House as a matter of privilege. That privilege has also been asserted on a Senate amendment to a House amendment to a Senate bill (see 96th Congress, 1st Session, November 8, 1979, Congressional Record p. H10425).

Note that the House in its sole discretion may determine that legislation passed by the Senate infringes on its prerogative to originate revenue legislation. In the absence of such determination by the House, the Federal courts are occasionally asked to rule a certain revenue measure to be unconstitutional as not having originated in the House (see *U.S. v. Munoz-Flores*, 495 U.S. 385 (1990)).

Senate bills or amendments to nonrevenue bills infringe on the House’s prerogative even if they do not raise or reduce revenue. Such infringements are referred to as “revenue affecting.” Thus, any import ban which could result in lost customs tariffs must originate in the House (100th Congress, 1st Session, July 30, 1987 100th Congress, 2d Session, June 16, 1988, Congressional Record p. H4356).

Offending bills and amendments are returned to the Senate through the passage in the House of a House Resolution which states that the Senate provision: “in the opinion of the House, contravenes the first clause of the seventh section of the first article of the Constitution of the United States and is an infringement of the privilege of the House and that such bill be respectfully returned to the Senate with a message communicating this resolution” (e.g., 100th Congress, 1st Session, July 30, 1987, Congressional Record p. H6808) This practice is referred to as “blue slipping” because the resolution returning the offending bill to the Senate is printed on blue paper.

In other cases, the Committee of the Whole House has passed a similar or identical House bill in lieu of a Senate bill or amendment (e.g., 91st Congress, 2d Congress, May 11, 1970, Congressional Record pp. H14951–14960). The Committee on Ways and Means has also reported bills to the House which were approved and sent to the Senate in lieu of Senate bills (e.g., 93d Congress, 1st Session, November 6, 1973, Congressional Record pp. 36006–36008). In other cases, the Senate has substituted a House bill or delayed action on its own legislation to await a proper revenue affecting bill or amendment from the House (see 95th Congress, 2d Session, September 22, 1978, Congressional Record p. H30960; January 22, 1980, Congressional Record p. S107).

Any Member may offer a resolution seeking to invoke Article I, Section 7. However, the determination that a bill violates the Origination Clause has been traditionally made by Members of the Committee on Ways and Means, and the resolution has been offered by the Chairman or another Member of the Committee on Ways and Means. Because Article I, Section 7 involves the privileges of the House, a blue-slip resolution offered by the Chairman or other Members of the Committee on Ways and Means has been typically adopted by voice vote on the House Floor. There have been instances where the House has agreed to not deal directly with the issue by tabling a resolution.^{1, 2}

BLUE SLIP RESOLUTIONS—98TH CONGRESS THROUGH 107TH CONGRESS CHRONOLOGICAL LIST

[Resolutions passed by the House returning to the Senate bills passed in violation of the origination clause of the United States Constitution (Clause 1, Section 7 of Article 1)]

H. Res., sponsor, and date of House passage	Description of Senate action (and related House action, if any)
107th Congress:	
H. Res. 240, Mr. Thomas, September 20, 2001.	On September 13, 2001, the Senate passed H.R. 2500, "Making appropriations for the U.S. Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 2002, and for other purposes" with an amendment. Contained in this legislation was a provision banning the importation of diamonds not certified as originating outside conflict zones. The proposed change in the import laws constituted a revenue measure in the constitutional sense, because it would have had a direct impact on customs revenues.
106th Congress:	
H. Res. 645, Mr. Crane, October 24, 2000.	On October 17, 2000, the Senate passed S. 1109, the Bear Protection Act of 1999. This legislation would have conserved global bear populations by prohibiting the importation, exportation, and interstate trade of bear viscera and items, products, or substances containing, or labeled or advertised as containing, bear viscera. The proposed change in the import laws constituted a revenue measure in the constitutional sense, because it would have had a direct impact on customs revenues.
H. Res. 394, Mr. Weller, November 18, 1999.	On November 3, 1999, the Senate passed S. 1232, Federal Erroneous Retirement Coverage Corrections Act. This legislation would have provided that no Federal retirement plan involved in the corrections under the bill would fail to be treated as a tax-qualified retirement plan by reason of the correction, and that any fund transfers or government contributions resulting from the corrections would have no impact on the tax liability of individuals. These changes constituted a revenue measure in the constitutional sense because they would have had a direct impact on Federal revenues.
H. Res. 393, Mr. Weller, November 18, 1999.	On February 24, 1999, the Senate passed S. 4, the Soldiers', Sailors', Airmen's, and Marines' Bill of Rights Act of 1999. The legislation would have allowed members of the Armed Forces to participate in the Federal Thrift Savings Program and to avoid the tax consequences that would otherwise have resulted from certain contributions in excess of the limitations imposed in the Internal Revenue Code. This proposed exemption therefore constituted a revenue measure in the constitutional sense because it would have had a direct impact on Federal revenues.
H. Res. 249, Mr. Portman, July 16, 1999.	On May 20, 1999, the Senate passed S. 254, the Violent and Repeat Juvenile Offender Accountability and Rehabilitation Act of 1999. The legislation would have had the effect of banning the import of large capacity ammunition feeding devices. The proposed change in the import laws constituted a revenue measure in the constitutional sense, because it would have had a direct impact on customs revenues.

¹In cases where the Chairman of the Committee on Ways and Means did not believe that the bill in question violated the Origination Clause or the objection had been dealt with in another manner, resolutions offered by other Members of the House have been tabled. [See adoption of motion by Representative Rostenkowski to table H. Res. 571, 97–2, p. 22127.]

²This was an instance where the Chairman of the Committee on Ways and Means raised a question of the privilege of the House pursuant to Article I, Section 7, of the U.S. Constitution on H.R. 4516, Legislative Branch Appropriations. The motion was laid on the table.

BLUE SLIP RESOLUTIONS—98TH CONGRESS THROUGH 107TH CONGRESS CHRONOLOGICAL LIST—
Continued

[Resolutions passed by the House returning to the Senate bills passed in violation of the origination clause of the United States Constitution (Clause 1, Section 7 of Article 1)]

H. Res., sponsor, and date of House passage	Description of Senate action (and related House action, if any)
105th Congress:	
H. Res. 601, Mr. Crane, October 15, 1998.	On October 8, 1998, the Senate passed S. 361, the Tiger and Rhinoceros Conservation Act of 1998. This legislation would have had the effect of creating a new basis and mechanism for applying import restrictions for products intended for human consumption or application containing (or labeled as containing) any substance derived from tigers or rhinoceroses. The proposed change in the import laws constituted a revenue measure in the constitutional sense, because it would have had a direct impact on customs revenues.
H. Res. 379, Mr. Ensign, March 5, 1998.	On April 15, 1997, the Senate passed S. 104, the Nuclear Waste Policy Act of 1997. This legislation would have repealed a revenue provision and replaced it with a user fee. The revenue provision in question was a fee of 1 mill per kilowatt hour of electricity generated by nuclear power imposed by the Nuclear Waste Policy Act of 1982. The proposed user fee in the legislation would have been limited to the amount appropriated for nuclear waste disposal. The original fee was uncapped, and, in fact, because the fees collected exceeded the associated costs, it was being used as revenue to finance the Federal government generally. Its proposed repeal therefore constituted a revenue measure in the constitutional sense because it would have had a direct impact on Federal revenues.
104th Congress:	
H. Res. 554, Mr. Crane, September 28, 1996.	On June 30, 1996, the Senate passed H.R. 400, the Anaktuvuk Pass Land Exchange and Wilderness Redesignation Act of 1995, with an amendment. Section 204(a) of the Senate amendment would have overridden existing tax law by expanding the definition of actions not subject to Federal, State, or local taxation under the Alaska Native Claims Settlement Act. These changes constituted a revenue measure in the constitutional sense because they would have had a direct impact on Federal revenues.
H. Res. 545, Mr. Archer, September 27, 1996.	On September 25, 1996, the Senate passed S. 1311, the National Physical Fitness and Sports Foundation Establishment Act. Section 2 of the bill would have waived the application of certain rules governing recognition of tax-exempt status for the foundation established under this legislation. This exemption constituted a revenue measure in the constitutional sense because it would have had a direct impact on Federal revenues.
H. Res. 402, Mr. Shaw, April 16, 1996.	On January 26, 1996, the Senate passed S. 1463, to amend the Trade Act of 1974. The bill would have changed the authority and procedure for investigations by the ITC for certain domestic agricultural products. Such investigations are a predicate necessary for achieving access to desired trade remedies that the President may order, such as tariff adjustments, tariff-rate quotas, quantitative restrictions, or negotiation of trade agreements to limit imports. By creating a new basis and mechanism for import restrictions under authority granted to the President, the bill constituted a revenue measure in the constitutional sense because it would have had a direct impact on customs revenues.
H. Res. 387, Mr. Crane, March 21, 1996.	On February 1, 1996, the Senate passed S. 1518, repealing the Tea Importation Act of 1897. Under existing law in 1996, it was unlawful to import substandard tea, except as provided in the HTS. Changing import restrictions constituted a revenue measure in the constitutional sense because it would have had a direct impact on customs revenues.
103d Congress:	
H. Res. 577, Mr. Gibbons, October 7, 1994.	On October 3, 1994, the Senate passed S. 1216, the Crow Boundary Settlement Act of 1994. The bill would have overridden existing tax law by exempting certain payments and benefits from taxation. These exemptions constituted a revenue measure in the constitutional sense because they would have had a direct impact on Federal revenues.

