through 3349 of title 5, United States Code (commonly referred to as the ''Vacancies Act'') to clarify statutory requirements relating to vacancies in certain Federal offices, and for other purposes.

SENATE JOINT RESOLUTION 40

At the request of Mr. GRAHAM, his name was added as a cosponsor of Senate Joint Resolution 40, a joint resolution proposing an amendment to the Constitution of the United States authorizing Congress to prohibit the physical desecration of the flag of the United States.

SENATE RESOLUTION 176

At the request of Mr. DOMENICI, the names of the Senator from Wyoming (Mr. ENZI), the Senator from Delaware (Mr. BIDEN), the Senator from Arkansas (Mr. HUTCHINSON), and the Senator from Ohio (Mr. DEWINE) were added as cosponsors of Senate Resolution 176, a resolution proclaiming the week of October 18 through October 24, 1998, as ''National Character Counts Week.''

SENATE RESOLUTION 189

At the request of Mr. TORRICELLI, the names of the Senator from Delaware (Mr. BIDEN), the Senator from Ohio (Mr. GLENN), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Wisconsin (Mr. KOHL), the Senator from Virginia (Mr. ROBB), and the Senator from West Virginia (Mr. ROCKEFELLER) were added as cosponsors of Senate Resolution 189, a resolution honoring the 150th anniversary of the United States Women's Rights Movement that was initiated by the 1848 Women's Rights Convention held in Seneca Falls, New York, and calling for a national celebration of women's rights in 1998.

SENATE RESOLUTION 195

At the request of Mrs. HUTCHISON, the names of the Senator from Louisiana (Ms. LANDRIEU), the Senator from New Jersey (Mr. TORRICELLI), the Senator from New Mexico (Mr. DOMENICI), and the Senator from Oklahoma (Mr. INHOFE) were added as cosponsors of Senate Resolution 195, a bill designating the week of March 22 through March 28, 1998, as ''National Corrosion Prevention Week.''

SENATE RESOLUTION 198

At the request of Mr. MACK, the names of the Senator from Arkansas (Mr. HUTCHINSON) and the Senator from Wisconsin (Mr. FEINGOLD) were added as cosponsors of Senate Resolution 198, a resolution designating April 1, 1998, as ''National Breast Cancer Survivors' Day.''

AMENDMENTS SUBMITTED

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

COATS AMENDMENT NO. 2024

(Ordered to lie on the table.)

Mr. COATS 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:

At the end of title I, add the following:

SEC. ___. ADDITIONAL INCENTIVE TO MAKE DONATIONS TO SCHOOLS OR ORGANIZATIONS WHICH OFFER SCHOLARSHIPS.

(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) TREATMENT OF AMOUNTS PAID TO CERTAIN EDUCATIONAL ORGANIZATIONS.—

''(1) IN GENERAL.—For purposes of this section, 110 percent of any amount described in paragraph (2) shall be treated as a charitable contribution.

''(2) AMOUNT DESCRIBED.—For purposes of paragraph (1), an amount is described in this paragraph if the amount—

''(A) is paid in cash by the taxpayer to or for the benefit of a qualified organization, and

''(B) is used by such organization to provide qualified scholarships (as defined in section 117(b)) to any individual attending kindergarten through grade 12 whose family income does not exceed 185 percent of the poverty line for a family of the size involved.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED ORGANIZATION.—The term 'qualified organization' means—

''(i) an educational organization—

''(I) which is described in subsection (b)(1)(A)(ii), and

''(II) which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law, or

''(ii) an organization which is described in section 501(c)(3) and exempt from taxation under section 501(a).

''(B) POVERTY LINE.—The term 'poverty line' means the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.''

(b) PROHIBITION ON ANY DEDUCTION FOR GAMBLING LOSSES.—Section 165(d) (relating to wagering losses) is amended to read as follows:

''(d) NO DEDUCTION FOR WAGERING LOSSES.—No deduction shall be allowed for losses from wagering transactions.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

JEFFORDS AMENDMENT NO. 2025

(Ordered to lie on the table.)

Mr. JEFFORDS submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert:

SEC. 101. TRUST FUND FOR DC SCHOOLS.

(a) IN GENERAL.—Subchapter W of chapter 1 (relating to District of Columbia Enterprise Zone) is amended by adding at the end the following:

''SEC. 1400D. TRUST FUND FOR DC SCHOOLS.

''(a) CREATION OF FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Trust Fund for DC Schools', consisting of such amounts as may be appropriated or credited to the Fund as provided in this section.

''(b) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

''(1) IN GENERAL.—There are hereby appropriated to the Trust Fund for DC Schools amounts equivalent to 50 percent of the revenues received in the Treasury resulting from the amendment made by section 201 of the Parent and Student Savings Account PLUS Act.

''(2) TRANSFER OF AMOUNTS.—The amounts appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund for DC Schools on the basis of estimates made by the Secretary of the amounts referred to in such paragraph. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

''(c) EXPENDITURES FROM FUND.—

''(1) IN GENERAL.—Amounts in the Trust Fund for DC Schools shall be available, without fiscal year limitation, in an amount not to exceed $2,000,000,000 for the period beginning after December 31, 1998, and ending before January 1, 2009, for qualified service expenses with respect to State or local bonds issued by the District of Columbia to finance the construction, rehabilitation, and repair of schools under the jurisdiction of the government of the District of Columbia.

''(2) QUALIFIED SERVICE EXPENSES.—The term 'qualified service expenses' means expenses incurred after December 31, 1998, and certified by the District of Columbia Control Board as meeting the requirements of paragraph (1) after giving notice of any proposed certification to the Subcommittees on the District of Columbia of the Committees on Appropriations of the House of Representatives and the Senate.

''(d) REPORT.—It shall be the duty of the Secretary to hold the Trust Fund for DC Schools and to report to the Congress each year on the financial condition and the results of the operations of such Fund during the preceding fiscal year and on its expected condition and operations during the next fiscal year. Such report shall be printed as a House document of the session of the Congress to which the report is made.

''(e) INVESTMENT.—

''(1) IN GENERAL.—It shall be the duty of the Secretary to invest such portion of the Trust Fund for DC Schools as is not, in the Secretary's judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired—

''(A) on original issue at the issue price, or

''(B) by purchase of outstanding obligations at the market price.

''(2) SALE OF OBLIGATIONS.—Any obligation acquired by the Trust Fund for DC Schools may be sold by the Secretary at the market price.

''(3) INTEREST ON CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund for DC Schools shall be credited to and form a part of the Trust Fund for DC Schools.''

(b) CONFORMING AMENDMENT.—The table of sections for subchapter W of chapter 1 is amended by adding after the item relating to section 1400C the following:

''Sec. 1400D. Trust Fund for DC Schools.''

In section 103(a), strike ''December 31, 2002'' and insert ''June 30, 2002''.

CONRAD AMENDMENT NO. 2026

(Ordered to lie on the table.)

Mr. CONRAD submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert the following:

SEC. 101. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

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

(1) IN GENERAL.—Section 530(b)(2) 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 if the account is, at the time the account is created or organized, designated solely for payment of qualified elementary and secondary education expenses of the designated beneficiary.

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

''(B) QUALIFIED STATE TUITION PROGRAMS.—Except in the case of an account described in subparagraph (A)(ii), 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) ADJUSTED GROSS INCOME LIMITATION.—Section 530(c) is amended by redesignating paragraph (2) as paragraph (4) and by inserting after paragraph (1) the following:

''(2) SPECIAL RULE FOR ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Notwithstanding paragraph (1), in the case of an account designated under subsection (b)(2)(A)(ii), the maximum amount which a contributor could otherwise make to an account under this section shall be reduced by an amount which bears the same ratio to such maximum amount as—

''(A) the excess of—

''(i) the contributor's modified adjusted gross income for such taxable year, over

''(ii) $60,000, bears to

''(B) $15,000.

''(3) CONTRIBUTIONS TREATED AS MADE BY INDIVIDUAL ELIGIBLE FOR DEPENDENCY EXEMPTION.—For purposes of applying this subsection, any contribution by a person other than the taxpayer with respect to whom a deduction is allowable under section 151(c)(1) for a designated beneficiary shall be treated as having been made by such taxpayer.''

(3) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) 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—

''(i) tuition, fees, tutoring, special needs services, books, or supplies in connection with the enrollment or attendance of the designated beneficiary of the trust at a public, private, or religious school, or

''(ii) computer equipment (including related software and services) and other equipment, transportation, and supplementary expenses required or provided by a public, private, or religious school in connection with such enrollment or attendance.

''(B) SPECIAL RULE FOR HOME-SCHOOLING.—Such term shall include expenses described in subparagraph (A) required for education provided by 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.''

(4) NO ROLLOVERS BETWEEN COLLEGE ACCOUNTS AND NON-COLLEGE ACCOUNTS.—Section 530(d)(5) is amended by adding at the end the following: ''This paragraph shall not apply to a transfer of an amount between an account not described in subsection (b)(2)(A)(ii) and an account so described.''

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

(b) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

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

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means—

''(A) except as provided in subparagraph (B), $500, or

''(B) in the case of an account designated under paragraph (2)(A)(ii)—

''(i) $2,500 for any taxable year ending before January 1, 2003, and

''(ii) zero for any taxable year ending on or after such date.''

(3) CONFORMING AMENDMENTS.—

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

(B) Section 4973(e)(1)(A) 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) 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) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

BIDEN AMENDMENT NO. 2027

(Ordered to lie on the table.)

Mr. BIDEN submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

At the appropriate place, add the following:

SEC. .

(a) IN GENERAL.—Paragraph (2) of section 135(b) of the Internal Revenue Code 1986 is amended to read as follows:

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $95,000 ($150,000 in the case of a joint return), the amount which would (but for this paragraph) be excludable from gross income under subsection (a) shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so excludable as such excess bears to $15,000 ($10,000 in the case of a joint return).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1997.

REED AMENDMENT NO. 2028

(Ordered to lie on the table.)

Mr. REED submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101, and insert the following:

SEC. 101. TEACHER EXCELLENCE IN AMERICA CHALLENGE.

(a) AMENDMENT.—Part A of title V of the Higher Education Act of 1965 (20 U.S.C. 1102 et seq.) is amended to read as follows:

"PART A—TEACHER EXCELLENCE IN AMERICA CHALLENGE

"SEC. 501. SHORT TITLE.

''This part may be cited as the 'Teacher Excellence in America Challenge Act of 1997'.

"SEC. 502. PURPOSE.

''The purpose of this part is to improve the preparation and professional development of teachers and the academic achievement of students by encouraging partnerships among institutions of higher education, elementary schools or secondary schools, local educational agencies, State educational agencies, teacher organizations, and nonprofit organizations.

"SEC. 503. GOALS.

''The goals of this part are as follows:

''(1) To support and improve the education of students and the achievement of higher academic standards by students, through the enhanced professional development of teachers.

''(2) To ensure a strong and steady supply of new teachers who are qualified, well-trained, and knowledgeable and experienced in effective means of instruction, and who represent the diversity of the American people, in order to meet the challenges of working with students by strengthening preservice education and induction of individuals into the teaching profession.

''(3) To provide for the continuing development and professional growth of veteran teachers.

''(4) To provide a research-based context for reinventing schools, teacher preparation programs, and professional development programs, for the purpose of building and sustaining best educational practices and raising student academic achievement.

"SEC. 504. DEFINITIONS.

''In this part:

''(1) ELEMENTARY SCHOOL.—The term 'elementary school' means a public elementary school.

''(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution of higher education that—

''(A) has a school, college, or department of education that is accredited by an agency recognized by the Secretary for that purpose; or

''(B) the Secretary determines has a school, college, or department of education of a quality equal to or exceeding the quality of schools, colleges, or departments so accredited.

''(3) POVERTY LINE.—The term 'poverty line' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) applicable to a family of the size involved.

''(4) PROFESSIONAL DEVELOPMENT PARTNERSHIP.—The term 'professional development partnership' means a partnership among 1 or more institutions of higher education, 1 or more elementary schools or secondary schools, and 1 or more local educational agency based on a mutual commitment to improve teaching and learning. The partnership may include a State educational agency, a teacher organization, or a nonprofit organization whose primary purpose is education research and development.

''(5) PROFESSIONAL DEVELOPMENT SCHOOL.—The term 'professional development school' means an elementary school or secondary school that collaborates with an institution of higher education for the purpose of—

''(A) providing high quality instruction to students and educating students to higher academic standards;

''(B) providing high quality student teaching and internship experiences at the school for prospective and beginning teachers; and

''(C) supporting and enabling the professional development of veteran teachers at the school, and of faculty at the institution of higher education.

''(6) SECONDARY SCHOOL.—The term 'secondary school' means a public secondary school.

''(7) TEACHER.—The term 'teacher' means an elementary school or secondary school teacher.''

''SEC. 505. PROGRAM AUTHORIZED.

''(a) IN GENERAL.—From the amount appropriated under section 511 and not reserved under section 509 for a fiscal year, the Secretary may award grants, on a competitive basis, to professional development partnerships to enable the partnerships to pay the Federal share of the cost of providing teacher preparation, induction, classroom experience, and professional development opportunities to prospective, beginning, and veteran teachers while improving the education of students in the classroom.

''(b) DURATION; PLANNING.—The Secretary shall award grants under this part for a period of 5 years, the first year of which may be used for planning to conduct the activities described in section 506.

''(c) PAYMENTS; FEDERAL SHARE; NON-FEDERAL SHARE.—

''(1) PAYMENTS.—The Secretary shall make annual payments pursuant to a grant awarded under this part.

''(2) FEDERAL SHARE.—The Federal share of the costs described in subsection (a)(1) shall be 80 percent.

''(3) NON-FEDERAL SHARE.—The non-Federal share of the costs described in subsection (a)(1) may be in cash or in-kind, fairly evaluated.

''(d) CONTINUING ELIGIBILITY.—

''(1) 2ND AND 3D YEARS.—The Secretary may make a grant payment under this section for each of the 2 fiscal years after the first fiscal year a professional development partnership receives such a payment, only if the Secretary determines that the partnership, through the activities assisted under this part, has made reasonable progress toward meeting the criteria described in paragraph (3).

''(2) 4TH AND 5TH YEARS.—The Secretary may make a grant payment under this section for each of the 2 fiscal years after the third fiscal year a professional development partnership receives such a payment, only if the Secretary determines that the partnership, through the activities assisted under this part, has met the criteria described in paragraph (3).

''(3) CRITERIA.—The criteria referred to in paragraphs (1) and (2) are as follows:

''(A) Increased student achievement as determined by increased graduation rates, decreased dropout rates, or higher scores on local, State, or national assessments for a year compared to student achievement as determined by the rates or scores, as the case may be, for the year prior to the year for which a grant under this part is received.

''(B) Improved teacher preparation and development programs, and student educational programs.

''(C) Increased opportunities for enhanced and ongoing professional development of teachers.

''(D) An increased number of well-prepared individuals graduating from a school, college, or department of education within an institution of higher education and entering the teaching profession.

''(E) Increased recruitment to, and graduation from, a school, college, or department of education within an institution of higher education with respect to minority individuals.

''(F) Increased placement of qualified and well-prepared teachers in elementary schools or secondary schools, and increased assignment of such teachers to teach the subject matter in which the teachers received a degree or specialized training.

''(G) Increased dissemination of teaching strategies and best practices by teachers associated with the professional development school and faculty at the institution of higher education.

''(e) PRIORITY.—In awarding grants under this part, the Secretary shall give priority to professional development partnerships serving elementary schools, secondary schools, or local educational agencies, that serve high percentages of children from families below the poverty line.

''SEC. 506. AUTHORIZED ACTIVITIES.

''(a) IN GENERAL.—Each professional development partnership receiving a grant under this part shall use the grant funds for—

''(1) creating, restructuring, or supporting professional development schools;

''(2) enhancing and restructuring the teacher preparation program at the school, college, or department of education within the institution of higher education, including—

''(A) coordinating with, and obtaining the participation of, schools, colleges, or departments of arts and science;

''(B) preparing teachers to work with diverse student populations; and

''(C) preparing teachers to implement research-based, demonstrably successful, and replicable, instructional programs and practices that increase student achievement;

''(3) incorporating clinical learning in the coursework for prospective teachers, and in the induction activities for beginning teachers;

''(4) mentoring of prospective and beginning teachers by veteran teachers in instructional skills, classroom management skills, and strategies to effectively assess student progress and achievement;

''(5) providing high quality professional development to veteran teachers, including the rotation, for varying periods of time, of veteran teachers—

''(A) who are associated with the partnership to elementary schools or secondary schools not associated with the partnership in order to enable such veteran teachers to act as a resource for all teachers in the local educational agency or State; and

''(B) who are not associated with the partnership to elementary schools or secondary schools associated with the partnership in order to enable such veteran teachers to observe how teaching and professional development occurs in professional development schools;

''(6) preparation time for teachers in the professional development school and faculty of the institution of higher education to jointly design and implement the teacher preparation curriculum, classroom experiences, and ongoing professional development opportunities;

''(7) preparing teachers to use technology to teach students to high academic standards;

''(8) developing and instituting ongoing performance-based review procedures to assist and support teachers' learning;

''(9) activities designed to involve parents in the partnership;

''(10) research to improve teaching and learning by teachers in the professional development school and faculty at the institution of higher education; and

''(11) activities designed to disseminate information, regarding the teaching strategies and best practices implemented by the professional development school, to—

''(A) teachers in elementary schools or secondary schools, which are served by the local educational agency or located in the State, that are not associated with the professional development partnership; and

''(B) institutions of higher education in the State.

''(b) CONSTRUCTION PROHIBITED.—No grant funds provided under this part may be used for the construction, renovation, or repair of any school or facility.

''SEC. 507. APPLICATIONS.

''Each professional development partnership desiring a grant under this part shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each such application shall—

''(1) describe the composition of the partnership;

''(2) describe how the partnership will include the participation of the schools, colleges, or departments of arts and sciences within the institution of higher education to ensure the integration of pedagogy and content in teacher preparation;

''(3) identify how the goals described in section 503 will be met and the criteria that will be used to evaluate and measure whether the partnership is meeting the goals;

''(4) describe how the partnership will restructure and improve teaching, teacher preparation, and development programs at the institution of higher education and the professional development school, and how such systemic changes will contribute to increased student achievement;

''(5) describe how the partnership will prepare teachers to implement research-based, demonstrably successful, and replicable, instructional programs and practices that increase student achievement;

''(6) describe how the teacher preparation program in the institution of higher education, and the induction activities and ongoing professional development opportunities in the professional development school, incorporate—

''(A) an understanding of core concepts, structure, and tools of inquiry as a foundation for subject matter pedagogy; and

''(B) knowledge of curriculum and assessment design as a basis for analyzing and responding to student learning;

''(7) describe how the partnership will prepare teachers to work with diverse student populations, including minority individuals and individuals with disabilities;

''(8) describe how the partnership will prepare teachers to use technology to teach students to high academic standards;

''(9) describe how the research and knowledge generated by the partnership will be disseminated to and implemented in—

''(A) elementary schools or secondary schools served by the local educational agency or located in the State; and

''(B) institutions of higher education in the State;

''(10)(A) describe how the partnership will coordinate the activities assisted under this part with other professional development activities for teachers, including activities assisted under titles I and II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq., 6601 et seq.), the Goals 2000: Educate America Act (20 U.S.C. 5801 et

seq.), the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.), and the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 et seq.); and

''(B) describe how the activities assisted under this part are consistent with Federal and State educational reform activities that promote student achievement of higher academic standards;

''(11) describe which member of the partnership will act as the fiscal agent for the partnership and be responsible for the receipt and disbursement of grant funds under this part;

''(12) describe how the grant funds will be divided among the institution of higher education, the elementary school or secondary school, the local educational agency, and any other members of the partnership to support activities described in section 506;

''(13) provide a description of the commitment of the resources of the partnership to the activities assisted under this part, including financial support, faculty participation, and time commitments; and

''(14) describe the commitment of the partnership to continue the activities assisted under this part without grant funds provided under this part.

''SEC. 508. ASSURANCES.

''Each application submitted under this part shall contain an assurance that the professional development partnership—

''(1) will enter into an agreement that commits the members of the partnership to the support of students' learning, the preparation of prospective and beginning teachers, the continuing professional development of veteran teachers, the periodic review of teachers, standards-based teaching and learning, practice-based inquiry, and collaboration among members of the partnership;

''(2) will use teachers of excellence, who have mastered teaching techniques and subject areas, including teachers certified by the National Board for Professional Teaching Standards, to assist prospective and beginning teachers;

''(3) will provide for adequate preparation time to be made available to teachers in the professional development school and faculty at the institution of higher education to allow the teachers and faculty time to jointly develop programs and curricula for prospective and beginning teachers, ongoing professional development opportunities, and the other authorized activities described in section 506; and

''(4) will develop organizational structures that allow principals and key administrators to devote sufficient time to adequately participate in the professional development of their staffs, including frequent observation and critique of classroom instruction.

''SEC. 509. NATIONAL ACTIVITIES.

''(a) IN GENERAL.—The Secretary shall reserve a total of not more than 10 percent of the amount appropriated under section 511 for each fiscal year for evaluation activities under subsection (b), and the dissemination of information under subsection (c).

''(b) NATIONAL EVALUATION.—The Secretary, by grant or contract, shall provide for an annual, independent, national evaluation of the activities of the professional development partnerships assisted under this part. The evaluation shall be conducted not later than 3 years after the date of enactment of the Teacher Excellence in America Challenge Act of 1997 and each succeeding year thereafter. The Secretary shall report to Congress and the public the results of such evaluation. The evaluation, at a minimum, shall assess the short-term and long-term impacts and outcomes of the activities assisted under this part, including—

''(1) the extent to which professional development partnerships enhance student achievement;

''(2) how, and the extent to which, professional development partnerships lead to improvements in the quality of teachers;

''(3) the extent to which professional development partnerships improve recruitment and retention rates among beginning teachers, including beginning minority teachers; and

''(4) the extent to which professional development partnerships lead to the assignment of beginning teachers to public elementary or secondary schools that have a shortage of teachers who teach the subject matter in which the teacher received a degree or specialized training.

