Public Law 95-30
95th Congress

An Act

May 23, 1977
[H.R. 3477]

To reduce individual and business income taxes and to provide tax simplification and reform.

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

Tax Reduction and Simplification Act of 1977.
26 USC 1 note.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reduction and Simplification Act of 1977".

(b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.
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SEC. 2. AMENDMENT OF 1954 CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954. 26 USC 1 *et seq.*

TITLE I—REDUCTION AND SIMPLIFICATION OF INDIVIDUAL INCOME TAXES

SEC. 101. CHANGE IN TAX RATES AND TAX TABLES TO REFLECT PERMANENT INCREASE IN STANDARD DEDUCTION.

(a) CHANGE IN TAX RATES.—Section 1 (relating to tax imposed) is amended to read as follows: 26 USC 1.

"SECTION 1. TAX IMPOSED.

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

"(1) every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and

"(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $3,200	No tax.
Over $3,200 but not over $4,200	14% of the excess over $3,200.
Over $4,200 but not over $5,200	$140, plus 15% of excess over $4,200.
Over $5,200 but not over $6,200	$290, plus 16% of excess over $5,200.
Over $6,200 but not over $7,200	$450, plus 17% of excess over $6,200.
Over $7,200 but not over $11,200	$620, plus 19% of excess over $7,200.
Over $11,200 but not over $15,200	$1,380, plus 22% of excess over $11,200.
Over $15,200 but not over $19,200	$2,260, plus 25% of excess over $15,200.
Over $19,200 but not over $23,200	$3,260, plus 28% of excess over $19,200.
Over $23,200 but not over $27,200	$4,380, plus 32% of excess over $23,200.
Over $27,200 but not over $31,200	$5,660, plus 36% of excess over $27,200.
Over $31,200 but not over $35,200	$7,100, plus 39% of excess over $31,200.
Over $35,200 but not over $39,200	$8,660, plus 42% of excess over $35,200.
Over $39,200 but not over $43,200	$10,340, plus 45% of excess over $39,200.
Over $43,200 but not over $47,200	$12,140, plus 48% of excess over $43,200.
Over $47,200 but not over $55,200	$14,060, plus 50% of excess over $47,200.

"If the taxable income is:	The tax is:
Over $55,200 but not over $67,200	$18,060, plus 53% of excess over $55,200.
Over $67,200 but not over $79,200	$24,420, plus 55% of excess over $67,200.
Over $79,200 but not over $91,200	$31,020, plus 58% of excess over $79,200.
Over $91,200 but not over $103,200	$37,980, plus 60% of excess over $91,200.
Over $103,200 but not over $123,200	$45,180, plus 62% of excess over $103,200.
Over $123,200 but not over $143,200	$57,580, plus 64% of excess over $123,200.
Over $143,200 but not over $163,200	$70,380, plus 66% of excess over $143,200.
Over $163,200 but not over $183,200	$83,580, plus 68% of excess over $163,200.
Over $183,200 but not over $203,200	$97,180, plus 69% of excess over $183,200.
Over $203,200	$110,980, plus 70% of excess over $203,200.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every individual who is the head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $2,200	No tax.
Over $2,200 but not over $3,200	14% of the excess over $2,200.
Over $3,200 but not over $4,200	$140, plus 16% of excess over $3,200.
Over $4,200 but not over $6,200	$300, plus 18% of excess over $4,200.
Over $6,200 but not over $8,200	$660, plus 19% of excess over $6,200.
Over $8,200 but not over $10,200	$1,040, plus 22% of excess over $8,200.
Over $10,200 but not over $12,200	$1,480, plus 23% of excess over $10,200.
Over $12,200 but not over $14,200	$1,940, plus 25% of excess over $12,200.
Over $14,200 but not over $16,200	$2,440, plus 27% of excess over $14,200.
Over $16,200 but not over $18,200	$2,980, plus 28% of excess over $16,200.
Over $18,200 but not over $20,200	$3,540, plus 31% of excess over $18,200.
Over $20,200 but not over $22,200	$4,160, plus 32% of excess over $20,200.
Over $22,200 but not over $24,200	$4,800, plus 35% of excess over $22,200.
Over $24,200 but not over $26,200	$5,500, plus 36% of excess over $24,200.
Over $26,200 but not over $28,200	$6,220, plus 38% of excess over $26,200.
Over $28,200 but not over $30,200	$6,980, plus 41% of excess over $28,200.
Over $30,200 but not over $34,200	$7,800, plus 42% of excess over $30,200.
Over $34,200 but not over $38,200	$9,480, plus 45% of excess over $34,200.
Over $38,200 but not over $40,200	$11,280, plus 48% of excess over $38,200.
Over $40,200 but not over $42,200	$12,240, plus 51% of excess over $40,200.
Over $42,200 but not over $46,200	$13,260, plus 52% of excess over $42,200.
Over $46,200 but not over $52,200	$15,340, plus 55% of excess over $46,200.

"If the taxable income is:	The tax is:
Over $52,200 but not over $54,200	$18,640, plus 56% of excess over $52,200.
Over $54,200 but not over $66,200	$19,760, plus 58% of excess over $54,200.
Over $66,200 but not over $72,200	$26,720, plus 59% of excess over $66,200.
Over $72,200 but not over $78,200	$30,260, plus 61% of excess over $72,200.
Over $78,200 but not over $82,200	$33,920, plus 62% of excess over $78,200.
Over $82,200 but not over $90,200	$36,400, plus 63% of excess over $82,200.
Over $90,200 but not over $102,200	$41,440, plus 64% of excess over $90,200.
Over $102,200 but not over $122,200	$49,120, plus 66% of excess over $102,200.
Over $122,200 but not over $142,200	$62,320, plus 67% of excess over $122,200.
Over $142,200 but not over $162,200	$75,720, plus 68% of excess over $142,200.
Over $162,200 but not over $182,200	$89,320, plus 69% of excess over $162,200.
Over $182,200	$103,120, plus 70% of excess over $182,200.

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $2,200	No tax.
Over $2,200 but not over $2,700	14% of the excess over $2,200.
Over $2,700 but not over $3,200	$70, plus 15% of excess over $2,700.
Over $3,200 but not over $3,700	$145, plus 16% of excess over $3,200.
Over $3,700 but not over $4,200	$225, plus 17% of excess over $3,700.
Over $4,200 but not over $6,200	$310, plus 19% of excess over $4,200.
Over $6,200 but not over $8,200	$690, plus 21% of excess over $6,200.
Over $8,200 but not over $10,200	$1,110, plus 24% of excess over $8,200.
Over $10,200 but not over $12,200	$1,590, plus 25% of excess over $10,200.
Over $12,200 but not over $14,200	$2,090, plus 27% of excess over $12,200.
Over $14,200 but not over $16,200	$2,630, plus 29% of excess over $14,200.
Over $16,200 but not over $18,200	$3,210, plus 31% of excess over $16,200.
Over $18,200 but not over $20,200	$3,830, plus 34% of excess over $18,200.
Over $20,200 but not over $22,200	$4,510, plus 36% of excess over $20,200.
Over $22,200 but not over $24,200	$5,230, plus 38% of excess over $22,200.
Over $24,200 but not over $28,200	$5,990, plus 40% of excess over $24,200.
Over $28,200 but not over $34,200	$7,590, plus 45% of excess over $28,200.
Over $34,200 but not over $40,200	$10,290, plus 50% of excess over $34,200.
Over $40,200 but not over $46,200	$13,290, plus 55% of excess over $40,200.
Over $46,200 but not over $52,200	$16,590, plus 60% of excess over $46,200.

"If the taxable income is:	The tax is:
Over $52,200 but not over $62,200	$20,190, plus 62% of excess over $52,200.
Over $62,200 but not over $72,200	$26,390, plus 64% of excess over $62,200.
Over $72,200 but not over $82,200	$32,790, plus 66% of excess over $72,200.
Over $82,200 but not over $92,200	$39,390, plus 68% of excess over $82,200.
Over $92,200 but not over $102,200	$46,190, plus 69% of excess over $92,200.
Over $102,200	$53,090, plus 70% of excess over $102,200.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013 a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,600	No tax.
Over $1,600 but not over $2,100	14% of the excess over $1,600.
Over $2,100 but not over $2,600	$70, plus 15% of excess over $2,100.
Over $2,600 but not over $3,100	$145, plus 16% of excess over $2,600.
Over $3,100 but not over $3,600	$225, plus 17% of excess over $3,100.
Over $3,600 but not over $5,600	$310, plus 19% of excess over $3,600.
Over $5,600 but not over $7,600	$690, plus 22% of excess over $5,600.
Over $7,600 but not over $9,600	$1,130, plus 25% of excess over $7,600.
Over $9,600 but not over $11,600	$1,630, plus 28% of excess over $9,600.
Over $11,600 but not over $13,600	$2,190, plus 32% of excess over $11,600.
Over $13,600 but not over $15,600	$2,830, plus 36% of excess over $13,600.
Over $15,600 but not over $17,600	$3,550, plus 39% of excess over $15,600.
Over $17,600 but not over $19,600	$4,330, plus 42% of excess over $17,600.
Over $19,600 but not over $21,600	$5,170, plus 45% of excess over $19,600.
Over $21,600 but not over $23,600	$6,070, plus 48% of excess over $21,600.
Over $23,600 but not over $27,600	$7,030, plus 50% of excess over $23,600.
Over $27,600 but not over $33,600	$9,030, plus 53% of excess over $27,600.
Over $33,600 but not over $39,600	$12,210, plus 55% of excess over $33,600.
Over $39,600 but not over $45,600	$15,510, plus 58% of excess over $39,600.
Over $45,600 but not over $51,600	$18,990, plus 60% of excess over $45,600.
Over $51,600 but not over $61,600	$22,590, plus 62% of excess over $51,600.
Over $61,600 but not over $71,600	$28,790, plus 64% of excess over $61,600.
Over $71,600 but not over $81,600	$35,190, plus 66% of excess over $71,600.
Over $81,600 but not over $91,600	$41,790, plus 68% of excess over $81,600.
Over $91,600 but not over $101,600	$48,590, plus 69% of excess over $91,600.
Over $101,600	$55,490, plus 70% of excess over $101,600.

"(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of every estate and trust taxable under this subsection a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $500	14% of the taxable income.
Over $500 but not over $1,000	$70, plus 15% of excess over $500.
Over $1,000 but not over $1,500	$145, plus 16% of excess over $1,000.
Over $1,500 but not over $2,000	$225, plus 17% of excess over $1,500.
Over $2,000 but not over $4,000	$310, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000	$690, plus 22% of excess over $4,000.
Over $6,000 but not over $8,000	$1,130, plus 25% of excess over $6,000.
Over $8,000 but not over $10,000	$1,630, plus 28% of excess over $8,000.
Over $10,000 but not over $12,000	$2,190, plus 32% of excess over $10,000.
Over $12,000 but not over $14,000	$2,830, plus 36% of excess over $12,000.
Over $14,000 but not over $16,000	$3,550, plus 39% of excess over $14,000.
Over $16,000 but not over $18,000	$4,330, plus 42% of excess over $16,000.
Over $18,000 but not over $20,000	$5,170, plus 45% of excess over $18,000.
Over $20,000 but not over $22,000	$6,070, plus 48% of excess over $20,000.
Over $22,000 but not over $26,000	$7,030, plus 50% of excess over $22,000.
Over $26,000 but not over $32,000	$9,030, plus 53% of excess over $26,000.
Over $32,000 but not over $38,000	$12,210, plus 55% of excess over $32,000.
Over $38,000 but not over $44,000	$15,510, plus 58% of excess over $38,000.
Over $44,000 but not over $50,000	$18,990, plus 60% of excess over $44,000.
Over $50,000 but not over $60,000	$22,590, plus 62% of excess over $50,000.
Over $60,000 but not over $70,000	$28,790, plus 64% of excess over $60,000.
Over $70,000 but not over $80,000	$35,190, plus 66% of excess over $70,000.
Over $80,000 but not over $90,000	$41,790, plus 68% of excess over $80,000.
Over $90,000 but not over $100,000	$48,590, plus 69% of excess over $90,000.
Over $100,000	$55,490, plus 70% of excess over $100,000."

(b) CHANGE IN TAX TABLES.—Section 3 (relating to tax tables for individuals having taxable income of less than $20,000) is amended to read as follows: 26 USC 3.

"SEC. 3. TAX TABLES FOR INDIVIDUALS.