BLUE SLIP RESOLUTIONS—98TH CONGRESS THROUGH 107TH CONGRESS CHRONOLOGICAL LIST—
Continued

[Resolutions passed by the House returning to the Senate bills passed in violation of the origination clause of the United States Constitution (Clause 1, Section 7 of Article 1)]

H. Res., sponsor, and date of House passage	Description of Senate action (and related House action, if any)
H. Res. 518, Mr. Gibbons, August 12, 1994.	On July 20, 1994, the Senate passed H.R. 4554, the Agriculture and Rural Development Appropriation for fiscal year 1995, with amendments. Senate amendment 83 would have provided authority for the Food and Drug Administration to collect fees to cover the costs of regulation of products under their jurisdiction. However, these fees were not limited to covering the cost of specified regulatory activities, and would have been charged to a broad cross-section of the public (rather than been limited to those who would have benefitted from the regulatory activities) to fund the cost of the FDA's activities generally. These fees constituted a revenue measure in the constitutional sense because they were not based on a direct relationship between their level and the cost of the particular government activity for which they would have been assessed, and would have had a direct impact on Federal revenues.
H. Res. 487, Mr. Gibbons, July 21, 1994.	On May 25, 1994, the Senate passed S. 1030, the Veterans Health Programs Improvement Act of 1994. A provision in the bill would have exempted from taxation certain payments made on behalf of participants in the Education Debt Reduction Program. This provision constituted a revenue measure in the constitutional sense because it would have had a direct impact on Federal revenues.
H. Res. 486, Mr. Gibbons, July 21, 1994.	On May 29, 1994, the Senate passed S. 729, to amend the Toxic Substances Control Act. Title I of the bill included several provisions to prohibit the importation of specific categories of products which contained more than specified quantities of lead. By establishing these import restrictions, the bill constituted a revenue measure in the constitutional sense because it would have had a direct impact on customs revenues.
H. Res. 479, Mr. Rangel, July 14, 1994.	On June 22, 1994, the Senate passed H.R. 4539, the Treasury, Postal Service, and General Government Appropriation for fiscal year 1995, with amendments. Senate amendment 104 would have prohibited the Treasury from using appropriations to enforce the Internal Revenue Code requirement for the use of undyed diesel fuel in recreational motorboats. This prohibition therefore constituted a revenue measure in the constitutional sense because it would have had a direct impact on Federal revenues.
102d Congress:	
H. Res. 373, Mr. Rostenkowski, February 25, 1992.	On August 1, 1991, the Senate passed S. 884 amended, the Driftnet Moratorium Enforcement Act of 1991; This legislation would require the President to impose economic sanctions against countries that fail to eliminate large-scale driftnet fishing. Foremost among the sanction provisions are those which impose a ban on certain imports into the United States from countries which continue to engage in driftnet fishing on the high seas after a certain date. These changes in our tariff laws constitute a revenue measure in the constitutional sense, because they would have a direct effect on customs revenues.
H. Res. 267, Mr. Rostenkowski, October 31, 1991.	On February 20, 1991, the Senate passed S. 320, to reauthorize the Export Administration Act of 1979. This legislation contains several provisions which impose, or authorize the imposition of, a ban on imports into the United States. Among the provisions containing import sanctions are those relating to certain practices by Iraq, the proliferation and use of chemical and biological weapons, and the transfer of missile technology. These changes in our tariff laws constitute a revenue measure in the constitutional sense, because they would have a direct effect on customs revenues.
H. Res. 251, Mr. Russo, October 22, 1991.	On July 11, 1991, the Senate passed S. 1241, the Violent Crime Act of 1991. This legislation contains several amendments to the Internal Revenue Code. Section 812(f) provides that the police corps scholarships established under the bill would not be included in gross income for tax purposes. In addition, sections 1228, 1231, and 1232 each make amendments to the Tax Code with respect to violations of certain firearms provisions. Finally, Title VII amends section 922 of Title VIII of the U.S. Code, making it illegal to transfer, import or possess assault weapons. These changes in our tariff and tax laws constitute revenue measures in the constitutional sense, because they would have an immediate impact on revenues anticipated by U.S. Customs and the Internal Revenue Services.

BLUE SLIP RESOLUTIONS—98TH CONGRESS THROUGH 107TH CONGRESS CHRONOLOGICAL LIST—
Continued

[Resolutions passed by the House returning to the Senate bills passed in violation of the origination clause of the United States Constitution (Clause 1, Section 7 of Article 1)]

H. Res., sponsor, and date of House passage	Description of Senate action (and related House action, if any)
101st Congress:	
H. Res. 287, Mr. Cardin, November 9, 1989.	On August 4, 1989, the Senate passed S. 686, the Oil Pollution Liability and Compensation Act of 1989. This legislation contained a provision which would have allowed a credit against the oil spill liability tax for amounts transferred from the Trans-Alaska Pipeline Trust Fund to the Oil Spill Liability Trust Fund.
H. Res. 177, Mr. Rostenkowski, June 15, 1989.	On Apr. 19, 1989, the Senate passed S. 774, the Financial Institution Reform, Recovery and Enforcement Act of 1989. This legislation would create two corporations to administer the financial assistance under the bill: the Resolution Trust Corporation and the Resolution Financing Corporation. S. 774 would have conferred tax-exempt status to these two corporations. Without these two tax provisions, these two corporations would be taxable entities under the Federal income tax.
100th Congress:	
H. Res. 235, Mr. Rostenkowski, July 30, 1987.	On Mar. 30, 1987, the Senate passed S. 829, legislation which would authorize appropriations for the ITC, the U.S. Customs Service, and the Office of the U.S. Trade Representative for fiscal year 1988, and for other purposes. In addition, the bill contained a provision relating to imports from the Soviet Union which amends provisions of the Tariff Act of 1930.
H. Res. 474, Mr. Rostenkowski, June 16, 1988 (see also H.R. 3391).	On Oct. 6, 1987, the Senate passed S. 1748, legislation which would prohibit the importation into the United States of all products from Iran. (The House passed H.R. 3391, which included similar provisions, on Oct. 6, 1987.)
H. Res. 479, Mr. Rostenkowski, June 21, 1988 (see also H.R. 2792 and H.R. 4333).	On May 13, 1987, the Senate passed S. 727, legislation which would clarify Indian treaties and Executive orders with respect to fishing rights. This legislation dealt with the tax treatment of income derived from the exercise of Indian treaty fishing rights. (The House passed H.R. 2792, which included similar provisions, on June 20, 1988, under suspension of the rules and was enacted into law as part of P.L. 100-647, H.R. 4333.)
H. Res. 544, Mr. Rostenkowski, September 23, 1988 (see also H.R. 1154).	On Sept. 9, 1988, the Senate passed S. 2662, the Textile and Apparel Trade Act of 1988. This legislation would impose global import quotas on textiles and footwear products.
H. Res. 552, Mr. Rostenkowski, September 28, 1988.	On Sept. 9, 1988, the Senate passed S. 2763, the Genocide Act of 1988. This legislation contained a ban on the importation of all oil and oil products from Iraq.
H. Res. 603, Mr. Rostenkowski, October 21, 1988.	On Mar. 30, 1988, the Senate passed S. 2097, the Uranium Mill Tailings Remedial Action Amendments of 1987. This legislation would establish a Federal fund to assist in the financing of reclamation and other remedial action at currently active uranium and thorium processing sites and would increase the demand for domestic uranium. The fund would be financed in part by what are called "mandatory fees" which are equal to \$22 per kilogram for uranium contained in fuel assemblies initially loaded into civilian nuclear power reactors during calendar years 1989-1993. In addition, S. 2097 would impose charges on domestic utilities that use foreign-source uranium in new fuel assemblies loaded in their nuclear reactors.
H. Res. 604, Mr. Rostenkowski, October 21, 1988.	On Aug. 8, 1988, the Senate passed H.R. 1315, legislation which would authorize appropriations for the Nuclear Regulatory Commission for fiscal years 1988 and 1989. Title IV of the legislation would, among other things, establish a Federal fund to assist in the financing of reclamation and other remedial action at currently active uranium and thorium processing sites and would assist the domestic uranium industry by increasing the demand for domestic uranium. The fund would be financed in part by what are called "mandatory fees" equal to \$72 per kilogram of uranium contained in fuel assemblies initially loaded into civilian nuclear power reactors on or after Jan. 1, 1988. These fees would be paid by licensees of civilian nuclear power reactors and would be in place until \$1 billion had been raised.
99th Congress:	
H. Res. 283, Mr. Rostenkowski, October 1, 1985.	On Sept. 26, 1985, the Senate passed S. 1712, legislation which would extend the 16-cents-per-pack cigarette excise tax rate for 45 days, through Nov. 14, 1985. (The House passed H.R. 3452, which included a similar extension, on Sept. 30, 1985.)

BLUE SLIP RESOLUTIONS—98TH CONGRESS THROUGH 107TH CONGRESS CHRONOLOGICAL LIST—
Continued

[Resolutions passed by the House returning to the Senate bills passed in violation of the origination clause of the United States Constitution (Clause 1, Section 7 of Article 1)]

H. Res., sponsor, and date of House passage	Description of Senate action (and related House action, if any)
H. Res. 562, Mr. Rostenkowski, September 25, 1986.	The Senate passed S. 638, legislation to provide for the sale of Conrail to the Norfolk Southern Railroad. The legislation contained numerous provisions relating to the tax treatment of the sale of Conrail.
98th Congress:	
H. Res. 195, Mr. Rostenkowski, June 17, 1983.	On Apr. 21, 1983, the Senate passed S. 144, a bill to insure the continued expansion of international market opportunities in trade, trade in services and investment for the United States, and for other purposes.