''(c) DISSEMINATION OF INFORMATION.—The Secretary shall disseminate information (including creating and maintaining a national database) regarding outstanding professional development schools, practices, and programs.

''SEC. 510. SUPPLEMENT NOT SUPPLANT.

''Funds appropriated under section 511 shall be used to supplement and not supplant other Federal, State, and local public funds expended for the professional development of elementary school and secondary school teachers.

''SEC. 511. AUTHORIZATION OF APPROPRIATIONS.

''There is authorized to be appropriated to carry out this part $100,000,000 for fiscal year 1999, and such sums as may be necessary for each of the fiscal years 2000 through 2003.''.

(b) REPEALS.—Part B of title V of the Higher Education Act of 1965 (20 U.S.C. 1103 et seq.), subparts 1 and 3 of part C of such title (20 U.S.C. 1104 et seq., 1106 et seq.), subparts 3 and 4 of part D of such title (20 U.S.C. 1109 et seq., 1110 et seq.), subpart 1 of part E of such title (20 U.S.C. 1111 et seq.), and part F of such title (20 U.S.C. 1113 et seq.), are repealed.

KERREY AMENDMENT NO. 2029

(Ordered to lie on the table.)

Mr. KERREY submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Internal Revenue Service Restructuring and Reform Act of 1997''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—EXECUTIVE BRANCH GOVERNANCE AND SENIOR MANAGEMENT OF THE INTERNAL REVENUE SERVICE

Subtitle A—Executive Branch Governance and Senior Management

Sec. 101. Internal Revenue Service Oversight Board.
Sec. 102. Commissioner of Internal Revenue; other officials.
Sec. 103. Other personnel.
Sec. 104. Prohibition on executive branch influence over taxpayer audits and other investigations.

Subtitle B—Personnel Flexibilities

Sec. 111. Personnel flexibilities.

TITLE II—ELECTRONIC FILING

Sec. 201. Electronic filing of tax and information returns.
Sec. 202. Due date for certain information returns filed electronically.
Sec. 203. Paperless electronic filing.
Sec. 204. Return-free tax system.
Sec. 205. Access to account information.

TITLE III—TAXPAYER PROTECTION AND RIGHTS

Sec. 300. Short title.

Subtitle A—Burden of Proof

Sec. 301. Burden of proof.

Subtitle B—Proceedings by Taxpayers

Sec. 311. Expansion of authority to award costs and certain fees.
Sec. 312. Civil damages for negligence in collection actions.
Sec. 313. Increase in size of cases permitted on small case calendar.

Subtitle C—Relief for Innocent Spouses and for Taxpayers Unable To Manage Their Financial Affairs Due to Disabilities

Sec. 321. Spouse relieved in whole or in part of liability in certain cases.
Sec. 322. Suspension of statute of limitations on filing refund claims during periods of disability.

Subtitle D—Provisions Relating to Interest

Sec. 331. Elimination of interest rate differential on overlapping periods of interest on income tax overpayments and underpayments.
Sec. 332. Increase in overpayment rate payable to taxpayers other than corporations.

Subtitle E—Protections for Taxpayers Subject to Audit or Collection Activities

Sec. 341. Privilege of confidentiality extended to taxpayer's dealings with non-attorneys authorized to practice before Internal Revenue Service.
Sec. 342. Expansion of authority to issue taxpayer assistance orders.
Sec. 343. Limitation on financial status audit techniques.
Sec. 344. Limitation on authority to require production of computer source code.
Sec. 345. Procedures relating to extensions of statute of limitations by agreement.
Sec. 346. Offers-in-compromise.
Sec. 347. Notice of deficiency to specify deadlines for filing Tax Court petition.
Sec. 348. Refund or credit of overpayments before final determination.
Sec. 349. Threat of audit prohibited to coerce Tip Reporting Alternative Commitment Agreements.

Subtitle F—Disclosures to Taxpayers

Sec. 351. Explanation of joint and several liability.
Sec. 352. Explanation of taxpayers' rights in interviews with the Internal Revenue Service.
Sec. 353. Disclosure of criteria for examination selection.
Sec. 354. Explanations of appeals and collection process.

Subtitle G—Low Income Taxpayer Clinics

Sec. 361. Low income taxpayer clinics.

Subtitle H—Other Matters

Sec. 371. Actions for refund with respect to certain estates which have elected the installment method of payment.
Sec. 372. Cataloging complaints.
Sec. 373. Archive of records of Internal Revenue Service.
Sec. 374. Payment of taxes.

Sec. 375. Clarification of authority of Secretary relating to the making of elections.
Sec. 376. Limitation on penalty on individual's failure to pay for months during period of installment agreement.
Subtitle I—Studies
Sec. 381. Penalty administration.
Sec. 382. Confidentiality of tax return information.
TITLE IV—CONGRESSIONAL ACCOUNTABILITY FOR THE INTERNAL REVENUE SERVICE
Subtitle A—Oversight
Sec. 401. Expansion of duties of the Joint Committee on Taxation.
Sec. 402. Coordinated oversight reports.
Subtitle B—Budget
Sec. 411. Funding for century date change.
Sec. 412. Financial Management Advisory Group.
Subtitle C—Tax Law Complexity
Sec. 421. Role of the Internal Revenue Service.
Sec. 422. Tax complexity analysis.
TITLE V—CLARIFICATION OF DEDUCTION FOR DEFERRED COMPENSATION
Sec. 501. Clarification of deduction for deferred compensation.
TITLE VI—CONGRESSIONAL ACCOUNTABILITY FOR THE INTERNAL REVENUE SERVICE
Sec. 601. Short title.
Sec. 602. Definitions.
Sec. 603. Amendments related to title I of 1997 Act.
Sec. 604. Amendments related to title II of 1997 Act.
Sec. 605. Amendments related to title III of 1997 Act.
Sec. 606. Amendments related to title V of 1997 Act.
Sec. 607. Amendments related to title VII of 1997 Act.
Sec. 608. Amendments related to title IX of 1997 Act.
Sec. 609. Amendments related to title X of 1997 Act.
Sec. 610. Amendments related to title XI of 1997 Act.
Sec. 611. Amendments related to title XII of 1997 Act.
Sec. 612. Amendments related to title XIII of 1997 Act.
Sec. 613. Amendments related to title XIV of 1997 Act.
Sec. 614. Amendments related to title XV of 1997 Act.
Sec. 615. Amendments related to title XVI of 1997 Act.
Sec. 616. Amendments related to Omibus Budget Reconciliation Act of 1993.
Sec. 617. Amendments related to Tax Reform Act of 1984.
Sec. 618. Amendments related to Tax Reform Act of 1986.
Sec. 619. Miscellaneous clerical and deadwood changes.
Sec. 620. Effective date.

TITLE I—EXECUTIVE BRANCH GOVERNANCE AND SENIOR MANAGEMENT OF THE INTERNAL REVENUE SERVICE

Subtitle A—Executive Branch Governance and Senior Management

SEC. 101. INTERNAL REVENUE SERVICE OVERSIGHT BOARD.

(a) IN GENERAL.—Section 7802 (relating to the Commissioner of Internal Revenue) is amended to read as follows:

"SEC. 7802. INTERNAL REVENUE SERVICE OVERSIGHT BOARD.

''(a) ESTABLISHMENT.—There is established within the Department of the Treasury the Internal Revenue Service Oversight Board (hereafter in this subchapter referred to as the 'Oversight Board').

''(b) MEMBERSHIP.—

''(1) COMPOSITION.—The Oversight Board shall be composed of 11 members, as follows:

''(A) 8 members shall be individuals who are not Federal officers or employees and who are appointed by the President, by and with the advice and consent of the Senate.

''(B) 1 member shall be the Secretary of the Treasury or, if the Secretary so designates, the Deputy Secretary of the Treasury.

''(C) 1 member shall be the Commissioner of Internal Revenue.

''(D) 1 member shall be an individual who is a representative of an organization that represents a substantial number of Internal Revenue Service employees and who is appointed by the President, by and with the advice and consent of the Senate.

''(2) QUALIFICATIONS AND TERMS.—

''(A) QUALIFICATIONS.—Members of the Oversight Board described in paragraph (1)(A) shall be appointed solely on the basis of their professional experience and expertise in 1 or more of the following areas:

''(i) Management of large service organizations.

''(ii) Customer service.

''(iii) Federal tax laws, including tax administration and compliance.

''(iv) Information technology.

''(v) Organization development.

''(vi) The needs and concerns of taxpayers.

In the aggregate, the members of the Oversight Board described in paragraph (1)(A) should collectively bring to bear expertise in all of the areas described in the preceding sentence.

''(B) TERMS.—Each member who is described in paragraph (1)(A) or (D) shall be appointed for a term of 5 years, except that of the members first appointed under paragraph (1)(A)—

''(i) 1 member shall be appointed for a term of 1 year,

''(ii) 1 member shall be appointed for a term of 2 years,

''(iii) 2 members shall be appointed for a term of 3 years, and

''(iv) 2 members shall be appointed for a term of 4 years.

Such terms shall begin on the date of appointment.

''(C) REAPPOINTMENT.—An individual who is described in paragraph (1)(A) may be appointed to no more than two 5-year terms on the Oversight Board.

''(D) VACANCY.—Any vacancy on the Oversight Board shall be filled in the same manner as the original appointment. Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed for the remainder of that term.

''(E) SPECIAL GOVERNMENT EMPLOYEES.—During the entire period that an individual appointed under paragraph (1)(A) is a member of the Oversight Board, such individual shall be treated as—

''(i) serving as a special government employee (as defined in section 202 of title 18, United States Code) and as described in section 207(c)(2) of such title 18, and

''(ii) serving as an officer or employee referred to in section 101(f) of the Ethics in Government Act of 1978 for purposes of title I of such Act.

''(3) QUORUM.—6 members of the Oversight Board shall constitute a quorum. A majority of members present and voting shall be required for the Oversight Board to take action.

''(4) REMOVAL.—

''(A) IN GENERAL.—Any member of the Oversight Board may be removed at the will of the President.

''(B) SECRETARY AND COMMISSIONER.—An individual described in subparagraph (B) or (C) of paragraph (1) shall be removed upon termination of employment.

''(C) REPRESENTATIVE OF INTERNAL REVENUE SERVICE EMPLOYEES.—The member described in paragraph (1)(D) shall be removed upon termination of employment, membership, or other affiliation with the organization described in such paragraph.

''(5) CLAIMS.—

''(A) IN GENERAL.—Members of the Oversight Board who are described in paragraph (1)(A) or (D) shall have no personal liability under Federal law with respect to any claim arising out of or resulting from an act or omission by such member within the scope of service as a member. The preceding sentence shall not be construed to limit personal liability for criminal acts or omissions, willful or malicious conduct, acts or omissions for private gain, or any other act or omission outside the scope of the service of such member on the Oversight Board.

''(B) EFFECT ON OTHER LAW.—This paragraph shall not be construed—

''(i) to affect any other immunities and protections that may be available to such member under applicable law with respect to such transactions,

''(ii) to affect any other right or remedy against the United States under applicable law, or

''(iii) to limit or alter in any way the immunities that are available under applicable law for Federal officers and employees.

''(c) GENERAL RESPONSIBILITIES.—

''(1) IN GENERAL.—The Oversight Board shall oversee the Internal Revenue Service in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes and tax conventions to which the United States is a party.

''(2) EXCEPTIONS.—The Oversight Board shall have no responsibilities or authority with respect to—

''(A) the development and formulation of Federal tax policy relating to existing or proposed internal revenue laws, related statutes, and tax conventions,

''(B) law enforcement activities of the Internal Revenue Service, including compliance activities such as criminal investigations, examinations, and collection activities, or

''(C) specific procurement activities of the Internal Revenue Service.

''(3) RESTRICTION ON DISCLOSURE OF RETURN INFORMATION TO OVERSIGHT BOARD MEMBERS.—No return, return information, or taxpayer return information (as defined in section 6103(b)) may be disclosed to any member of the Oversight Board described in subsection (b)(1)(A) or (D). Any request for information not permitted to be disclosed under the preceding sentence, and any contact relating to a specific taxpayer, made by a member of the Oversight Board so described to an officer or employee of the Internal Revenue Service shall be reported by such officer or employee to the Secretary and the Joint Committee on Taxation.

''(d) SPECIFIC RESPONSIBILITIES.—The Oversight Board shall have the following specific responsibilities:

''(1) STRATEGIC PLANS.—To review and approve strategic plans of the Internal Revenue Service, including the establishment of—

''(A) mission and objectives, and standards of performance relative to either, and

''(B) annual and long-range strategic plans.

''(2) OPERATIONAL PLANS.—To review the operational functions of the Internal Revenue Service, including—

''(A) plans for modernization of the tax system,

''(B) plans for outsourcing or managed competition, and

''(C) plans for training and education.

''(3) MANAGEMENT.—To—

''(A) recommend to the President candidates for appointment as the Commissioner of Internal Revenue and recommend to the President the removal of the Commissioner,

''(B) review the Commissioner's selection, evaluation, and compensation of senior managers, and

''(C) review and approve the Commissioner's plans for any major reorganization of the Internal Revenue Service.

''(4) BUDGET.—To—

''(A) review and approve the budget request of the Internal Revenue Service prepared by the Commissioner,

''(B) submit such budget request to the Secretary of the Treasury, and

''(C) ensure that the budget request supports the annual and long-range strategic plans.

The Secretary shall submit the budget request referred to in paragraph (4)(B) for any fiscal year to the President who shall submit such request, without revision, to Congress together with the President's annual budget request for the Internal Revenue Service for such fiscal year.

''(e) BOARD PERSONNEL MATTERS.—

''(1) COMPENSATION OF MEMBERS.—

''(A) IN GENERAL.—Each member of the Oversight Board who is described in subsection (b)(1)(A) shall be compensated at a rate not to exceed $30,000 per year. All other members of the Oversight Board shall serve without compensation for such service.

''(B) CHAIRPERSON.—In lieu of the amount specified in subparagraph (A), the Chairperson of the Oversight Board shall be compensated at a rate not to exceed $50,000.

''(2) TRAVEL EXPENSES.—The members of the Oversight Board shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business for purposes of attending meetings of the Oversight Board.

''(3) STAFF.—At the request of the Chairperson of the Oversight Board, the Commissioner shall detail to the Oversight Board such personnel as may be necessary to enable the Oversight Board to perform its duties. Such detail shall be without interruption or loss of civil service status or privilege.

''(4) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Oversight Board may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

''(f) ADMINISTRATIVE MATTERS.—

''(1) CHAIR.—The members of the Oversight Board shall elect for a 2-year term a chairperson from among the members appointed under subsection (b)(1)(A).

''(2) COMMITTEES.—The Oversight Board may establish such committees as the Oversight Board determines appropriate.

''(3) MEETINGS.—The Oversight Board shall meet at least once each month and at such other times as the Oversight Board determines appropriate.

''(4) REPORTS.—The Oversight Board shall each year report to the President and the Congress with respect to the conduct of its responsibilities under this title.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 4946(c) (relating to definitions and special rules for chapter 42) is amended—

(A) by striking ''or'' at the end of paragraph (5),

(B) by striking the period at the end of paragraph (6) and inserting '', or'', and

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

''(7) a member of the Internal Revenue Service Oversight Board.''.

(2) The table of sections for subchapter A of chapter 80 is amended by striking the item relating to section 7802 and inserting the following new item:

''Sec. 7802. Internal Revenue Service Oversight Board.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) NOMINATIONS TO INTERNAL REVENUE SERVICE OVERSIGHT BOARD.—The President shall submit nominations under section 7802 of the Internal Revenue Code of 1986, as added by this section, to the Senate not later than 6 months after the date of the enactment of this Act.

SEC. 102. COMMISSIONER OF INTERNAL REVENUE; OTHER OFFICIALS.

(a) IN GENERAL.—Section 7803 (relating to other personnel) is amended to read as follows:

''SEC. 7803. COMMISSIONER OF INTERNAL REVENUE; OTHER OFFICIALS.

''(a) COMMISSIONER OF INTERNAL REVENUE.—

''(1) APPOINTMENT.—

''(A) IN GENERAL.—There shall be in the Department of the Treasury a Commissioner of Internal Revenue who shall be appointed by the President, by and with the advice and consent of the Senate, to a 5-year term. The appointment shall be made without regard to political affiliation or activity.

''(B) VACANCY.—Any individual appointed to fill a vacancy in the position of Commissioner occurring before the expiration of the term for which such individual's predecessor was appointed shall be appointed only for the remainder of that term.

''(C) REMOVAL.—The Commissioner may be removed at the will of the President.

''(2) DUTIES.—The Commissioner shall have such duties and powers as the Secretary may prescribe, including the power to—

''(A) administer, manage, conduct, direct, and supervise the execution and application of the internal revenue laws or related statutes and ax conventions to which the United States is a party; and

''(B) recommend to the President a candidate for appointment as Chief Counsel for the Internal Revenue Service when a vacancy occurs, and recommend to the President the removal of such Chief Counsel.

If the Secretary determines not to delegate a power specified in subparagraph (A) or (B), such determination may not take effect until 30 days after the Secretary notifies the Committees on Ways and Means, Government Reform and Oversight, and Appropriations of the House of Representatives, the Committees on Finance, Government Operations, and Appropriations of the Senate, and the Joint Committee on Taxation.

''(3) CONSULTATION WITH BOARD.—The Commissioner shall consult with the Oversight Board on all matters set forth in paragraphs (2) and (3) (other than paragraph (3)(A)) of section 7802(d).

''(b) ASSISTANT COMMISSIONER FOR EMPLOYEE PLANS AND EXEMPT ORGANIZATIONS.—There is established within the Internal Revenue Service an office to be known as the 'Office of Employee Plans and Exempt Organizations' to be under the supervision and direction of an Assistant Commissioner of Internal Revenue. As head of the Office, the Assistant Commissioner shall be responsible for carrying out such functions as the Secretary may prescribe with respect to organizations exempt from tax under section 501(a) and with respect to plans to which part I of subchapter D of chapter 1 applies (and with respect to organizations designed to be exempt under such section and plans designed to be plans to which such part applies) and other nonqualified deferred compensation arrangements. The Assistant Commissioner shall report annually to the Commissioner with respect to the Assistant Commissioner's responsibilities under this section.

''(c) OFFICE OF TAXPAYER ADVOCATE.—

''(1) IN GENERAL.—

''(A) ESTABLISHMENT.—There is established in the Internal Revenue Service an office to be known as the 'Office of the Taxpayer Advocate'. Such office shall be under the supervision and direction of an official to be known as the 'Taxpayer Advocate' who shall be appointed with the approval of the Oversight Board by the Commissioner of Internal Revenue and shall report directly to the Commissioner. The Taxpayer Advocate shall be entitled to compensation at the same rate as the highest level official reporting directly to the Commissioner of Internal Revenue.

''(B) RESTRICTION ON SUBSEQUENT EMPLOYMENT.—An individual who is an officer or employee of the Internal Revenue Service may be appointed as Taxpayer Advocate only if such individual agrees not to accept any employment with the Internal Revenue Service for at least 5 years after ceasing to be the Taxpayer Advocate.

''(2) FUNCTIONS OF OFFICE.—

''(A) IN GENERAL.—It shall be the function of the Office of Taxpayer Advocate to—

''(i) assist taxpayers in resolving problems with the Internal Revenue Service,

''(ii) identify areas in which taxpayers have problems in dealings with the Internal Revenue Service,

''(iii) to the extent possible, propose changes in the administrative practices of the Internal Revenue Service to mitigate problems identified under clause (ii), and

''(iv) identify potential legislative changes which may be appropriate to mitigate such problems.

''(B) ANNUAL REPORTS.—

''(i) OBJECTIVES.—Not later than June 30 of each calendar year, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the objectives of the Taxpayer Advocate for the fiscal year beginning in such calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information.

''(ii) ACTIVITIES.—Not later than December 31 of each calendar year, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the activities of the Taxpayer Advocate during the fiscal year ending during such calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information, and shall—

''(I) identify the initiatives the Taxpayer Advocate has taken on improving taxpayer services and Internal Revenue Service responsiveness,

''(II) contain recommendations received from individuals with the authority to issue Taxpayer Assistance Orders under section 7811,

''(III) contain a summary of at least 20 of the most serious problems encountered by taxpayers, including a description of the nature of such problems,

''(IV) contain an inventory of the items described in subclauses (I), (II), and (III) for which action has been taken and the result of such action,

''(V) contain an inventory of the items described in subclauses (I), (II), and (III) for which action remains to be completed and the period during which each item has remained on such inventory,

''(VI) contain an inventory of the items described in subclauses (I), (II), and (III) for which no action has been taken, the period during which each item has remained on such inventory, the reasons for the inaction, and identify any Internal Revenue Service official who is responsible for such inaction,

''(VII) identify any Taxpayer Assistance Order which was not honored by the Internal Revenue Service in a timely manner, as specified under section 7811(b),

''(VIII) contain recommendations for such administrative and legislative action as may be appropriate to resolve problems encountered by taxpayers,

''(IX) identify areas of the tax law that impose significant compliance burdens on taxpayers or the Internal Revenue Service, including specific recommendations for remedying these problems,

''(X) in conjunction with the National Director of Appeals, identify the 10 most litigated issues for each category of taxpayers, including recommendations for mitigating such disputes, and

''(XI) include such other information as the Taxpayer Advocate may deem advisable.