"(a) IMPOSITION OF TAX TABLE TAX.—

"(1) IN GENERAL.—In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year on the tax table income of every individual whose tax table income for such year does not exceed the ceiling amount, a tax determined under tables, applicable to such taxable year, which shall be prescribed by *Ante*, p. 127.

the Secretary. In the tables so prescribed, the amounts of tax shall be computed on the basis of the rates prescribed by section 1.

Ante, p. 127.

"(2) CEILING AMOUNT DEFINED.—For purposes of paragraph (1), the term 'ceiling amount' means, with respect to any taxpayer, the amount (not less than $20,000) determined by the Secretary for the tax rate category in which such taxpayer falls.

"(3) CERTAIN TAXPAYERS WITH LARGE NUMBER OF EXEMPTIONS.—The Secretary may exclude from the application of this section taxpayers in any tax rate category having more than the number of exemptions for that category determined by the Secretary.

"(4) TAX TABLE INCOME DEFINED.—For purposes of this section, the term 'tax table income' means adjusted gross income—

"(A) reduced by the excess itemized deductions, and

"(B) increased (in the case of an individual to whom section 63(e) applies) by the unused zero bracket amount.

Post, p. 135.

"(b) SECTION INAPPLICABLE TO CERTAIN INDIVIDUALS.—This section shall not apply to—

"(1) an individual to whom—

"(A) section 911 (relating to earned income from sources without the United States),

"(B) section 1201 (relating to alternative capital gains tax),

"(C) section 1301 (relating to income averaging), or

"(D) section 1348 (relating to maximum rate on personal service income),

applies for the taxable year,

"(2) an individual making a return under section 443(a)(1) for a period of less than 12 months on account of a change in annual accounting period, and

"(3) an estate or trust.

"(c) TAX TREATED AS IMPOSED BY SECTION 1.—For purposes of this title, the tax imposed by this section shall be treated as tax imposed by section 1.

"(d) TAXABLE INCOME.—Whenever it is necessary to determine the taxable income of an individual to whom this section applies, the taxable income shall be determined under section 63.

"(e) CROSS REFERENCE.—

"For computation of tax by Secretary, see section 6014."

(c) CHANGES IN GENERAL TAX CREDIT.—

26 USC 42.

(1) Subsection (a) of section 42 (relating to allowance of general tax credit) is amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by section 1, or against the tax imposed in lieu of the tax imposed by section 1, for the taxable year an amount equal to the greater of—

"(1) 2 percent of so much of the taxpayer's taxable income for the taxable year (reduced by the zero bracket amount) as does not exceed $9,000; or

"(2) $35 multiplied by each exemption for which the taxpayer is entitled to a deduction for the taxable year under section 151."

(2) Section 42 is amended by adding at the end thereof the following new subsection:

"(e) INCOME TAX TABLES TO REFLECT CREDIT.—The tables prescribed by the Secretary under section 3 shall reflect the credit allowed by this section." *Ante*, p. 131.

(3) Subsection (c) of section 42 is amended to read as follows: 26 USC 42.

"(c) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—

"(1) IN GENERAL.—In the case of a married individual who files a separate return for the taxable year, the amount of the credit allowable under subsection (a) for the taxable year shall be the amount determined under paragraph (2) of subsection (a). *Ante*, p. 132.

"(2) MARITAL STATUS.—For purposes of this subsection, the determination of marital status shall be made under section 143."

(4) The first sentence of subsection (b) of section 42 is amended by striking out "by this chapter" and inserting in lieu thereof the following: "by section 1, or the amount of the tax imposed in lieu of the tax imposed by section 1,". *Ante*, p. 127.

(d) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 141 (relating to standard deduction), section 142 (relating to individuals not eligible for standard deduction), section 144 (relating to election of standard deduction), and section 145 (cross reference) are hereby repealed. Repeals. 26 USC 141, 142. 26 USC 144. 26 USC 145.

(2) Section 21 (relating to effect of changes) is amended— 26 USC 21.

(A) by striking out subsections (d) and (e),

(B) by redesignating subsection (f) as subsection (d), and

(C) by inserting after subsection (d) (as so redesignated) the following new subsection:

"(e) CHANGES MADE BY TAX REDUCTION AND SIMPLIFICATION ACT OF 1977.—In applying subsection (a) to a taxable year of an individual which is not a calendar year, the amendments made by sections 101 and 102 of the Tax Reduction and Simplification Act of 1977 shall not be treated as changes in a rate of tax."

(3) Section 36 (relating to credits not allowed to individuals taking standard deduction) is hereby repealed. Repeal. 26 USC 36.

(4) Section 143 (relating to determination of marital status) is amended by striking out "this part and" each place it appears. 26 USC 143.

(5) (A) Paragraph (1) of section 57(a) (relating to items of tax preference) is amended by striking out "excess" in the heading and text and inserting in lieu thereof "adjusted". 26 USC 57.

(B) The heading of subsection (b) of section 57, and so much of paragraph (1) of such subsection as precedes subparagraph (A), are each amended by striking out "excess" and inserting in lieu thereof "adjusted".

(C) Paragraph (1) of section 57(b) is amended—

(i) by striking out subparagraph (B), and

(ii) by redesignating subparagraphs (C) through (E) as subparagraphs (B) through (D), respectively.

(6) Paragraph (1) of section 511(b) (relating to tax on unrelated business income of charitable, etc., trusts) is amended by striking out "section 1(d)" and inserting in lieu thereof "section 1(e)". 26 USC 511.

(7) Subsection (d) of section 584 (relating to common trust funds) is amended— 26 USC 584.

(A) by inserting "and" at the end of paragraph (2),

(B) by striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period, and

(C) by striking out paragraph (4).

26 USC 641.

(8) Subsection (a) of section 641 (relating to imposition of tax for estates and trusts) is amended by striking out "section 1(d)" and inserting in lieu thereof "section 1(e)".

Ante, p. 131.

26 USC 642.

(9) Subsection (k) of section 642 (relating to special rules for credits and deductions of estate or trust) is amended to read as follows:

"(k) CROSS REFERENCE.—

"For special rule for determining the time of receipt of dividends by a beneficiary under section 652 or 662, see section 116(c)(3)."

26 USC 703.

(10) Subsection (a)(2) of section 703 (relating to partnership income and deductions) is amended—

(A) by striking out subparagraph (A), and

(B) by redesignating subparagraphs (B) through (G) as subparagraphs (A) through (F), respectively.

26 USC 873.

(11) Subsection (c) of section 873 (relating to deductions in the case of nonresident alien individuals) is amended to read as follows:

"(c) CROSS REFERENCE.—

"For rule that certain foreign taxes are not to be taken into account in determining deduction or credit, see section 906(b)(1)."

Repeal.
26 USC 931.

(12) Paragraph (3) of section 931(d) (relating to deductions in computing income from sources within possessions of the United States) is hereby repealed.

26 USC 6014.

(13) Subsection (a) of section 6014 (relating to tax not computed by taxpayer) is amended—

(A) by striking out "entitled to take" through "section 141(e))" in the first sentence thereof and inserting in lieu thereof "who does not itemize his deductions and who does not have an unused zero bracket amount (determined under section 63(e)),", and

Post, p. 135.

(B) by striking out "and shall constitute an election to take the standard deduction" in the second sentence thereof.

26 USC 6014.

(14) Paragraph (4) of section 6014(b) (relating to regulations) is amended to read as follows:

"(4) to cases where the taxpayer itemizes his deductions or has an unused zero bracket amount."

26 USC 6212.

(15) Subparagraph (A) of section 6212(c)(2) (relating to further deficiency letters restricted) is amended to read as follows:

"(A) Deficiency attributable to change of treatment with respect to itemized deductions and zero bracket amount, see section 63(g)(5)."

26 USC 6504.

(16) Paragraph (2) of section 6504 (relating to cross references) is amended to read as follows:

"(2) Change of treatment with respect to itemized deductions and zero bracket amount where taxpayer and his spouse make separate returns, see section 63(g)(5)."

(e) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable against tax) is amended by striking out the item relating to section 36.

(2) The heading and table of sections for part IV of subchapter B of chapter 1 (relating to standard deduction for individuals) are amended to read as follows:

"PART IV—DETERMINATION OF MARITAL STATUS

"Sec. 143. Determination of marital status."

(3) The table of parts for subchapter B of chapter 1 (relating to computation of taxable income) is amended by striking out the item relating to part IV and inserting in lieu thereof the following:

"Part IV. Determination of marital status."

SEC. 102. CHANGE IN DEFINITION OF TAXABLE INCOME TO REFLECT CHANGE IN TAX RATES AND TABLES.

(a) TAXABLE INCOME DEFINED.—Section 63 (defining taxable income) is amended to read as follows: 26 USC 63.

"SEC. 63. TAXABLE INCOME DEFINED.

"(a) CORPORATIONS.—For purposes of this subtitle, in the case of a corporation, the term 'taxable income' means gross income minus the deductions allowed by this chapter.

"(b) INDIVIDUALS.—For purposes of this subtitle, in the case of an individual, the term 'taxable income' means adjusted gross income—

"(1) reduced by the sum of—

"(A) the excess itemized deductions, and

"(B) the deductions for personal exemptions provided by section 151, and

"(2) increased (in the case of an individual for whom an unused zero bracket amount computation is provided by subsection (e)) by the unused zero bracket amount (if any).

"(c) EXCESS ITEMIZED DEDUCTIONS.—For purposes of this subtitle, the term 'excess itemized deductions' means the excess (if any) of— "Excess itemized deductions."

"(1) the itemized deductions, over

"(2) the zero bracket amount.

"(d) ZERO BRACKET AMOUNT.—For purposes of this subtitle, the term 'zero bracket amount' means— "Zero bracket amount."

"(1) $3,200 in the case of—

"(A) a joint return under section 6013, or

"(B) a surviving spouse (as defined in section 2(a)),

"(2) $2,200 in the case of an individual who is not married and who is not a surviving spouse (as so defined),

"(3) $1,600 in the case of a married individual filing a separate return, or

"(4) zero in any other case.

"(e) UNUSED ZERO BRACKET AMOUNT.—

"(1) INDIVIDUALS FOR WHOM COMPUTATION MUST BE MADE.—A computation for the taxable year shall be made under this subsection for the following individuals:

"(A) a married individual filing a separate return where either spouse itemizes deductions,

"(B) a nonresident alien individual,

"(C) a citizen of the United States entitled to the benefits of section 931 (relating to income from sources within possessions of the United States), and

"(D) an individual with respect to whom a deduction under section 151(e) is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins.

"(2) COMPUTATION.—For purposes of this subtitle, an individual's unused zero bracket amount for the taxable year is an amount equal to the excess (if any) of—

"(A) the zero bracket amount, over

"(B) the itemized deductions.

In the case of an individual referred to in paragraph (1)(D), if such individual's earned income (as defined in section 911(b)) exceeds the itemized deductions, such earned income shall be substituted for the itemized deductions in subparagraph (B).

"Itemized deductions."

"(f) ITEMIZED DEDUCTIONS.—For purposes of this subtitle, the term 'itemized deductions' means the deductions allowable by this chapter other than—

"(1) the deductions allowable in arriving at adjusted gross income, and

"(2) the deductions for personal exemptions provided by section 151.

"(g) ELECTION TO ITEMIZE.—

"(1) IN GENERAL.—Unless an individual makes an election under this subsection for the taxable year, no itemized deduction shall be allowed for the taxable year. For purposes of this subtitle, the determination of whether a deduction is allowable under this chapter shall be made without regard to the preceding sentence.

"(2) WHO MAY ELECT.—Except as provided in paragraph (3), an individual may make an election under this subsection for the taxable year only if such individual's itemized deductions exceed the zero bracket amount.

"(3) CERTAIN INDIVIDUALS TREATED AS ELECTING TO ITEMIZE.—An individual who has an unused zero bracket amount (as determined under subsection (e)(2)) shall be treated as having made an election under this subsection for the taxable year.

"(4) TIME AND MANNER OF ELECTION.—Any election under this subsection shall be made on the taxpayer's return, and the Secretary shall prescribe the manner of signifying such election on the return.