F. PREROGATIVE UNDER THE RULES OF THE HOUSE OVER “REVENUE MEASURES GENERALLY”

In the House of Representatives, tax legislation is initiated by the Committee on Ways and Means. The Committee’s exclusive prerogative to report revenue measures generally” is provided by Rule X(1)(s) of the Rules of the House of Representatives. The jurisdiction of the Committee on Ways and Means under Rule X(1)(s) is protected through the exercise of Rule XXI(5)(a) which states:

A bill or joint resolution carrying a tax or tariff measure may not be reported by a committee not having jurisdiction to report tax or tariff measures, and an amendment in the House or proposed by the Senate carrying a tax or tariff measure shall not be in order during the consideration of a bill or joint resolution reported by a committee not having that jurisdiction. A point of order against a tax or tariff measure in such a bill, joint resolution, or amendment thereto may be raised at any time during pendency of that measure for amendment.

Based on the precedents of the House, especially those involving Rule XXI(5)(a), the following statements can be made concerning points of order made under the rule.

1. *Timeliness.*—The point of order can be raised at any point during consideration of the bill. However, that section of the bill in which the “tax or tariff” provision lies must either have been previously read or currently open for amendment. A point of order may not be raised after the Committee of the Whole has risen and reported the bill to the House. A point of order against an amendment must be made prior to its adoption.

2. *Effect.*—If a point of order is sustained, the effect is that the provision in the bill or amendment is automatically deleted.

3. *Substance over form.*—A provision need not involve an amendment to the Internal Revenue Code or the Harmonized Tariff Schedule in order to be determined to be a “tax or tariff” provision.

4. *Revenue decreases and increases.*—A provision need not raise revenue in order to be found to be a “tax or tariff measure.” Provisions which would have the effect of decreasing revenues are also covered by the rule. Similarly, provisions which could have a revenue effect have been determined to be covered by the rule.

The following is a detailed listing of each of the occasions on which points of order relating to the rule have been sustained:

G. POINTS OF ORDER—HOUSE RULE XXI, CLAUSE 5, PARAGRAPH (A)
CHRONOLOGICAL LIST

September 8, 1999

H.R. 2684, U.S. Departments of Veterans Affairs and Housing and Urban Development Appropriations For 2000

A point of order was raised against an amendment offered by Representative Edwards, which would have offset an increase in funding for veterans' health care by postponing the implementation of a capital gains tax cut. The chair ruled that the amendment constituted legislation in violation of Rule XXI, clause 2(c), and, in addition, constituted a tax measure in violation of Rule XXI, clause 5(a). The point of order was sustained, and the amendment ruled not in order. [106–1, p. H7923]

September 3, 1997

H.R. 2159, Foreign Operations Appropriations for Fiscal Year 1998

A point of order was raised against section 539 of the bill, which would have restricted the President's ability to issue an executive order lifting import sanctions against Yugoslavia (Serbia). The Chair ruled that since current law allowed the President to waive the application of certain sanctions, including import prohibitions which affect tariff collections, the provision in question was a tariff measure within the meaning of Rule XXI, clause 5(b). The point of order was sustained, and the provision stricken from the bill. [105–1, p. H 6731]

July 17, 1996

H.R. 3756, Treasury, Postal Service, and General Government Appropriations Act of 1997

A point of order was raised against an amendment which prohibited the use of funds by the United States Customs Service to take any action that allowed certain imports into the United States from the People's Republic of China. The point of order was sustained. [104–2, p. H 7708]

May 9, 1995

H.R. 1361, Coast Guard Authorization

A point of order was raised against an amendment which increased certain fees for large foreign-flag cruise ships. The Chair ruled that by increasing the fees charged by the Coast Guard for inspecting large foreign-flag cruise ships by an unspecified amount in order to offset a decrease in fees for other vessels, the amendment attenuated the relationship between the amount of the fee and the cost of the particular government activity for which it was assessed. Therefore the increased fee qualified as a tax or tariff within the meaning of Rule XXI, clause 5(b). The point of order was sustained, and the amendment ruled out of order. [1–4–1, p. H 4593]

June 15, 1994

H.R. 4539, Treasury, Postal Service, and General Government Appropriation for Fiscal Year 1995

A point of order was raised against section 527 of the bill, which would have amended the HTS to create a new tariff classification. The new classification would have changed the rate of duty on the import of certain fabrics intended for use in the manufacture of hot air balloons, thus having direct impact on customs revenues. The point of order was conceded and sustained, and the provision was stricken from the bill. [103–2, p. H 4531]

September 16, 1992

H.R. 5231, The National Competitiveness Act of 1992

A point of order was raised against an amendment offered by Representative Walker. The bill was reported solely from the Committee on Science and Technology and amended the Internal Revenue Code to provide, inter alia, changes in the tax treatment of capital gains.

The Chair sustained the point of order without elaboration. [H102, p. H8621]

October 23, 1990

H.R. 5021, Department of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 1991

A point of order was raised against amendment 139 which increased the rate of fees paid to the Securities and Exchange Commission at the time of filing a registration statement. The Chair ruled that since the amendment provided that the increased level of fees would be deposited in the Treasury, the fee involved was in reality a tax and the revenues were to be used to defray general governmental costs. The point of order was conceded and sustained. [101–2, p. H 11412]

July 13, 1990

H.R. 5241, Treasury, Postal Service and General Government Appropriations Act of 1991

A point of order was raised against section 528 which prohibited that “no funds appropriated” would be used to impose or assess any tax under section 4181 of the Internal Revenue Code relating to the excise tax on the manufacture of firearms. The point of order was conceded and sustained. [101–2, p. H 4692]

July 13, 1990

H.R. 5241, Treasury, Postal Service and General Government Appropriations Act of 1991

A point of order was raised against section 524 which prohibited the Internal Revenue Service from enforcing rules governing the antidiscrimination rules of the exclusion for employer provided health-care plans (section 89 of the Internal Revenue Code). The point of order was conceded and sustained. [101–2, p. H 4692]

October 5, 1989

H.R. 3299, Omnibus Budget Reconciliation Act of 1989

A point of order was raised against section 3201 which imposed fees on the filing of certain forms required to be filed annually in connection with maintaining pension and benefit plans. The point of order was sustained with the Chair ruling that the revenue raised funded “general government activity.” [101–1, p. H 6662]

October 4, 1989

H.R. 3299, Omnibus Budget Reconciliation Act of 1989

A point of order was raised against section 3156 which imposed a “Termination Fee.” Under the provision of the bill, an employer who terminated a pension plan in a standard termination was required to pay a \$200-per-participant fee to the Pension Benefit Guaranty Corporation (PBGC), the Federal insurance agency established to insure defined benefit pension plans against insolvency. The point of order was conceded and sustained. [101–1, p. H 6621]

October 4, 1989

H.R. 3299, Omnibus Budget Reconciliation Act of 1989

A point of order was raised against section 3131(b) which exempted multi-employer pension plans from the full funding limits of the Internal Revenue Code, section 412(c)(7). This provision directly amended the Internal Revenue Code to allow the deductibility of contributions to a multi-employer pension plan in excess of the full funding limit. The point of order was conceded and sustained. [101–1, p. H 6622]

October 4, 1989

H.R. 3299, Omnibus Budget Reconciliation Act of 1989

A point of order was raised against section 7002 which imposed an annual fee of \$1 per acre on the holder of Outer Continental Shelf leases. This fee has been designated to offset the costs of ocean related environmental research, assessment, and protection programs. The point of order was sustained with the Chair stating that “a provision raising revenue to finance general government functions improperly characterized as a tax within the jurisdiction of Clause 5(b) of Rule XXI. [101–1, p. H 6610]

October 4, 1989

H.R. 3299, Omnibus Budget Reconciliation Act of 1989

A point of order was raised against section 7002 which imposed a fee of \$20 per passenger on vessels engaged in U.S. cruise trade or which offer off-shore gambling. The proceeds of this fee were to be deposited in both the Harbor Maintenance Trust Fund and the Treasury’s general fund. The point of order was conceded and sustained. [101–1, p. H 6620]

September 30, 1988

H.R. 4637, Conference Agreement to accompany the Foreign Operations, Export Financing and Related Programs Appropriations Act of 1989

A point of order was raised against the motion to concur in the Senate amendment No. 176 which provided that S. 2848 (Sanctions Against Iraqi Chemical Weapons Use Act), be added to the bill. The point of order was conceded and sustained. [100-2, p. H 9236]

June 25, 1987

H.R. 3545, Budget Reconciliation Act of 1987

A point of order was raised against the section of the bill providing that "all earnings and distributions" from the Enjebi Community Trust Fund, "shall not be subject to any form of Federal, State, or local taxation." The point of order was conceded and sustained. [100-1, p. H 5539-40]

August 1, 1986

H.R. 5294, Appropriations, Treasury, Postal Service and General Government Appropriations, 1987

A point of order was raised against section 103 which denied funds to the Internal Revenue Service to impose vesting requirements for qualified pension funds more stringent than 4/40. As a result, legally collectible taxes on employer contributions to such plans would be indefinitely deferred. The point of order was conceded and sustained. [99-2, p. H 5311]

August 1, 1986

H.R. 5294, Appropriations, Treasury, Postal Service and General Government Appropriations, 1987

A point of order was raised against section 3 which prohibited the use of funds to implement regulations issued by the Department of the Treasury to implement section 274(d) of the Internal Revenue Code relating to the duty imposed on taxpayers to substantiate deductibility of certain expenses relating to travel, gifts, and entertainment.