''(iii) REPORT TO BE SUBMITTED DIRECTLY.—Each report required under this subparagraph shall be provided directly to the committees described in clauses (i) and (ii) without any prior review or comment from the Oversight Board, the Secretary of the Treasury, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget.

''(C) OTHER RESPONSIBILITIES.—The Taxpayer Advocate shall—

''(i) monitor the coverage and geographic allocation of problem resolution officers, and

''(ii) develop guidance to be distributed to all Internal Revenue Service officers and employees outlining the criteria for referral of taxpayer inquiries to problem resolution officers.

''(3) RESPONSIBILITIES OF COMMISSIONER.—The Commissioner shall establish procedures requiring a formal response to all recommendations submitted to the Commissioner by the Taxpayer Advocate within 3 months after submission to the Commissioner.''.

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for subchapter A of chapter 80 is amended by striking the item relating to section 7803 and inserting the following new item:

''Sec. 7803. Commissioner of Internal Revenue; other officials.''.

(2) Subsection (b) of section 5109 of title 5, United States Code, is amended by striking ''7802(b)'' and inserting ''7803(b)''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) CURRENT OFFICERS.—

(A) In the case of an individual serving as Commissioner of Internal Revenue on the date of the enactment of this Act who was appointed to such position before such date, the 5-year term required by section 7803(a)(1) of the Internal Revenue Code of 1986, as added by this section, shall begin as of the date of such appointment.

(B) Section 7803(c)(1)(B) of such Code, as added by this section, shall not apply to the individual serving as Taxpayer Advocate on the date of the enactment of this Act.

SEC. 103. OTHER PERSONNEL.

(a) IN GENERAL.—Section 7804 (relating to the effect of reorganization plans) is amended to read as follows:

''SEC. 7804. OTHER PERSONNEL.

''(a) APPOINTMENT AND SUPERVISION.—Unless otherwise prescribed by the Secretary, the Commissioner of Internal Revenue is authorized to employ such number of persons as the Commissioner deems proper for the administration and enforcement of the internal revenue laws, and the Commissioner shall issue all necessary directions, instructions, orders, and rules applicable to such persons.

''(b) POSTS OF DUTY OF EMPLOYEES IN FIELD SERVICE OR TRAVELING.—Unless otherwise prescribed by the Secretary—

''(1) DESIGNATION OF POST OF DUTY.—The Commissioner shall determine and designate the posts of duty of all such persons engaged in field work or traveling on official business outside of the District of Columbia.

''(2) DETAIL OF PERSONNEL FROM FIELD SERVICE.—The Commissioner may order any such person engaged in field work to duty in the District of Columbia, for such periods as the Commissioner may prescribe, and to any designated post of duty outside the District of Columbia upon the completion of such duty.

''(c) DELINQUENT INTERNAL REVENUE OFFICERS AND EMPLOYEES.—If any officer or employee of the Treasury Department acting in connection with the internal revenue laws fails to account for and pay over any amount of money or property collected or received by him in connection with the internal revenue laws, the Secretary shall issue notice and demand to such officer or employee for payment of the amount which he failed to account for and pay over, and, upon failure to pay the amount demanded within the time specified in such notice, the amount so demanded shall be deemed imposed upon such officer or employee and assessed upon the date of such notice and demand, and the provisions of chapter 64 and all other provisions of law relating to the collection of assessed taxes shall be applicable in respect of such amount.''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 6344 is amended by striking ''section 7803(d)'' and inserting ''section 7804(c)''.

(2) The table of sections for subchapter A of chapter 80 is amended by striking the item relating to section 7804 and inserting the following new item:

''Sec. 7804. Other personnel.''.

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

SEC. 104. PROHIBITION ON EXECUTIVE BRANCH INFLUENCE OVER TAXPAYER AUDITS AND OTHER INVESTIGATIONS.

(a) IN GENERAL.—Part I of subchapter A of chapter 75 (relating to crimes, other offenses, and forfeitures) is amended by adding after section 7216 the following new section:

''SEC. 7217. PROHIBITION ON EXECUTIVE BRANCH INFLUENCE OVER TAXPAYER AUDITS AND OTHER INVESTIGATIONS.

''(a) PROHIBITION.—It shall be unlawful for any applicable person to request any officer or employee of the Internal Revenue Service to conduct or terminate an audit or other investigation of any particular taxpayer with respect to the tax liability of such taxpayer.

''(b) REPORTING REQUIREMENT.—Any officer or employee of the Internal Revenue Service receiving any request prohibited by subsection (a) shall report the receipt of such request to the Chief Inspector of the Internal Revenue Service.

''(c) EXCEPTIONS.—Subsection (a) shall not apply to—

''(1) any request made to an applicable person by the taxpayer or a representative of the taxpayer and forwarded by such applicable person to the Internal Revenue Service,

''(2) any request by an applicable person for disclosure of return or return information under section 6103 if such request is made in accordance with the requirements of such section, or

''(3) any request by the Secretary of the Treasury as a consequence of the implementation of a change in tax policy.

''(d) PENALTY.—Any person who willfully violates subsection (a) or fails to report under subsection (b) shall be punished upon conviction by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

''(e) APPLICABLE PERSON.—For purposes of this section, the term 'applicable person' means—

''(1) the President, the Vice President, any employee of the executive office of the President, and any employee of the executive office of the Vice President, and

''(2) any individual (other than the Attorney General of the United States) serving in a position specified in section 5312 of title 5, United States Code.''.

(b) CLERICAL AMENDMENT.—The table of sections for part I of subchapter A of chapter 75 is amended by adding after the item relating to section 7216 the following new item:

''Sec. 7217. Prohibition on executive branch influence over taxpayer audits and other investigations.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

Subtitle B—Personnel Flexibilities

SEC. 111. PERSONNEL FLEXIBILITIES.

(a) IN GENERAL.—Part III of title 5, United States Code, is amended by adding at the end the following new subpart:

''Subpart I—Miscellaneous

''CHAPTER 93—PERSONNEL FLEXIBILITIES RELATING TO THE INTERNAL REVENUE SERVICE

''Sec.
''9301. General requirements.
''9302. Flexibilities relating to performance management.
''9303. Staffing flexibilities.
''9304. Flexibilities relating to demonstration projects.

''§ 9301. General requirements

''(a) CONFORMANCE WITH MERIT SYSTEM PRINCIPLES, ETC.—Any flexibilities under this chapter shall be exercised in a manner consistent with—

''(1) chapter 23, relating to merit system principles and prohibited personnel practices; and

''(2) provisions of this title (outside of this subpart) relating to preference eligibles.

''(b) REQUIREMENT RELATING TO UNITS REPRESENTED BY LABOR ORGANIZATIONS.—

''(1) WRITTEN AGREEMENT REQUIRED.—Employees within a unit with respect to which a labor organization is accorded exclusive recognition under chapter 71 shall not be subject to the exercise of any flexibility under section 9302, 9303, or 9304, unless there is a written agreement between the Internal Revenue Service and the organization permitting such exercise.

''(2) DEFINITION OF A WRITTEN AGREEMENT.—In order to satisfy paragraph (1), a written agreement—

''(A) need not be a collective bargaining agreement within the meaning of section 7103(8); and

''(B) may not be an agreement imposed by the Federal Service Impasses Panel under section 7119.

''(3) INCLUDIBLE MATTERS.—The written agreement may address any flexibilities under section 9302, 9303, or 9304, including any matter proposed to be included in a demonstration project under section 9304.

''§ 9302. Flexibilities relating to performance management

''(a) IN GENERAL.—The Commissioner of Internal Revenue shall, within a year after the date of the enactment of this chapter, establish a performance management system which—

''(1) subject to section 9301(b), shall cover all employees of the Internal Revenue Service other than—

''(A) the members of the Internal Revenue Service Oversight Board;

''(B) the Commissioner of Internal Revenue; and

''(C) the Chief Counsel for the Internal Revenue Service;

''(2) shall maintain individual accountability by—

''(A) establishing standards of performance which—

''(i) shall permit the accurate evaluation of each employee's performance on the basis of the individual and organizational performance requirements applicable with respect to the evaluation period involved, taking into account individual contributions toward the attainment of any goals or objectives under paragraph (3);

''(ii) shall be communicated to an employee before the start of any period with respect to which the performance of such employee is to be evaluated using such standards; and

''(iii) shall include at least 2 standards of performance, the lowest of which shall denote the retention standard and shall be equivalent to fully successful performance;

''(B) providing for periodic performance evaluations to determine whether employees are meeting all applicable retention standards; and

''(C) using the results of such employee's performance evaluation as a basis for adjustments in pay and other appropriate personnel actions; and

''(3) shall provide for (A) establishing goals or objectives for individual, group, or organizational performance (or any combination thereof), consistent with Internal Revenue Service performance planning procedures, including those established under the Government Performance and Results Act of 1993, the Information Technology Management Reform Act of 1996, Revenue Procedure 64–22 (as in effect on July 30, 1997), and taxpayer service surveys, (B) communicating such goals or objectives to employees, and (C) using such goals or objectives to make performance distinctions among employees or groups of employees.

For purposes of this title, performance of an employee during any period in which such employee is subject to standards of performance under paragraph (2) shall be considered to be 'unacceptable' if the performance of such employee during such period fails to meet any retention standard.

''(b) AWARDS.—

''(1) FOR SUPERIOR ACCOMPLISHMENTS.—In the case of a proposed award based on the efforts of an employee or former employee of the Internal Revenue Service, any approval required under the provisions of section 4502(b) shall be considered to have been granted if the Office of Personnel Management does not disapprove the proposed award within 60 days after receiving the appropriate certification described in such provisions.

''(2) FOR EMPLOYEES WHO REPORT DIRECTLY TO THE COMMISSIONER.—

''(A) IN GENERAL.—In the case of an employee of the Internal Revenue Service who reports directly to the Commissioner of Internal Revenue, a cash award in an amount up to 50 percent of such employee's annual rate of basic pay may be made if the Commissioner finds such an award to be warranted based on such employee's performance.

''(B) NATURE OF AN AWARD.—A cash award under this paragraph shall not be considered to be part of basic pay.

''(C) TAX ENFORCEMENT RESULTS.—A cash award under this paragraph may not be based solely on tax enforcement results.

''(D) ELIGIBLE EMPLOYEES.—Whether or not an employee is an employee who reports directly to the Commissioner of Internal Revenue shall, for purposes of this paragraph, be determined under regulations which the Commissioner shall prescribe, except that in no event shall more than 8 employees be eligible for a cash award under this paragraph in any calendar year.

''(E) LIMITATION ON COMPENSATION.—For purposes of applying section 5307 to an employee in connection with any calendar year to which an award made under this paragraph to such employee is attributable, subsection (a)(1) of such section shall be applied by substituting 'to equal or exceed the annual rate of compensation for the Vice President for such calendar year' for 'to exceed the annual rate of basic pay payable for level I of the Executive Schedule, as of the end of such calendar year'.

''(F) APPROVAL REQUIRED.—An award under this paragraph may not be made unless—

''(i) the Commissioner of Internal Revenue certifies to the Office of Personnel Management that such award is warranted; and

''(ii) the Office approves, or does not disapprove, the proposed award within 60 days after the date on which it is so certified.

''(3) BASED ON SAVINGS.—

''(A) IN GENERAL.—The Commissioner of Internal Revenue may authorize the payment of cash awards to employees based on documented financial savings achieved by a group or organization which such employees comprise, if such payments are made pursuant to a plan which—

''(i) specifies minimum levels of service and quality to be maintained while achieving such financial savings; and

''(ii) is in conformance with criteria prescribed by the Office of Personnel Management.

''(B) FUNDING.—A cash award under this paragraph may be paid from the fund or appropriation available to the activity primarily benefiting or the various activities benefiting.

''(C) TAX ENFORCEMENT RESULTS.—A cash award under this paragraph may not be based solely on tax enforcement results.

''(c) OTHER PROVISIONS.—

''(1) NOTICE PROVISIONS.—In applying sections 4303(b)(1)(A) and 7513(b)(1) to employees of the Internal Revenue Service, '15 days' shall be substituted for '30 days'.

''(2) APPEALS.—Notwithstanding the second sentence of section 5335(c), an employee of the Internal Revenue Service shall not have a right to appeal the denial of a periodic step increase under section 5335 to the Merit Systems Protection Board.

''§ 9303. Staffing flexibilities

''(a) ELIGIBILITY TO COMPETE FOR A PERMANENT APPOINTMENT IN THE COMPETITIVE SERVICE.—

''(1) ELIGIBILITY OF QUALIFIED VETERANS.—

''(A) IN GENERAL.—No veteran described in subparagraph (B) shall be denied the opportunity to compete for an announced vacant competitive service position within the Internal Revenue Service by reason of—

''(i) not having acquired competitive status; or

''(ii) not being an employee of that agency.

''(B) DESCRIPTION.—An individual shall, for purposes of a position for which such individual is applying, be considered a veteran described in this subparagraph if such individual—

''(i) is either a preference eligible, or an individual (other than a preference eligible) who has been separated from the armed forces under honorable conditions after at least 3 years of active service; and

''(ii) meets the minimum qualification requirements for the position sought.

''(2) ELIGIBILITY OF CERTAIN TEMPORARY EMPLOYEES.—

''(A) IN GENERAL.—No temporary employee described in subparagraph (B) shall be denied the opportunity to compete for an announced vacant competitive service position within the Internal Revenue Service by reason of not having acquired competitive status.

''(B) DESCRIPTION.—An individual shall, for purposes of a position for which such individual is applying, be considered a temporary employee described in this subparagraph if—

''(i) such individual is then currently serving as a temporary employee in the Internal Revenue Service;

''(ii) such individual has completed at least 2 years of current continuous service in the competitive service under 1 or more term appointments, each of which was made under competitive procedures prescribed for permanent appointments;

''(iii) such individual's performance under each term appointment referred to in clause (ii) met all applicable retention standards; and

''(iv) such individual meets the minimum qualification requirements for the position sought.

''(b) RATING SYSTEMS.—

''(1) IN GENERAL.—Notwithstanding subchapter I of chapter 33, the Commissioner of Internal Revenue may establish category rating systems for evaluating job applicants for positions in the competitive service, under which qualified candidates are divided into 2 or more quality categories on the basis of relative degrees of merit, rather than assigned individual numerical ratings. Each applicant who meets the minimum qualification requirements for the position to be filled shall be assigned to an appropriate category based on an evaluation of the applicant's knowledge, skills, and abilities relative to those needed for successful performance in the job to be filled.

''(2) TREATMENT OF PREFERENCE ELIGIBLES.—Within each quality category established under paragraph (1), preference eligibles shall be listed ahead of individuals who are not preference eligibles. For other than scientific and professional positions at or higher than GS–9 (or equivalent), preference eligibles who have a compensable service-connected disability of 10 percent or more, and who meet the minimum qualification standards, shall be listed in the highest quality category.

''(3) SELECTION PROCESS.—An appointing authority may select any applicant from the highest quality category or, if fewer than 3 candidates have been assigned to the highest quality category, from a merged category consisting of the highest and second highest quality categories. Notwithstanding the preceding sentence, the appointing authority may not pass over a preference eligible in the same or a higher category from which selection is made, unless the requirements of section 3317(b) or 3318(b), as applicable, are satisfied, except that in no event may certification of a preference eligible under this subsection be discontinued by the Internal Revenue Service under section 3317(b) before the end of the 6-month period beginning on

the date of such employee's first certification.

''(c) INVOLUNTARY REASSIGNMENTS AND REMOVALS OF CAREER APPOINTEES IN THE SENIOR EXECUTIVE SERVICE.—Neither section 3395(e)(1) nor section 3592(b)(1) shall apply with respect to the Internal Revenue Service.

''(d) PROBATIONARY PERIODS.—Notwithstanding any other provision of law or regulation, the Commissioner of Internal Revenue may establish a period of probation under section 3321 of up to 3 years for any position if, as determined by the Commissioner, a shorter period would be insufficient for the incumbent to demonstrate complete proficiency in such position.

''(e) PROVISIONS THAT REMAIN APPLICABLE.—No provision of this section exempts the Internal Revenue Service from—

''(1) any employment priorities established under direction of the President for the placement of surplus or displaced employees; or

''(2) its obligations under any court order or decree relating to the employment practices of the Internal Revenue Service.

''§ 9304. Flexibilities relating to demonstration projects

''(a) AUTHORITY TO CONDUCT.—The Commissioner of Internal Revenue may, in accordance with this section, conduct 1 or more demonstration projects to improve personnel management; provide increased individual accountability; eliminate obstacles to the removal of or imposing any disciplinary action with respect to poor performers, subject to the requirements of due process; expedite appeals from adverse actions or performance-based actions; and promote pay based on performance.

''(b) GENERAL REQUIREMENTS.—Except as provided in subsection (c), each demonstration project under this section shall comply with the provisions of section 4703.

''(c) SPECIAL RULES.—For purposes of any demonstration project under this section—

''(1) AUTHORITY OF COMMISSIONER.—The Commissioner of Internal Revenue shall exercise the authority provided to the Office of Personnel Management under section 4703.

''(2) PROVISIONS NOT APPLICABLE.—The following provisions of section 4703 shall not apply:

''(A) Paragraphs (3) through (6) of subsection (b).

''(B) Paragraphs (1), (2)(B)(ii), and (4) of subsection (c).

''(C) Subsections (d) through (g).

''(d) NOTIFICATION REQUIRED TO BE GIVEN.—

''(1) TO EMPLOYEES.—The Commissioner of Internal Revenue shall notify employees likely to be affected by a project proposed under this section at least 90 days in advance of the date such project is to take effect.

''(2) TO CONGRESS AND OPM.—The Commissioner of Internal Revenue shall, with respect to each demonstration project under this section, provide each House of Congress and the Office of Personnel Management with a report, at least 30 days in advance of the date such project is to take effect, setting forth the final version of the plan for such project. Such report shall, with respect to the project to which it relates, include the information specified in section 4703(b)(1).

''(e) LIMITATIONS.—No demonstration project under this section may—

''(1) provide for a waiver of any regulation prescribed under any provision of law referred to in paragraph (2)(B)(i) or (3) of section 4703(c);

''(2) provide for a waiver of subchapter V of chapter 63 or subpart G of part III (or any regulations prescribed under such subchapter or subpart);

''(3) provide for a waiver of any law or regulation relating to preference eligibles as defined in section 2108 or subchapter II or III of chapter 73 (or any regulations prescribed thereunder);

''(4) permit collective bargaining over pay or benefits, or require collective bargaining over any matter which would not be required under section 7106; or

''(5) include a system for measuring performance that provides for only 1 level of performance at or above the level of fully successful or better.

''(f) PERMISSIBLE PROJECTS.—Notwithstanding any other provision of law, a demonstration project under this section—

''(1) may establish alternative means of resolving any dispute within the jurisdiction of the Equal Employment Opportunity Commission, the Merit Systems Protection Board, the Federal Labor Relations Authority, or the Federal Service Impasses Panel; and

''(2) may permit the Internal Revenue Service to adopt any alternative dispute resolution procedure that a private entity may lawfully adopt.

''(g) CONSULTATION AND COORDINATION.—The Commissioner of Internal Revenue shall consult with the Director of the Office of Personnel Management in the development and implementation of each demonstration project under this section and shall submit such reports to the Director as the Director may require. The Director or the Commissioner of Internal Revenue may terminate a demonstration project under this section if either of them determines that the project creates a substantial hardship on, or is not in the best interests of, the public, the Federal Government, employees, or qualified applicants for employment with the Internal Revenue Service.

''(h) TERMINATION.—Each demonstration project under this section shall terminate before the end of the 5-year period beginning on the date on which the project takes effect, except that any such project may continue beyond the end of such period, for not to exceed 2 years, if the Commissioner of Internal Revenue, with the concurrence of the Director, determines such extension is necessary to validate the results of the project. Not later than 6 months before the end of the 5-year period and any extension under the preceding sentence, the Commissioner of Internal Revenue shall, with respect to the demonstration project involved, submit a legislative proposal to the Congress if the Commissioner determines that such project should be made permanent, in whole or in part.''.

(b) CLERICAL AMENDMENT.—The analysis for part III of title 5, United States Code, is amended by adding at the end the following:

''Subpart I—Miscellaneous

''93. Personnel Flexibilities Relating to the Internal Revenue Service ..... 9301''.

(c) EFFECTIVE DATE.—This section shall take effect on the date of enactment of this Act.

TITLE II—ELECTRONIC FILING

SEC. 201. ELECTRONIC FILING OF TAX AND INFORMATION RETURNS.

(a) IN GENERAL.—It is the policy of the Congress that paperless filing should be the preferred and most convenient means of filing tax and information returns, and that by the year 2007, no more than 20 percent of all such returns should be filed on paper.

(b) STRATEGIC PLAN.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury or the Secretary's delegate (hereafter in this section referred to as the ''Secretary'') shall establish a plan to eliminate barriers, provide incentives, and use competitive market forces to increase electronic filing gradually over the next 10 years while maintaining processing times for paper returns at 40 days. To the extent practicable, such plan shall provide that all returns prepared electronically for taxable years beginning after 2001 shall be filed electronically.

(2) ELECTRONIC COMMERCE ADVISORY GROUP.—To ensure that the Secretary receives input from the private sector in the development and implementation of the plan required by paragraph (1), the Secretary shall convene an electronic commerce advisory group to include representatives from the small business community and from the tax practitioner, preparer, and computerized tax processor communities and other representatives from the electronic filing industry.

(c) PROMOTION OF ELECTRONIC FILING AND INCENTIVES.—Section 6011 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) PROMOTION OF ELECTRONIC FILING.—

''(1) IN GENERAL.—The Secretary is authorized to promote the benefits of and encourage the use of electronic tax administration programs, as they become available, through the use of mass communications and other means.