"(5) CHANGE OF TREATMENT.—Under regulations prescribed by the Secretary, a change of treatment with respect to the zero bracket amount and itemized deductions for any taxable year may be made after the filing of the return for such year. If the spouse of the taxpayer filed a separate return for any taxable year corresponding to the taxable year of the taxpayer, the change shall not be allowed unless, in accordance with such regulations—

"(A) the spouse makes a change of treatment with respect to the zero bracket amount and itemized deductions, for the taxable year covered in such separate return, consistent with the change of treatment sought by the taxpayer, and

"(B) the taxpayer and his spouse consent in writing to the assessment, within such period as may be agreed on with the Secretary, of any deficiency, to the extent attributable to such change of treatment, even though at the time of the filing of such consent the assessment of such deficiency would otherwise be prevented by the operation of any law or rule of law.

This paragraph shall not apply if the tax liability of the taxpayer's spouse, for the taxable year corresponding to the taxable year of the taxpayer, has been compromised under section 7122.

"(h) MARITAL STATUS.—For purposes of this section, marital status shall be determined under section 143."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 161 (relating to allowance of deductions) is amended by striking out "section 63(a)" and inserting in lieu thereof "section 63". 26 USC 161. *Ante*, p. 135.

(2) Subsection (d) of section 172 (relating to modifications in determining net operating loss) is amended by adding at the end thereof the following new paragraph: 26 USC 172.

"(8) ZERO BRACKET AMOUNT.—In the case of a taxpayer other than a corporation, the zero bracket amount shall be treated as a deduction allowed by this chapter. For purposes of subsection (c)—

"(A) the deduction provided by the preceding sentence shall be in lieu of any itemized deductions of the taxpayer, and

"(B) such sentence shall not apply to an individual who elects to itemize deductions.".

(3) Section 211 (relating to allowance of deductions) is amended by striking out "section 63(a)" and inserting in lieu thereof "section 63". 26 USC 211.

(4) Subparagraph (C) of section 402(e)(1) (relating to imposition of separate tax on lump sum distributions) is amended by striking out "amount equal to one-tenth of the excess of" and inserting in lieu thereof "amount equal to $2,200 plus one-tenth of the excess of". 26 USC 402.

(5) Clause (iii) of section 441(f)(2)(B) (relating to change in accounting period) is amended to read as follows: 26 USC 441.

"(iii) if such change results in a short period to which subsection (b) of section 443 applies, the taxable income for such short period shall be placed on an annual basis for purposes of such subsection by multiplying the gross income for such short period (minus the deductions allowed by this chapter for the short period, but only the adjusted amount of the deductions for personal exemptions as described in section 443(c)) by 365, by dividing the result by the number of days in the short period, and by adding the zero bracket amount, and the tax shall be the same part of the tax computed on the annual basis as the number of days in the short period is of 365 days." *Infra.*

(6) Paragraph (1) of section 443(b) (relating to computation of tax on change of annual accounting period) is amended to read as follows: 26 USC 443.

"(1) GENERAL RULE.—If a return is made under paragraph (1) of subsection (a), the taxable income for the short period shall be placed on an annual basis by multiplying the gross income for such short period (minus the deductions allowed by this chapter for the short period, but only the adjusted amount of the deductions for personal exemptions) by 12, dividing the result by the number of months in the short period, and adding the zero bracket

amount. The tax shall be the same part of the tax computed on the annual basis as the number of months in the short period is of 12 months."

26 USC 613A.

(7) Paragraph (1) of section 613A(d) (relating to limitation on percentage depletion based on taxable income) is amended by inserting "(reduced in the case of an individual by the zero bracket amount)" after "the taxpayer's taxable income".

26 USC 667.

(8) Paragraph (2) of section 667(b) (relating to tax on amount deemed distributed by trust in preceding years) is amended to read as follows:

"(2) TREATMENT OF LOSS YEARS.—For purposes of paragraph (1), the taxable income of the beneficiary for any taxable year shall be deemed to be not less than—

"(A) in the case of a beneficiary who is an individual, the zero bracket amount for such year, or

"(B) in the case of a beneficiary who is a corporation, zero."

26 USC 861.

(9) Subsection (b) of section 861 (relating to income from sources within the United States) is amended by adding at the end thereof the following new sentence: "In the case of an individual who does not itemize deductions, an amount equal to the zero bracket amount shall be considered a deduction which cannot definitely be allocated to some item or class of gross income."

26 USC 862.

(10) Subsection (b) of section 862 (relating to income from sources without the United States) is amended by adding at the end thereof the following new sentence: "In the case of an individual who does not itemize deductions, an amount equal to the zero bracket amount shall be considered a deduction which cannot definitely be allocated to some item or class of gross income."

26 USC 904.

(11) Subsection (a) of section 904 (relating to limitation on foreign tax credit) is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, in the case of an individual the entire taxable income shall be reduced by an amount equal to the zero bracket amount."

26 USC 911.

(12) Subparagraph (B) of section 911(d)(1) (relating to computation of tax where there is earned income from sources without the United States) is amended to read as follows:

Ante, p. 127.

"(B) the tax imposed by section 1 or section 1201 (whichever is applicable) on the sum of—

"(i) the amount of net excluded earned income, and

"(ii) the zero bracket amount."

26 USC 1034.

(13) Clause (i) of section 1034(b)(2)(C) (relating to limitations on sales price adjustment) is amended by striking out "section 63(a)" and inserting in lieu thereof "section 63".

Ante, p. 135.

26 USC 1211.

(14) Subparagraph (A) of section 1211(b)(1) (relating to limitation on capital losses) is amended to read as follows:

"(A) the taxable income for the taxable year reduced (but not below zero) by the zero bracket amount,".

26 USC 1302.

(15) Section 1302(b) (defining average base period income) is amended by adding at the end thereof the following new paragraph:

"(3) TRANSITIONAL RULE FOR DETERMINING BASE PERIOD INCOME.—The base period income (determined under paragraph (2)) for any taxable year beginning before January 1, 1977, shall be increased by the amount of the taxpayer's zero bracket amount for the computation year."

(16) Subparagraph (A) of section 6654(d)(2) (relating to annualized taxable income) is amended to read as follows: 26 USC 6654.

"(A) The taxable income shall be placed on an annualized basis under regulations prescribed by the Secretary.".

SEC. 103. EXTENSION OF INDIVIDUAL INCOME TAX REDUCTIONS.

(a) General Tax Credit.—Section 3(b) of the Revenue Adjustment Act of 1975, as amended by section 401(a) of the Tax Reform Act of 1976, is amended by striking out "December 31, 1977" and inserting in lieu thereof "December 31, 1978". 26 USC 42 note.

(b) Earned Income Credit.—Section 209(b) of the Tax Reduction Act of 1975, as amended by section 401(c) of the Tax Reform Act of 1976, is amended by striking out "January 1, 1978" and inserting in lieu thereof "January 1, 1979". 26 USC 43 note.

(c) Technical Amendment.—Subsection (e) of section 401 of the Tax Reform Act of 1976 is amended by striking out the first sentence and inserting in lieu thereof the following new sentences: "The amendments made by subsection (a) shall apply to taxable years ending after December 31, 1975, and shall cease to apply to taxable years ending after December 31, 1978. The amendments made by subsection (c) shall apply to taxable years ending after December 31, 1975, and shall cease to apply to taxable years beginning after December 31, 1978." 26 USC 42 note.

SEC. 104. CHANGE IN FILING REQUIREMENTS.

Paragraph (1) of section 6012(a) (relating to persons required to make returns of income) is amended to read as follows: 26 USC 6012.

"(1)(A) Every individual having for the taxable year a gross income of $750 or more, except that a return shall not be required of an individual (other than an individual described in subparagraph (C))—

"(i) who is not married (determined by applying section 143), is not a surviving spouse (as defined in section 2(a)), and for the taxable year has a gross income of less than $2,950,

"(ii) who is a surviving spouse (as so defined) and for the taxable year has a gross income of less than $3,950, or

"(iii) who is entitled to make a joint return under section 6013 and whose gross income, when combined with the gross income of his spouse, is, for the taxable year, less than $4,700, but only if such individual and his spouse, at the close of the taxable year, had the same household as their home.

Clause (iii) shall not apply if for the taxable year such spouse makes a separate return or any other taxpayer is entitled to an exemption for such spouse under section 151(e).

"(B) The amount specified in clause (i) or (ii) of subparagraph (A) shall be increased by $750 in the case of an individual entitled to an additional personal exemption under section 151(c)(1), and the amount specified in clause (iii) of subparagraph (A) shall be increased by $750 for each additional personal exemption to which the individual or his spouse is entitled under section 151(c).

"(C) The exception under subparagraph (A) shall not apply to—

"(i) a nonresident alien individual;

"(ii) a citizen of the United States entitled to the benefits of section 931;

"(iii) an individual making a return under section 443(a)(1) for a period of less than 12 months on account of a change in his annual accounting period;

"(iv) an individual who has income (other than earned income) of $750 or more and who is described in section 63(e)(1)(D); or

Ante, p. 135.

"(v) an estate or trust."

SEC. 105. WITHHOLDING TAX.

26 USC 3402.

(a) IN GENERAL.—Subsection (a) of section 3402 (relating to income taxes collected at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables prescribed by the Secretary. With respect to wages paid after May 31, 1977, and before January 1, 1979, the tables so prescribed shall be the same as the tables prescribed under this subsection which were in effect on January 1, 1976; except that such tables shall be modified to the extent necessary so that, had they been in effect for all of 1977, they would reflect the full year effect of the amendments made by sections 101 and 102 of the Tax Reduction and Simplification Act of 1977. With respect to wages paid after December 31, 1978, the tables so prescribed shall be the same as the tables prescribed under this subsection which were in effect on January 1, 1975, except that such tables shall be modified to the extent necessary to reflect the amendments made by sections 101 and 102 of the Tax Reduction and Simplification Act of 1977. For purposes of applying such tables, the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table prescribed under subsection (b)(1)."

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

26 USC 3402.

(1) Paragraph (1) of section 3402(f) (relating to withholding exemptions) is amended—

(A) by striking out "a standard deduction" in subparagraph (G) and inserting in lieu thereof "a zero bracket", and

(B) by striking out "standard deduction" in the sentence following subparagraph (G) and inserting in lieu thereof "zero bracket".

(2) Subparagraph (B) of section 3402(m)(1) (relating to withholding allowances based on itemized deductions) is amended to read as follows:

"(B) an amount equal to $3,200 ($2,200 in the case of an individual who is not married (within the meaning of section 143) and who is not a surviving spouse (as defined in section 2(a)))."

(3) Section 3402(m)(2) (relating to definitions) is amended—

(A) by striking out "sections 141 and" in subparagraph (A) and inserting in lieu thereof "section",

(B) by striking out "(or the amount of the standard deduction)" in subparagraph (A) and inserting in lieu thereof "(or the zero bracket amount (within the meaning of section 63(d)))", and

(C) by striking out "(or the standard deduction)" in subparagraph (C) and inserting in lieu thereof "(or the zero bracket amount)".

SEC. 106. EFFECTIVE DATES.

(a) GENERAL RULE.—The amendments made by sections 101, 102, and 104 shall apply to taxable years beginning after December 31, 1976. 26 USC 1 note.

(b) WITHHOLDING AMENDMENTS.—The amendments made by section 105 shall apply to wages paid after April 30, 1977. 26 USC 3402 note.

TITLE II—REDUCTION IN BUSINESS TAXES

SEC. 201. EXTENSION OF CERTAIN CORPORATE INCOME TAX REDUCTIONS.

The following provisions are each amended by striking out "December 31, 1977" and inserting in lieu thereof "December 31, 1978" and by striking out "January 1, 1978" and inserting in lieu thereof "January 1, 1979":

(1) section 11(b) (relating to normal tax); 26 USC 11.

(2) section 11(d) (relating to surtax exemption);

(3) section 821(a)(1) (relating to mutual insurance companies); and 26 USC 821.

(4) section 821(c)(1)(A) (relating to alternative tax for certain small companies).

SEC. 202. NEW JOBS CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting after section 44A the following new section:

"SEC. 44B. CREDIT FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES. 26 USC 44B.

"(a) GENERAL RULE.—There shall be allowed as a credit against the tax imposed by this chapter the amount determined under subpart D of this part.

"(b) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart D."

(b) RULES FOR COMPUTING CREDIT.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

"Subpart D—Rules for Computing Credit for Employment of Certain New Employees

"Sec. 51. Amount of credit.
"Sec. 52. Special rules.
"Sec. 53. Limitation based on amount of tax.

"SEC. 51. AMOUNT OF CREDIT. 26 USC 51.