The Chair sustained the point of order stating that a limitation otherwise in order under Clause 2(c), of House Rule XXI which "effectively and inherently either preclude[s] the IRS from collecting revenues otherwise due to be [owed] under provision of the Internal Revenue Code or require[s] the collection of revenue not legally due and owing constitutes a tax provision within the meaning of Rule XXI, Clause 5(b)."

The Chair also noted that when the point of order was raised that under the rule the point of order against the provision could be raised at any point during the consideration of the bill. [99-2, p. H 5310]

October 24, 1986

H.R. 3500, Budget Reconciliation Act of 1985

A point of order was raised against section 3113. The provision in the reconciliation bill reported from the Budget Committee con-

tained a recommendation from the Committee on Education and Labor to exclude certain interest on obligations to Student Loan Marketing Association from Application of Internal Revenue Code (IRC), section 265 which denies a deduction for certain expenses and interest relating to the production of tax-exempt income. The point of order was sustained. [99-1, p. H 5310]

October 24, 1985

H.R. 3500, Budget Reconciliation Act of 1985

A point of order was raised against section 6701 which had been reported from the Committee on the Budget containing a recommendation of the Committee on Merchant Marine and Fisheries. Section 6701 expanded tax benefits available to ship owners through the "capital construction fund" (section 7518 of the Internal Revenue Code), by permitting repatriation of foreign-source income to avoid U.S. taxes and expanding the definition of vessels eligible to establish such tax-exempt funds. [99-1, p. H 9189]

July 26, 1985

H.R. 3036, Appropriations, Treasury, Postal Service, and General Government Appropriation, 1986

A point of order was raised against section 106 which prohibited the use of funds to implement or enforce regulations imposing or collecting a tax on the interest deferral from entrance or accommodation fees paid by elderly residents of continuing care facilities (section 7872 of the Internal Revenue Code). The Chair sustained the point of order against the provision as a tax provision within the meaning of House Rule XXI, Clause 5(b). [99-1, p. H 6418]

July 11, 1985

H.R. 1555, International Security and Development Act of 1985

A point of order was raised against section 1208 which denied trade benefits to Afghanistan, provided for the denial of most favored nation status to Afghanistan and denied trade credits to Afghanistan. The point of order was conceded and sustained. [99-1, p. H 5489]

June 4, 1985

H.R. 1460, Anti-Apartheid Act of 1985

A point of order was raised against an amendment to prohibit the entry of South African Krugerrands or gold coins into the customs territory of the United States unless uniform 5 percent fee were paid. The point of order was sustained on the grounds that the fee was equivalent to a tariff uniform charge imposed at ports of entry with proceeds deposited in the Treasury. [99-1, p. H 3762]

September 12, 1984

H.R. 5798, conference report to accompany the Appropriations, Treasury, Postal Service, Executive Office of the President and certain independent agencies Appropriation, 1985

A point of order was raised against a Senate amendment, No. 92 which amended the existing customs law under the Tariff Act of 1930 with respect to seizures and forfeitures of property by the Customs Service. The point of order was conceded and sustained. [98-2, p. H 9407]

September 12, 1984

H.R. 5798, conference report to accompany the Appropriations, Treasury, Postal Service, Executive Office of the President and certain independent agencies Appropriation, 1985

A point of order was raised against a Senate amendment, No. 26 which amended the tariff schedule of the United States (TSUS) to provide duty-free importation of a telescope for the University of Arizona. The point of order was conceded and sustained. [98-2, p. H 9396]

September 12, 1984

H.R. 5798, conference report to accompany the Appropriations, Treasury, Postal Service, Executive Office of the President and certain independent agencies Appropriation, 1985

A point of order was raised against a Senate amendment, No. 24 which provided that "none of the funds appropriated by this act or any other act" shall be used to impose or assess the manufacturer's excise tax on sporting goods. The point of order specifically stated that the term "tax" and "tariff" under House Rule XXI, Clause 5(b), included provisions such as these contained in the amendment which would result less revenue spent than under the operation of existing law. The point of order was conceded and sustained. [98-2, p. H 9395-9396]

October 27, 1983

H.R. 4139, conference report to accompany the Appropriations Treasury, Postal Service, Executive Office of the President and certain independent agencies Appropriation, 1984

The Chair sustained a point of order against section 511 which would have prohibited the Customs Service from enforcing a provision of law permitting agricultural products to enter the United States duty-free under the CBI. The Chair ruled that the effect of the provision was to cause duties on certain imports to be imposed where none is required and to require collections of revenue contrary to existing tariff laws and that, as a result, section 511 was a tariff provision rather than a limitation of appropriated funds. [98-1, p. H 8717]

September 21, 1983

H.R. 1036, Community Renewal Employment Act

The Chair sustained a point of order against a motion to recommit a bill to a committee without jurisdiction over revenue measures (the Committee on Education and Labor), and to report the bill back to the House with tax provisions relating to "enterprise zones." The motion was ruled to violate House Rule XVI, Clause 7, and House Rule XXI Clause 5(b). [98-1, p. H 7244]

H. RESTRICTIONS ON "FEDERAL INCOME TAX RATE INCREASES"

House Rule XXI, clause 5(b) and (c) prohibit retroactive Federal income tax rate increases and require a supermajority [3/5] vote for any bill containing a prospective Federal income tax rate increase. The wording of the rule and its legislative history make it clear that the rule applies only to increases in specific statutory rates in the Internal Revenue Code and not to provisions merely because they raise revenue or otherwise modify the income tax base.

Appendix II. Historical Note

The Committee on Ways and Means was first established as an ad hoc committee in the first session of the First Congress, on July 24, 1789. Representative Fitzsimons, from Pennsylvania, in commenting on the report of a select committee concerning appropriations and revenues, pointed out the desirability of having a committee to review the expenditure needs of the Government and the resources available, as follows:

The finances of America have frequently been mentioned in this House as being very inadequate to the demands. I have never been of a different opinion, and do believe that the funds of this country, if properly drawn into operation, will be equal to every claim. The estimate of supplies necessary for the current year appears very great from a report on your table, and which report has found its way into the public newspapers. I said, on a former occasion, and I repeat it now, notwithstanding what is set forth in the estimate, that a revenue of \$3 million in specie, will enable us to provide every supply necessary to support the Government, and pay the interest and installments on the foreign and domestic debt. If we wish to have more particular information on these points, we ought to appoint a Committee on Ways and Means, to whom, among other things, the estimate of supplies may be referred, and this ought to be done speedily, if we mean to do it this session.

After discussion, the motion was agreed to and a committee consisting of one Member from each State (North Carolina and Rhode Island had not yet ratified the Constitution) was appointed as follows: Messrs. Fitzsimons (Pennsylvania), Vining (Delaware), Livermore (New Hampshire), Cadwalader (New Jersey), Laurance (New York), Wadsworth (Connecticut), Jackson (Georgia), Gerry (Massachusetts), Smith (Maryland), Smith (South Carolina), and Madison (Virginia).

While there does not appear to be any direct relationship, it is interesting to note that the appointment of this ad hoc committee came within a few weeks after the House, in Committee of the Whole, had spent a good part of the months of April, May, and

June in wrestling with the details involved in writing bills “for laying a duty on goods, wares, and merchandises imported into the United States” and for imposing duties on tonnage. Tariffs, of course, became a prime revenue source for the new government.

However, the results of this ad hoc committee are not clear. It existed for a period of only 8 weeks, being dissolved on September 17, 1789, with the following order:

That the Committee on Ways and Means be discharged from further proceeding on the business referred to them, and that it be referred to the Secretary of the Treasury to report thereon.

It has also been suggested by one student that the Committee was dissolved because Alexander Hamilton had become Secretary of the newly created U.S. Department of the Treasury, and thus it was presumed that the U.S. Department of the Treasury could provide the necessary machinery for developing information which would be needed. During the next 6 years there was no Committee on Ways and Means or any other standing committee for the examination of estimates. Rather, ad hoc committees were appointed to draw up particular pieces of legislation on the basis of decisions made in the Committee of the Whole House. On November 13, 1794, a rule was adopted providing that:

All proceedings touching appropriations of money shall be first moved and discussed in a Committee on the Whole House.

In the next Congress historians have suggested that the House was determined to curtail Secretary Hamilton’s influence by first setting up a Committee on Ways and Means and requiring that Committee to submit a report on appropriations and revenue measures before consideration in the Committee of the Whole House. It was also said that this Committee on Ways and Means was put on a more or less standing basis since such a committee appeared at some point in every Congress until it was made a permanent committee.

In the first session of the 7th Congress, Tuesday, December 8, 1801, a resolution was adopted as follows:

Resolved, That a standing Committee on Ways and Means be appointed, whose duty it shall be to take into consideration all such reports of the Treasury Department, and all such propositions, relative to the revenue as may be referred to them by the House; to inquire into the state of the public debt, of the revenue, and of the expenditures; and to report, from time to time, their opinion thereon.