''(2) INCENTIVES.—The Secretary may implement procedures to provide for the payment of appropriate incentives for electronically filed returns.''.

(d) ANNUAL REPORTS.—Not later than June 30 of each calendar year after 1997, the Chairperson of the Internal Revenue Service Oversight Board, the Secretary, and the Chairperson of the electronic commerce advisory group established under subsection (b)(2) shall report to the Committees on Ways and Means, Appropriations, and Government Reform and Oversight of the House of Representatives, the Committees on Finance, Appropriations, and Government Affairs of the Senate, and the Joint Committee on Taxation, on—

(1) the progress of the Internal Revenue Service in meeting the goal of receiving electronically 80 percent of tax and information returns by 2007;

(2) the status of the plan required by subsection (b); and

(3) the legislative changes necessary to assist the Internal Revenue Service in meeting such goal.

SEC. 202. DUE DATE FOR CERTAIN INFORMATION RETURNS FILED ELECTRONICALLY.

(a) IN GENERAL.—Section 6071 (relating to time for filing returns and other documents) is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

''(b) ELECTRONICALLY FILED INFORMATION RETURNS.—Returns made under subparts B and C of part III of this subchapter which are filed electronically shall be filed on or before March 31 of the year following the calendar year to which such returns relate.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns required to be filed after December 31, 1999.

SEC. 203. PAPERLESS ELECTRONIC FILING.

(a) IN GENERAL.—Section 6061 (relating to signing of returns and other documents) is amended—

(1) by striking ''Except as otherwise provided by'' and inserting the following:

''(a) GENERAL RULE.—Except as otherwise provided by subsection (b) and'', and

(2) by adding at the end the following new subsection:

''(b) ELECTRONIC SIGNATURES.—

''(1) IN GENERAL.—The Secretary shall develop procedures for the acceptance of signatures in digital or other electronic form.

Until such time as such procedures are in place, the Secretary may waive the requirement of a signature for all returns or classes of returns, or may provide for alternative methods of subscribing all returns, declarations, statements, or other documents required or permitted to be made or written under internal revenue laws and regulations.

''(2) TREATMENT OF ALTERNATIVE METHODS.—Notwithstanding any other provision of law, any return, declaration, statement or other document filed without signature under the authority of this subsection or verified, signed or subscribed under any method adopted under paragraph (1) shall be treated for all purposes (both civil and criminal, including penalties for perjury) in the same manner as though signed and subscribed. Any such return, declaration, statement or other document shall be presumed to have been actually submitted and subscribed by the person on whose behalf it was submitted.

''(3) PUBLISHED GUIDANCE.—The Secretary shall publish guidance as appropriate to define and implement any waiver of the signature requirements.''.

(b) ACKNOWLEDGMENT OF ELECTRONIC FILING.—Section 7502(c) is amended to read as follows:

''(c) REGISTERED AND CERTIFIED MAILING; ELECTRONIC FILING.—

''(1) REGISTERED MAIL.—For purposes of this section, if any return, claim, statement, or other document, or payment, is sent by United States registered mail—

''(A) such registration shall be prima facie evidence that the return, claim, statement, or other document was delivered to the agency, officer, or office to which addressed, and

''(B) the date of registration shall be deemed the postmark date.

''(2) CERTIFIED MAIL; ELECTRONIC FILING.—The Secretary is authorized to provide by regulations the extent to which the provisions of paragraph (1) with respect to prima facie evidence of delivery and the postmark date shall apply to certified mail and electronic filing.''.

(c) ESTABLISHMENT OF PROCEDURES FOR OTHER INFORMATION.—In the case of taxable periods beginning after December 31, 1998, the Secretary of the Treasury or the Secretary's delegate shall, to the extent practicable, establish procedures to accept, in electronic form, any other information, statements, elections, or schedules, from taxpayers filing returns electronically, so that such taxpayers will not be required to file any paper.

(d) PROCEDURES FOR COMMUNICATIONS BETWEEN IRS AND PREPARER OF ELECTRONICALLY FILED RETURNS.—The Secretary shall establish procedures for taxpayers to authorize, on electronically filed returns, the preparer of such returns to communicate with the Internal Revenue Service on matters included on such returns.

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

SEC. 204. RETURN-FREE TAX SYSTEM.

(a) IN GENERAL.—The Secretary of the Treasury or the Secretary's delegate shall develop procedures for the implementation of a return-free tax system under which appropriate individuals would be permitted to comply with the Internal Revenue Code of 1986 without making the return required under section 6012 of such Code for taxable years beginning after 2007.

(b) REPORT.—Not later than June 30 of each calendar year after 1999, such Secretary shall report to the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, and the Joint Committee on Taxation on—

(1) what additional resources the Internal Revenue Service would need to implement such a system,

(2) the changes to the Internal Revenue Code of 1986 that could enhance the use of such a system,

(3) the procedures developed pursuant to subsection (a), and

(4) the number and classes of taxpayers that would be permitted to use the procedures developed pursuant to subsection (a).

SEC. 205. ACCESS TO ACCOUNT INFORMATION.

Not later than December 31, 2006, the Secretary of the Treasury or the Secretary's delegate shall develop procedures under which a taxpayer filing returns electronically would be able to review the taxpayer's account electronically, but only if all necessary safeguards to ensure the privacy of such account information are in place.

TITLE III—TAXPAYER PROTECTION AND RIGHTS

SEC. 300. SHORT TITLE.

This title may be cited as the ''Taxpayer Bill of Rights 3''.

Subtitle A—Burden of Proof

SEC. 301. BURDEN OF PROOF.

(a) IN GENERAL.—Chapter 76 (relating to judicial proceedings) is amended by adding at the end the following new subchapter:

''Subchapter E—Burden of Proof

''Sec. 7491. Burden of proof.

''SEC. 7491. BURDEN OF PROOF.

''(a) GENERAL RULE.—The Secretary shall have the burden of proof in any court proceeding with respect to any factual issue relevant to ascertaining the income tax liability of a taxpayer.

''(b) LIMITATIONS.—Subsection (a) shall only apply with respect to an issue if—

''(1) the taxpayer asserts a reasonable dispute with respect to such issue,

''(2) the taxpayer has fully cooperated with the Secretary with respect to such issue, including providing, within a reasonable period of time, access to and inspection of all witnesses, information, and documents within the control of the taxpayer, as reasonably requested by the Secretary, and

''(3) in the case of a partnership, corporation, or trust, the taxpayer is described in section 7430(c)(4)(A)(ii).

''(c) SUBSTANTIATION.—Nothing in this section shall be construed to override any requirement of this title to substantiate any item.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 6201 is amended by striking subsection (d) and redesignating subsection (e) as subsection (d).

(2) The table of subchapters for chapter 76 is amended by adding at the end the following new item:

''Subchapter E. Burden of proof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to court proceedings arising in connection with examinations commencing after the date of the enactment of this Act.

Subtitle B—Proceedings by Taxpayers

SEC. 311. EXPANSION OF AUTHORITY TO AWARD COSTS AND CERTAIN FEES.

(a) AWARD OF HIGHER ATTORNEY'S FEES BASED ON COMPLEXITY OF ISSUES.—Clause (iii) of section 7430(c)(1)(B) (relating to the award of costs and certain fees) is amended by inserting ''the difficulty of the issues presented in the case, or the local availability of tax expertise,'' before ''justifies a higher rate''.

(b) AWARD OF ADMINISTRATIVE COSTS INCURRED AFTER 30-DAY LETTER.—Paragraph (2) of section 7430(c) is amended by striking the last sentence and inserting the following: ''Such term shall only include costs incurred on or after whichever of the following is the earliest: (i) the date of the receipt by the taxpayer of the notice of the decision of the Internal Revenue Service Office of Appeals, (ii) the date of the notice of deficiency, or (iii) the date on which the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals is sent.''.

(c) AWARD OF FEES FOR CERTAIN ADDITIONAL SERVICES.—Paragraph (3) of section 7430(c) is amended to read as follows:

''(3) ATTORNEY'S FEES.—

''(A) IN GENERAL.—For purposes of paragraphs (1) and (2), fees for the services of an individual (whether or not an attorney) who is authorized to practice before the Tax Court or before the Internal Revenue Service shall be treated as fees for the services of an attorney.

''(B) PRO BONO SERVICES.—In any case in which the court could have awarded attorney's fees under subsection (a) but for the fact that an individual is representing the prevailing party for no fee or for a fee which (taking into account all the facts and circumstances) is no more than a nominal fee, the court may also award a judgment or settlement for such amounts as the court determines to be appropriate (based on hours worked and costs expended) for services of such individual but only if such award is paid to such individual or such individual's employer.''.

(d) DETERMINATION OF WHETHER POSITION OF UNITED STATES IS SUBSTANTIALLY JUSTIFIED.—Subparagraph (B) of section 7430(c)(4) is amended by redesignating clause (iii) as clause (iv) and by inserting after clause (ii) the following new clause:

''(iii) EFFECT OF LOSING ON SUBSTANTIALLY SIMILAR ISSUES.—In determining for purposes of clause (i) whether the position of the United States was substantially justified, the court shall take into account whether the United States has lost in courts of appeal for other circuits on substantially similar issues.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to costs incurred (and, in the case of the amendment made by subsection (c), services performed) more than 180 days after the date of the enactment of this Act.

SEC. 312. CIVIL DAMAGES FOR NEGLIGENCE IN COLLECTION ACTIONS.

(a) IN GENERAL.—Section 7433 (relating to civil damages for certain unauthorized collection actions) is amended—

(1) in subsection (a), by inserting '', or by reason of negligence,'' after ''recklessly or intentionally'', and

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by inserting ''($100,000, in the case of negligence)'' after ''$1,000,000'', and

(B) in paragraph (1), by inserting ''or negligent'' after ''reckless or intentional''.

(b) REQUIREMENT THAT ADMINISTRATIVE REMEDIES BE EXHAUSTED.—Paragraph (1) of section 7433(d) is amended to read as follows:

''(1) REQUIREMENT THAT ADMINISTRATIVE REMEDIES BE EXHAUSTED.—A judgment for damages shall not be awarded under subsection (b) unless the court determines that the plaintiff has exhausted the administrative remedies available to such plaintiff within the Internal Revenue Service.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to actions of officers or employees of the Internal Revenue Service after the date of the enactment of this Act.

SEC. 313. INCREASE IN SIZE OF CASES PERMITTED ON SMALL CASE CALENDAR.

(a) IN GENERAL.—Subsection (a) of section 7463 (relating to disputes involving $10,000 or

less) is amended by striking ''$10,000'' each place it appears and inserting ''$25,000''.

(b) CONFORMING AMENDMENTS.—

(1) The section heading for section 7463 is amended by striking ''**$10,000**'' and inserting ''**$25,000**''.

(2) The item relating to section 7463 in the table of sections for part II of subchapter C of chapter 76 is amended by striking ''$10,000'' and inserting ''$25,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to proceedings commencing after the date of the enactment of this Act.

Subtitle C—Relief for Innocent Spouses and for Taxpayers Unable To Manage Their Financial Affairs Due to Disabilities

SEC. 321. SPOUSE RELIEVED IN WHOLE OR IN PART OF LIABILITY IN CERTAIN CASES.

(a) IN GENERAL.—Subpart B of part II of subchapter A of chapter 61 is amended by inserting after section 6014 the following new section:

''SEC. 6015. INNOCENT SPOUSE RELIEF; PETITION TO TAX COURT.

''(a) SPOUSE RELIEVED OF LIABILITY IN CERTAIN CASES.—

''(1) IN GENERAL.—Under procedures prescribed by the Secretary, if—

''(A) a joint return has been made under section 6013 for a taxable year,

''(B) on such return there is an understatement of tax attributable to erroneous items of 1 spouse,

''(C) the other spouse establishes that in signing the return he or she did not know, and had no reason to know, that there was such understatement,

''(D) taking into account all the facts and circumstances, it is inequitable to hold the other spouse liable for the deficiency in tax for such taxable year attributable to such understatement, and

''(E) the other spouse claims (in such form as the Secretary may prescribe) the benefits of this subsection not later than the date which is 2 years after the date of the assessment of such deficiency,

then the other spouse shall be relieved of liability for tax (including interest, penalties, and other amounts) for such taxable year to the extent such liability is attributable to such understatement.

''(2) APPORTIONMENT OF RELIEF.—If a spouse who, but for paragraph (1)(C), would be relieved of liability under paragraph (1), establishes that in signing the return such spouse did not know, and had no reason to know, the extent of such understatement, then such spouse shall be relieved of liability for tax (including interest, penalties, and other amounts) for such taxable year to the extent that such liability is attributable to the portion of such understatement of which such spouse did not know and had no reason to know.

''(3) UNDERSTATEMENT.—For purposes of this subsection, the term 'understatement' has the meaning given to such term by section 6662(d)(2)(A).

''(4) SPECIAL RULE FOR COMMUNITY PROPERTY INCOME.—For purposes of this subsection, the determination of the spouse to whom items of gross income (other than gross income from property) are attributable shall be made without regard to community property laws.

''(b) PETITION FOR REVIEW BY TAX COURT.—In the case of an individual who has filed a claim under subsection (a) within the period specified in subsection (a)(1)(E)—

''(1) IN GENERAL.—Such individual may petition the Tax Court (and the Tax Court shall have jurisdiction) to determine such claim if such petition is filed during the 90-day period beginning on the earlier of—

''(A) the date which is 6 months after the date such claim is filed with the Secretary, or

''(B) the date on which the Secretary mails by certified or registered mail a notice to such individual denying such claim.

Such 90-day period shall be determined by not counting Saturday, Sunday, or a legal holiday in the District of Columbia as the last day of such period.

''(2) RESTRICTIONS APPLICABLE TO COLLECTION OF ASSESSMENT.—

''(A) IN GENERAL.—Except as otherwise provided in section 6851 or 6861, no levy or proceeding in court for collection of any assessment to which such claim relates shall be made, begun, or prosecuted, until the expiration of the 90-day period described in paragraph (1), nor, if a petition has been filed with the Tax Court, until the decision of the Tax Court has become final. Rules similar to the rules of section 7485 shall apply with respect to the collection of such assessment.

''(B) AUTHORITY TO ENJOIN COLLECTION ACTIONS.—Notwithstanding the provisions of section 7421(a), the beginning of such proceeding or levy during the time the prohibition under subparagraph (A) is in force may be enjoined by a proceeding in the proper court, including the Tax Court. The Tax Court shall have no jurisdiction under this paragraph to enjoin any action or proceeding unless a timely petition for a determination of such claim has been filed and then only in respect of the amount of the assessment to which such claim relates.

''(C) JEOPARDY COLLECTION.—If the Secretary makes a finding that the collection of the tax is in jeopardy, nothing in this subsection shall prevent the immediate collection of such tax.

''(c) SUSPENSION OF RUNNING OF PERIOD OF LIMITATIONS.—The running of the period of limitations in section 6502 on the collection of the assessment to which the petition under subsection (b) relates shall be suspended for the period during which the Secretary is prohibited by subsection (b) from collecting by levy or a proceeding in court and for 60 days thereafter.

''(d) APPLICABLE RULES.—

''(1) ALLOWANCE OF APPLICATION.—Except as provided in paragraph (2), notwithstanding any other law or rule of law (other than section 6512(b), 7121, or 7122), credit or refund shall be allowed or made to the extent attributable to the application of this section.

''(2) RES JUDICATA.—In the case of any claim under subsection (a), the determination of the Tax Court in any prior proceeding for the same taxable periods in which the decision has become final, shall be conclusive except with respect to the qualification of the spouse for relief which was not an issue in such proceeding. The preceding sentence shall not apply if the Tax Court determines that the spouse participated meaningfully in such prior proceeding.

''(3) LIMITATION ON TAX COURT JURISDICTION.—If a suit for refund is begun by either spouse pursuant to section 6532, the Tax Court shall lose jurisdiction of the spouse's action under this section to whatever extent jurisdiction is acquired by the district court or the United States Court of Federal Claims over the taxable years that are the subject of the suit for refund.''.

(b) SEPARATE FORM FOR APPLYING FOR SPOUSAL RELIEF.—Not later than 180 days after the date of the enactment of this Act, the Secretary of the Treasury shall develop a separate form with instructions for use by taxpayers in applying for relief under section 6015(a) of the Internal Revenue Code of 1986, as added by this section.

(c) CONFORMING AMENDMENTS.—

(1) Section 6013 is amended by striking subsection (e).

(2) Subparagraph (A) of section 6230(c)(5) is amended by striking ''section 6013(e)'' and inserting ''section 6015''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart B of part II of subchapter A of chapter 61 is amended by inserting after the item relating to section 6014 the following new item:

''Sec. 6015. Innocent spouse relief; petition to Tax Court.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to understatements for taxable years beginning after the date of the enactment of this Act.

SEC. 322. SUSPENSION OF STATUTE OF LIMITATIONS ON FILING REFUND CLAIMS DURING PERIODS OF DISABILITY.

(a) IN GENERAL.—Section 6511 (relating to limitations on credit or refund) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) RUNNING OF PERIODS OF LIMITATION SUSPENDED WHILE TAXPAYER IS UNABLE TO MANAGE FINANCIAL AFFAIRS DUE TO DISABILITY.—

''(1) IN GENERAL.—In the case of an individual, the running of the periods specified in subsections (a), (b), and (c) shall be suspended during any period of such individual's life that such individual is financially disabled.

''(2) FINANCIALLY DISABLED.—

''(A) IN GENERAL.—For purposes of paragraph (1), an individual is financially disabled if such individual is unable to manage his financial affairs by reason of his medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to have such an impairment unless proof of the existence thereof is furnished in such form and manner as the Secretary may require.

''(B) EXCEPTION WHERE INDIVIDUAL HAS GUARDIAN, ETC.—An individual shall not be treated as financially disabled during any period that such individual's spouse or any other person is authorized to act on behalf of such individual in financial matters.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to periods of disability before, on, or after the date of the enactment of this Act but shall not apply to any claim for credit or refund which (without regard to such amendment) is barred by the operation of any law or rule of law (including res judicata) as of January 1, 1998.

Subtitle D—Provisions Relating to Interest

SEC. 331. ELIMINATION OF INTEREST RATE DIFFERENTIAL ON OVERLAPPING PERIODS OF INTEREST ON INCOME TAX OVERPAYMENTS AND UNDERPAYMENTS.

(a) IN GENERAL.—Section 6621 (relating to determination of rate of interest) is amended by adding at the end the following new subsection:

''(d) ELIMINATION OF INTEREST ON OVERLAPPING PERIODS OF INCOME TAX OVERPAYMENTS AND UNDERPAYMENTS.—To the extent that, for any period, interest is payable under subchapter A and allowable under subchapter B on equivalent underpayments and overpayments by the same taxpayer of tax imposed by chapters 1 and 2, the net rate of interest under this section on such amounts shall be zero for such period.''.

(b) CONFORMING AMENDMENT.—Subsection (f) of section 6601 (relating to satisfaction by credits) is amended by adding at the end the following new sentence: ''The preceding sentence shall not apply to the extent that section 6621(d) applies.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest for calendar quarters beginning after the date of the enactment of this Act.

SEC. 332. INCREASE IN OVERPAYMENT RATE PAYABLE TO TAXPAYERS OTHER THAN CORPORATIONS.

(a) IN GENERAL.—Subparagraph (B) of section 6621(a)(1) (defining overpayment rate) is amended to read as follows:

''(B) 3 percentage points (2 percentage points in the case of a corporation).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to interest for calendar quarters beginning after the date of the enactment of this Act.

Subtitle E—Protections for Taxpayers Subject to Audit or Collection Activities

SEC. 341. PRIVILEGE OF CONFIDENTIALITY EXTENDED TO TAXPAYER'S DEALINGS WITH NON-ATTORNEYS AUTHORIZED TO PRACTICE BEFORE INTERNAL REVENUE SERVICE.

Section 7602 (relating to examination of books and witnesses) is amended by adding at the end the following new subsection:

''(d) PRIVILEGE OF CONFIDENTIALITY EXTENDED TO TAXPAYER'S DEALINGS WITH NON-ATTORNEYS AUTHORIZED TO PRACTICE BEFORE INTERNAL REVENUE SERVICE.—

''(1) IN GENERAL.—In any noncriminal proceeding before the Internal Revenue Service, the taxpayer shall be entitled to the same common law protections of confidentiality with respect to tax advice furnished by any qualified individual (in a manner consistent with State law for such individual's profession) as the taxpayer would have if such individual were an attorney.

''(2) QUALIFIED INDIVIDUAL.—For purposes of paragraph (1), the term 'qualified individual' means any individual (other than an attorney) who is authorized to practice before the Internal Revenue Service.''.

SEC. 342. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER ASSISTANCE ORDERS.

Section 7811(a) (relating to taxpayer assistance orders) is amended—

(1) by striking ''Upon application'' and inserting the following:

''(1) IN GENERAL.—Upon application'',

(2) by moving the text 2 ems to the right, and

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

''(2) ISSUANCE OF TAXPAYER ASSISTANCE ORDERS.—For purposes of determining whether to issue a taxpayer assistance order, the Taxpayer Advocate shall consider the following factors, among others:

''(A) Whether there is an immediate threat of adverse action.

''(B) Whether there has been an unreasonable delay in resolving taxpayer account problems.

''(C) Whether the taxpayer will have to pay significant costs (including fees for professional representation) if relief is not granted.

''(D) Whether the taxpayer will suffer irreparable injury, or a long-term adverse impact, if relief is not granted.