"(a) DETERMINATION OF AMOUNT.—The amount of the credit allowable by section 44B shall be— *Supra.*

"(1) for a taxable year beginning in 1977, an amount equal to 50 percent of the excess of the aggregate unemployment insurance wages paid during 1977 over 102 percent of the aggregate unemployment insurance wages paid during 1976, and

"(2) for a taxable year beginning in 1978, an amount equal to 50 percent of the excess of the aggregate unemployment insurance wages paid during 1978 over 102 percent of the aggregate unemployment insurance wages paid during 1977.

"(b) MINIMUM PRECEDING YEAR WAGES.—For purposes of determining the amount of the credit under subsection (a) with respect to 1977 or 1978, 102 percent of the amount of the aggregate unemployment insurance wages paid during the preceding calendar year shall be deemed to be not less than 50 percent of the amount of such wages paid during 1977 or 1978, as the case may be.

"(c) TOTAL WAGES MUST INCREASE.—The amount of the credit allowable by section 44B for any taxable year shall not exceed the amount which would be determined for such year under subsection (a) (without regard to subsection (b)) if—

Ante, p. 141.

"(1) the aggregate amounts taken into account as unemployment insurance wages were determined without any dollar limitation, and

"(2) '105 percent' were substituted for '102 percent' in the appropriate paragraph of subsection (a).

"(d) $100,000 PER YEAR LIMITATION ON CREDIT.—Except as provided in subsection (e), the amount of the credit determined under this subpart for any employer (and the amount of the credit allowable by section 44B to any taxpayer) with respect to any calendar year shall not exceed $100,000.

"(e) ADDITIONAL 10 PERCENT CREDIT FOR VOCATIONAL REHABILITATION REFERRALS.—

"(1) IN GENERAL.—The amount of the credit allowable by section 44B for any taxable year beginning in 1977 or 1978 (determined without regard to this subsection) shall be increased by an amount equal to 10 percent of the unemployment insurance wages paid by the employer to vocational rehabilitation referrals during the calendar year in which such taxable year begins.

"(2) ONLY FIRST YEAR TAKEN INTO ACCOUNT.—For purposes of this subsection, unemployment insurance wages may be taken into account with respect to any individual—

"(A) only to the extent attributable to services rendered during the 1-year period beginning with his first payment of wages by the employer after the beginning of such individual's rehabilitation plan, and

"(B) only if such first payment occurs after December 31, 1976.

"(3) ONLY FIRST $4,200 OF WAGES TAKEN INTO ACCOUNT FOR ANY INDIVIDUAL.—For purposes of this subsection, the unemployment insurance wages paid during 1978 which are taken into account with respect to any individual shall not exceed $4,200 reduced by the amount of unemployment insurance wages paid by the employer to such individual during 1977.

"(4) 20-PERCENT LIMITATION.—The amount of the credit allowable by reason of this subsection for any taxable year shall not exceed one-fifth of the credit determined for such year under this section without regard to this subsection and subsection (d).

"(f) DEFINITIONS—For purposes of this subpart—

"(1) UNEMPLOYMENT INSURANCE WAGES.—Except as otherwise provided in this subpart, the term 'unemployment insurance wages' has the meaning given to the term 'wages' by section 3306(b), except that, in the case of amounts paid during 1978, '$4,200' shall be substituted for '$6,000' each place it appears in section 3306(b).

"(2) AGRICULTURAL LABOR.—If the services performed by any employee for an employer during more than one-half of any pay period (within the meaning of section 3306(d)) taken into account with respect to any calendar year constitute agricultural labor (within the meaning of section 3306(k)), the term 'unemployment insurance wages' means, with respect to the remuneration paid by the employer to such employee for such year, an amount equal to so much of such remuneration as constitutes 'wages' within the meaning of section 3121(a), except that the contribution and benefit base for each calendar year shall be deemed to be $4,200.

"(3) RAILWAY LABOR.—If more than one-half of the remuneration paid by an employer to an employee during the calendar year is remuneration for service described in section 3306(c)(9), the term 'unemployment insurance wages' means, with respect to such employee for such year, an amount equal to 7/8 of so much of the remuneration paid to such employee during such year as is subject to contributions under section 8(a) of the Railroad Unemployment Insurance Act (45 U.S.C. 358(a)).

"(4) VOCATIONAL REHABILITATION REFERRAL.—The term 'vocational rehabilitation referral' means any individual who—

"(A) has a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment, and

"(B) has been referred to the employer upon completion of (or while receiving) rehabilitative services pursuant to—

"(i) an individualized written rehabilitation plan under a State plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, or 29 USC 701 note.

"(ii) a program of vocational rehabilitation carried out under chapter 31 of title 38, United States Code. 38 USC 1501.

"(g) RULES FOR APPLICATION OF SECTION.—For purposes of this subpart—

"(1) REMUNERATION MUST BE FOR TRADE OR BUSINESS EMPLOYMENT WITHIN UNITED STATES.—Remuneration paid by an employer to an employee during any calendar year shall be taken into account only if more than one-half of the remuneration so paid is for services performed in the United States in a trade or business of the employer.

"(2) SPECIAL RULE FOR CERTAIN DETERMINATIONS.—Any determination as to whether paragraph (1) of this subsection, or paragraph (2) or (3) of subsection (f), applies with respect to any employee for any calendar year shall be made without regard to subsections (a) and (b) of section 52.

"SEC. 52. SPECIAL RULES. 26 USC 52.

"(a) CONTROLLED GROUP OF CORPORATIONS.—For purposes of this subpart, all employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by

a single employer. In any such case, the credit (if any) allowable by section 44B to each such member shall be its proportionate contribution to the increase in unemployment insurance wages giving rise to such credit. For purposes of this subsection, the term 'controlled group of corporations' has the meaning given to such term by section 1563 (a), except that—

Ante, p. 141.

"Controlled group of corporations."

"(1) 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a)(1), and

"(2) the determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of section 1563.

Regulations.

"(b) EMPLOYEES OF PARTNERSHIPS, PROPRIETORSHIPS, ETC., WHICH ARE UNDER COMMON CONTROL.—For purposes of this subpart, under regulations prescribed by the Secretary—

"(1) all employees of trades or business (whether or not incorporated) which are under common control shall be treated as employed by a single employer, and

"(2) the credit (if any) allowable by section 44B with respect to each trade or business shall be its proportionate contribution to the increase in unemployment insurance wages giving rise to such credit.

The regulations prescribed under this subsection shall be based on principles similar to the principles which apply in the case of subsection (a).

Regulations.

"(c) ADJUSTMENTS FOR CERTAIN ACQUISITIONS, ETC.—Under regulations prescribed by the Secretary—

"(1) ACQUISITIONS.—If, after December 31, 1975, an employer acquires the major portion of a trade or business of another person (hereinafter in this paragraph referred to as the 'precedessor') or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this subpart for any calendar year ending after such acquisition, the amount of unemployment insurance wages deemed paid by the employer during periods before such acquisition shall be increased by so much of such wages paid by the precedessor with respect to the acquired trade or business as is attributable to the portion of such trade or business acquired by the employer.

"(2) DISPOSITIONS.—If, after December 31, 1975—

"(A) an employer disposes of the major portion of any trade or business of the employer or the major portion of a separate unit of a trade or business of the employer in a transaction to which paragraph (1) applies, and

"(B) the employer furnishes the acquiring person such information as is necessary for the application of paragraph (1),

then, for purposes of applying this subpart for any calendar year ending after such disposition, the amount of unemployment insurance wages deemed paid by the employer during periods before such disposition shall be decreased by so much of such wages as is attributable to such trade or business or separate unit.

"(d) TAX-EXEMPT ORGANIZATIONS.—No credit shall be allowed under section 44B to any organization (other than a cooperative described in section 521) which is exempt from income tax under this chapter.

"(e) CHANGE IN STATUS FROM SELF-EMPLOYED TO EMPLOYEE.—If—

"(1) during 1976 or 1977 an individual has net earnings from self-employment (as defined in section 1402(a)) which are attributable to a trade or business, and

"(2) for any portion of the succeeding calendar year such individual is an employee of such trade or business,

then, for purposes of determining the credit allowable for a taxable year beginning in such succeeding calendar year, the employer's aggregate unemployment insurance wages for 1976 or 1977, as the case may be, shall be increased by an amount equal to so much of the net earnings referred to in paragraph (1) as does not exceed $4,200.

"(f) SUBCHAPTER S CORPORATIONS.—In the case of an electing small business corporation (as defined in section 1371)—

"(1) the amount of the credit determined under this subpart for any taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

"(2) any person to whom an amount is apportioned under paragraph (1) shall be allowed, subject to section 53, a credit under section 44B for such amount.

Ante, p. 141.

"(g) ESTATES AND TRUSTS.—In the case of an estate or trust—

"(1) the amount of the credit determined under this subpart for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each,

"(2) any beneficiary to whom any amount has been apportioned under paragraph (1) shall be allowed, subject to section 53, a credit under section 44B for such amount, and

"(3) the $100,000 amount specified in section 51(d) applicable to such estate or trust shall be reduced to an amount which bears the same ratio to $100,000 as the portion of the credit allocable to the estate or trust under paragraph (1) bears to the entire amount of such credit.

"(h) LIMITATIONS WITH RESPECT TO CERTAIN PERSONS.—Under regulations prescribed by the Secretary, in the case of—

Regulations.

"(1) an organization to which section 593 (relating to reserves for losses on loans) applies,

"(2) a regulated investment company or a real estate investment trust subject to taxation under subchapter M (section 851 and following), and

"(3) a cooperative organization described in section 1381(a),

rules similar to the rules provided in section 46(e) shall apply in determining the amount of the credit under this subpart.

"(i) $50,000 LIMITATION IN THE CASE OF MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—In the case of a husband or wife who files a separate return, the limitation under section 51(d) shall be $50,000 in lieu of $100,000. This subsection shall not apply if the spouse of the taxpayer has no interest in a trade or business for the taxable year of such spouse which ends within or with the taxpayer's taxable year.

"(j) CERTAIN SHORT TAXABLE YEARS.—If the employer has more than one taxable year beginning in 1977 or 1978, the credit under this subpart shall be determined for the employer's last taxable year beginning in 1977 or 1978, as the case may be.

26 USC 53.

"SEC. 53. LIMITATION BASED ON AMOUNT OF TAX.

"(a) GENERAL RULE.—Notwithstanding section 51, the amount of the credit allowed by section 44B for the taxable year shall not exceed the amount of the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under—

Ante, p. 141.

"(1) section 33 (relating to foreign tax credit),

"(2) section 37 (relating to credit for the elderly),

"(3) section 38 (relating to investment in certain depreciable property),

"(4) section 40 (relating to expenses of work incentive programs),

"(5) section 41 (relating to contributions to candidates for public office),

Ante, p. 132.

"(6) section 42 (relating to general tax credit), and

"(7) section 44A (relating to expenses for household and dependent care services necessary for gainful employment).

For purposes of this subsection, any tax imposed for the taxable year by section 56 (relating to minimum tax for tax preferences), section 72(m)(5)(B) (relating to 10 percent tax on premature distributions to owner-employees), section 408(f) (relating to additional tax on income from certain retirement accounts), section 402(e) (relating to tax on lump-sum distributions), section 531 (relating to accumulated earnings tax), section 541 (relating to personal holding company tax), or section 1378 (relating to tax on certain capital gains of subchapter S corporations), and any additional tax imposed for the taxable year by section 1351(d)(1) (relating to recoveries of foreign expropriation losses), shall not be considered tax imposed by this chapter for such year.

"(b) SPECIAL RULE FOR PASS-THRU OF CREDIT.—In the case of a partner in a partnership, a beneficiary of an estate or trust, and a shareholder in a subchapter S corporation, the limitation provided by subsection (a) for the taxable year shall not exceed a limitation separately computed with respect to such person's interest in such entity by taking an amount which bears the same relationship to such limitation as—

"(1) that portion of the person's taxable income which is allocable or apportionable to the person's interest in such entity, bears to

"(2) the person's taxable income for such year reduced by his zero bracket amount (determined under section 63(d)), if any.

Ante, p. 135.

"(c) CARRYBACK AND CARRYOVER OF UNUSED CREDIT.—

"(1) ALLOWANCE OF CREDIT.—If the amount of the credit determined under section 51 for any taxable year exceeds the limitation provided by subsection (a) for such taxable year (hereinafter in this subsection referred to as the 'unused credit year'), such excess shall be—

Ante, p. 141.