The following Members were appointed: Messrs. Randolph (Virginia), Griswold (Connecticut), Smith (Vermont), Bayard (Delaware), Smilie (Pennsylvania), Read (Massachusetts), Nicholson (Maryland), Van Rensselaer (New York), Dickson (Tennessee).

On Thursday, January 7, 1802, the House agreed to standing rules which, among other things, provided for standing committees, including the Committee on Ways and Means. The relevant part of the rules in this respect read as follows:

A Committee on Ways and Means, to consist of seven Members;

* * * * *

It shall be the duty of the said Committee on Ways and Means to take into consideration all such reports of the U.S. Department of the Treasury, and all such propositions relative to the revenue, as may be referred to them by the House; to inquire into the state of the public debt, of the revenue, and of the expenditures, and to report, from time to time, their opinion thereon; to examine into the state of the several public departments, and particularly into the laws making appropriations of moneys, and to report whether the moneys have been disbursed conformably with such laws; and also to report, from time to time, such provisions and arrangements, as may be necessary to add to the economy of the departments, and the accountability of their officers.

It has been said that the jurisdiction of the Committee was so broad in the early 19th century that one historian described it as follows:

It seemed like an Atlas bearing upon its shoulders all the business of the House.

The jurisdiction of the Committee remained essentially the same until 1865 when the control over appropriations was transferred to a newly created Committee on Appropriations and another part of its jurisdiction was given to a newly created Committee on Banking and Currency. This action followed rather extended discussion in the House, too lengthy to review here.

During the course of that discussion, however, the following observations are of some historical interest. Representative Cox, who was handling the motion to divide the Committee, gave a very picturesque discussion of the many varied and heavy duties which had fallen on the Committee over the years. He observed:

And yet, sir, powerful as the Committee is constituted, even their powers of endurance, physical and mental, are not adequate to the great duty which has been imposed by the emergencies of this historic time. It is an old adage, that "whoso wanteth rest will also want of might"; and even an Olympian would faint and flag if the burden of Atlas is not relieved by the broad shoulders of Hercules.

He continued:

I might give here a detailed statement of the amount of business thrown upon that Committee since the commencement of the war. But I prefer to append it to my remarks. Whereas before the war we scarcely expended more than \$70 million a year, now, during the five sessions of the last two Congresses, there has been an average appropriation of at least \$800 million per session. The statement which I hold in my hand shows that during the first and extra session of the 37th Congress there came appropriation bills from the Committee on Ways and Means amounting to \$226,691,457.99. I say nothing now of the loan and other fiscal bills emanating from that Committee.
* * * During the present session I suppose it would be a fair estimate to take the appropriations of the last session of the 37th Congress, say \$900 million.

These are appropriation bills alone. They are stupendous, and but poorly symbolize the immense labors which

the internal revenue, tariff, and loan bills imposed on the Committee. * * * And this business of appropriations is perhaps not one-half of the labor of the Committee. There are various and important matters upon which they act, but upon which they never report. Their duties comprehend all the varied interests of the United States; every element and branch of industry, and every dollar or dime of value. They are connected with taxation, tariffs, banking, loan bills, and ramify to every fiber of the body-politic. All the springs of wealth and labor are more or less influenced by the action of this Committee. Their responsibility is immense, and their control almost imperial over the necessities, comforts, homes, hopes, and destinies of the people. All the values of the United States, which in the census of 1860 (page 194) amount to nearly \$17 billion, or, to be exact, \$16,159,616,068, are affected by the action of that Committee, even before their action is approved by the House. Those values fluctuate whenever the head of the Committee on Ways and Means rises in his place and proposes a measure. The price of every article we use trembles when he proposes a gold bill or a loan bill, or any bill to tax directly or indirectly. * * *

* * * the interests connected with these economical questions are of all questions those most momentous for the future. Parties, statesmanship, union, stability, all depend upon the manner in which these questions are dealt with.

Representative Morrill (who was subsequently appointed chairman of the Committee on Ways and Means in the succeeding Congress, and who still later became chairman of the Senate Committee on Finance after he became a Senator) observed as follows:

I am entirely indifferent as to the disposition which shall be made of this subject by the House. So far as I am myself concerned, I have never sought any position upon any committee from the present or any other Speaker of the House, and probably never shall. I have no disposition to press myself hereafter for any position. In relation to the proposed division of the Committee on Ways and Means, the only doubt that I have is the one expressed by my colleague on that Committee, Representative Stevens, in regard to the separation of the questions of revenue from those relating to appropriations. In ordinary times of peace I should deem it almost indispensable and entirely within their power that this Committee should have the control of both subjects, in order that they might make both ends meet, that is, to provide a sufficient revenue for the expenditures. That reason applies now with greater force; but it may be that the Committee is overworked. It is true that for the last 3 or 4 years the labors of the Committee on Ways and Means have been incessant, they have labored not only days but nights; not only weekends but Sundays. If gentlemen suppose that the Committee have permitted some appropriations to be reported which should

not have been permitted they little understand how much has been resisted.

The influence the Committee came not only from the nature of its jurisdiction but also because for many years the chairman of the Committee was also ad hoc majority Floor leader of the House.

When the revolt against Speaker Cannon took place, and the Speaker's powers to appoint the Members of committees were curtailed, the Majority Members on the Committee on Ways and Means became the Committee on Committees. Subsequently, this power was disbursed to the respective party caucuses, beginning in the 94th Congress.

Throughout its history, many famous Americans have served on the Committee on Ways and Means. The long and distinguished list includes 8 Presidents of the United States, 8 Vice Presidents, 4 Justices of the Supreme Court, 34 Cabinet members, and quite interestingly, 21 Speakers of the House of Representatives. This latter figure represents nearly one-half of the 51 Speakers who have served since 1789 through the end of the 107th Congress. See the alphabetical list which follows for names.

Major positions held by former members of the Committee on Ways and Means

President of the United States:

George H. W. Bush, Texas
 Millard Fillmore, New York
 James A. Garfield, Ohio
 Andrew Jackson, Tennessee
 James Madison, Virginia
 William McKinley, Jr., Ohio
 James K. Polk, Tennessee
 John Tyler, Virginia

Vice President of the United States:

John C. Breckinridge, Kentucky
 George H. W. Bush, Texas
 Charles Curtis, Kansas
 Millard Fillmore, New York
 John N. Garner, Texas
 Elbridge Gerry, Massachusetts
 Richard M. Johnson, Kentucky
 John Tyler, Virginia

Justice of the Supreme Court:

Philip P. Barbour, Virginia
 Joseph McKenna, California
 John McKinley, Alabama
 Fred M. Vinson, Kentucky (Chief Justice)

Speaker of the House of Representatives:

Nathaniel P. Banks, Massachusetts
 Philip P. Barbour, Virginia
 James G. Blaine, Maine
 John G. Carlisle, Kentucky
 Langdon Cheves, South Carolina
 James B. (Champ) Clark, Missouri
 Howell Cobb, Georgia
 Charles F. Crisp, Georgia

John N. Garner, Texas
 John W. Jones, Virginia
 Michael C. Kerr, Indiana
 Nicholas Longworth, Ohio
 John W. McCormack, Massachusetts
 James K. Polk, Tennessee
 Henry T. Rainey, Illinois
 Samuel J. Randall, Pennsylvania
 Thomas B. Reed, Maine
 Theodore Sedgwick, Massachusetts
 Andrew Stevenson, Virginia
 John W. Taylor, New York
 Robert C. Winthrop, Massachusetts
 Cabinet Member:
 Secretary of State:
 James G. Blaine, Maine
 William J. Bryan, Nebraska
 Cordell Hull, Tennessee ³
 Louis McLean, Delaware
 John Sherman, Ohio
 Secretary of the Treasury:
 George W. Campbell, Tennessee
 John G. Carlisle, Kentucky
 Howell Cobb, Georgia
 Thomas Corwin, Ohio
 Charles Foster, Ohio
 Albert Gallatin, Pennsylvania
 Samuel D. Ingham, Pennsylvania
 Louis McLean, Delaware
 Ogden L. Mills, New York
 John Sherman, Ohio
 Philip F. Thomas, Maryland
 Fred M. Vinson, Kentucky
 Attorney General:
 James P. McGranery, Pennsylvania
 Joseph McKenna, California
 A. Mitchell Palmer, Pennsylvania
 Caesar A. Rodney, Delaware
 Postmaster General:
 Samuel D. Hubbard, Connecticut
 Cave Johnson, Tennessee
 Horace Maynard, Tennessee
 William L. Wilson, West Virginia
 Secretary of the Navy:
 Thomas W. Gilder, Virginia
 Hilary A. Herbert, Alabama
 Victor H. Metcalf, California
 Claude A. Swanson, Virginia
 Secretary of the Interior:
 Rogers C. B. Morton, Maryland
 Jacob Thompson, Mississippi
 Secretary of Commerce and Labor:
 Victor H. Metcalf, California

³ Recipient of Nobel Peace Prize in 1945.

Secretary of Commerce:
Rogers C. B. Morton, Maryland
Secretary of Agriculture:
Clinton P. Anderson, New Mexico

Appendix III. Statistical Review of the Activities of the Committee on Ways and Means

A. NUMBER OF BILLS AND RESOLUTIONS REFERRED TO THE COMMITTEE

As of the close of the 107th Congress on November 22, 2002, there had been referred to the Committee a total of 1,941 bills, representing 27.6 percent of all the public bills introduced in the House of Representatives.