''(3) STANDARD WHERE ADMINISTRATIVE GUIDANCE NOT FOLLOWED.—In cases where any Internal Revenue Service employee is not following applicable published administrative guidance (including the Internal Revenue Manual), the Taxpayer Advocate shall construe the factors taken into account in determining whether to issue a taxpayer assistance order in the manner most favorable to the taxpayer.''.

SEC. 343. LIMITATION ON FINANCIAL STATUS AUDIT TECHNIQUES.

Section 7602 is amended by adding at the end the following new subsection:

''(e) LIMITATION ON EXAMINATION ON UNREPORTED INCOME.—The Secretary shall not use financial status or economic reality examination techniques to determine the existence of unreported income of any taxpayer unless the Secretary has a reasonable indication that there is a likelihood of such unreported income.''.

SEC. 344. LIMITATION ON AUTHORITY TO REQUIRE PRODUCTION OF COMPUTER SOURCE CODE.

(a) IN GENERAL.—Section 7602 is amended by adding at the end the following new subsection:

''(f) LIMITATION ON AUTHORITY TO REQUIRE PRODUCTION OF COMPUTER SOURCE CODE.—

''(1) IN GENERAL.—No summons may be issued under this title, and the Secretary may not begin any action under section 7604 to enforce any summons, to produce or examine any tax-related computer source code.

''(2) EXCEPTION WHERE INFORMATION NOT OTHERWISE AVAILABLE TO VERIFY CORRECTNESS OF ITEM ON RETURN.—Paragraph (1) shall not apply to any portion of a tax-related computer source code if—

''(A) the Secretary is unable to otherwise reasonably ascertain the correctness of any item on a return from—

''(i) the taxpayer's books, papers, records, or other data, or

''(ii) the computer software program and the associated data which, when executed, produces the output to prepare the return for the period involved, and

''(B) the Secretary identifies with reasonable specificity such portion as to be used to verify the correctness of such item.

The Secretary shall be treated as meeting the requirements of subparagraphs (A) and (B) after the 90th day after the Secretary makes a formal request to the taxpayer and the owner or developer of the computer software program for the material described in subparagraph (A)(ii) if such material is not provided before the close of such 90th day.

''(3) OTHER EXCEPTIONS.—Paragraph (1) shall not apply to—

''(A) any inquiry into any offense connected with the administration or enforcement of the internal revenue laws, and

''(B) any tax-related computer source code developed by (or primarily for the benefit of) the taxpayer or a related person (within the meaning of section 267 or 707(b)) for internal use by the taxpayer or such person and not for commercial distribution.

''(4) TAX-RELATED COMPUTER SOURCE CODE.—For purposes of this subsection, the term 'tax-related computer source code' means—

''(A) the computer source code for any computer software program for accounting, tax return preparation or compliance, or tax planning, or

''(B) design and development materials related to such a software program (including program notes and memoranda).

''(5) RIGHT TO CONTEST SUMMONS.—The determination of whether the requirements of subparagraphs (A) and (B) of paragraph (2) are met or whether any exception under paragraph (3) applies may be contested in any proceeding under section 7604.

''(6) PROTECTION OF TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION.—In any court proceeding to enforce a summons for any portion of a tax-related computer source code, the court may issue any order necessary to prevent the disclosure of trade secrets or other confidential information with respect to such source code, including providing that any information be placed under seal to be opened only as directed by the court.''.

(b) APPLICATION OF SPECIAL PROCEDURES FOR THIRD-PARTY SUMMONSES.—Paragraph (3) of section 7609(a) (defining third-party recordkeeper) is amended by striking ''and'' at the end of subparagraph (H), by striking a period at the end of subparagraph (I) and inserting '', and'', and by adding at the end the following:

''(J) any owner or developer of a tax-related computer source code (as defined in section 7602(f)(4)).

Subparagraph (J) shall apply only with respect to a summons requiring the production of the source code referred to in subparagraph (J) or the program and data described in section 7602(f)(2)(A)(ii) to which such source code relates.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to summonses issued more than 90 days after the date of the enactment of this Act.

SEC. 345. PROCEDURES RELATING TO EXTENSIONS OF STATUTE OF LIMITATIONS BY AGREEMENT.

(a) IN GENERAL.—Paragraph (4) of section 6501(c) (relating to the period for limitations on assessment and collection) is amended—

(1) by striking ''Where'' and inserting the following:

''(A) IN GENERAL.—Where'',

(2) by moving the text 2 ems to the right, and

(3) by adding at the end the following new subparagraph:

''(B) NOTICE TO TAXPAYER OF RIGHT TO REFUSE OR LIMIT EXTENSION.—The Secretary shall notify the taxpayer of the taxpayer's right to refuse to extend the period of limitations, or to limit such extension to particular issues, on each occasion when the taxpayer is requested to provide such consent.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to requests to extend the period of limitations made after the date of the enactment of this Act.

SEC. 346. OFFERS-IN-COMPROMISE.

(a) ALLOWANCES FOR BASIC LIVING EXPENSES.—Section 7122 (relating to offers-in-compromise) is amended by adding at the end the following new subsection:

''(c) ALLOWANCES FOR BASIC LIVING EXPENSES.—The Secretary shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise have an adequate means to provide for basic living expenses.''.

(b) PREPARATION OF STATEMENT RELATING TO OFFERS-IN-COMPROMISE.—The Secretary of the Treasury shall prepare a statement which sets forth in simple, nontechnical terms the rights of a taxpayer and the obligations of the Internal Revenue Service relating to offers-in-compromise. Such statement shall—

(1) advise taxpayers who have entered into a compromise agreement of the advantages of promptly notifying the Internal Revenue Service of any change of address or marital status, and

(2) provide notice to taxpayers that in the case of a compromise agreement terminated due to the actions of 1 spouse or former spouse, the Internal Revenue Service will, upon application, reinstate such agreement with the spouse or former spouse who remains in compliance with such agreement.

SEC. 347. NOTICE OF DEFICIENCY TO SPECIFY DEADLINES FOR FILING TAX COURT PETITION.

(a) IN GENERAL.—The Secretary of the Treasury or the Secretary's delegate shall include on each notice of deficiency under section 6212 of the Internal Revenue Code of 1986 the date determined by such Secretary (or delegate) as the last day on which the taxpayer may file a petition with the Tax Court.

(b) LATER FILING DEADLINES SPECIFIED ON NOTICE OF DEFICIENCY TO BE BINDING.—Subsection (a) of section 6213 (relating to restrictions applicable to deficiencies; petition to

Tax Court) is amended by adding at the end the following new sentence: ''Any petition filed with the Tax Court on or before the last date specified for filing such petition by the Secretary in the notice of deficiency shall be treated as timely filed.''.

(c) EFFECTIVE DATE.—Subsection (a) and the amendment made by subsection (b) shall apply to notices mailed after December 31, 1998.

SEC. 348. REFUND OR CREDIT OF OVERPAYMENTS BEFORE FINAL DETERMINATION.

(a) TAX COURT PROCEEDINGS.—Subsection (a) of section 6213 is amended—

(1) by striking '', including the Tax Court.'' and inserting '', including the Tax Court, and a refund may be ordered by such court of any amount collected within the period during which the Secretary is prohibited from collecting by levy or through a proceeding in court under the provisions of this subsection.'', and

(2) by striking ''to enjoin any action or proceeding'' and inserting ''to enjoin any action or proceeding or order any refund''.

(b) OTHER PROCEEDINGS.—Subsection (a) of section 6512 is amended by striking the period at the end of paragraph (4) and inserting '', and'', and by inserting after paragraph (4) the following new paragraphs:

''(5) As to any amount collected within the period during which the Secretary is prohibited from making the assessment or from collecting by levy or through a proceeding in court under the provisions of section 6213(a), and

''(6) As to overpayments the Secretary is authorized to refund or credit pending appeal as provided in subsection (b).''.

(c) REFUND OR CREDIT PENDING APPEAL.—Paragraph (1) of section 6512(b) is amended by adding at the end the following new sentence: ''If a notice of appeal in respect of the decision of the Tax Court is filed under section 7483, the Secretary is authorized to refund or credit the overpayment determined by the Tax Court to the extent the overpayment is not contested on appeal.''.

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

SEC. 349. THREAT OF AUDIT PROHIBITED TO COERCE TIP REPORTING ALTERNATIVE COMMITMENT AGREEMENTS.

The Secretary of the Treasury or the Secretary's delegate shall instruct employees of the Internal Revenue Service that they may not threaten to audit any taxpayer in an attempt to coerce the taxpayer into entering into a Tip Reporting Alternative Commitment Agreement.

Subtitle F—Disclosures to Taxpayers

SEC. 351. EXPLANATION OF JOINT AND SEVERAL LIABILITY.

The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable, but not later than 180 days after the date of the enactment of this Act, establish procedures to clearly alert married taxpayers of their joint and several liabilities on all appropriate publications and instructions.

SEC. 352. EXPLANATION OF TAXPAYERS' RIGHTS IN INTERVIEWS WITH THE INTERNAL REVENUE SERVICE.

The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable, but not later than 180 days after the date of the enactment of this Act, revise the statement required by section 6227 of the Omnibus Taxpayer Bill of Rights (Internal Revenue Service Publication No. 1) to more clearly inform taxpayers of their rights—

(1) to be represented at interviews with the Internal Revenue Service by any person authorized to practice before the Internal Revenue Service, and

(2) to suspend an interview pursuant to section 7521(b)(2) of the Internal Revenue Code of 1986.

SEC. 353. DISCLOSURE OF CRITERIA FOR EXAMINATION SELECTION.

(a) IN GENERAL.—The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable, but not later than 180 days after the date of the enactment of this Act, incorporate into the statement required by section 6227 of the Omnibus Taxpayer Bill of Rights (Internal Revenue Service Publication No. 1) a statement which sets forth in simple and nontechnical terms the criteria and procedures for selecting taxpayers for examination. Such statement shall not include any information the disclosure of which would be detrimental to law enforcement, but shall specify the general procedures used by the Internal Revenue Service, including whether taxpayers are selected for examination on the basis of information available in the media or on the basis of information provided to the Internal Revenue Service by informants.

(b) TRANSMISSION TO COMMITTEES OF CONGRESS.—The Secretary shall transmit drafts of the statement required under subsection (a) (or proposed revisions to any such statement) to the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, and the Joint Committee on Taxation on the same day.

SEC. 354. EXPLANATIONS OF APPEALS AND COLLECTION PROCESS.

The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but not later than 180 days after the date of the enactment of this Act, include with any 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals an explanation of the appeals process and the collection process with respect to such proposed deficiency.

Subtitle G—Low Income Taxpayer Clinics

SEC. 361. LOW INCOME TAXPAYER CLINICS.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

''SEC. 7525. LOW INCOME TAXPAYER CLINICS.

''(a) IN GENERAL.—The Secretary may, subject to the availability of appropriated funds, make grants to provide matching funds for the development, expansion, or continuation of qualified low income taxpayer clinics.

''(b) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED LOW INCOME TAXPAYER CLINIC.—

''(A) IN GENERAL.—The term 'qualified low income taxpayer clinic' means a clinic that—

''(i) does not charge more than a nominal fee for its services (except for reimbursement of actual costs incurred), and

''(ii)(I) represents low income taxpayers in controversies with the Internal Revenue Service, or

''(II) operates programs to inform individuals for whom English is a second language about their rights and responsibilities under this title.

''(B) REPRESENTATION OF LOW INCOME TAXPAYERS.—A clinic meets the requirements of subparagraph (A)(ii)(I) if—

''(i) at least 90 percent of the taxpayers represented by the clinic have incomes which do not exceed 250 percent of the poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget, and

''(ii) the amount in controversy for any taxable year generally does not exceed the amount specified in section 7463.

''(2) CLINIC.—The term 'clinic' includes—

''(A) a clinical program at an accredited law school in which students represent low income taxpayers in controversies arising under this title, and

''(B) an organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1) through representation of taxpayers or referral of taxpayers to qualified representatives.

''(3) QUALIFIED REPRESENTATIVE.—The term 'qualified representative' means any individual (whether or not an attorney) who is authorized to practice before the Internal Revenue Service or the applicable court.

''(c) SPECIAL RULES AND LIMITATIONS.—

''(1) AGGREGATE LIMITATION.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than $3,000,000 per year (exclusive of costs of administering the program) to grants under this section.

''(2) LIMITATION ON ANNUAL GRANTS TO A CLINIC.—The aggregate amount of grants which may be made under this section to a clinic for a year shall not exceed $100,000.

''(3) MULTI-YEAR GRANTS.—Upon application of a qualified low income taxpayer clinic, the Secretary is authorized to award a multi-year grant not to exceed 3 years.

''(4) CRITERIA FOR AWARDS.—In determining whether to make a grant under this section, the Secretary shall consider—

''(A) the numbers of taxpayers who will be served by the clinic, including the number of taxpayers in the geographical area for whom English is a second language,

''(B) the existence of other low income taxpayer clinics serving the same population,

''(C) the quality of the program offered by the low income taxpayer clinic, including the qualifications of its administrators and qualified representatives, and its record, if any, in providing service to low income taxpayers, and

''(D) alternative funding sources available to the clinic, including amounts received from other grants and contributions, and the endowment and resources of the institution sponsoring the clinic.

''(5) REQUIREMENT OF MATCHING FUNDS.—A low income taxpayer clinic must provide matching funds on a dollar for dollar basis for all grants provided under this section. Matching funds may include—

''(A) the salary (including fringe benefits) of individuals performing services for the clinic, and

''(B) the cost of equipment used in the clinic.

Indirect expenses, including general overhead of the institution sponsoring the clinic, shall not be counted as matching funds.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end the following new section:

''Sec. 7525. Low income taxpayer clinics.''.

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

Subtitle H—Other Matters

SEC. 371. ACTIONS FOR REFUND WITH RESPECT TO CERTAIN ESTATES WHICH HAVE ELECTED THE INSTALLMENT METHOD OF PAYMENT.

(a) IN GENERAL.—Section 7422 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

''(j) SPECIAL RULE FOR ACTIONS WITH RESPECT TO ESTATES FOR WHICH AN ELECTION UNDER SECTION 6166 IS MADE.—

''(1) IN GENERAL.—The district courts of the United States and the United States Court of Federal Claims shall have jurisdiction over any action brought by the representative of

an estate to which this subsection applies to determine the correct amount of the estate tax liability of such estate (or for any refund with respect thereto) even if the full amount of such liability has not been paid.

''(2) ESTATES TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any estate if, as of the date the action is filed—

''(A) an election under section 6166 is in effect with respect to such estate,

''(B) no portion of the installments payable under such section have been accelerated, and

''(C) all installments the due date for which is on or before the date the action is filed have been paid.

''(3) PROHIBITION ON COLLECTION OF DISALLOWED LIABILITY.—If the court redetermines under paragraph (1) the estate tax liability of an estate, no part of such liability which is disallowed by a decision of such court which has become final may be collected by the Secretary, and amounts paid in excess of the installments determined by the court as currently due and payable shall be refunded.''.

(b) EXTENSION OF TIME TO FILE REFUND SUIT.—Section 7479 (relating to declaratory judgments relating to eligibility of estate with respect to installment payments under section 6166) is amended by adding at the end the following new subsection:

''(c) EXTENSION OF TIME TO FILE REFUND SUIT.—The 2-year period in section 6532(a)(1) for filing suit for refund after disallowance of a claim shall be suspended during the 90-day period after the mailing of the notice referred to in subsection (b)(3) and, if a pleading has been filed with the Tax Court under this section, until the decision of the Tax Court has become final.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any claim for refund filed after the date of the enactment of this Act.

SEC. 372. CATALOGING COMPLAINTS.

In collecting data for the report required under section 1211 of Taxpayer Bill of Rights 2 (Public Law 104–168), the Secretary of the Treasury or the Secretary's delegate shall maintain records of taxpayer complaints of misconduct by Internal Revenue Service employees on an individual employee basis.

SEC. 373. ARCHIVE OF RECORDS OF INTERNAL REVENUE SERVICE.

(a) IN GENERAL.—Subsection (l) of section 6103 (relating to confidentiality and disclosure of returns and return information) is amended by adding at the end the following new paragraph:

''(17) DISCLOSURE TO NATIONAL ARCHIVES AND RECORDS ADMINISTRATION.—The Secretary shall, upon written request from the Archivist of the United States, disclose or authorize the disclosure of returns and return information to officers and employees of the National Archives and Records Administration for purposes of, and only to the extent necessary in, the appraisal of records for destruction or retention. No such officer or employee shall, except to the extent authorized by subsections (f), (i)(7), or (p), disclose any return or return information disclosed under the preceding sentence to any person other than to the Secretary, or to another officer or employee of the National Archives and Records Administration whose official duties require such disclosure for purposes of such appraisal.''.

(b) CONFORMING AMENDMENTS.—Section 6103(p) is amended—

(1) in paragraph (3)(A), by striking ''or (16)'' and inserting ''(16), or (17)'',

(2) in paragraph (4), by striking ''or (14)'' and inserting '', (14), or (17)'' in the matter preceding subparagraph (A), and

(3) in paragraph (4)(F)(ii), by striking ''or (15)'' and inserting '', (15), or (17)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made by the Archivist of the United States after the date of the enactment of this Act.

SEC. 374. PAYMENT OF TAXES.

The Secretary of the Treasury or the Secretary's delegate shall establish such rules, regulations, and procedures as are necessary to allow payment of taxes by check or money order made payable to the United States Treasury.

SEC. 375. CLARIFICATION OF AUTHORITY OF SECRETARY RELATING TO THE MAKING OF ELECTIONS.

Subsection (d) of section 7805 is amended by striking ''by regulations or forms''.

SEC. 376. LIMITATION ON PENALTY ON INDIVIDUAL'S FAILURE TO PAY FOR MONTHS DURING PERIOD OF INSTALLMENT AGREEMENT.

(a) IN GENERAL.—Section 6651 (relating to failure to file tax return or to pay tax) is amended by adding at the end the following new subsection:

''(h) LIMITATION ON PENALTY ON INDIVIDUAL'S FAILURE TO PAY FOR MONTHS DURING PERIOD OF INSTALLMENT AGREEMENT.—No addition to the tax shall be imposed under paragraph (2) or (3) of subsection (a) with respect to the tax liability of an individual for any month during which an installment agreement under section 6159 is in effect for the payment of such tax to the extent that imposing an addition to the tax under such paragraph for such month would result in the aggregate number of percentage points of such addition to the tax exceeding 9.5.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply for purposes of determining additions to the tax for months beginning after the date of the enactment of this Act.

Subtitle I—Studies

SEC. 381. PENALTY ADMINISTRATION.

The Joint Committee on Taxation shall conduct a study—

(1) reviewing the administration and implementation by the Internal Revenue Service of the penalty reform provisions of the Omnibus Budget Reconciliation Act of 1989, and

(2) making any legislative and administrative recommendations it deems appropriate to simplify penalty administration and reduce taxpayer burden.

Such study shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than 9 months after the date of enactment of this Act.

SEC. 382. CONFIDENTIALITY OF TAX RETURN INFORMATION.

The Joint Committee on Taxation shall conduct a study of the scope and use of provisions regarding taxpayer confidentiality, and shall report the findings of such study, together with such recommendations as it deems appropriate, to the Congress not later than one year after the date of the enactment of this Act. Such study shall examine the present protections for taxpayer privacy, the need for third parties to use tax return information, and the ability to achieve greater levels of voluntary compliance by allowing the public to know who is legally required to file tax returns, but does not file tax returns.

TITLE IV—CONGRESSIONAL ACCOUNTABILITY FOR THE INTERNAL REVENUE SERVICE

Subtitle A—Oversight

SEC. 401. EXPANSION OF DUTIES OF THE JOINT COMMITTEE ON TAXATION.

(a) IN GENERAL.—Section 8021 (relating to the powers of the Joint Committee on Taxation) is amended by adding at the end the following new subsections:

''(e) INVESTIGATIONS.—The Joint Committee shall review all requests (other than requests by the chairman or ranking member of a Committee or Subcommittee) for investigations of the Internal Revenue Service by the General Accounting Office, and approve such requests when appropriate, with a view towards eliminating overlapping investigations, ensuring that the General Accounting Office has the capacity to handle the investigation, and ensuring that investigations focus on areas of primary importance to tax administration.

''(f) RELATING TO JOINT HEARINGS.—

''(1) IN GENERAL.—The Chief of Staff, and such other staff as are appointed pursuant to section 8004, shall provide such assistance as is required for joint hearings described in paragraph (2).

''(2) JOINT HEARINGS.—On or before April 1 of each calendar year after 1997, there shall be a joint hearing of two members of the majority and one member of the minority from each of the Committees on Finance, Appropriations, and Government Affairs of the Senate, and the Committees on Ways and Means, Appropriations, and Government Reform and Oversight of the House of Representatives, to review the strategic plans and budget for the Internal Revenue Service. After the conclusion of the annual filing season, there shall be a second annual joint hearing to review the other matters outlined in section 8022(3)(C).''.

(b) EFFECTIVE DATES.—

(1) Subsection (e) of section 8021 of the Internal Revenue Code of 1986, as added by subsection (a) of this section, shall apply to requests made after the date of enactment of this Act.

(2) Subsection (f) of section 8021 of the Internal Revenue Code of 1986, as added by subsection (a) of this section, shall take effect on the date of the enactment of this Act.

SEC. 402. COORDINATED OVERSIGHT REPORTS.

(a) IN GENERAL.—Paragraph (3) of section 8022 (relating to the duties of the Joint Committee on Taxation) is amended to read as follows:

''(3) REPORTS.—

''(A) To report, from time to time, to the Committee on Finance and the Committee on Ways and Means, and, in its discretion, to the Senate or House of Representatives, or both, the results of its investigations, together with such recommendations as it may deem advisable.