"(A) a new employee credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) a new employee credit carryover to each of the 7 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 44B for such years. If any portion of such excess is a carryback to a taxable year beginning before January 1, 1977, section 44B shall be deemed to have been in effect for such taxable year for purposes

of allowing such carryback as a credit under such section. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 10 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 9 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) LIMITATION.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a) for such taxable year exceeds the sum of—

"(A) the credit allowable under section 44B for such taxable year, and *Ante*, p. 141.

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and which are attributable to taxable years preceding the unused credit year."

(c) DEDUCTION FOR WAGES PAID REDUCED BY AMOUNT OF CREDIT.—

(1) IN GENERAL.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 280C. PORTION OF WAGES FOR WHICH CREDIT IS CLAIMED UNDER SECTION 44B. 26 USC 280C.

"No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 44B (relating to credit for employment of certain new employees) determined without regard to the provisions of section 53 (relating to limitation based on amount of tax). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this section shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.". *Ante*, p. 146. *Ante*, p. 143.

(2) CLERICAL AMENDMENT.—The table of sections for such part is amended by adding at the end thereof the following new item:

"Sec. 280C. Portion of wages for which credit is claimed under section 44B."

(d) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) CLERICAL AMENDMENTS.—

(A) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 44A the following new item:

"Sec. 44B. Credit for employment of certain new employees."

(B) The table of subparts for part IV of subchapter A of chapter 1 is amended by adding at the end thereof the following new item:

"Subpart D. Rules for computing credit for employment of certain new employees."

(2) MINIMUM TAX.—

26 USC 56.

(A) Section 56(c) (defining regular tax deduction) is amended by striking out "and" at the end of paragraph (7), by striking out the period at the end of paragraph (8) and inserting in lieu thereof ", and", and by adding at the end thereof the following new paragraph:

Ante, p. 141.

"(9) section 44B (relating to credit for employment of certain new employees)."

(B) Subparagraph (A) of section 56(e)(1) (relating to tax carryover for timber) is amended—

(i) by striking out "and" at the end of clause (ii),

(ii) by striking out "exceed" at the end of clause (iii) and inserting in lieu thereof "and", and

(iii) by inserting after clause (iii) the following new clause:

"(iv) section 44B (relating to credit for employment of certain new employees), exceed".

(3) CORPORATE REORGANIZATIONS.—

26 USC 381.

(A) Subsection (c) of section 381 (relating to items of the distributor or transferor corporation) is amended by adding at the end thereof the following new paragraph:

"(26) CREDIT UNDER SECTION 44B FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 44B, and under such regulations as may be prescribed by the Secretary) the items required to be taken into account for purposes of section 44B in respect of the distributor or transferor corporation."

26 USC 383.

(B) Section 383 (relating to special limitations on unused investment credits, work incentive program credits, foreign taxes, and capital losses), as in effect for taxable years beginning after June 30, 1978, is amended—

(i) by inserting "to any unused new employee credit of the corporation under section 53(c)," after "section 50A(b),"; and

Ante, p. 146.

(ii) by striking out "**WORK INCENTIVE PROGRAM CREDITS,**" in the section heading and inserting in lieu thereof "**WORK INCENTIVE PROGRAM CREDITS, NEW EMPLOYEE CREDITS,**".

(C) Section 383 (as in effect on the day before the date of the enactment of the Tax Reform Act of 1976) is amended—

(i) by inserting "to any unused new employee credit of the corporation which could otherwise be carried forward under section 53(c)," after "section 50A(b),"; and

(ii) by striking out "**WORK INCENTIVE PROGRAM CREDITS,**" in the section heading and inserting in lieu thereof "**WORK INCENTIVE PROGRAM CREDITS, NEW EMPLOYEE CREDITS,**".

(D) The table of sections for part V of subchapter C of chapter 1 is amended by striking out "work incentive program credits," in the item relating to section 383 and inserting in lieu thereof "work incentive program credits, new employee credits,".

(4) STATUTES OF LIMITATION AND INTEREST RELATING TO NEW EMPLOYEE CREDIT CARRYBACK.—

(A) ASSESSMENT AND COLLECTION.—Section 6501 (relating to limitations on assessment and collection) is amended by adding at the end thereof the following new subsection: 26 USC 6501.

"(p) NEW EMPLOYEE CREDIT CARRYBACKS.—In the case of a deficiency attributable to the application to the taxpayer of a new employee credit carryback (including deficiencies which may be assessed pursuant to the provisions of section 6213(b)(3)), such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the unused new employee credit which results in such carryback may be assessed, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, at any time before the expiration of the period within which a deficiency for such subsequent taxable year may be assessed."

(B) CREDIT OR REFUND.—Section 6511(d) (relating to limitations on credit or refund) is amended by adding at the end thereof the following new paragraph: 26 USC 6511.

"(9) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NEW EMPLOYEE CREDIT CARRYBACKS.—

"(A) PERIOD OF LIMITATIONS.—If the claim for credit or refund relates to an overpayment attributable to a new employee credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or 39th month, in the case of a corporation) following the end of the taxable year of the unused new employee credit which results in such carryback (or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, the period shall be that period which ends with the expiration of the 15th day of the 40th month, or 39th month, in the case of a corporation, following the end of such taxable year) or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

"(B) APPLICABLE RULES.—If the allowance of a credit or refund of an overpayment of tax attributable to a new employee credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. In the case of any such claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which

the decision of the court has become final shall not be conclusive with respect to the new employee credit, and the effect of such credit, to the extent that such credit is affected by a carryback which was not in issue in such proceeding."

26 USC 6601.

(C) INTEREST ON UNDERPAYMENTS.—Section 6601(d) (relating to income tax reduced by carryback or adjustment for certain unused deductions) is amended by adding at the end thereof the following new paragraph:

Ante, p. 141.

"(5) NEW EMPLOYEE CREDIT CARRYBACK.—If the credit allowed by section 44B for any taxable year is increased by reason of a new employee credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the new employee credit carryback arises, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the last day of such subsequent taxable year."

26 USC 6611.

(D) INTEREST ON OVERPAYMENTS.—Section 6611(f) (relating to refund of income tax caused by carryback or adjustment for certain unused deductions) is amended by adding at the end thereof the following new paragraph:

"(5) NEW EMPLOYEE CREDIT CARRYBACK.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a new employee credit carryback, such overpayment shall be deemed not to have been made before the close of the taxable year in which such new employee credit carryback arises, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, such overpayment shall be deemed not to have been made before the close of such subsequent taxable year."

(5) TENTATIVE CARRYBACK ADJUSTMENTS.—

26 USC 6411.

(A) APPLICATION FOR ADJUSTMENT.—Section 6411 (relating to quick refunds in respect of tentative carryback adjustments) is amended—

(i) by striking out "or unused work incentive program credit" each place it appears in such section and inserting in lieu thereof "unused work incentive program credit, or unused new employee credit",

(ii) by inserting after "section 50A(b)," in the first sentence of subsection (a) "by a new employee credit carryback provided in section 53(c),",

Ante, p. 146.

(iii) by striking out "or a work incentive program carryback from" in the second sentence of subsection (a) and inserting in lieu thereof ", a work incentive program carryback, or a new employee credit carryback from", and

(iv) by striking out "investment credit carryback)" in the second sentence of subsection (a) and inserting in lieu thereof "investment credit carryback, or, in the case

of a new employee credit carryback, to an investment credit carryback or a work incentive program carryback)".

(B) TENTATIVE CARRYBACK ADJUSTMENT ASSESSMENT PERIOD.—Section 6501(m) (relating to tentative carryback adjustment assessment period) is amended— 26 USC 6501.

(i) by striking out "or a work incentive program carryback" and inserting in lieu thereof "a work incentive program carryback, or a new employee credit carryback", and

(ii) by striking out "(j), or (o)" each place it appears and inserting in lieu thereof "(j), (o), or (p)".

(6) DESIGNATION OF INCOME TAX PAYMENT.—Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 44A" and inserting in lieu thereof "44A, and 44B". 26 USC 6096.

Ante, p. 141.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1976, and to credit carrybacks from such years. 26 USC 44B note.

TITLE III—PROVISIONS RELATING TO EFFECTIVE DATES AND OTHER PROVISIONS OF THE TAX REFORM ACT OF 1976

SEC. 301. EFFECTIVE DATE OF CHANGES IN THE EXCLUSION FOR SICK PAY.

(a) IN GENERAL.—Section 505 of the Tax Reform Act of 1976 (relating to changes in exclusions for sick pay and certain military, etc., disability pensions; certain disability income) is amended by adding at the end thereof the following new subsection: 26 USC 105 note.

"(f) EFFECTIVE DATE FOR SUBSECTION (a).—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1976.".

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 505(c) of such Act is amended by striking out "1976" and inserting in lieu thereof "1977". 26 USC 105 note.

(2) Paragraph (3) of such section 505(c) is amended by inserting "or January 1, 1977," after "January 1, 1976,".

(3) Paragraph (1) of section 505(d) of such Act is amended by striking out "1976" and inserting in lieu thereof "1977".

(4) Paragraph (2) of such section 505(d) is amended by inserting "or December 31, 1976," after "December 31, 1975,".

(5) Subsection (d) of section 505 of such Act is amended by striking out "this subsection" and inserting in lieu thereof "such section 105(d)".

(c) REVOCATION OF ELECTION.—Any election made under section 105(d)(7) of the Internal Revenue Code of 1954 or under section 505(d) of the Tax Reform Act of 1976 for a taxable year beginning in 1976 may be revoked (in such manner as may be prescribed by regulations) at any time before the expiration of the period for assessing a deficiency with respect to such taxable year (determined without regard to subsection (d) of this section). 26 USC 105 note. 26 USC 105. 26 USC 105 note.

26 USC 105 note.

(d) PERIOD FOR ASSESSING DEFICIENCY.—In the case of any revocation made under subsection (c), the period for assessing a deficiency with respect to any taxable year affected by the revocation shall not expire before the date which is 1 year after the date of the making of the revocation, and, notwithstanding any law or rule of law, such deficiency, to the extent attributable to such revocation, may be assessed at any time during such 1-year period.

26 USC 105 note.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 4, 1976, but shall not apply—

(1) with respect to any taxpayer who makes or has made an election under section 105(d)(7) of the Internal Revenue Code of 1954 or under section 505(d) of the Tax Reform Act of 1976 (as such sections were in effect before the enactment of this Act) for a taxable year beginning in 1976, if such election is not revoked under subsection (c) of this section, and

26 USC 105.
26 USC 105 note.

(2) with respect to any taxpayer (other than a taxpayer described in paragraph (1)) who has an annuity starting date at the beginning of a taxable year beginning in 1976 by reason of the amendments made by section 505 of the Tax Reform Act of 1976 (as in effect before the enactment of this Act), unless such person elects (in such manner as the Secretary of the Treasury or his delegate may by regulations prescribe) to have such amendments apply.

SEC. 302. CHANGES IN TREATMENT OF INCOME EARNED ABROAD BY UNITED STATES CITIZENS LIVING OR RESIDING ABROAD.

26 USC 911 note.

Subsection (d) of section 1011 of the Tax Reform Act of 1976 is amended by striking out "December 31, 1975" and inserting in lieu thereof "December 31, 1976".

SEC. 303. UNDERPAYMENTS OF ESTIMATED TAX.

26 USC 6654 note.
26 USC 6654, 6655.

No addition to the tax shall be made under section 6654 or 6655 of the Internal Revenue Code of 1954 (relating to failure to pay estimated income tax) for any period before April 16, 1977 (March 16, 1977, in the case of a taxpayer subject to section 6655), with respect to any underpayment, to the extent that such underpayment was created or increased by any provision of the Tax Reform Act of 1976.

SEC. 304. UNDERWITHHOLDING.

26 USC 3402 note.
26 USC 3402.

No person shall be liable in respect of any failure to deduct and withhold under section 3402 of the Internal Revenue Code of 1954 (relating to income tax collected at source) on remuneration paid before January 1, 1977, to the extent that the duty to deduct and withhold was created or increased by any provision of the Tax Reform Act of 1976.

26 USC 1 note.

SEC. 305. INTEREST ON UNDERPAYMENTS OF TAX.

