

the next summit meeting of the Organization for Security and Cooperation in Europe (OSCE).

The Department of State shares your concerns about Turkey's human rights record. All states participating in the OSCE are expected to adhere to the principles of the Helsinki Final Act and other OSCE commitments, including respect for human rights and fundamental freedoms. The U.S. Government has consistently called attention to human rights problems in Turkey and has urged improvements. It does not in any way condone Turkey's, or any other OSCE state's, failure to implement OSCE commitments.

The OSCE, however, is also a means of addressing and correcting human rights shortcomings. As you note in your letter, the issue of Turkey's human rights violations was raised at the November OSCE Review Meeting, and will likely continue to be raised at such meetings until Turkey demonstrates that it has taken concrete measures to improve its record. Holding the summit in Turkey could provide an opportunity to influence Turkey to improve its human rights record.

As you note, the Turkish government has made some effort to address problem areas, through the relaxation of restrictions on freedom of expression and the recent promulgation of legal reforms which, if fully implemented, would begin to address the torture problem. These measures are only a first step in addressing the problems that exist, but we believe they reflect the commitment of the Turkish government to address its human rights problems. We have been particularly encouraged by the positive attitude the new government, which came to power July 12, has demonstrated in dealing with human rights issues.

As you know, the fifty-four nations of the OSCE will discuss the question of a summit venue. As in all OSCE decisions, any decision will have to be arrived at through consensus, which will likely take some time to achieve. In the meantime, the Department of State welcomes your views, and will seriously consider your concerns about the OSCE summit site. I welcome your continuing input on this issue, and thank you for your thoughtful letter.

We appreciate your letter and hope this information is helpful. Please do not hesitate to contact us again if we can be of further assistance.

Sincerely,

BARBARA LARKIN,
Assistant Secretary,
Legislative Affairs.

AMENDMENTS SUBMITTED

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

LOTT AMENDMENT NO. 1542

(Ordered to lie on the table.)

Mr. LOTT submitted an amendment intended to be proposed by him to the bill (H.R. 2646) to amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes; as follows:

Strike all after "1. SHORT" and insert "TITLE.

This act may be cited as the "Education Savings Act for Public and Private Schools".

SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) TAX-FREE EXPENDITURES FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.—

(1) IN GENERAL.—Section 530(b)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

"(2) QUALIFIED EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified education expenses' means—

"(i) qualified higher education expenses (as defined in section 529(e)(3)), and

"(ii) qualified elementary and secondary education expenses (as defined in paragraph (4)) but only with respect to amounts in the account which are attributable to contributions for any taxable year ending before January 1, 2003, and earnings on such contributions.

Such expenses shall be reduced as provided in section 25A(g)(2).

"(B) QUALIFIED STATE TUITION PROGRAMS.—Such term shall include amounts paid or incurred to purchase tuition credits or certificates, or to make contributions to an account, under a qualified State tuition program (as defined in section 529(b)) for the benefit of the beneficiary of the account."

(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

"(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means tuition, fees, tutoring, special needs services, books, supplies, computer equipment (including related software and services) and other equipment, transportation, and supplementary expenses required for the enrollment or attendance of the designated beneficiary of the trust at a public, private, or religious school.

"(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A) required for education provided for homeschooling if the requirements of any applicable State or local law are met with respect to such education.

"(C) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (through grade 12), as determined under State law."

(3) CONFORMING AMENDMENTS.—Subsections (b)(1) and (d)(2) of section 530 of such Code are each amended by striking "higher" each place it appears in the text and heading thereof.

(b) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking "\$500" and inserting "the contribution limit for such taxable year".

(2) CONTRIBUTION LIMIT.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

"(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means \$2,500 (\$500 in the case of any taxable year ending after December 31, 2002)."

(3) CONFORMING AMENDMENTS.—

(A) Section 530(d)(4)(C) of such Code is amended by striking "\$500" and inserting "the contribution limit for such taxable year".

(B) Section 4973(e)(1)(A) of such Code is amended by striking "\$500" and inserting "the contribution limit (as defined in section 530(b)(4)) for such taxable year".

(c) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Paragraph (1) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the

following flush sentence: "The age limitations in the preceding sentence shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary)."

(d) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Paragraph (1) of section 530(c) of the Internal Revenue Code of 1986 is amended by striking "The maximum amount which a contributor" and inserting "In the case of a contributor who is an individual, the maximum amount the contributor".

(e) EFFECTIVE DATE; REFERENCES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

(2) REFERENCES.—Any reference in this section to any section of the Internal Revenue Code of 1986 shall be a reference to such section as added by the Taxpayer Relief Act of 1997.

SEC. 8. OVERRULING OF SCHMIDT BAKING COMPANY CASE.

(a) IN GENERAL.—The Internal Revenue Code of 1986 shall be applied without regard to the result reached in the case of Schmidt Baking Company, Inc. v. Commissioner of Internal Revenue, 107 T.C. 271 (1996).

(b) REGULATIONS.—The Secretary of the Treasury or the Secretary's delegate shall prescribe regulations to reflect subsection (a).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Subsections (a) and (b) shall apply to taxable years beginning after October 8, 1997.

(2) SPECIAL RULE FOR TAXABLE YEARS INCLUDING OCTOBER 8, 1997.—In the case of any taxable year which includes October 8, 1997, the amount of the deduction of any taxpayer for vacation, severance, or sick pay shall be reduced by an amount equal to 60 percent of the excess (if any) of—

(A) the amount of such deduction determined without regard to this section, over

(B) the amount of such deduction which would be determined if subsections (a) and (b) applied to such taxable year.

(3) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for its first taxable year beginning after October 8, 1997—

(A) such change shall be treated as initiated by the taxpayer.

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account in a prorata manner during the 10-taxable year period beginning with such first taxable year.

THE SMALL BUSINESS REAUTHORIZATION ACT OF 1997 HUBZONE ACT OF 1997

BOND AMENDMENT NO. 1543

Mr. BOND proposed an amendment to the bill (S. 1139) to reauthorize the programs of the Small Business Administration, and for other purposes; as follows:

In lieu of the matter proposed to be inserted, insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Small Business Reauthorization Act of 1997".