''(B) To report, annually, to the Committee on Finance and the Committee on Ways and Means on the overall state of the Federal tax system, together with recommendations with respect to possible simplification proposals and other matters relating to the administration of the Federal tax system as it may deem advisable.

''(C) To report, annually, to the Committees on Finance, Appropriations, and Government Affairs of the Senate, and to the Committees on Ways and Means, Appropriations, and Government Reform and Oversight of the House of Representatives, with respect to—

''(i) strategic and business plans for the Internal Revenue Service;

''(ii) progress of the Internal Revenue Service in meeting its objectives;

''(iii) the budget for the Internal Revenue Service and whether it supports its objectives;

''(iv) progress of the Internal Revenue Service in improving taxpayer service and compliance;

''(v) progress of the Internal Revenue Service on technology modernization; and

''(vi) the annual filing season.''.

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

Subtitle B—Budget

SEC. 411. FUNDING FOR CENTURY DATE CHANGE.

It is the sense of Congress that the Internal Revenue Service efforts to resolve the century date change computing problems should be funded fully to provide for certain resolution of such problems.

SEC. 412. FINANCIAL MANAGEMENT ADVISORY GROUP.

The Commissioner shall convene a financial management advisory group consisting of individuals with expertise in governmental accounting and auditing from both the private sector and the Government to advise the Commissioner on financial management issues, including—

(1) the continued partnership between the Internal Revenue Service and the General Accounting Office;

(2) the financial accounting aspects of the Internal Revenue Service's system modernization;

(3) the necessity and utility of year-round auditing; and

(4) the Commissioner's plans for improving its financial management system.

Subtitle C—Tax Law Complexity

SEC. 421. ROLE OF THE INTERNAL REVENUE SERVICE.

It is the sense of Congress that the Internal Revenue Service should provide the Congress with an independent view of tax administration, and that during the legislative process, the tax writing committees of the Congress should hear from front-line technical experts at the Internal Revenue Service with respect to the administrability of pending amendments to the Internal Revenue Code of 1986.

SEC. 422. TAX COMPLEXITY ANALYSIS.

(a) REQUIRING ANALYSIS TO ACCOMPANY CERTAIN LEGISLATION.—

(1) IN GENERAL.—Chapter 92 (relating to powers and duties of the Joint Committee on Taxation) is amended by adding at the end the following new section:

"SEC. 8024. TAX COMPLEXITY ANALYSIS.

''(a) IN GENERAL.—If—

''(1) a bill or joint resolution is reported by the Committee on Finance of the Senate, the Committee on Ways and Means of the House of Representatives, or any committee of conference, and

''(2) such legislation includes any provision amending the Internal Revenue Code of 1986, the report for such legislation shall contain a Tax Complexity Analysis unless the committee involved causes to have the Tax Complexity Analysis printed in the Congressional Record prior to the consideration of the legislation in the House of Representatives or the Senate (as the case may be).

''(b) LEGISLATION SUBJECT TO POINT OF ORDER.—It shall not be in order in the Senate to consider any bill or joint resolution described in subsection (a) required to be accompanied by a Tax Complexity Analysis that does not contain a Tax Complexity Analysis.

''(c) RESPONSIBILITIES OF THE COMMISSIONER.—The Commissioner shall provide the Joint Committee on Taxation with such information as is necessary to prepare Tax Complexity Analyses.

''(d) TAX COMPLEXITY ANALYSIS DEFINED.—For purposes of this section, the term 'Tax Complexity Analysis' means, with respect to a bill or joint resolution, a report which is prepared by the Joint Committee on Taxation and which identifies the provisions of the legislation adding significant complexity or providing significant simplification (as determined by the Joint Committee) and includes the basis for such determination.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 92 is amended by adding at the end the following new item:

''Sec. 8024. Tax complexity analysis.''.

(b) LEGISLATION SUBJECT TO POINT OF ORDER IN HOUSE OF REPRESENTATIVES.—

(1) LEGISLATION REPORTED BY COMMITTEE ON WAYS AND MEANS.—Clause 2(l) of rule XI of the Rules of the House of Representatives is amended by adding at the end the following new subparagraph:

''(8) The report of the Committee on Ways and Means on any bill or joint resolution containing any provision amending the Internal Revenue Code of 1986 shall include a Tax Complexity Analysis prepared by the Joint Committee on Taxation in accordance with section 8024 of the Internal Revenue Code of 1986 unless the Committee on Ways and Means causes to have such Analysis printed in the Congressional Record prior to the consideration of the bill or joint resolution.''.

(2) CONFERENCE REPORTS.—Rule XXVIII of the Rules of the House of Representatives is amended by adding at the end the following new clause:

''7. It shall not be in order to consider the report of a committee of conference which contains any provision amending the Internal Revenue Code of 1986 unless—

''(a) the accompanying joint explanatory statement contains a Tax Complexity Analysis prepared by the Joint Committee on Taxation in accordance with section 8024 of the Internal Revenue Code of 1986, or

''(b) such Analysis is printed in the Congressional Record prior to the consideration of the report.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to legislation considered on or after January 1, 1998.

TITLE V—CLARIFICATION OF DEDUCTION FOR DEFERRED COMPENSATION

SEC. 501. CLARIFICATION OF DEDUCTION FOR DEFERRED COMPENSATION.

(a) IN GENERAL.—Subsection (a) of section 404 is amended by adding at the end the following new paragraph:

''(11) DETERMINATIONS RELATING TO DEFERRED COMPENSATION.—

''(A) IN GENERAL.—For purposes of determining under this section—

''(i) whether compensation of an employee is deferred compensation, and

''(ii) when deferred compensation is paid,

no amount shall be treated as received by the employee, or paid, until it is actually received by the employee.

''(B) EXCEPTION.—Subparagraph (A) shall not apply to severance pay.''.

(b) SICK LEAVE PAY TREATED LIKE VACATION PAY.—Paragraph (5) of section 404(a) is amended by inserting ''or sick leave pay'' after ''vacation pay''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after October 8, 1997.

(2) 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 ending 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 such first taxable year.

TITLE VI—TAX TECHNICAL CORRECTIONS ACT OF 1997

SEC. 601. SHORT TITLE.

This title may be cited as the ''Tax Technical Corrections Act of 1997''.

SEC. 602. DEFINITIONS.

For purposes of this title—

(1) 1986 CODE.—The term ''1986 Code'' means the Internal Revenue Code of 1986.

(2) 1997 ACT.—The term ''1997 Act'' means the Taxpayer Relief Act of 1997.

SEC. 603. AMENDMENTS RELATED TO TITLE I OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 101(a) OF 1997 ACT.—

(1) Subsection (d) of section 24 of the 1986 Code is amended—

(A) by striking paragraphs (3) and (4),

(B) by redesignating paragraph (5) as paragraph (3), and

(C) by striking paragraphs (1) and (2) and inserting the following new paragraphs:

''(1) IN GENERAL.—In the case of a taxpayer with 3 or more qualifying children for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—

''(A) the credit which would be allowed under this section without regard to this subsection and the limitation under section 26(a), or

''(B) the amount by which the aggregate amount of credits allowed by this subpart (without regard to this subsection) would increase if the limitation imposed by section 26(a) were increased by the excess (if any) of—

''(i) the taxpayer's social security taxes for the taxable year, over

''(ii) the credit allowed under section 32 (determined without regard to subsection (n)) for the taxable year.

The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under subsection (a) without regard to section 26(a).

''(2) REDUCTION OF CREDIT TO TAXPAYER SUBJECT TO ALTERNATIVE MINIMUM TAX.—The credit determined under this subsection for the taxable year shall be reduced by the excess (if any) of—

''(A) the amount of tax imposed by section 55 (relating to alternative minimum tax) with respect to such taxpayer for such taxable year, over

''(B) the amount of the reduction under section 32(h) with respect to such taxpayer for such taxable year.''.

(2) Paragraph (3) of section 24(d) of the 1986 Code (as redesignated by paragraph (1)) is amended by striking ''paragraph (3)'' and inserting ''paragraph (1)''.

(b) AMENDMENTS RELATED TO SECTION 101(b) OF 1997 ACT.—

(1) The subsection (m) of section 32 of the 1986 Code added by section 101(b) of the 1997 Act is amended to read as follows:

''(n) SUPPLEMENTAL CHILD CREDIT.—

''(1) IN GENERAL.—In the case of a taxpayer with respect to whom a credit is allowed under section 24 for the taxable year, the credit otherwise allowable under this section shall be increased by the lesser of—

''(A) the credit which would be allowed under section 24 without regard to this subsection and the limitation under section 26(a), or

''(B) the amount by which the aggregate amount of credits allowed by subpart A (without regard to this subsection) would be reduced if the limitation imposed by section 26(a) were reduced by the excess (if any) of—

''(i) the credit allowed by this section (without regard to this subsection) for the taxable year, over

''(ii) the taxpayer's social security taxes (as defined in section 24(d)) for the taxable year.

The credit determined under this subsection shall be allowed without regard to any other provision of this section, including subsection (d).

''(2) COORDINATION WITH OTHER CREDITS.—

''(A) IN GENERAL.—The amount of the credit under this subsection shall reduce the amount of the credit otherwise allowable under section 24, but the amount of the credit under this subsection (and such reduction) shall not otherwise be taken into account in determining the amount of any other credit allowable under this part.

''(B) TREATMENT OF CREDIT UNDER SECTION 24(d).—For purposes of this subsection, the credit determined under section 24(d) shall be treated as not allowed under section 24.''.

SEC. 604. AMENDMENTS RELATED TO TITLE II OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 201 OF 1997 ACT.—

(1) The item relating to section 25A in the table of sections for subpart A of part IV of subchapter A of chapter 1 of the 1986 Code is amended to read as follows:

''Sec. 25A. Hope and Lifetime Learning credits.''.

(2) Subsection (a) of section 6050S of the 1986 Code is amended to read as follows:

''(a) IN GENERAL.—Any person—

''(1) which is an eligible educational institution—

''(A) which receives payments for qualified tuition and related expenses with respect to any individual for any calendar year, or

''(B) which makes reimbursements or refunds (or similar amounts) to any individual of qualified tuition and related expenses,

''(2) which is engaged in a trade or business of making payments to any individual under an insurance arrangement as reimbursements or refunds (or similar amounts) of qualified tuition and related expenses, or

''(3) except as provided in regulations, any person which is engaged in a trade or business and, in the course of which, receives from any individual interest aggregating $600 or more for any calendar year on 1 or more qualified education loans,

shall make the return described in subsection (b) with respect to the individual at such time as the Secretary may by regulations prescribe.''.

(3) Subparagraph (A) of section 201(c)(2) of the 1997 Act is amended to read as follows:

''(A) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (x) through (xv) as clauses (xi) through (xvi), respectively, and by inserting after clause (ix) the following new clause:

'''(x) section 6050S (relating to returns relating to payments for qualified tuition and related expenses),'''.

(b) AMENDMENTS RELATED TO SECTION 211 OF 1997 ACT.—

(1) Paragraph (3) of section 135(c) of the 1986 Code is amended to read as follows:

''(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' has the meaning given such term by section 529(e)(5).''.

(2) Subparagraph (A) of section 529(c)(3) of the 1986 Code is amended by striking ''section 72(b)'' and inserting ''section 72''.

(c) AMENDMENTS RELATED TO SECTION 213 OF 1997 ACT.—

(1)(A) Section 530(b)(1)(E) of the 1986 Code (defining education individual retirement account) is amended to read as follows:

''(E) Any balance to the credit of the designated beneficiary on the date on which the beneficiary attains age 30 shall be distributed within 30 days after such date to the beneficiary or, if the beneficiary dies before attaining age 30, shall be distributed within 30 days after the date of death to the estate of such beneficiary.''.

(B) Subsection (d) of section 530 of the 1986 Code is amended by adding at the end the following new paragraph:

''(8) DEEMED DISTRIBUTION ON REQUIRED DISTRIBUTION DATE.—In any case in which a distribution is required under subsection (b)(1)(E), any balance to the credit of a designated beneficiary as of the close of the 30-day period referred to in such subsection for making such distribution shall be deemed distributed at the close of such period.''.

(2)(A) Paragraph (1) of section 530(d) of the 1986 Code is amended by striking ''section 72(b)'' and inserting ''section 72''.

(B) Subsection (e) of section 72 of the 1986 Code is amended by inserting after paragraph (8) the following new paragraph:

''(9) EXTENSION OF PARAGRAPH (2)(B) TO QUALIFIED STATE TUITION PROGRAMS AND EDUCATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—Notwithstanding any other provision of this subsection, paragraph (2)(B) shall apply to amounts received under a qualified State tuition program (as defined in section 529(b)) or under an education individual retirement account (as defined in section 530(b)). The rule of paragraph (8)(B) shall apply for purposes of this paragraph.''.

(3) So much of section 530(d)(4)(C) of the 1986 Code as precedes clause (ii) thereof is amended to read as follows:

''(C) CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—Subparagraph (A) shall not apply to the distribution of any contribution made during a taxable year on behalf of the designated beneficiary if—

''(i) such distribution is made on or before the day prescribed by law (including extensions of time) for filing the beneficiary's return of tax for the taxable year or, if the beneficiary is not required to file such a return, the 15th day of the 4th month of the taxable year following the taxable year, and''.

(4) Subparagraph (C) of section 135(c)(2) of the 1986 Code is amended—

(A) by inserting ''AND EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS'' in the heading after ''PROGRAM'', and

(B) by striking ''section 529(c)(3)(A)'' and inserting ''section 72''.

(5) Subparagraph (A) of section 4973(e)(1) of the 1986 Code is amended by inserting before the comma ''(or, if less, the sum of the maximum amounts permitted to be contributed under section 530(c) by the contributors to such accounts for such year)''.

(d) AMENDMENT RELATED TO SECTION 224 OF 1997 ACT.—Section 170(e)(6)(F) of the 1986 Code (relating to termination) is amended by striking ''1999'' and inserting ''2000''.

(e) AMENDMENTS RELATED TO SECTION 225 OF 1997 ACT.—

(1) The last sentence of section 108(f)(2) of the 1986 Code is amended to read as follows: ''The term 'student loan' includes any loan made by an educational organization described in section 170(b)(1)(A)(ii) or by an organization exempt from tax under section 501(a) to refinance a loan to an individual to assist the individual in attending any such educational organization but only if the refinancing loan is pursuant to a program of the refinancing organization which is designed as described in subparagraph (D)(ii).''.

(2) Section 108(f)(3) of the 1986 Code is amended by striking ''(or by an organization described in paragraph (2)(E) from funds provided by an organization described in paragraph (2)(D))''.

(f) AMENDMENTS RELATED TO SECTION 226 OF 1997 ACT.—

(1) Section 226(a) of the 1997 Act is amended by striking ''section 1397E'' and inserting ''section 1397D''.

(2) Section 1397E(d)(4)(B) of the 1986 Code is amended by striking ''local education agency as defined'' and inserting ''local educational agency as defined''.

SEC. 605. AMENDMENTS RELATED TO TITLE III OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 301 OF 1997 ACT.—Section 219(g) of the 1986 Code is amended—

(1) by inserting ''or the individual's spouse'' after ''individual'' in paragraph (1), and

(2) by striking paragraph (7) and inserting:

''(7) SPECIAL RULE FOR SPOUSES WHO ARE NOT ACTIVE PARTICIPANTS.—If this subsection applies to an individual for any taxable year solely because their spouse is an active participant, then, in applying this subsection to the individual (but not their spouse)—

''(A) the applicable dollar amount under paragraph (3)(B)(i) shall be $150,000, and

''(B) the amount applicable under paragraph (2)(A)(ii) shall be $10,000.''.

(b) AMENDMENTS RELATED TO SECTION 302 OF 1997 ACT.—

(1) Section 408A(c)(3)(A) of the 1986 Code is amended by striking ''shall be reduced'' and inserting ''shall not exceed an amount equal to the amount determined under paragraph (2)(A) for such taxable year, reduced''.

(2) Section 408A(c)(3) of the 1986 Code (relating to limits based on modified adjusted gross income) is amended—

(A) by inserting ''or a married individual filing a separate return'' after ''joint return'' in subparagraph (A)(ii), and

(B) by striking ''and the deduction under section 219 shall be taken into account'' in subparagraph (C)(i).

(3) Section 408A(d)(2) of the 1986 Code (defining qualified distribution) is amended by striking subparagraph (B) and inserting the following:

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a Roth IRA shall not be treated as a qualified distribution under subparagraph (A) if such payment or distribution is made before the exclusion date for the Roth IRA.

''(C) EXCLUSION DATE.—For purposes of this section, the exclusion date for any Roth IRA is the first day of the taxable year immediately following the 5-taxable year period beginning with—

''(i) the first taxable year for which a contribution to any Roth IRA maintained for the benefit of the individual was made, or

''(ii) in the case of a Roth IRA to which 1 or more qualified rollover contributions were made—

''(I) from an individual retirement plan other than a Roth IRA, or

''(II) from another Roth IRA to the extent such contributions are properly allocable to contributions described in subclause (I),

the most recent taxable year for which any such qualified rollover contribution was made.''.

(4) Section 408A(d)(3) of the 1986 Code (relating to rollovers from IRAs other than Roth IRAs) is amended by adding at the end the following:

''(F) SPECIAL RULE FOR APPLYING SECTION 72.—

''(i) IN GENERAL.—If—

''(I) any distribution from a Roth IRA is made before the exclusion date, and

''(II) any portion of such distribution is properly allocable to a qualified rollover contribution described in paragraph (2)(C)(ii),

then section 72(t) shall be applied as if such portion were includible in gross income.

''(ii) LIMITATION.—Clause (i) shall apply only to the extent of the amount includible in gross income under subparagraph (A)(i) by reason of the qualified rollover contribution.

''(G) SPECIAL RULES FOR CONTRIBUTIONS TO WHICH 4-YEAR AVERAGING APPLIES.—In the case of a qualified rollover contribution to a

Roth IRA of a distribution to which subparagraph (A)(iii) applied, the following rules shall apply:

''(i) DEATH OF DISTRIBUTEE.—

''(I) IN GENERAL.—If the individual required to include amounts in gross income under such subparagraph dies before all of such amounts are included, all remaining amounts shall be included in gross income for the taxable year which includes the date of death.

''(II) SPECIAL RULE FOR SURVIVING SPOUSE.—If the spouse of the individual described in subclause (I) acquires the Roth IRA to which such qualified rollover contribution is properly allocable, the spouse may elect to include the remaining amounts described in subclause (I) in the spouse's gross income in the taxable years of the spouse ending with or within the taxable years of such individual in which such amounts would otherwise have been includible.

''(ii) ADDITIONAL TAX FOR EARLY DISTRIBUTION.—

''(I) IN GENERAL.—If any distribution from a Roth IRA is made before the exclusion date, and any portion of such distribution is properly allocable to such qualified rollover contribution, the distributee's tax under this chapter for the taxable year in which the amount is received shall be increased by 10 percent of the amount of such portion not in excess of the amount includible in gross income under subparagraph (A)(i) by reason of such qualified rollover contribution.

''(II) TREATMENT OF TAX.—For purposes of this title, any tax imposed by subclause (I) shall be treated as a tax imposed by section 72(t) and shall be in addition to any other tax imposed by such section.''.

(5)(A) Section 408A(d)(4) of the 1986 Code is amended to read as follows:

''(4) AGGREGATION AND ORDERING RULES.—

''(A) AGGREGATION RULES.—Section 408(d)(2) shall be applied separately with respect to—

''(i) Roth IRAs and other individual retirement plans,

''(ii) Roth IRAs described in paragraph (2)(C)(ii) and Roth IRAs not so described, and

''(iii) Roth IRAs described in paragraph (2)(C)(ii) with different exclusion dates.

''(B) ORDERING RULES.—For purposes of applying section 72 to any distribution from a Roth IRA which is not a qualified distribution, such distribution shall be treated as made—

''(i) from contributions to the extent that the amount of such distribution, when added to all previous distributions from the Roth IRA, does not exceed the aggregate contributions to the Roth IRA, and

''(ii) from such contributions in the following order:

''(I) Qualified rollover contributions to the extent includible in gross income in the manner described in paragraph (3)(A)(iii).

''(II) Qualified rollover contributions not described in subclause (I) to the extent includible in gross income under paragraph (3)(A).

''(III) Contributions not described in subclause (I) or (II).

Such rules shall also apply in determining the character of qualified rollover contributions from one Roth IRA to another Roth IRA.''.

(B) Section 408A(d)(1) of the 1986 Code is amended to read as follows:

''(1) EXCLUSION.—Any qualified distribution from a Roth IRA shall not be includible in gross income.''.

(6)(A) Section 408A(d) of the 1986 Code (relating to distribution rules) is amended by adding at the end the following:

''(6) TAXPAYER MAY MAKE ADJUSTMENTS BEFORE DUE DATE.—

''(A) IN GENERAL.—Except as provided by the Secretary, if, on or before the due date for any taxable year, a taxpayer transfers in a trustee-to-trustee transfer any contribution to an individual retirement plan made during such taxable year from such plan to any other individual retirement plan, then, for purposes of this chapter, such contribution shall be treated as having been made to the transferee plan (and not the transferor plan).

''(B) SPECIAL RULES.—

''(i) TRANSFER OF EARNINGS.—Subparagraph (A) shall not apply to the transfer of any contribution unless such transfer is accompanied by any net income allocable to such contribution.

''(ii) NO DEDUCTION.—Subparagraph (A) shall apply to the transfer of any contribution only to the extent no deduction was allowed with respect to the contribution to the transferor plan.

''(C) DUE DATE.—For purposes of this paragraph, the due date for any taxable year is the last date for filing the return of tax for such taxable year (including extensions).''.

(B) Section 408A(d)(3) of the 1986 Code, as amended by this subsection, is amended by striking subparagraph (D) and by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(7) Section 302(b) of the 1997 Act is amended by striking ''Section 4973(b)'' and inserting ''Section 4973''.