26 USC 6601 note.
26 USC 1.

No interest shall be payable for any period before April 16, 1977 (March 16, 1977, in the case of a corporation), on any underpayment of a tax imposed by the Internal Revenue Code of 1954, to the extent that such underpayment was created or increased by any provision of the Tax Reform Act of 1976.

SEC. 306. USE OF RESIDENCE AS DAY CARE FACILITY.

26 USC 280A.

(a) IN GENERAL.—Subsection (c) of section 280A (relating to exceptions for certain business or rental use; limitation on deductions for such use) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

"(4) USE IN PROVIDING DAY CARE SERVICES.—

"(A) IN GENERAL.—Subsection (a) shall not apply to any item to the extent that such item is allocable to the use of any portion of the dwelling unit on a regular basis in the taxpayer's trade or business of providing day care for children, for individuals who have attained age 65, or for individuals who are physically or mentally incapable of caring for themselves.

"(B) LICENSING, ETC., REQUIREMENT.—Subparagraph (A) shall apply to items accruing for a period only if the owner or operator of the trade or business referred to in subparagraph (A)—

"(i) has applied for (and such application has not been rejected),

"(ii) has been granted (and such granting has not been revoked), or

"(iii) is exempt from having,

a license, certification, registration, or approval as a day care center or as a family or group day care home under the provisions of any applicable State law. This subparagraph shall apply only to items accruing in periods beginning on or after the first day of the first month which begins more than 90 days after the date of the enactment of the Tax Reduction and Simplification Act of 1977.

"(C) ALLOCATION FORMULA.—If a portion of the taxpayer's dwelling unit used for the purposes described in subparagraph (A) is not used exclusively for those purposes, the amount of the expenses attributable to that portion shall not exceed an amount which bears the same ratio to the total amount of the items allocable to such portion as the number of hours the portion is used for such purposes bears to the number of hours the portion is available for use."

(b) CONFORMING AMENDMENT.—Paragraph (5) of section 280A(c) of such Code (as redesignated by subsection (a)) is amended by striking out "paragraph (1) or (2)" and inserting in lieu thereof "paragraph (1), (2), or (4)". **26 USC 280A.**

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1975. **26 USC 280A note.**

SEC. 307. STATE LEGISLATORS' TRAVEL EXPENSES AWAY FROM HOME.

Subsections (a) and (d) of section 604 of the Tax Reform Act of 1976 are each amended by striking out "January 1, 1976," and inserting in lieu thereof "January 1, 1977,". Subsection (c) of such section is amended by inserting "beginning before January 1, 1976," after "any taxable year". **26 USC 162 note.**

SEC. 308. TREATMENT OF INTANGIBLE DRILLING COSTS FOR PURPOSES OF THE MINIMUM TAX.

(a) IN GENERAL.—Paragraph (11) of section 57(a) (relating to minimum tax) is amended to read as follows: **26 USC 57.**

"(11) INTANGIBLE DRILLING COSTS.—

"(A) IN GENERAL.—With respect to all oil and gas properties of the taxpayer, the amount (if any) by which the amount of the excess intangible drilling costs arising in the taxable year is greater than the amount of the net income of the taxpayer from oil and gas properties for the taxable year.

"(B) EXCESS INTANGIBLE DRILLING COSTS.—For purposes of subparagraph (A), the amount of the excess intangible drilling costs arising in the taxable year is the excess of—

"(i) the intangible drilling and development costs described in section 263(c) paid or incurred in connection with oil and gas wells (other than costs incurred in drilling a nonproductive well) allowable under this chapter for the taxable year, over

"(ii) the amount which would have been allowable for the taxable year if such costs had been capitalized and straight line recovery of intangibles (as defined in subsection (d)) had been used with respect to such costs.

"(C) NET INCOME FROM OIL AND GAS PROPERITIES.—For purposes of subparagraph (A), the amount of the net income of the taxpayer from oil and gas properties for the taxable year is the excess of—

"(i) the aggregate amount of gross income (within the meaning of section 613(a)) from all oil and gas properties of the taxpayer received or accrued by the taxpayer during the taxable year, over

"(ii) the amount of any deductions allocable to such properties reduced by the excess described in subparagraph (B) for such taxable year."

26 USC 57 note.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1976, and before January 1, 1978.

SEC. 309. TRANSFERS OF PARTIAL INTERESTS IN PROPERTY FOR CONSERVATION PURPOSES.

26 USC 170.

(a) IN GENERAL.—Clause (iii) of section 170(f)(3)(B) (relating to exceptions from denial of deduction in case of certain contributions of partial interests in property) is amended to read as follows:

"(iii) a lease on, option to purchase, or easement with respect to real property granted in perpetuity to an organization described in subsection (b)(1)(A) exclusively for conservation purposes, or".

(b) EFFECTIVE DATES.—

26 USC 170 note.

(1) The amendment made by subsection (a) shall apply with respect to contributions or transfers made after June 13, 1977, and before June 14, 1981.

26 USC 170 note.

(2) Paragraph (4) of section 2124(e) of the Tax Reform Act of 1976 is amended by striking out "June 14, 1977" and inserting in lieu thereof "June 14, 1981".

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. AUTHORIZATION OF ADDITIONAL APPROPRIATIONS FOR THE WORK INCENTIVE PROGRAM.

42 USC 602 note.

(a) MATCHING FUNDS DISREGARDED.—The Secretary of Health, Education, and Welfare and the Secretary of Labor are authorized to carry out the work incentive program under title IV of the Social Security Act from the sums appropriated pursuant to this Act without regard to the requirements for non-Federal matching funds contained in sections 402(a)(19)(C), 402(a)(19)(G), 403(a)(3)(A), 403(d), and 435 of the Social Security Act.

42 USC 601.

42 USC 602, 603, 635.

(b) AUTHORIZATION.—There are authorized to be appropriated to carry out the work incentive program under title IV of the Social Security Act, as modified by this Act (in addition to any sums otherwise appropriated pursuant to title IV of such Act), $435,000,000 for fiscal year 1978 and $435,000,000 for fiscal year 1979. 42 USC 601.

SEC. 402. RAPID AMORTIZATION OF CHILD CARE FACILITIES.

(a) RAPID AMORTIZATION OF CHILD CARE FACILITIES.—

(1) Subsection (c) of section 188 (relating to application of section 188) is amended by striking out "January 1, 1977" and inserting in lieu thereof "January 1, 1982". 26 USC 188.

(2) Subsection (b) of section 188 (relating to definition of section 188 property) is amended by striking out "as a facility for on-the-job training of employees (or prospective employees) of the taxpayer, or".

(3) The caption of section 188 is amended by striking out "ON-THE-JOB TRAINING AND".

(4) The table of sections for part VI of subchapter B of chapter 1 is amended by striking out the item relating to section 188 and inserting in lieu thereof the following new item:

"Sec. 188. Amortization of certain expenditures for child care facilities."

(5) The caption of paragraph (10) of section 57(a) (relating to items of tax preference) is amended by striking out "ON-THE-JOB TRAINING AND". 26 USC 57.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to expenditures made after December 31, 1976. 26 USC 188 note.

SEC. 403. ELECTION OF FORMER RETIREMENT INCOME CREDIT PROVISIONS FOR 1976.

A taxpayer may elect (at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe) to determine the amount of his credit under section 37 of the Internal Revenue Code of 1954 for his first taxable year beginning in 1976 under the provisions of such section as they existed before the amendment made by section 503 of the Tax Reform Act of 1976. 26 USC 37 note. 26 USC 37. 26 USC 37.

SEC. 404. POSTPONEMENT OF EFFECTIVE DATE OF CHANGES MADE BY THE TAX REFORM ACT OF 1976 IN THE METHOD OF ACCOUNTING FOR CERTAIN CORPORATIONS ENGAGED IN FARMING.

Section 207(c)(2) of the Tax Reform Act of 1976 is amended to read as follows: 26 USC 447 note.

"(2) EFFECTIVE DATES.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by paragraph (1) shall apply to taxable years beginning after December 31, 1976.

"(B) SPECIAL RULE FOR CERTAIN CORPORATIONS.—In the case of a corporation engaged in the trade or business of farming and with respect to which—

"(i) members of two families (within the meaning of paragraph (1) of section 447(d) of the Internal Revenue Code of 1954, as added by paragraph (1)) owned, on October 4, 1976 (directly or through the application of such section 447(d)), at least 65 percent of the total combined voting power of all classes of stock of such corpo-

ration entitled to vote, and at least 65 percent of the total number of shares of all other classes of stock of such corporation; or

"(ii) members of three families (within the meaning of paragraph (1) of such section 447(d)) owned, on October 4, 1976 (directly or through the application of such section 447(d)), at least 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, and at least 50 percent of the total number of shares of all other classes of stock of such corporation; and substantially all of the stock of such corporation which was not so owned (directly or through the application of such section 447(d)), by members of such three families was owned, on October 4, 1976, directly—

"(I) by employees of the corporation or members of the families (within the meaning of section 267 (c)(4) of such Code) of such employees, or

"(II) by a trust for the benefit of the employees of such corporation which is described in section 401 (a) of such Code and which is exempt from taxation under section 501(a) of such Code,

the amendments made by paragraph (1) shall apply to taxable years beginning after December 31, 1977.".

SEC. 405. WITHHOLDING TAX ON CERTAIN GAMBLING WINNINGS.

26 USC 3402.

(a) IN GENERAL.—Subparagraph (C) of section 3402(q)(3) of the Internal Revenue Code of 1954 (relating to sweepstakes, wagering pools, and other lotteries) is amended to read as follows:

"(C) SWEEPSTAKES, WAGERING POOLS, CERTAIN PARIMUTUEL POOLS, JAI ALAI, AND LOTTERIES.—Proceeds of more than $1,000 from—

"(i) a wager placed in a sweepstakes, wagering pool, or lottery (other than a wager described in subparagraph (B)), or

"(ii) a wagering transaction in a parimutuel pool with respect to horse races, dog races, or jai alai if the amount of such proceeds is at least 300 times as large as the amount wagered.".

26 USC 3402 note.

(b) EFFECTIVE DATE.—The amendments made by this section apply to payments made after April 30, 1977.

SEC. 406. TERMINATION OF 1975 SPECIAL PAYMENTS TO CERTAIN INDIVIDUALS.

42 USC 402 note.
42 USC 402 note.

Notwithstanding the provisions of section 702(a) of the Tax Reduction Act of 1975, no payment shall, after the date of the enactment of this Act, be made under that section.

SEC. 407. PAYMENTS TO THE GOVERNMENTS OF AMERICAN SAMOA, GUAM, AND THE VIRGIN ISLANDS.

26 USC 7651 note.

(a) The Secretary of the Treasury is authorized to make separate payments to the government of American Samoa, the government of Guam, and the government of the Virgin Islands. The payment to the government of a particular possession shall be in an amount equal to the loss to that possession with respect to tax returns for the first taxable year beginning after December 31, 1976, by reason of sections 101 and 102 of this Act. Such amount shall be determined by the

Certification.

Secretary of the Treasury upon certification to the Secretary by the United States Government Comptrollers for Guam and the Virgin Islands.

(b) There are hereby authorized to be appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section.

Appropriation authorization.

SEC. 408. WITHHOLDING OF COUNTY INCOME TAX ON FEDERAL EMPLOYEES.

(a) IN GENERAL.—Section 5520 of title 5, United State Code, is amended—

(1) by inserting "or county" after "city" in the heading of such section;

(2) by inserting "or county" after "city" each place it appears in subsections (a) and (b) (other than in subsection (a)(1));

(3) by striking out "the city" in subsection (a)(1) and inserting in lieu thereof "a designated city or county officer, department, or instrumentality";

(4) by striking out "and" at the end of subsection (c)(1);

(5) by redesignating paragraph (2) of subsection (c) as (4), and by inserting after paragraph (1) of such subsection the following new paragraphs:

Definitions.

"(2) 'county' means any unit of local general government which is classified as a county by the Bureau of the Census and within the political boundaries of which 500 or more persons are regularly employed by all agencies of the Federal Government;

"(3) 'ordinance' means an ordinance, order, resolution, or similar instrument which is duly adopted and approved by a city or county in accordance with the constitution and statutes of the State in which it is located and which has the force of law within such city or county; and".

(b) CONFORMING AMENDMENT.—The table of contents of subchapter II of chapter 55 of title 5, United States Code, is amended by inserting "or county" after "city" in the item relating to section 5520.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

5 USC 5520 note.

TITLE V—CERTAIN SOCIAL SECURITY ACT AMENDMENTS

SEC. 501. CLARIFICATION OF GARNISHMENT PROVISIONS.