The following table gives a more complete statistical review since 1967.

TABLE 1.—NUMBER OF BILLS AND RESOLUTIONS REFERRED TO THE COMMITTEE, 90TH THROUGH 107TH CONGRESSES

	Introduced in House	Referred to Committee on Ways and Means	Percentage
90th Congress	24,227	3,806	15.7
91st Congress	23,575	3,442	14.6
92d Congress	20,458	3,157	15.4
93d Congress	21,096	3,370	16.0
94th Congress	19,371	3,747	19.3
95th Congress	17,800	3,922	22.0
96th Congress	10,196	2,337	22.9
97th Congress	9,909	2,377	26.4
98th Congress	8,104	1,904	23.5
99th Congress	7,522	1,568	20.8
100th Congress	7,043	1,419	22.1
101st Congress	7,640	1,737	22.7
102d Congress	7,771	1,972	25.4
103d Congress	6,645	1,496	22.5
104th Congress	5,329	1,071	20.1
105th Congress	5,976	1,509	25.2
106th Congress	6,942	1,762	25.3
107th Congress	7,029	1,941	27.6

B. PUBLIC HEARINGS

In the course of the 107th Congress, the full Committee on Ways and Means held public hearings on a total of 17 days, including 7 days in the first session and 10 days in the second session. Many of these hearings dealt with major subjects including the President's fiscal year 2001 and 2002 budget proposals, health and welfare issues, and the creation of the U.S. Department of Homeland Security. The full Committee also focused on such issues as legislation on welfare reform, patient safety improvement, bipartisan trade promotion authority, and TAA promotions.

The following table specifies the statistical data on the number of days and witnesses published on each of the subjects covered by public hearings in the full Committee during the 107th Congress.

TABLE 2.—PUBLIC HEARINGS CONDUCTED BY THE FULL COMMITTEE ON WAYS AND MEANS

Subject and Date	Number of	
	Days	Witnesses
2001:		
President's Tax Relief Proposals, Feb. 13	1	4
President Bush's Trade Agenda, Mar. 7	1	1
Bush Administration's Health and Welfare Priorities, Mar. 14	1	1
Social Security and Medicare Trustees' 2001 Annual Reports (held jointly with the Senate Committee on Finance), Mar. 20	1	1
Medicare Solvency, Mar. 20	1	2
President's Tax Relief Proposals, Mar. 21	1	13
Administration's Principles to Strengthen and Modernize Medicare, July 19	1	1
Total for 2001	7	23
2002:		
President's Fiscal Year 2003 Budget with Treasury Secretary O'Neill, Feb. 5	1	1
President's 2003 Budget Proposals Featuring HHS Secretary Thompson, Feb. 6	1	1
President's 2003 Budget Proposals Featuring OMB Director Daniels, Feb. 6	1	1
President Bush's Trade Agenda for 2002, Feb. 7	1	1
Health Care Tax Credits to Decrease the Number of Uninsured, Feb. 13	1	6
Retirement Security and Defined Contribution Plans, Feb. 26	1	5
WTO's Extraterritorial Income Decision, Feb. 27	1	5
HHS Secretary Thompson on the President's Plan to Building on the Successes of Welfare Reform, Mar. 12	1	1
Integrating Prescription Drugs Into Medicare, Apr. 17	1	7
Corporate Inversions, June 6	1	1
Creation of Homeland Security Department, June 26	1	5
Total for 2002	10	34
Total for both sessions	17	57

The six Subcommittees of the Committee on Ways and Means were also very active in conducting public hearings during the 107th Congress. The following table specifies in detail the number of days and witnesses published by each of the Subcommittees.

TABLE 3.—PUBLIC HEARINGS CONDUCTED BY THE SUBCOMMITTEES OF THE COMMITTEE ON WAYS AND MEANS

Subject and Date	Number of	
	Days	Witnesses
SUBCOMMITTEE ON TRADE		
2001:		
Free Trade Deals: Is the United States Losing Ground As Its Trading Partners Move Ahead, Mar. 29	1	10
Outcome of the Summit of the Americas and Prospects for Free Trade in the Hemisphere, May 8	1	15
Benefits of Trade to the Medical Technology and Agriculture Sectors, May 14	1	12
Renewal of Normal Trade Relations with China, July 10	1	10
Trade Agency Budget Authorizations and Other Customs Issues, July 17	1	12
"Conflict Diamonds," Oct. 10	1	9
2002:		
To Explore Permanent Normal Trade Relations for Russia, Apr. 11	1	9
President's Waiver for Vietnam from the Jackson-Vanik Freedom of Emigration Requirements, July 18	1	6
Total	8	83
SUBCOMMITTEE ON OVERSIGHT		
2001:		
Energy Supply and Prices, Mar. 5	1	8

TABLE 3.—PUBLIC HEARINGS CONDUCTED BY THE SUBCOMMITTEES OF THE COMMITTEE ON WAYS AND MEANS—Continued

Subject and Date	Number of	
	Days	Witnesses
2001 Tax Return Filing Season, Apr. 3	1	6
Taxpayer Advocate Report and Low-Income Taxpayer Clinics, July 12	1	7
First in Series on Tax Code Simplification, July 17 (held jointly with the Subcommittee on Select Revenue Measures)	1	5
Deceptive Mailing Concerning Tax Refunds, July 19	1	2
Response by Charitable Organizations to the Recent Terrorist Attacks, Nov. 8	1	8
2002:		
IRS National Taxpayer Advocate Annual Report and IRS Oversight Board Annual Report, Feb. 28	1	2
Employee and Employer Views on Retirement Security, Mar. 5	1	10
2002 Tax Return Filing Season and the IRS Budget for Fiscal Year 2003, Apr. 9	1	8
Modeling the Economic Effect of Changes in Tax Policy, May 7	1	2
Review of Internal Revenue Code Section 501(c)(3) Requirements for Religious Organizations, May 14	1	8
Tax Incentives for Renewal Communities, May 21	1	9
Retirement Security and Defined Benefit Pension Plans, June 20	1	9
Total	13	84
SUBCOMMITTEE ON HEALTH		
2001:		
Medicare Reform, Feb. 28	1	5
Second in Series on Medicare Reform: Bringing Regulatory Relief to Beneficiaries and Providers, Mar. 15	1	8
Third in Series on Medicare Reform: Laying the Groundwork for a Rx Drug Benefit, Mar. 27	1	7
Nation's Uninsured, Apr. 4	1	6
Patient Protections in Managed Care, Apr. 24	1	5
Fourth in Series on Medicare Reform: Medicare+Choice: Lessons for Reform, May 1	1	7
Fifth in Series on Medicare Reform: Strengthening Medicare: Modernizing Beneficiary Cost Sharing, May 9	1	4
Rural Health Care in Medicare, June 12	1	4
H.R. 2768, the "Medicare Regulatory and Contracting Reform Act of 2001," Sept. 25	1	5
Status of the Medicare+Choice Program, Dec. 4	1	4
2002:		
Physician Payments, Feb. 28	1	6
Health Quality and Medical Errors, Mar. 7	1	5
Medicare Supplemental Insurance, Mar. 14	1	4
Promoting Disease Management in Medicare, Apr. 16	1	3
Medicare's Geographic Cost Adjustors, July 23	1	18
Legislation to Reduce Medical Errors, Sept. 10	1	6
Medicare Payments for Currently Covered Prescription Drugs, Oct. 3	1	6
Total	17	106
SUBCOMMITTEE ON SOCIAL SECURITY		
2001:		
Social Security Administration's Proposal to Implement Return to Work Legislation, Feb. 28	1	6
Ensuring the Integrity of Social Security Programs, May 10	1	6
Social Security's Processing of Attorney Fees, May 17	1	5
Protecting Privacy and Preventing Misuse of Social Security Numbers, May 22	1	14
Listen to Americans' Views on the Future of Social Security, June 18	1	N/A
First in Series on Social Security Programs' Challenges and Opportunities, June 28	1	8
Misleading Mailings Targeted to Seniors, July 26	1	7
Social Security and Pension Reform: Lessons from Other Countries, July 31	1	7
Social Security Administration's Response to the September 11 Terrorist Attacks, Nov. 1	1	2
Preventing Identity Theft by Terrorist and Criminals (held jointly with the Subcommittee on Oversight and Investigations, Committee on Financial Services), Nov. 8	1	10
2002:		
Social Security Improvements for Women, Seniors, and Working Americans, Feb. 28, Mar. 6	2	24
Protecting the Privacy of Social Security Numbers and Preventing Identity Theft, Apr. 29	1	9
Challenges Facing the New Commissioner of Social Security, May 2	1	7