(8) Section 408A of the 1986 Code is amended by adding at the end the following new subsection:

''(f) INDIVIDUAL RETIREMENT PLAN.—For purposes of this section, except as provided by the Secretary, the term 'individual retirement plan' shall not include a simplified employee pension or a simple retirement account.''.

(c) AMENDMENTS RELATED TO SECTION 303 OF 1997 ACT.—

(1) Section 72(t)(8)(E) of the 1986 Code is amended—

(A) by striking ''120 days'' and inserting ''120th day'', and

(B) by striking ''60 days'' and inserting ''60th day''.

(2)(A) Section 402(c) of the 1986 Code is amended by adding at the end the following:

''(11) DENIAL OF ROLLOVER TREATMENT FOR TRANSFERS OF HARDSHIP DISTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—This subsection shall not apply to the transfer of any hardship distribution described in section 401(k)(2)(B)(i)(IV) from a qualified cash or deferred arrangement to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(B) The amendment made by this paragraph shall apply to distributions made after December 31, 1997.

(d) AMENDMENTS RELATED TO SECTION 311 OF 1997 ACT.—

(1) Subsection (h) of section 1 of the 1986 Code (relating to maximum capital gains rate) is amended to read as follows:

''(h) MAXIMUM CAPITAL GAINS RATE.—

''(1) IN GENERAL.—If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of—

''(A) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

''(i) taxable income reduced by the net capital gain, or

''(ii) the lesser of—

''(I) the amount of taxable income taxed at a rate below 28 percent, or

''(II) taxable income reduced by the adjusted net capital gain,

''(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable income) as does not exceed the excess (if any) of—

''(i) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 28 percent, over

''(ii) the taxable income reduced by the adjusted net capital gain,

''(C) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the amount on which a tax is determined under subparagraph (B),

''(D) 25 percent of the excess (if any) of—

''(i) the unrecaptured section 1250 gain (or, if less, the net capital gain), over

''(ii) the excess (if any) of—

''(I) the sum of the amount on which tax is determined under subparagraph (A) plus the net capital gain, over

''(II) taxable income, and

''(E) 28 percent of the amount of taxable income in excess of the sum of the amounts on which tax is determined under the preceding subparagraphs of this paragraph.

''(2) REDUCED CAPITAL GAIN RATES FOR QUALIFIED 5-YEAR GAIN.—

''(A) REDUCTION IN 10-PERCENT RATE.—In the case of any taxable year beginning after December 31, 2000, the rate under paragraph (1)(B) shall be 8 percent with respect to so much of the amount to which the 10-percent rate would otherwise apply as does not exceed qualified 5-year gain, and 10 percent with respect to the remainder of such amount.

''(B) REDUCTION IN 20-PERCENT RATE.—The rate under paragraph (1)(C) shall be 18 percent with respect to so much of the amount to which the 20-percent rate would otherwise apply as does not exceed the lesser of—

''(i) the excess of qualified 5-year gain over the amount of such gain taken into account under subparagraph (A) of this paragraph, or

''(ii) the amount of qualified 5-year gain (determined by taking into account only property the holding period for which begins after December 31, 2000),

and 20 percent with respect to the remainder of such amount. For purposes of determining under the preceding sentence whether the holding period of property begins after December 31, 2000, the holding period of property acquired pursuant to the exercise of an option (or other right or obligation to acquire property) shall include the period such option (or other right or obligation) was held.

''(3) NET CAPITAL GAIN TAKEN INTO ACCOUNT AS INVESTMENT INCOME.—For purposes of this subsection, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii).

''(4) ADJUSTED NET CAPITAL GAIN.—For purposes of this subsection, the term 'adjusted net capital gain' means net capital gain reduced (but not below zero) by the sum of—

''(A) unrecaptured section 1250 gain, and

''(B) 28 percent rate gain.

''(5) 28 PERCENT RATE GAIN.—For purposes of this subsection—

''(A) IN GENERAL.—The term '28 percent rate gain' means the excess (if any) of—

''(i) the sum of—

''(I) the aggregate long-term capital gain from property held for more than 1 year but not more than 18 months,

''(II) collectibles gain, and

''(III) section 1202 gain, over

''(ii) the sum of—

''(I) the aggregate long-term capital loss (not described in subclause (IV)) from property referred to in clause (i)(I),

''(II) collectibles loss,

''(III) the net short-term capital loss, and

''(IV) the amount of long-term capital loss carried under section 1212(b)(1)(B) to the taxable year.

''(B) SPECIAL RULES.—

''(i) SHORT SALES AND OPTIONS.—Rules similar to the rules of subsections (b) and (d) of section 1233 shall apply to substantially identical property, and section 1092(f) with respect to stock, held for more than 1 year but not more than 18 months.

''(ii) SECTION 1256 CONTRACTS.—Amounts treated as long-term capital gain or loss under section 1256(a)(3) shall be treated as attributable to property held for more than 18 months.

''(6) COLLECTIBLES GAIN AND LOSS.—For purposes of this subsection—

''(A) IN GENERAL.—The terms 'collectibles gain' and 'collectibles loss' mean gain or loss (respectively) from the sale or exchange of a collectible (as defined in section 408(m) without regard to paragraph (3) thereof) which is a capital asset held for more than 18 months but only to the extent such gain is taken into account in computing gross income and such loss is taken into account in computing taxable income.

''(B) PARTNERSHIPS, ETC.—For purposes of subparagraph (A), any gain from the sale of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751 shall apply for purposes of the preceding sentence.

''(7) UNRECAPTURED SECTION 1250 GAIN.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'unrecaptured section 1250 gain' means the excess (if any) of—

''(i) the amount of long-term capital gain (not otherwise treated as ordinary income) which would be treated as ordinary income if—

''(I) section 1250(b)(1) included all depreciation and the applicable percentage under section 1250(a) were 100 percent, and

''(II) only gain from property held for more than 18 months were taken into account, over

''(ii) the excess (if any) of—

''(I) the amount described in paragraph (5)(A)(ii), over

''(II) the amount described in paragraph (5)(A)(i).

''(B) LIMITATION WITH RESPECT TO SECTION 1231 PROPERTY.—The amount described in subparagraph (A)(i) from sales, exchanges, and conversions described in section 1231(a)(3)(A) for any taxable year shall not exceed the net section 1231 gain (as defined in section 1231(c)(3)) for such year.

''(8) SECTION 1202 GAIN.—For purposes of this subsection, the term 'section 1202 gain' means an amount equal to the gain excluded from gross income under section 1202(a).

''(9) QUALIFIED 5-YEAR GAIN.—For purposes of this subsection, the term 'qualified 5-year gain' means the amount of long-term capital gain which would be computed for the taxable year if only gains from the sale or exchange of property held by the taxpayer for more than 5 years were taken into account. The determination under the preceding sentence shall be made without regard to collectibles gain, gain described in paragraph (7)(A)(i), and section 1202 gain.

''(10) COORDINATION WITH RECAPTURE OF NET ORDINARY LOSSES UNDER SECTION 1231.—If any amount is treated as ordinary income under section 1231(c), such amount shall be allocated among the separate categories of net section 1231 gain (as defined in section 1231(c)(3)) in such manner as the Secretary may by forms or regulations prescribe.

''(11) REGULATIONS.—The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities and of interests in such entities.

''(12) PASS-THRU ENTITY DEFINED.—For purposes of this subsection, the term 'pass-thru entity' means—

''(A) a regulated investment company,

''(B) a real estate investment trust,

''(C) an S corporation,

''(D) a partnership,

''(E) an estate or trust,

''(F) a common trust fund,

''(G) a foreign investment company which is described in section 1246(b)(1) and for which an election is in effect under section 1247, and

''(H) a qualified electing fund (as defined in section 1295).

''(13) SPECIAL RULES FOR PERIODS DURING 1997.—

''(A) DETERMINATION OF 28 PERCENT RATE GAIN.—In applying paragraph (5)—

''(i) the amount determined under subclause (I) of paragraph (5)(A)(i) shall include long-term capital gain (not otherwise described in paragraph (5)(A)(i)) which is properly taken into account for the portion of the taxable year before May 7, 1997,

''(ii) the amounts determined under subclause (I) of paragraph (5)(A)(ii) shall include long-term capital loss (not otherwise described in paragraph (5)(A)(ii)) which is properly taken into account for the portion of the taxable year before May 7, 1997, and

''(iii) clauses (i)(I) and (ii)(I) of paragraph (5)(A) shall be applied by not taking into account any gain and loss on property held for more than 1 year but not more than 18 months which is properly taken into account for the portion of the taxable year after May 6, 1997, and before July 29, 1997.

''(B) OTHER SPECIAL RULES.—

''(i) DETERMINATION OF UNRECAPTURED SECTION 1250 GAIN NOT TO INCLUDE PRE-MAY 7, 1997 GAIN.—The amount determined under paragraph (7)(A)(i) shall not include gain properly taken into account for the portion of the taxable year before May 7, 1997.

''(ii) OTHER TRANSITIONAL RULES FOR 18-MONTH HOLDING PERIOD.—Paragraphs (6)(A) and (7)(A)(i)(II) shall be applied by substituting '1 year' for '18 months' with respect to gain properly taken into account for the portion of the taxable year after May 6, 1997, and before July 29, 1997.

''(C) SPECIAL RULES FOR PASS-THRU ENTITIES.—In applying this paragraph with respect to any pass-thru entity, the determination of when gains and loss are properly taken into account shall be made at the entity level.''.

(2) IN GENERAL.—Paragraph (3) of section 55(b) of the 1986 Code is amended to read as follows:

''(3) MAXIMUM RATE OF TAX ON NET CAPITAL GAIN OF NONCORPORATE TAXPAYERS.—The amount determined under the first sentence of paragraph (1)(A)(i) shall not exceed the sum of—

''(A) the amount determined under such first sentence computed at the rates and in the same manner as if this paragraph had not been enacted on the taxable excess reduced by the lesser of—

''(i) the net capital gain, or

''(ii) the sum of—

''(I) the adjusted net capital gain, plus

''(II) the unrecaptured section 1250 gain, plus

''(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable excess) as does not exceed the amount on which a tax is determined under section 1(h)(1)(B), plus

''(C) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the amount on which tax is determined under subparagraph (B), plus

''(D) 25 percent of the amount of taxable excess in excess of the sum of the amounts on which tax is determined under the preceding subparagraphs of this paragraph.

In the case of taxable years beginning after December 31, 2000, rules similar to the rules of section 1(h)(2) shall apply for purposes of subparagraphs (B) and (C). Terms used in this paragraph which are also used in section 1(h) shall have the respective meanings given such terms by section 1(h) but computed with the adjustments under this part.''.

(3) Section 57(a)(7) of the 1986 Code is amended by adding at the end the following new sentence: ''In the case of stock the holding period of which begins after December 31, 2000 (determined with the application of the last sentence of section 1(h)(2)(B)), the preceding sentence shall be applied by substituting '28 percent' for '42 percent'.''.

(4) Paragraphs (11) and (12) of section 1223, and section 1235(a), of the 1986 Code are each amended by striking ''1 year'' each place it appears and inserting ''18 months''.

(e) AMENDMENTS RELATED TO SECTION 312 OF 1997 ACT.—

(1) Section 121(c)(1) of the 1986 Code is amended to read as follows:

''(1) IN GENERAL.—In the case of a sale or exchange to which this subsection applies, the ownership and use requirements of subsection (a), and subsection (b)(3), shall not apply; but the dollar limitation under paragraph (1) or (2) of subsection (b), whichever is applicable, shall be equal to—

''(A) the amount which bears the same ratio to such limitation (determined without regard to this paragraph) as

''(B)(i) the shorter of—

''(I) the aggregate periods, during the 5-year period ending on the date of such sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence, or

''(II) the period after the date of the most recent prior sale or exchange by the taxpayer to which subsection (a) applied and before the date of such sale or exchange, bears to

''(ii) 2 years.''.

(2) Section 312(d)(2) of the 1997 Act (relating to sales before date of enactment) is amended by inserting ''on or'' before ''before'' each place it appears in the text and heading.

(f) AMENDMENT RELATED TO SECTION 313 OF 1997 ACT.—Section 1045 of the 1986 Code is amended by adding at the end the following new subsection:

''(c) LIMITATION ON APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—Subsection (a) shall apply to a partnership or S corporation for a taxable year only if at all times during such taxable year all of the partners in the partnership, or all of the shareholders of the S corporation, are natural persons or estates.''.

SEC. 606. AMENDMENTS RELATED TO TITLE V OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 501 OF 1997 ACT.—

(1) Subsection (c) of section 2631 of the 1986 Code is amended by striking ''an individual who dies'' and inserting ''a generation-skipping transfer''.

(2) Subsection (f) of section 501 of the 1997 Act is amended by inserting ''(other than the amendment made by subsection (d))'' after ''this section''.

(b) AMENDMENTS RELATED TO SECTION 502 OF 1997 ACT.—

(1) Subsection (a) of section 2033A of the 1986 Code is amended to read as follows:

''(a) EXCLUSION.—

''(1) IN GENERAL.—In the case of an estate of a decedent to which this section applies, the value of the gross estate shall not include the lesser of—

''(A) the adjusted value of the qualified family-owned business interests of the decedent otherwise includible in the estate, or

''(B) the exclusion limitation with respect to such estate.

''(2) EXCLUSION LIMITATION.—

''(A) IN GENERAL.—The exclusion limitation with respect to any estate is the amount of reduction in the tentative tax base with respect to such estate which would be required in order to reduce the tax imposed by section 2001(b) (determined without regard to this section) by an amount equal to the maximum credit equivalent benefit.

''(B) MAXIMUM CREDIT EQUIVALENT BENEFIT.—For purposes of subparagraph (A), the term 'maximum credit equivalent benefit' means the excess of—

''(i) the amount by which the tentative tax imposed by section 2001(b) (determined without regard to this section) would be reduced if the tentative tax base were reduced by $675,000, over

''(ii) the amount by which the applicable credit amount under section 2010(c) with respect to such estate exceeds such applicable credit amount in effect for 1998.

''(C) TENTATIVE TAX BASE.—For purposes of this paragraph, the term 'tentative tax base' means the amount with respect to which the tax imposed by section 2001(b) would be computed without regard to this section.''.

(2) Section 2033A(b)(3) of the 1986 Code is amended to read as follows:

''(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the sum of—

''(A) the amount of such gifts from the decedent to members of the decedent's family taken into account under section 2001(b)(1)(B), plus

''(B) the amount of such gifts otherwise excluded under section 2503(b),

to the extent such interests are continuously held by members of such family (other than the decedent's spouse) between the date of the gift and the date of the decedent's death.''.

(c) AMENDMENTS RELATED TO SECTION 503 OF THE 1997 ACT.—

(1) Clause (iii) of section 6166(b)(7)(A) of the 1986 Code is amended to read as follows:

''(iii) for purposes of applying section 6601(j), the 2-percent portion (as defined in such section) shall be treated as being zero.''.

(2) Clause (iii) of section 6166(b)(8)(A) of the 1986 Code is amended to read as follows:

''(iii) 2-PERCENT INTEREST RATE NOT TO APPLY.—For purposes of applying section 6601(j), the 2-percent portion (as defined in such section) shall be treated as being zero.''.

(d) AMENDMENT RELATED TO SECTION 505 OF THE 1997 ACT.—Paragraphs (1) and (2) of section 7479(a) of the 1986 Code are each amended by striking ''an estate,'' and inserting ''an estate (or with respect to any property included therein),''.

(e) AMENDMENTS RELATED TO SECTION 506 OF THE 1997 ACT.—

(1) Subsection (c) of section 2504 of the 1986 Code is amended by striking ''was assessed or paid'' and inserting ''was finally determined for purposes of this chapter''.

(2) Paragraph (1) of section 506(e) of the 1997 Act is amended by striking ''and (c)'' and inserting '', (c), and (d)''.

SEC. 607. AMENDMENTS RELATED TO TITLE VII OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1400 OF 1986 CODE.—Section 1400(b)(2)(B) of the 1986 Code is amended by inserting ''as determined on the basis of the 1990 census'' after ''percent''.

(b) AMENDMENTS RELATED TO SECTION 1400B OF 1986 CODE.—

(1) Section 1400B(d)(2) of the 1986 Code is amended by inserting ''as determined on the basis of the 1990 census'' after ''percent''.

(2) Section 1400B(b) of the 1986 Code is amended by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively.

(c) AMENDMENTS RELATED TO SECTION 1400C OF 1986 CODE.—

(1) Paragraph (1) of section 1400C(c) of the 1986 Code is amended to read as follows:

''(1) IN GENERAL.—The term 'first-time homebuyer' means any individual if such individual (and if married, such individual's spouse) had no present ownership interest in a principal residence in the District of Columbia during the 1-year period ending on the date of the purchase of the principal residence to which this section applies.''.

(2) Subparagraph (B) of section 1400C(e)(2) of the 1986 Code is amended by inserting before the period ''on the date the taxpayer first occupies such residence''.

(3) Paragraph (3) of section 1400C(e) of the 1986 Code is amended by striking all that follows ''principal residence'' and inserting ''on the date such residence is purchased.''.

(4) Subsection (i) of section 1400C of the 1986 Code is amended to read as follows:

''(i) APPLICATION OF SECTION.—This section shall apply to property purchased after August 4, 1997, and before January 1, 2001.''.

(5) Subsection (c) of section 23 of the 1986 Code is amended by inserting ''and section 1400C'' after ''other than this section''.

(6) Subparagraph (C) of section 25(e)(1) of the 1986 Code is amended by striking ''section 23'' and inserting ''sections 23 and 1400C''.

SEC. 608. AMENDMENTS RELATED TO TITLE IX OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 901 OF 1997 ACT.—Section 9503(c)(7) of the 1986 Code is amended—

(1) by striking ''resulting from the amendments made by'' and inserting ''(and transfers to the Mass Transit Account) resulting from the amendments made by subsections (a) and (b) of section 901 of'', and

(2) by inserting before the period ''and deposits in the Highway Trust Fund (and transfers to the Mass Transit Account) shall be treated as made when they would have been required to be made without regard to section 901(e) of the Taxpayer Relief Act of 1997''.

(b) AMENDMENT RELATED TO SECTION 907 OF 1997 ACT.—Paragraph (2) of section 9503(e) of the 1986 Code is amended by striking the last sentence and inserting the following new sentence: ''For purposes of the preceding sentence, the term 'mass transit portion' means, for any fuel with respect to which tax was imposed under section 4041 or 4081 and otherwise deposited into the Highway Trust Fund, the amount determined at the rate of—

''(A) except as otherwise provided in this sentence, 2.86 cents per gallon,

''(B) 1.77 cents per gallon in the case of any partially exempt methanol or ethanol fuel (as defined in section 4041(m)) none of the alcohol in which consists of ethanol,

''(C) 1.86 cents per gallon in the case of liquefied natural gas,

''(D) 2.13 cents per gallon in the case of liquefied petroleum gas, and

''(E) 9.71 cents per MCF (determined at standard temperature and pressure) in the case of compressed natural gas.''.

(c) AMENDMENT RELATED TO SECTION 976 OF 1997 ACT.—Section 6103(d)(5) of the 1986 Code is amended by striking ''section 967 of the Taxpayer Relief Act of 1997.'' and inserting ''section 976 of the Taxpayer Relief Act of 1997. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''.

SEC. 609. AMENDMENTS RELATED TO TITLE X OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 1001 OF 1997 ACT.—

(1) Paragraph (2) of section 1259(b) of the 1986 Code is amended—

(A) by striking ''debt'' each place it appears in clauses (i) and (ii) of subparagraph (A) and inserting ''position'',

(B) by striking ''and'' at the end of subparagraph (A), and

(C) by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

''(B) any hedge with respect to a position described in subparagraph (A), and''.

(2) Section 1259(d)(1) of the 1986 Code is amended by inserting ''(including cash)'' after ''property''.

(3) Subparagraph (D) of section 475(f)(1) of the 1986 Code is amended by adding at the end the following new sentence: ''Subsection (d)(3) shall not apply under the preceding sentence for purposes of applying sections 1402 and 7704.''.

(4) Subparagraph (C) of section 1001(d)(3) of the 1997 Act is amended by striking ''within the 30-day period beginning on'' and inserting ''before the close of the 30th day after''.

(b) AMENDMENTS RELATED TO SECTION 1012 OF 1997 ACT.—

(1) Paragraph (1) of section 1012(d) of the 1997 Act is amended by striking ''1997, pursuant'' and inserting ''1997; except that the amendment made by subsection (a) shall apply to such distributions only if pursuant''.

(2) Subparagraph (A) of section 355(e)(3) of the 1986 Code is amended—

(A) by striking ''shall not be treated as described in'' and inserting ''shall not be taken into account in applying'', and

(B) by striking clause (iv) and inserting the following new clause:

''(iv) The acquisition of stock in the distributing corporation or any controlled corporation to the extent that the percentage of stock owned directly or indirectly in such corporation by each person owning stock in such corporation immediately before the acquisition does not decrease.''.

(c) AMENDMENTS RELATED TO SECTION 1014 OF 1997 ACT.—

(1) Paragraph (1) of section 351(g) of the 1986 Code is amended by adding ''and'' at the end of subparagraph (A) and by striking subparagraphs (B) and (C) and inserting the following new subparagraph:

''(B) if (and only if) the transferor receives stock other than nonqualified preferred stock—

''(i) subsection (b) shall apply to such transferor, and

''(ii) such nonqualified preferred stock shall be treated as other property for purposes of applying subsection (b).''.