(a) IN GENERAL.—Section 459 of the Social Security Act is amended—

42 USC 659.

(1) by striking out "(including any agency or instrumentality thereof and any wholly owned Federal Corporation)" and inserting in lieu thereof "or the District of Columbia (including any agency, subdivision, or instrumentality thereof)"; and

(2) by inserting "or the District of Columbia" immediately after "United States" where it appears the second time.

(b) SERVICE OF PROCESS.—Section 459 of such Act is further amended—

(1) by inserting "(a)" immediately after "SEC. 459.", and

(2) by adding at the end thereof the following new subsections:

"(b) Service of legal process brought for the enforcement of an individual's obligation to provide child support or make alimony

payments shall be accomplished by certified or registered mail, return receipt requested, or by personal service, upon the appropriate agent designated for receipt of such service of process pursuant to regulations promulgated pursuant to section 461 (or, if no agent has been designated for the governmental entity having payment responsibility for the moneys involved, then upon the head of such governmental entity). Such process shall be accompanied by sufficient data to permit prompt identification of the individual and the moneys involved.

Infra.

"(c) No Federal employee whose duties include responding to interrogatories pursuant to requirements imposed by section 461(b)(3) shall be subject under any law to any disciplinary action or civil or criminal liability or penalty for, or on account of, any disclosure of information made by him in connection with the carrying out of any of his duties which pertain (directly or indirectly) to the answering of any such interrogatory.

Notice.

"(d) Whenever any person, who is designated by law or regulation to accept service of process to which the United States is subject under this section, is effectively served with any such process or with interrogatories relating to an individual's child support or alimony payment obligations, such person shall respond thereto within thirty days (or within such longer period as may be prescribed by applicable State law) after the date effective service thereof is made, and shall, as soon as possible but not later than fifteen days after the date effective service is so made of any such process, send written notice that such process has been so served (together with a copy thereof) to the individual whose moneys are affected thereby at his duty station or last-known home address.

"(e) Governmental entities affected by legal processes served for the enforcement of an individual's child support or alimony payment obligations shall not be required to vary their normal pay and disbursement cycles in order to comply with any such legal process.

"(f) Neither the United States, any disbursing officer, nor governmental entity shall be liable with respect to any payment made from moneys due or payable from the United States to any individual pursuant to legal process regular on its face, if such payment is made in accordance with this section and the regulations issued to carry out this section.".

(c) REGULATIONS.—Part D of title IV of such Act is further amended by adding at the end thereof the following new section:

"REGULATIONS PERTAINING TO GARNISHMENTS

42 USC 661.
Ante, p. 157.

"SEC. 461. (a) Authority to promulgate regulations for the implementation of the provisions of section 459 shall, insofar as the provisions of such section are applicable to moneys due from (or payable by)—

"(1) the executive branch of the Government (including in such branch, for the purposes of this subsection, the territories and possessions of the United States, the United States Postal Service, the Postal Rate Commission, any wholly owned Federal corporation created by an Act of Congress, and the government of the District of Columbia), be vested in the President (or his designee),

"(2) the legislative branch of the Government, be vested jointly in the President pro tempore of the Senate and the Speaker of the House of Representatives (or their designees), and

"(3) the judicial branch of the Government, be vested in the Chief Justice of the United States (or his designee).

"(b) Regulations promulgated pursuant to this section shall—

"(1) in the case of those promulgated by the executive branch of the Government, include a requirement that the head of each agency thereof shall cause to be published, in the appendix of the regulations so promulgated, (A) his designation of an agent or agents to accept service of process, identified by title of position, mailing address, and telephone number, and (B) an indication of the data reasonably required in order for the agency promptly to identify the individual with respect to whose moneys the legal process is brought,

"(2) in the case of regulations promulgated for the legislative and judicial branches of the Government set forth, in the appendix to the regulations so promulgated, (A) the name, position, address, and telephone number of the agent or agents who have been designated for service of process, and (B) an indication of the data reasonably required in order for such entity promptly to identify the individual with respect to whose moneys the legal process is brought, and

"(3) provide that (A) in the case of regulations promulgated by the executive branch of the Government, each head of a governmental entity (or his designee) shall respond to relevant interrogatories, if authorized by the law of the State in which legal process will issue, prior to formal issuance of such process, upon a showing of the applicant's entitlement to child support or alimony payments, and (B) in the case of regulations promulgated for the legislative and judicial branches of the Government, the person or persons designated as agents for service of process in accordance with paragraph (2) shall respond to relevant interrogatories if authorized by the law of the State in which legal process will issue, prior to formal issuance of legal process, upon a showing of the applicant's entitlement to child support or alimony payments.

"(c) In the event that a governmental entity, which is authorized under this section or regulations issued to carry out this section to accept service of process, pursuant to the provisions of subsection (a), is served with more than one legal process with respect to the same moneys due or payable to any individual, then such moneys shall be available to satisfy such processes on a first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.".

(d) DEFINITIONS.—Part D of title IV of such Act is further amended by adding after section 461 (as added by subsection (c) of this section) the following new section:

"DEFINITIONS

"SEC. 462. For purposes of section 459— 42 USC 662.

"(a) The term 'United States' means the Federal Government of the United States, consisting of the legislative branch, the judicial branch, and the executive branch thereof, and each and every department, agency, or instrumentality of any such branch, including the United States Postal Service, the Postal Rate Commission, any wholly owned Federal corporation created by an Act of Congress, any office, 42 USC 659.

commission, bureau, or other administrative subdivision or creature thereof, and the governments of the territories and possessions of the United States.

"(b) The term 'child support', when used in reference to the legal obligations of an individual to provide such support, means periodic payments of funds for the support and maintenance of a child or children with respect to which such individual has such an obligation, and (subject to and in accordance with State law) includes but is not limited to, payments to provide for health care, education, recreation, clothing, or to meet other specific needs of such a child or children; such term also includes attorney's fees, interest, and court costs, when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction.

"(c) The term 'alimony', when used in reference to the legal obligations of an individual to provide the same, means periodic payments of funds for the support and maintenance of the spouse (or former spouse) of such individual, and (subject to and in accordance with State law) includes but is not limited to, separate maintenance, alimony pendente lite, maintenance, and spousal support; such term also includes attorney's fees, interest, and court costs when and to the extent that the same are expressly made recoverable as such pursuant to a decree, order, or judgment issued in accordance with applicable State law by a court of competent jurisdiction. Such term does not include any payment or transfer of property or its value by an individual to his spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

"(d) The term 'private person' means a person who does not have sovereign or other special immunity or privilege which causes such person not to be subject to legal process.

"(e) The term 'legal process' means any writ, order, summons, or other similar process in the nature of garnishment, which—

"(1) is issued by (A) a court of competent jurisdiction within any State, territory, or possession of the United States, (B) a court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor such process, or (C) an authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to State or local law, and

"(2) is directed to, and the purpose of which is to compel, a governmental entity, which holds moneys which are otherwise payable to an individual, to make a payment from such moneys to another party in order to satisfy a legal obligation of such individual to provide child support or make alimony payments.

"(f) Entitlement of an individual to any money shall be deemed to be 'based upon remuneration for employment', if such money consists of—

"(1) compensation paid or payable for personal services of such individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes but is not limited to, severance pay, sick pay, and incentive pay, but does not include awards for making suggestions, or

"(2) periodic benefits (including a periodic benefit as defined in section 228(h)(3) of this Act) or other payments to such individual under the insurance system established by title II of this

42 USC 428.

42 USC 401.

Act or any other system or fund established by the United States (as defined in subsection (a)) which provides for the payment of pensions, retirement or retired pay, annuities, dependents or survivors' benefits, or similar amounts payable on account of personal services performed by himself or any other individual (not including any payment as compensation for death under any Federal program, any payment under any Federal program established to provide 'black lung' benefits, any payment by the Veterans' Administration as pension, or any payments by the Veterans' Administration as compensation for a service-connected disability or death, except any compensation paid by the Veterans' Administration to a former member of the Armed Forces who is in receipt of retired or retainer pay if such former member has waived a portion of his retired pay in order to receive such compensation), and does not consist of amounts paid, by way of reimbursement or otherwise, to such individual by his employer to defray expenses incurred by such individual in carrying out duties associated with his employment.

"(g) In determining the amount of any moneys due from, or payable by, the United States to any individual, there shall be excluded amounts which—

"(1) are owed by such individual to the United States,

"(2) are required by law to be, and are, deducted from the remuneration or other payment involved, including but not limited to, Federal employment taxes, and fines and forfeitures ordered by court-martial,

"(3) are properly withheld for Federal, State, or local income tax purposes, if the withholding of such amounts is authorized or required by law and if amounts withheld are not greater than would be the case if such individual claimed all dependents to which he was entitled (the withholding of additional amounts pursuant to section 3402(i) of the Internal Revenue Code of 1954 may be permitted only when such individual presents evidence of a tax obligation which supports the additional withholding),

"(4) are deducted as health insurance premiums,

"(5) are deducted as normal retirement contributions (not including amounts deducted for supplementary coverage), or

"(6) are deducted as normal life insurance premiums from salary or other remuneration for employment (not including amounts deducted for supplementary coverage).".

(e) CONSUMER PROVISIONS.—

(1) Subsection (b) of section 303 of the Consumer Credit Protection Act (15 U.S.C. 1673(b)) is amended—

(A) by inserting "(1)" immediately after "(b)",

(B) by redesignating clauses (1), (2), and (3) thereof as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The maximum part of the aggregate disposable earnings of an individual for any workweek which is subject to garnishment to enforce any order for the support of any person shall not exceed—

"(A) where such individual is supporting his spouse or dependent child (other than a spouse or child with respect to whose support such order is used), 50 per centum of such individual's disposable earnings for that week; and

"(B) where such individual is not supporting such a spouse or dependent child described in clause (A), 60 per centum of such individual's disposable earnings for that week;

except that, with respect to the disposable earnings of any individual for any workweek, the 50 per centum specified in clause (A) shall be deemed to be 55 per centum and the 60 per centum specified in clause (B) shall be deemed to be 65 per centum, if and to the extent that such earnings are subject to garnishment to enforce a support order with respect to a period which is prior to the twelve-week period which ends with the beginning of such workweek.".

15 USC 1673.

(2) The provision of section 303(b) of the Consumer Credit Protection Act which is redesignated under paragraph (1) as clause (A) is amended by striking out all that follows "any order" and inserting in lieu thereof the following: "for the support of any person issued by a court of competent jurisdiction or in accordance with an administrative procedure, which is established by State law, which affords substantial due process, and which is subject to judicial review.".

(3) Section 303(c) of such Act is amended by inserting ", and no State (or officer or agency thereof)," immediately after "or any State".

15 USC 1675.

(4) Section 305 of such Act is amended by inserting "and (b)(2)" immediately after "section 303(a)" each place it appears therein.

Effective date. 15 USC 1673 note.

(5) The amendments made by this subsection shall take effect on the first day of the first calendar month which begins after the date of enactment of this Act.

SEC. 502. BONDING OF CERTAIN STATE OR LOCAL EMPLOYEES; HANDLING OF CASH RECEIPTS.

42 USC 654.

(a) IN GENERAL.—Section 454 of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (12),

(2) by striking out the period at the end of paragraph (13) and inserting a semicolon in lieu thereof, and

(3) by adding at the end thereof the following new paragraphs:

"(14) comply with such bonding requirements, for employees who receive, disburse, handle, or have access to, cash, as the Secretary shall by regulations prescribe; and

Regulations.

"(15) maintain methods of administration which are designed to assure that persons responsible for handling cash receipts shall not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of cash receipts (except that the Secretary shall by regulations provide for exceptions to this requirement in the case of sparsely populated areas where the hiring of unreasonable additional staff would otherwise be necessary).".

42 USC 654 note.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the first day of the first calendar month which begins after the date of enactment of this Act.

SEC. 503. INCENTIVE PAYMENTS TO STATES AND LOCALITIES.

(a) IN GENERAL.—

42 USC 658.

(1) Section 458(a) of the Social Security Act is amended by striking out "parent—" and all that follows and inserting in lieu thereof "parent an amount equal to 15 per centum of any amount collected and required to be distributed as provided in section 457 to reduce or repay assistance payments.".