TABLE 3.—PUBLIC HEARINGS CONDUCTED BY THE SUBCOMMITTEES OF THE COMMITTEE ON WAYS AND MEANS—Continued

Subject and Date	Number of	
	Days	Witnesses
Second in Series on Social Security Disability Programs' Challenges and Opportunities, June 11, 20	2	15
Third in Series on Social Security Disability Programs' Challenges and Opportunities, July 11	1	9
Preserving the Integrity of Social Security Numbers and Preventing Their Misuse by Terrorists and Identity Thieves (held jointly with the Subcommittee on Immigration, Border Security and Claims, Committee on the Judiciary), Sept. 19	1	7
Fourth in a Series on Social Security Disability Programs' Challenges and Opportunities, Sept. 26	1	11
Total	19	147
SUBCOMMITTEE ON HUMAN RESOURCES		
2001:		
Welfare Reform, Mar. 15	1	4
Second in Series on Welfare Reform: Work Requirements on the TANF Cash Welfare Program, Apr. 3	1	10
"Rainy Day" and Other Special TANF Funds, Apr. 26	1	4
Promoting Safe and Stable Families Program, May 10	1	7
Welfare and Marriage Issues, May 22	1	10
H.R. 7, the "Community Solutions Act of 2001" (held jointly with Subcommittee on Select Revenue Measures), June 14	1	20
Child Support and Fatherhood Proposals, June 28	1	8
Bush Administration Budget Proposals, July 11	1	1
Teen Pregnancy Prevention, Nov. 15	1	7
2002:		
President's Unemployment Administrative Financing Reform Initiative, Mar. 5	1	5
Implementation of Welfare Reform Work Requirements and Time Limits, Mar. 7	1	8
Welfare Reform Success, Apr. 2	1	7
Welfare Reform Reauthorization Proposals, Apr. 11	1	49
Unemployment Fraud and Abuse, June 11	1	6
Fraud and Abuse in the Supplemental Security Income Program, July 25	1	5
Total	15	151
SUBCOMMITTEE ON SELECT REVENUE MEASURES		
2001:		
First in Series on the Effect of Federal Tax Laws on the Production, Supply, and Conservation of Energy, May 3	1	6
Second in Series on the Effect of Federal Tax Laws on the Production, Supply, and Conservation of Energy, June 12	1	20
Third in Series on the Effect of Federal Tax Laws on the Production, Supply, and Conservation of Energy, June 13	1	12
2002:		
First in a Series on the Extraterritorial Income Regime, Apr. 10	1	6
Tax Incentives for Land Use, Conservation, and Preservation, Apr. 30	1	14
Second in a Series on Extraterritorial Income Regime, May 9	1	7
Third in a Series on Extraterritorial Income Regime, June 13	1	9
Corporate Inversions, June 25	1	6
Total	8	80

As the foregoing statistics indicate, during the 107th Congress the full Committee and its six Subcommittees held public hearings aggregating a grand total of 97 days, during which time 708 witnesses testified. There were five field hearings, two held by the Subcommittee on Social Security in Columbia, Missouri, and Lake Worth, Florida; one each held by the Subcommittees on Human Resources, Oversight, and Trade in University Center, Michigan; Mayville, New York; and Bloomington, Minnesota.

In addition, written comments were printed after having been requested and received by the full Committee on temporarily suspending the duty on certain steam or other vapor generating boilers used in nuclear facilities; the Subcommittee on Oversight on taxpayer rights, and H.R. 2237, expanding the exemption from unrelated trade or business income for conducting certain games of chance; and the Subcommittee on Trade technical corrections to U.S. Trade Laws and Miscellaneous Duty Suspension Bills.

C. MARKUP SESSIONS

With respect to markup or business sessions during the 107th Congress, the full Committee and its six Subcommittees were also very actively engaged. The full Committee held such sessions on 30 working days, usually both morning and afternoon sessions, and the Subcommittees an aggregate of 5 working days, making a grand total of 35 working days of markup or business sessions for the full Committee and its Subcommittees during the 107th Congress.

D. NUMBER AND FINAL STATUS OF BILLS REPORTED FROM THE COMMITTEE ON WAYS AND MEANS IN THE 107TH CONGRESS

During the 107th Congress, the Committee reported to the House a total of 36 bills, 32 favorably and 4 adversely. There were 73 bills containing provisions within the purview of the Committee that were passed by the House; 20 were enacted into law. This is not indicative of the total number of bills considered by the Committee. When the Committee meets on major tax, tariff, Social Security, health, unemployment compensation, or human resources matters, it often considers a broad subject rather than individual, specific bills. In consideration of a broad matter, the Committee makes every attempt to review all pending pertinent bills encompassed within that subject. As many as several hundred bills, for instance, may translate into a broad subject that is then reported by the Committee. Therefore, it is typically the practice of the Committee to report bills on a major subject rather than on several minor subjects.

Appendix IV. Chairmen of the Committee on Ways and Means and Membership of the Committee From the 1st Through the 107th Congresses

A. CHAIRMEN OF THE COMMITTEE ON WAYS AND MEANS, 1789 TO PRESENT

Name	State	Party	Term of Service
Thomas Fitzsimons	Pennsylvania	Federalist	1789.
William L. Smith	South Carolina	Federalist	1794 to 1797.
Robert G. Harper	South Carolina	Federalist	1797 to 1800.
Roger Griswold	Connecticut	Federalist	1800 to 1801.
John Randolph	Virginia	Jeffersonian Republican	1801 to 1805, 1827.
Joseph Clay	Pennsylvania	Jeffersonian Republican	1805 to 1807.
George W. Campbell	Tennessee	Jeffersonian Republican	1807 to 1809.
John W. Eppes	Virginia	Jeffersonian Republican	1809 to 1811.
Ezekiel Bacon	Massachusetts	Jeffersonian Republican	1811 to 1812.
Langdon Cheves	South Carolina	Jeffersonian Republican	1812 to 1813.
John W. Eppes	Virginia	Jeffersonian Republican	1813 to 1815.
William Lowndes	South Carolina	Jeffersonian Republican	1815 to 1818.

Name	State	Party	Term of Service
Samuel Smith	Maryland	Jeffersonian Republican	1818 to 1822.
Louis McLane	Delaware	Jeffersonian Republican	1822 to 1827.
George McDuffie	South Carolina	Democrat	1827 to 1832.
Gulian C. Verplanck	New York	Democrat	1832 to 1833.
James K. Polk	Tennessee	Democrat	1833 to 1835.
C. C. Cambreleng	New York	Democrat	1835 to 1839.
John W. Jones	Virginia	Democrat	1839 to 1841.
Millard Fillmore	New York	Whig	1841 to 1843.
James Iver McKay	North Carolina	Democrat	1843 to 1847.
Samuel F. Vinton	Ohio	Whig	1847 to 1849.
Thomas H. Bayly	Virginia	Democrat	1849 to 1851.
George S. Houston	Alabama	Democrat	1851 to 1855.
Lewis D. Campbell	Ohio	Republican	1855 to 1857.
J. Glancy Jones	Pennsylvania	Democrat	1857 to 1858.
John S. Phelps	Missouri	Democrat	1858 to 1859.
John Sherman	Ohio	Republican	1859 to 1861.
Thaddeus Stevens	Pennsylvania	Republican	1861 to 1865.
Justin S. Morrill	Vermont	Republican	1865 to 1867.
Robert C. Schenck	Ohio	Republican	1867 to 1871.
Samuel D. Hooper	Massachusetts	Republican	1871.
Henry L. Dawes	Massachusetts	Republican	1871 to 1875.
William R. Morrison	Illinois	Democrat	1875 to 1877.
Fernando Wood	New York	Democrat	1877 to 1881.
John R. Tucker	Virginia	Democrat	1881.
William D. Kelley	Pennsylvania	Republican	1881 to 1883.
William R. Morrison	Illinois	Democrat	1883 to 1887.
Roger Q. Mills	Texas	Democrat	1887 to 1889.
William McKinley, Jr.	Ohio	Republican	1889 to 1891.
William M. Springer	Illinois	Democrat	1891 to 1893.
William L. Wilson	West Virginia	Democrat	1893 to 1895.
Nelson Dingley, Jr.	Maine	Republican	1895 to 1899.
Sereno E. Payne	New York	Republican	1899 to 1911.
Oscar W. Underwood	Alabama	Democrat	1911 to 1915.
Claude Kitchin	North Carolina	Democrat	1915 to 1919.
Joseph W. Fordney	Michigan	Republican	1919 to 1923.
William R. Green	Iowa	Republican	1923 to 1928.
Willis C. Hawley	Oregon	Republican	1929 to 1931.
James W. Collier	Mississippi	Democrat	1931 to 1933.
Robert L. Doughton	North Carolina	Democrat	1933 to 1947, 1949 to 1953.
Harold Knutson	Minnesota	Republican	1947 to 1949.
Daniel A. Reed	New York	Republican	1953 to 1955.
Jere Cooper	Tennessee	Democrat	1955 to 1957.
Wilbur D. Mills	Arkansas	Democrat	1957 to 1975.
Al Ullman	Oregon	Democrat	1975 to 1981.
Dan Rostenkowski	Illinois	Democrat	1981 to 1994.
Bill Archer	Texas	Republican	1995 to 2001.
William M. Thomas	California	Republican	2000–

B. TABLES SHOWING PAST MEMBERSHIP OF THE COMMITTEE

1. MEMBERS OF THE COMMITTEE ON WAYS AND MEANS FROM THE 1ST THROUGH THE 107TH CONGRESS, BY STATE

Member	Congress(es)
Alabama:	
John McKinley	23
David Hubbard	26
Dixon H. Lewis	27–28
George S. Houston	29–30, 32–33
James F. Dowdell	35
Hilary A. Herbert	48
Joseph Wheeler	53–55
Oscar W. Underwood	56, 59–63
Ronnie G. Flippo	98–101