42 USC 657.

(2) Section 458(b) of such Act is amended by striking out "paragraphs (1) and (2) of". 42 USC 658.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be applicable with respect to amounts collected on and after October 1, 1977. 42 USC 658 note.

SEC. 504. ANNUAL REPORT OF THE SECRETARY.

(a) REPORT.—Section 452(a)(10) of the Social Security Act is amended to read as follows: 42 USC 652.

"(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following: Submittal to Congress.

"(A) total program costs and collections set forth in sufficient detail to show the cost to the States and the Federal Government, the distribution of collections to families, State and local governmental units, and the Federal Government; and an identification of the financial impact of the provisions of this part;

"(B) costs and staff associated with the Office of Child Support Enforcement;

"(C) the number of child support cases in each State during each quarter of the fiscal year last ending before the report is submitted and during each quarter of the preceding fiscal year (including the transitional period beginning July 1, 1976, and ending September 30, 1976, in the case of the first report to which this subparagraph applies), and the disposition of such cases;

"(D) the status of all State plans under this part as of the end of the fiscal year last ending before the report is submitted, together with an explanation of any problems which are delaying or preventing approval of State plans under this part;

"(E) data, by State, on the use of the Federal Parent Locator Service, and the number of locate requests submitted without the absent parent's social security account number;

"(F) the number of cases, by State, in which an applicant for or recipient of aid under a State plan approved under part A has refused to cooperate in identifying and locating the absent parent and the number of cases in which refusal so to cooperate is based on good cause (as determined in accordance with the standards referred to in section 402(a)(26)(B)(ii)); 42 USC 601. 42 USC 602.

"(G) data, by State, on the use of Federal courts and on use of the Internal Revenue Service for collections, the number of court orders on which collections were made, the number of paternity determinations made and the number of parents located, in sufficient detail to show the cost and benefits to the States and to the Federal Government; and

"(H) the major problems encountered which have delayed or prevented implementation of the provisions of this part during the fiscal year last ending prior to the submission of such report.".

42 USC 652 note.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective in the case of reports, submitted by the Secretary of Health, Education, and Welfare, after 1976.

Submittal to Congress.
42 USC 652 note.
42 USC 651.

(c) SUPPLEMENTAL REPORT.—The Secretary of Health, Education, and Welfare shall submit to the Congress not later than June 30, 1977, a special supplemental report, with respect to activities undertaken pursuant to part D of title IV of the Social Security Act during the fiscal year ending June 30, 1976, and during the transitional period beginning July 1, 1976, and ending September 30, 1976. Such report shall, with respect to such transitional period, contain all the data and information specified in clauses (A) through (H) of section 452(a)(10) of such Act (as amended by subsection (a) of this section), and with respect to the fiscal year ending June 30, 1976, contain all such data and information which was not included in the report made by such Secretary to the Congress on June 30, 1976, pursuant to section 452(a)(10) of such Act, as in effect on such date.

42 USC 652.

SEC. 505. CERTAIN AFDC PAYMENTS.

42 USC 603.

For purposes of determining the amount payable to the State of Georgia under section 403(a) of the Social Security Act on account of expenditures made by such State as aid to families with dependent children under its State plan approved under part A of title IV of such Act during calendar quarters, beginning after June 30, 1975, and prior to January 1, 1977, there shall be included as an offset against such expenditures amounts which—

(1) were collected as child support by the State pursuant to a plan approved under part D of such title IV, and

(2) were retained by the State pursuant to, and in accordance with the provisions of, section 457(a)(2) or section 457(b)(1) of such Act.

42 USC 657.

TITLE VI—INTERGOVERNMENTAL ANTI-RECESSION ASSISTANCE

Intergovernmental Antirecession Assistance Act of 1977.
42 USC 6721 note.

SEC. 601. This title may be cited as the "Intergovernmental Antirecession Assistance Act of 1977".

SEC. 602. (a) Subsection (b) of section 202 of the Public Works Employment Act of 1976 (42 U.S.C. 6722(b)) is amended to read as follows:

"(b) AUTHORIZATION OF APPROPRIATIONS.—Subject to the provisions of subsections (c) and (d) of this section, there are authorized to be appropriated for each of the five succeeding calendar quarters (beginning with the calendar quarter which begins on July 1, 1977) for the purpose of payments under this title—

"(1) $125,000,000, plus

"(2) $30,000,000 multiplied by the number of whole one-tenth percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended three months before the beginning of such quarter exceeded 6 per centum.".

(b) Subsection (c) of section 202 of such Act is amended to read as follows:

"(c) LIMITATION ON AUTHORIZATION.—In no case shall the aggregate amount authorized to be appropriated under the provisions of subsection (b) of this section for the five successive calendar quarters beginning with the calendar quarter which begins July 1, 1977, exceed $2,250,000,000.".

SEC. 603. (a) Section 203(b)(3)(D) of the Public Works Employment Act of 1976 (42 U.S.C. 6723(b)(3)(D)) is amended by striking out "for the one-year period beginning on July 1, 1975" and inserting in lieu thereof "for the most recently completed entitlement period, as defined under section 141(b) of such Act".

(b) Section 203(c)(1) of such Act is amended by striking out "paragraphs (3) and (5)" and inserting in lieu thereof "paragraph (4)".

(c) Section 203(c) of such Act is amended by striking out paragraph (3) and redesignating paragraphs (4) and (5) as paragraphs (3) and (4).

(d) Section 203(c)(3)(B) of such Act is amended by—

(1) inserting "or assigned" after the word "determined"; and

(2) striking out the parenthetical phrase and inserting in lieu thereof the following:

"(in the case of a local government for which the Secretary of Labor cannot determine a local unemployment rate, he shall assign such local government the local unemployment rate of the smallest unit or subunit of local government for which he has determined a local unemployment rate and within the jurisdiction of which such local government is located, unless—

"(i) the Governor of the State in which such local government is located has provided the Secretary of Labor with a local unemployment rate for such local government, and

"(ii) the Secretary of Labor finds that such local unemployment rate provided by the Governor has been determined in a manner consistent with the procedures and methodologies used by the Secretary of Labor in determining local unemployment rates,

in which case the Secretary of Labor shall assign such local government the local unemployment rate provided by such Governor)".

(e) Section 203(c)(3)(C) of such Act is amended by—

(1) striking out "for the one-year period beginning on July 1, 1975" and inserting in lieu thereof "for the most recently completed entitlement period, as defined under section 141(b) of such Act"; and

(2) striking out the parenthetical phrase.

(f) Section 203(c)(3) of such Act is amended by striking out subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(g) Section 203(c)(3)(D)(i) of such Act is amended by striking out "Social and Economic Statistics Administration" and inserting in lieu thereof "Bureau of the Census".

Determinations.
42 USC 6723.

(h) Section 203(c)(3) of such Act is amended by striking out "For the purpose of paragraph (4)(D), the Secretary of Labor shall, notwithstanding any of the provisions of law, continue to make determinations with respect to the rate of unemployment for the purposes of such title VI.".

Repeal.
42 USC 6726.

(i) Section 206 of such Act is repealed.

SEC. 604. Section 204 of the Public Works Employment Act of 1976 (42 U.S.C. 6724) is amended by striking out "and for construction unless such supplies and materials or construction are to maintain basic services" and inserting in lieu thereof "or for construction, except for normal supplies or repairs necesary to maintain basic services".

42 USC 6727.

SEC. 605. Section 207 of the Public Works Employment Act of 1976 (42 U.S.C. 6727) is amended to read as follows:

"NONDISCRIMINATION

"SEC. 207. (a)(1) IN GENERAL.—No person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity of a State government or unit of local government, which government or unit receives funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity. Any prohibition against discrimination on the basis of religion, or any exemption, from such prohibition, as provided in the Civil Rights Act of 1964 or title VIII of the Act of April 11, 1968, commonly referred to as Civil Rights Act of 1968, shall also apply to any such program or activity.

42 USC 6101 note.
29 USC 794.
42 USC 2000a note.
42 USC 3601.

"(2) EXCEPTIONS.—

"(A) FUNDING.—The provisions of paragraph (1) of this subsection shall not apply where any State government or unit of local government demonstrates, by clear and convincing evidence, that the program or activity with respect to which the allegation of discrimination has been made is not funded in whole or in part with funds made available under this title.

"(B) CONSTRUCTION PROJECTS IN PROGRESS.—The provisions of paragraph (1), relating to discrimination on the basis of handicapped status, shall not apply with respect to construction projects commenced prior to January 1, 1977.

"(b) ENFORCEMENT AND REMEDIES.—The provisions of subsection (a) of this section shall be enforced by the Secretary in the same manner and in accordance with the same procedures as are required by sections 122, 124, and 125 of the State and Local Fiscal Assistance Act of 1972 to enforce compliance with section 122(a) of such Act. The Attorney General shall have the same authority, functions, and duties with respect to funds made available under this title as the Attorney General has under sections 122 (g) and (h) and 124(c) of such Act with respect to funds made available under that Act. Any person aggrieved by a violation of subsection (a) of this section shall

31 USC 1242, 1244, 1245.

have the same rights and remedies as a person aggrieved by a violation of subsection (a) of section 122 of such Act, including the rights provided under section 124(c) of such Act.". 31 USC 1242. 31 USC 1244.

SEC. 606. Section 215 of the Public Works Employment Act of 1976 (42 U.S.C. 6735) is amended by adding at the end thereof the following new subsection: Investigation. Consultation.

"(c) ALTERNATIVE METHODS OF ALLOCATION.—The Secretary shall, in consultation with the Secretary of Commerce, conduct an investigation of—

"(1) the extent to which allocations of funds provided under this Act might be more precisely related to true economic conditions by the use of data on aggregate declines in private real wages and salaries;

"(2) the extent to which other factors, such as relative tax effort, should also be made part of the allocation system provided by this Act; and

"(3) the availability and reliability of data concerning Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands, and the extent to which such territories may properly be made part of the regular allocation system applicable to the several States.

The results of such investigation shall be submitted to the Congress not later than March 1, 1978, in order that such results may be available during congressional consideration of any extension of this Act beyond the fiscal year ending September 30, 1978.". Submittal to Congress.

SEC. 607. Title II of the Public Works Employment Act of 1976 (42 U.S.C. 6721-6735) is amended by adding at the end thereof the following new section:

"AUTHORIZATION OF APPROPRIATIONS FOR PUERTO RICO, GUAM, AMERICAN SAMOA, AND THE VIRGIN ISLANDS

"SEC. 216. (a) IN GENERAL.—There is hereby authorized to be appropriated for each of the five succeeding calendar quarters (beginning with the calendar quarter which begins on July 1, 1977) for the purpose of making payments under this title to Puerto Rico, Guam, American Samoa, and the Virgin Islands, an amount equal to 1 percent of the amount authorized for each such quarter under section 202(b). 42 USC 6736. 42 USC 6722.

"(b) ALLOCATIONS.—

"(1) The Secretary shall allocate from the amount authorized under subsection (a) an amount for the purpose of making payments to such governments equal to the total authorized for the calendar quarter multiplied by the applicable territorial percentage.

"(2) For the purposes of this subsection, the applicable territorial percentage is equal to the quotient resulting from the division of the territorial population by the sum of the territorial population for all territories. Applicable territorial percentage.

"(3) For purposes of this section—

"(A) The term 'territory' means Puerto Rico, Guam, American Samoa, and the Virgin Islands. "Territory."

"Territorial population."

"(B) The term 'territorial population' means the most recent population for each territory as determined by the Bureau of Census.

42 USC 6723-6733.

"(C) The provisions of sections 203(c)(4), 204, 205, 206, 207, 208, 209, 210, 211, 212, and 213 shall apply to the funds authorized under this section.

"(c) PAYMENTS TO LOCAL GOVERNMENTS.—The governments of the territories are authorized to make payments to local governments within their jurisdiction from sums received under this section as they deem appropriate.".

Approved May 23, 1977.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-27 pt. I (Comm. on Ways and Means), and No. 95-27 pt. II (Comm. on Appropriations), and No. 95-263 (Comm. of Conference).
SENATE REPORT No. 95-66 (Comm. on Finance).
CONGRESSIONAL RECORD, Vol. 123 (1977):
Mar. 8, considered and passed House.
Apr. 19-22, 25-29, considered and passed Senate, amended.
May 16, House and Senate agreed to conference report and resolved amendment in disagreement.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 13, No. 22:
May 23, Presidential statement.