Member	Congress(es)
Arizona:	
J.D. Hayworth	105–
Arkansas:	
James K. Jones	48
Clifton R. Breckinridge	49–51, 53
William A. Oldfield	64–70
Heartsill Ragon	70–73
William J. Driver	72
Claude A. Fuller	73–75
Wilbur D. Mills	77–94
Jim Guy Tucker, Jr.	95
Beryl Anthony, Jr.	97–102
California:	
Joseph McKenna	51–52
Victor H. Metcalf	57–58
James C. Needham	58–62
William E. Evans	73
Frank H. Buck	74–77
Bertrand W. Gearhart	76–80
Cecil R. King	78–79, 81–90
James B. Utt	83, 86–91
James C. Corman	90–96
Jerry L. Pettis	91–94
William M. Ketchum	94–95
Fortney Pete Stark	94–
John H. Rousselot	95–97
Robert T. Matsui	97–
William M. Thomas	98–
Wally Herger	103–
Xavier Becerra	105–
Colorado:	
Robert W. Bonyng	60
Charles B. Timberlake	66–72
John A. Carroll	81
Donald G. Brotzman	92–93
George H. "Hank" Brown	100–101
Scott McInnis	106–
Connecticut:	
Jeremiah Wadsworth	1
Uriah Tracy	3
James Hillhouse	4
Nathaniel Smith	4–5
Joshua Coit	5
Roger Griswold	5–8
John Davenport	8
Jonathan O. Moseley	9, 14, 16
Benjamin Tallmadge	10–11
Timothy Pitkin	12–13, 15
Ralph I. Ingersoll	21–22
Samuel D. Hubbard	30
James Phelps	45–46
Charles A. Russell	54–57
Ebenezer J. Hill	58–62, 64–65
John Q. Tilson	66–68
Antoni N. Sadlak	83–85
William R. Cotter	94–97
Barbara B. Kennelly	98–105
Nancy L. Johnson	101–
Delaware:	
John Vining	1
Henry Latimer	3
John Patten	4
James A. Bayard, Sr.	5, 7
Caesar A. Rodney	8
Louis McLane	16–19
Florida:	
A. S. Herlong, Jr.	84–90

Member	Congress(es)
Sam M. Gibbons	91–104
L. A. (Skip) Bafalis	94–97
E. Clay Shaw, Jr.	100–
Karen L. Thurman	105–107
Mark Foley	104–
Georgia:	
James Jackson	1
Abraham Baldwin	3–5
Benjamin Taliaferro	6
John Milledge	7
David Meriwether	8–9
William W. Bibb	12–13
Joel Abbott	15
Joel Crawford	15–16
Wiley Thompson	17–18
George R. Gilmer	20
Richard H. Wilde	22–23
George W. Owens	24–25
Charles E. Haynes	25
Mark A. Cooper	26
Absalom H. Chappell	28
Seaborn Jones	29
Robert Toombs	30–31
Alexander H. Stephens	30–31, 33
Marshall J. Wellborn	31
Howell Cobb	34
Martin J. Crawford	35–36
Benjamin H. Hill	44
Henry R. Harris	45, 49
William H. Felton	46
Emory Speer	47
James H. Blount	48
Henry G. Turner	50–54
Charles F. Crisp	54
James M. Griggs	60–61
William G. Brantley	61–62
Charles R. Crisp	64–72
Albert S. Camp	78–83
Phillip M. Landrum	89–94
Ed Jenkins	95–102
Wyche Fowler, Jr.	96–99
John Lewis	103–
Mac Collins	104–
Hawaii:	
Cecil (Cec) Heftel	96–99
Illinois:	
Daniel P. Cook	19
John A. McClelland	37
John Wentworth	39
John A. Logan	40
Samuel S. Marshall	41
Horatio C. Burchard	42–45
William R. Morrison	44, 46–49
William M. Springer	52
Albert J. Hopkins	52–57
Henry S. Boutell	58–61
Henry T. Rainey	62–66, 68–72
John A. Sterling	65
Ira C. Copley	66–67
Carl R. Chindblom	68–72
Chester C. Thompson	74–75
Raymond S. McKeough	76–77
Charles S. Dewey	78
Thomas J. O'Brien	79, 81–88
Noah M. Mason	80–87
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Mel Reynolds	103
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Cyrus L. Dunham	32
William E. Niblack	40, 43
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Michael C. Kerr	42
Thomas M. Browne	48–50
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John W. Boehne, Jr.	73–77
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John A. Kasson	38, 43, 47–48
William B. Allison	39–41
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Jonathan P. Dolliver	54–56
William R. Green	63–70
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Otha D. Wearin	75
Lloyd Thurston	75
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Charles Curtis	58–59
William A. Calderhead	60–61
Victor Murdock	63
Guy T. Helvering	64–65
Frank Carlson	76–79
Martha E. Keys	94–95
Kentucky:	
Alexander D. Orr	3
Christopher Greenup	4
Thomas T. Davis	5
John Boyle	8
Richard M. Johnson	11–12
Thomas Montgomery	13
David Trimble	15–16
Nathan Gaither	22
John Pope	25
Thomas F. Marshall	27
Garrett Davis	28
Charles S. Morehead	30–31
John C. Breckinridge	33
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Noble J. Gregory	78–85
John C. Watts	86–92
Jim Bunning	102–105
Ron Lewis	104–
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Thomas B. Robertson	14
William L. Brent	19–20
Walter H. Overton	21
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Charles J. Boatner	54
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Robert F. Broussard	61
Whitmell P. Martin	65–70
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Joe D. Waggonner, Jr.	92–95
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Gabriel Christie	3
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Nicholas R. Moore	8
Roger Nelson	9
John Montgomery	10–11
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Massachusetts:	
Elbridge Gerry	1
Fisher Ames	3
Theodore Sedgwick	4
Theophilus Bradbury	4
Harrison Gray Otis	5–6
Samuel Sewall	5
Isaac Parker	5
Bailey Bartlett	6
Nathan Read	7
Seth Hastings	8
Josiah Quincy	9
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¹ Appointed January 25, 1996..

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Henry Shaw	16
Henry W. Dwight	19–21
Benjamin Gorham	23
Abbott Lawrence	24, 26
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George N. Briggs	25
Leverett Saltonstall	26
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Augustus P. Gardner	63–65
John J. Mitchell	63
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Brian J. Donnelly	99–102
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Omar D. Conger	46
Jay A. Hubbell	47
William C. Maybury	49
Julius C. Burrows	50–53
Justin R. Whiting	52–53
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Guy Vander Jagt	94–102
William M. Brodhead	95–97
Sander M. Levin	100–
Dave Camp	103–
Minnesota:	
Mark H. Dunnell	46–47
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Sydney Anderson	63
Harold Knutson	73–80
Eugene J. McCarthy	84–85
Joseph E. Karth	92–94
Bill Frenzel	94–101
Jim Ramstad	104–
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John Sharp Williams	58–59
James W. Collier	63–72
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Missouri:	
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John S. Phelps	32–37
Henry T. Blow	38
John Hogan	39
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Abiel Foster	5
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Harry Hibbard	31–33
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New Jersey:	
Lambert Cadwalader	1
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Thomas Sinnickson	5
James H. Imlay	6
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Hezekiah L. Hosmer	5
Jonas Platt	6
Killian K. Van Rensselaer	7
Joshua Sands	8
Erastus Root	11
John W. Taylor	13
Jonathan Fisk	13
Thomas J. Oakley	13
James W. Wilkin	14
James Tallmadge, Jr.	15
Albert H. Tracy	16
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Hugh L. Carey	91–93
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John Brown	6
Joseph Stanton, Jr.	8
Daniel L.D. Granger	59–60
George F. O'Shaunessy	65
Richard S. Aldrich	69–72
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Abraham Nott	6
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William Lowndes	13–15
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Thomas R. Mitchell	17
George McDuffie	18–22
R. Barnwell Rhett	25–26
Francis W. Pickens	27
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Andrew Jackson	4
William C.C. Claiborne	5
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Francis Jones	16–17
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Milton H. West	76–80
Jesse M. Combs	81–82
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James Fisk	10, 12
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James Madison	1, 3, 4
William B. Giles	5
Richard Brent	5
Walter Jones	5
Leven Powell	6
John Nicholas	6
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John W. Eppes	10–11, 13
William A. Burwell	12, 14–16
James Pleasants	12–13
John Tyler	16
Andrew Stevenson	17–19
Alexander Smyth	20–21
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Mark Alexander	21–22
George Loyall	23–24
John W. Jones	25–27
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William A. Steiger	94–95
Jim Moody	100–102
Gerald D. Kleczka	103–
Paul Ryan	107–

¹ Appointed January 25, 1996.

² Appointed January 25, 1996.

³ Appointed July 10, 1995.

2. COMMITTEE MEMBERSHIP, 107TH CONGRESS

COMMITTEE ON WAYS AND MEANS

ONE HUNDRED SEVENTH CONGRESS

BILL THOMAS, California, *Chairman*

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AMO HOUGHTON, New York	WILLIAM J. COYNE, Pennsylvania
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MAC COLLINS, Georgia	WILLIAM J. JEFFERSON, Louisiana
ROB PORTMAN, Ohio	JOHN S. TANNER, Tennessee
PHIL ENGLISH, Pennsylvania	XAVIER BECERRA, California
WES WATKINS, Oklahoma	KAREN L. THURMAN, Florida
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JERRY WELLER, Illinois	EARL POMEROY, North Dakota
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KEVIN BRADY, Texas	
PAUL RYAN, Wisconsin	