(2) Clause (ii) of section 354(a)(2)(C) of 1986 Code is amended by adding at the end the following new subclause:

''(III) EXTENSION OF STATUTE OF LIMITATIONS.—The statutory period for the assessment of any deficiency attributable to a corporation failing to be a family-owned corporation shall not expire before the expiration of 3 years after the date the Secretary is notified by the corporation (in such manner as the Secretary may prescribe) of such failure, and such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.''.

(d) AMENDMENT RELATED TO SECTION 1024 OF 1997 ACT.—Section 6331(h)(1) of the 1986 Code is amended by striking ''The effect of a

levy'' and inserting ''If the Secretary approves a levy under this subsection, the effect of such levy''.

(e) AMENDMENTS RELATED TO SECTION 1031 OF 1997 ACT.—

(1) Subsection (l) of section 4041 of the 1986 Code is amended by striking ''subsection (e) or (f)'' and inserting ''subsection (f) or (g)''.

(2) Subsection (b) of section 9502 of the 1986 Code is amended by moving the sentence added at the end of paragraph (1) to the end of such subsection.

(3) Subsection (c) of section 6421 of the 1986 Code is amended—

(A) by striking ''(2)(A)'' and inserting ''(2)'', and

(B) by adding at the end the following sentence: ''Subsection (a) shall not apply to gasoline to which this subsection applies.''.

(f) AMENDMENTS RELATED TO SECTION 1032 OF 1997 ACT.—

(1) Section 1032(a) of the 1997 Act is amended by striking ''Subsection (a) of section 4083'' and inserting ''Paragraph (1) of section 4083(a)''.

(2) Section 1032(e)(12)(A) of the 1997 Act shall be applied as if ''gasoline, diesel fuel,'' were the material proposed to be stricken.

(3) Paragraph (1) of section 4101(e) of the 1986 Code is amended by striking ''dyed diesel fuel and kerosene'' and inserting ''such fuel in a dyed form''.

(g) AMENDMENT RELATED TO SECTION 1055 OF 1997 ACT.—Section 6611(g)(1) of the 1986 Code is amended by striking ''(e), and (h)'' and inserting ''and (e)''.

(h) AMENDMENT RELATED TO SECTION 1083 OF 1997 ACT.—Section 1083(a)(2) of the 1997 Act is amended—

(1) by striking ''21'' and inserting ''20'', and

(2) by striking ''22'' and inserting ''21''.

(i) AMENDMENT RELATED TO SECTION 1084 OF 1997 ACT.—

(1) Paragraph (3) of section 264(a) of the 1986 Code is amended by striking ''subsection (c)'' and inserting ''subsection (d)''.

(2) Paragraph (4) of section 264(a) of the 1986 Code is amended by striking ''subsection (d)'' and inserting ''subsection (e)''.

(3) Paragraph (4) of section 264(f) of the 1986 Code is amended by adding at the end the following new subparagraph:

''(E) MASTER CONTRACTS.—If coverage for each insured under a master contract is treated as a separate contract for purposes of sections 817(h), 7702, and 7702A, coverage for each such insured shall be treated as a separate contract for purposes of subparagraph (A). For purposes of the preceding sentence, the term 'master contract' shall not include any group life insurance contract (as defined in section 848(e)(2)).''.

(4)(A) Clause (iv) of section 264(f)(5)(A) of the 1986 Code is amended by striking the second sentence.

(B) Subparagraph (B) of section 6724(d)(1) of the 1986 Code is amended by striking ''or'' at the end of clause (xv), by striking the period at the end of clause (xvi) and inserting '', or'', and by adding at the end the following new clause:

''(xvii) section 264(f)(5)(A)(iv) (relating to reporting with respect to certain life insurance and annuity contracts).''.

(C) Paragraph (2) of section 6724(d) of the 1986 Code is amended by striking ''or'' at the end of subparagraph (Y), by striking the period at the end of subparagraph (Z) and inserting ''or'', and by adding at the end the following new subparagraph:

''(AA) section 264(f)(5)(A)(iv) (relating to reporting with respect to certain life insurance and annuity contracts).''.

(j) AMENDMENT RELATED TO SECTION 1085 OF 1997 ACT.—Paragraph (5) of section 32(c) of the 1986 Code is amended—

(1) by inserting before the period at the end of subparagraph (A) ''and increased by the amounts described in subparagraph (C)'',

(2) by adding ''or'' at the end of clause (iii) of subparagraph (B), and

(3) by striking all that follows subclause (II) of subparagraph (B)(iv) and inserting the following:

''(III) other trades or businesses.

For purposes of clause (iv), there shall not be taken into account items which are attributable to a trade or business which consists of the performance of services by the taxpayer as an employee.

''(C) CERTAIN AMOUNTS INCLUDED.—An amount is described in this subparagraph if it is—

''(i) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, or

''(ii) amounts received as a pension or annuity, and any distributions or payments received from an individual retirement plan, by the taxpayer during the taxable year to the extent not included in gross income.

Clause (ii) shall not include any amount which is not includible in gross income by reason of section 402(c), 403(a)(4), 403(b), 408(d) (3), (4), or (5), or 457(e)(10).''.

(k) AMENDMENT RELATED TO SECTION 1088 OF 1997 ACT.—Section 1088(b)(2)(C) of the 1997 Act is amended by inserting ''more than 1 year'' before ''after''.

(l) AMENDMENT RELATED TO SECTION 1089 OF 1997 ACT.—Paragraphs (1)(C) and (2)(C) of section 664(d) of the 1986 Code are each amended by adding '', and'' at the end.

SEC. 610. AMENDMENTS RELATED TO TITLE XI OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1103 OF 1997 ACT.—The paragraph (3) of section 59(a) added by section 1103 of the 1997 Act is redesignated as paragraph (4).

(b) AMENDMENT RELATED TO SECTION 1121 OF 1997 ACT.—Section 1298(a)(2)(B) of the 1986 Code is amended by adding at the end the following new sentence: ''Section 1297(e) shall not apply in determining whether a corporation is a passive foreign investment company for purposes of this subparagraph.''.

(c) AMENDMENT RELATED TO SECTION 1122 OF 1997 ACT.—Section 672(f)(3)(B) of the 1986 Code is amended by striking ''section 1296'' and inserting ''section 1297''.

(d) AMENDMENT RELATED TO SECTION 1123 OF 1997 ACT.—The subsection (e) of section 1297 of the 1986 Code added by section 1123 of the 1997 Act is redesignated as subsection (f).

(e) AMENDMENT RELATED TO SECTION 1144 OF 1997 ACT.—Paragraphs (1) and (2) of section 1144(c) of the 1997 Act are each amended by striking ''6038B(b)'' and inserting ''6038B(c) (as redesignated by subsection (b))''.

SEC. 611. AMENDMENTS RELATED TO TITLE XII OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1204 OF 1997 ACT.—The last sentence of section 162(a) of the 1986 Code is amended by striking ''investigate'' and all that follows and inserting ''investigate or prosecute, or provide support services for the investigation or prosecution of, a Federal crime.''.

(b) AMENDMENTS RELATED TO SECTION 1205 OF 1997 ACT.—

(1) Section 6311(e)(1) of the 1986 Code is amended by striking ''section 6103(k)(8)'' and inserting ''section 6103(k)(9)''.

(2) Paragraph (8) of section 6103(k) of the 1986 Code (as added by section 1205(c)(1) of the 1997 Act) is redesignated as paragraph (9).

(3) The heading for section 7431(g) of the 1986 Code is amended by striking ''(8)'' and inserting ''(9)''.

(4) Section 1205(c)(3) of the 1997 Act shall be applied as if it read as follows:

''(3) Section 6103(p)(3)(A), as amended by section 1026(b)(1)(A), is amended by striking ''or (8)'' and inserting ''(8), or (9)''.

(5) Section 1213(b) of the 1997 Act is amended by striking ''section 6724(d)(1)(A)'' and inserting ''section 6724(d)(1)''.

(c) AMENDMENT RELATED TO SECTION 1226 OF 1997 ACT.—Section 1226 of the 1997 Act is amended by striking ''ending on or'' and inserting ''beginning''.

(d) AMENDMENT RELATED TO SECTION 1285 OF 1997 ACT.—Section 7430(b) of the 1986 Code is amended by redesignating paragraph (5) as paragraph (4).

SEC. 612. AMENDMENTS RELATED TO TITLE XIII OF 1997 ACT.

(a) Section 646 of the 1986 Code is redesignated as section 645.

(b) The item relating to section 646 in the table of sections for subpart A of part I of subchapter J of chapter 1 of the 1986 Code is amended by striking ''Sec. 646'' and inserting ''Sec. 645''.

(c) Paragraph (1) of section 2652(b) of the 1986 Code is amended by striking ''section 646'' and inserting ''section 645''.

(d) Paragraph (3) of section 1(g) of the 1986 Code is amended by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(e) Section 641 of the 1986 Code is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(f) Paragraph (4) of section 1361(e) of the 1986 Code is amended by striking ''section 641(d)'' and inserting ''section 641(c)''.

(g) Subparagraph (A) of section 6103(e)(1) of the 1986 Code is amended by striking clause (ii) and by redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively.

SEC. 613. AMENDMENTS RELATED TO TITLE XIV OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1434 OF 1997 ACT.—Paragraph (2) of section 4052(f) of the 1986 Code is amended by striking ''this section'' and inserting ''such section''.

(b) AMENDMENT RELATED TO SECTION 1436 OF 1997 ACT.—Paragraph (2) of section 4091(a) of the 1986 Code is amended by inserting ''or on which tax has been credited or refunded'' after ''such paragraph''.

SEC. 614. AMENDMENTS RELATED TO TITLE XV OF 1997 ACT.

(a) AMENDMENT RELATED TO SECTION 1501 OF 1997 ACT.—The paragraph (8) of section 408(p) of the 1986 Code added by section 1501(b) of the 1997 Act is redesignated as paragraph (9).

(b) AMENDMENT RELATED TO SECTION 1505 OF 1997 ACT.—Section 1505(d)(2) of the 1997 Act is amended by striking ''(b)(12)'' and inserting ''(b)(12)(A)(i)''.

(c) AMENDMENT RELATED TO SECTION 1531 OF 1997 ACT.—Subsection (f) of section 9811 of the 1986 Code (as added by section 1531 of the 1997 Act) is redesignated as subsection (e).

SEC. 615. AMENDMENTS RELATED TO TITLE XVI.

(a) AMENDMENTS RELATED TO SECTION 1601(d) OF 1997 ACT.—

(1) AMENDMENTS RELATED TO SECTION 1601(d)(1)—

(A) Section 408(p)(2)(D)(i) of the 1986 Code is amended by striking ''or (B)'' in the last sentence.

(B) Section 408(p) of the 1986 Code is amended by adding at the end the following:

''(10) SPECIAL RULES FOR ACQUISITIONS, DISPOSITIONS, AND SIMILAR TRANSACTIONS.—

''(A) IN GENERAL.—An employer which fails to meet any applicable requirement by reason of an acquisition, disposition, or similar transaction shall not be treated as failing to meet such requirement during the transition period if—

''(i) the employer satisfies requirements similar to the requirements of section 410(b)(6)(C)(i)(II), and

''(ii) the qualified salary reduction arrangement maintained by the employer would satisfy the requirements of this subsection after the transaction if the employer

which maintained the arrangement before the transaction had remained a separate employer.

''(B) APPLICABLE REQUIREMENT.—For purposes of this paragraph, the term 'applicable requirement' means—

''(i) the requirement under paragraph (2)(A)(i) that an employer be an eligible employer,

''(ii) the requirement under paragraph (2)(D) that an arrangement be the only plan of an employer, and

''(iii) the participation requirements under paragraph (4).

''(C) TRANSITION PERIOD.—For purposes of this paragraph, the term 'transition period' means the period beginning on the date of any transaction described in subparagraph (A) and ending on the last day of the second calendar year following the calendar year in which such transaction occurs.''.

(C) Section 408(p)(2) of the 1986 Code is amended—

(i) by striking ''the preceding sentence shall apply only in accordance with rules similar to the rules of section 410(b)(6)(C)(i)'' in the last sentence of subparagraph (C)(i)(II) and inserting ''the preceding sentence shall not apply'', and

(ii) by striking clause (iii) of subparagraph (D).

(2) AMENDMENT TO SECTION 1601(d)(4).—Section 1601(d)(4)(A) of the 1997 Act is amended—

(A) by striking ''Section 403(b)(11)'' and inserting ''Paragraphs (7)(A)(ii) and (11) of section 403(b)'', and

(B) by striking ''403(b)(1)'' in clause (ii) and inserting ''403(b)(10)''.

(b) AMENDMENT RELATED TO SECTION 1601(f)(4) OF 1997 ACT.—Subsection (d) of section 6427 of the 1986 Code is amended—

(1) by striking ''HELICOPTERS'' in the heading and inserting ''OTHER AIRCRAFT USES'', and

(2) by inserting ''or a fixed-wing aircraft'' after ''helicopter''.

SEC. 616. AMENDMENT RELATED TO OMNIBUS BUDGET RECONCILIATION ACT OF 1993.

(a) IN GENERAL.—Section 196(c) of the 1986 Code is amended by striking ''and'' at the end of paragraph (6), by striking the period at the end of paragraph (7), and insert '', and'', and by adding at the end the following new paragraph:

''(8) the employer social security credit determined under section 45B(a).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 13443 of the Revenue Reconciliation Act of 1993.

SEC. 617. AMENDMENT RELATED TO TAX REFORM ACT OF 1984.

(a) IN GENERAL.—Paragraph (3) of section 136(c) of the Tax Reform Act of 1984 is amended by adding at the end the following flush sentence:

''The treatment under the preceding sentence shall apply to each period after June 30, 1983, during which such members are stapled entities, whether or not such members are stapled entities for all periods after June 30, 1983.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the Tax Reform Act of 1984 as of the date of the enactment of such Act.

SEC. 618. AMENDMENT RELATED TO TAX REFORM ACT OF 1986.

(a) IN GENERAL.—Section 6401(b)(1) of the 1986 Code is amended by striking ''and D'' and inserting ''D, and G''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the amendments made by section 701(b) of the Tax Reform Act of 1986.

SEC. 619. MISCELLANEOUS CLERICAL AND DEADWOOD CHANGES.

(a)(1) Section 6421 of the 1986 Code is amended by redesignating subsections (j) and (k) as subsections (i) and (j), respectively.

(2) Subsection (b) of section 34 of the 1986 Code is amended by striking ''section 6421(j)'' and inserting ''section 6421(i)''.

(3) Subsections (a) and (b) of section 6421 of the 1986 Code are each amended by striking ''subsection (j)'' and inserting ''subsection (i)''.

(b) Sections 4092(b) and 6427(q)(2) of the 1986 Code are each amended by striking ''section 4041(c)(4)'' and inserting ''section 4041(c)(2)''.

(c) Sections 4221(c) and 4222(d) of the 1986 Code are each amended by striking ''4053(a)(6)'' and inserting ''4053(6)''.

(d) Paragraph (5) of section 6416(b) of the 1986 Code is amended by striking ''section 4216(e)(1)'' each place it appears and inserting ''section 4216(d)(1)''.

(e) Paragraph (3) of section 6427(f) of the 1986 Code is amended by striking '', (e),''.

(f)(1) Section 6427 of the 1986 Code, as amended by paragraph (2), is amended by redesignating subsections (n), (p), (q), and (r) as subsections (m), (n), (o), and (p), respectively.

(2) Paragraphs (1) and (2)(A) of section 6427(i) of the 1986 Code are each amended by striking ''(q)'' and inserting ''(o)''.

(g) Subsection (e) of section 9502 of the 1986 Code is amended to read as follows:

''(e) CERTAIN TAXES ON ALCOHOL MIXTURES TO REMAIN IN GENERAL FUND.—For purposes of this section, the amounts which would (but for this subsection) be required to be appropriated under subparagraphs (A), (C), and (D) of subsection (b)(1) shall be reduced by—

''(1) 0.6 cent per gallon in the case of taxes imposed on any mixture at least 10 percent of which is alcohol (as defined in section 4081(c)(3)) if any portion of such alcohol is ethanol, and

''(2) 0.67 cent per gallon in the case of fuel used in producing a mixture described in paragraph (1).''.

(h)(1) Clause (i) of section 9503(c)(2)(A) of the 1986 Code is amended by adding ''and'' at the end of subclause (II), by striking subclause (III), and by redesignating subclause (IV) as subclause (III).

(2) Clause (ii) of such section is amended by striking ''gasoline, special fuels, and lubricating oil'' each place it appears and inserting ''fuel''.

(i) The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 620. EFFECTIVE DATE.

Except as otherwise provided in this title, the amendments made by this title shall take effect as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate.

KEMPTHORNE AMENDMENT NO. 2030

(Ordered to lie on the table.)

Mr. KEMPTHORNE submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

At the end, add the following:

TITLE ____—STUDENT IMPROVEMENT INCENTIVE GRANT PROGRAM

SEC. ____01. STUDENT IMPROVEMENT INCENTIVE GRANT PROGRAM.

Title X of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8001 et seq.) is amended by adding at the end the following:

''PART N—STUDENT IMPROVEMENT INCENTIVE GRANT PROGRAM

''SEC. 10997. STUDENT IMPROVEMENT INCENTIVE GRANT PROGRAM.

''(a) SHORT TITLE.—This part may be cited as the 'Student Improvement Incentive Grants Act'.

''(b) GRANTS AUTHORIZED.—

''(1) IN GENERAL.—The Secretary may award a grant to a State educational agency that carries out a statewide assessment described in subsection (c) to enable the agency to make awards to outstanding public secondary schools in the State under subsection (d).

''(2) AMOUNT.—The Secretary shall award a grant to a State educational agency under this section for a fiscal year in the amount of $50,000.

''(c) STATEWIDE ASSESSMENT.—In order to be eligible to receive a grant under this section, a State educational agency shall conduct a statewide assessment that—

''(1) determines the educational progress of students attending public secondary schools within the State;

''(2) allows for an objective analysis of the assessment on a school-by-school basis; and

''(3) may involve exit exams.

''(d) PUBLIC SECONDARY SCHOOL AWARDS.—

''(1) IN GENERAL.—Each State educational agency receiving a grant under this section for a fiscal year shall use the proceeds of the grant to make awards to public secondary schools in the State as follows:

''(A) $25,000 shall be awarded to the public secondary school in the State in which the educational progress of the students attending the school is determined, pursuant to the statewide assessment described in subsection (c), to be the best in the State.

''(B) $15,000 shall be awarded to the public secondary school in the State in which the educational progress of the students attending the school is determined, pursuant to the statewide assessment described in subsection (c), to be the second best in the State.

''(C) $10,000 shall be awarded to the public secondary school in the State in which the enrolled students have the greatest increase in educational progress from one academic year to the subsequent academic year as determined pursuant to the statewide assessment described in subsection (c), except that in the case of a State that did not conduct such an assessment in the fiscal year preceding the fiscal year for which the determination is made, the $10,000 shall be awarded to the public secondary school in the State in which the educational progress of students attending the school is determined, pursuant to the statewide assessment described in subsection (c), to be the third best in the State.

''(2) STATE AUTHORITY TO LIMIT AWARDS.—Each State educational agency receiving a grant under this section may limit the number of awards made to a public secondary school in the State or the number of years for which such awards are made.

''(e) CONSTRUCTION.—Nothing in this section shall be construed to prohibit a State from using State funds to increase the amount of awards made under subsection (d) or to make awards to public secondary schools that are not described in subsection (d).

''(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $2,600,000 for each of the fiscal years 1999 through 2003. Any funds appropriated under the authority of the preceding sentence for a fiscal year that remain available for obligation at the end of the fiscal year shall be returned to the Treasury.''.

WELLSTONE AMENDMENTS NOS. 2031–2032

(Ordered to lie on the table.)

Mr. WELLSTONE submitted two amendments intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 2031

At the end, insert the following:

TITLE ____—STUDY

SEC. ___01. STUDY.

(a) PREVIOUS FINDINGS.—Congress finds that, with respect to the connection between parental income and the educational attainment of children, various organizations have made the following findings:

(1) More observed differences across potential access and choice barriers occur by socioeconomic status, and the differences occur from the outset. Of the 1988 eighth graders studied, a smaller percentage of students in the lowest socioeconomic quartile completed applications for postsecondary education. And, from the outset, educational expectations, in terms of the percentages of those who indicated achievement of at least a bachelor's degree, vary directly by socioeconomic ranking.

(2) Enrollment rates in 4-year colleges and universities were directly related to students' family income and the level of their parents' education. The proportion of students enrolled in 4-year institutions increased at every income level, with ⅓ of low-income students (33 percent), almost half of middle-income students (47 percent), and about ¾ of high-income students (77 percent) attending such institutions.

(3)(A) Between 1972 and 1995, the proportion of high school graduates going directly to college increased from 49 to 62 percent.

(B) Between 1972 and 1995, high school graduates from high-income families were more likely than high school graduates from low-income families to go directly to college.

(C) Between 1990 and 1995, the higher the education level of a student's parents, the more likely the student was to enroll in college the year after high school.

(D) In 1995, black high school graduates were less likely than their white counterparts to go directly to college (51 percent compared to 64 percent, respectively).

(4) Between 1974 and 1994, postsecondary enrollment rates of low socioeconomic status students increased at 2-year institutions only, while postsecondary enrollment rates of high socioeconomic status students increased at 4-year institutions.

(5) Children who grow up in a poor or low-income family tend to have lower educational and labor market attainments than children from more affluent families.

(6) The financial pressures resulting from rising public tuition, the failure of student aid programs to keep pace with inflation in college costs, and the increase in Federal loans relative to grants have had their strongest impact on lower income students.

(7) Students from less affluent families are facing a college affordability crisis. While college enrollments have continued to grow, the growth is not among students from less affluent families. Access for students with below-median incomes to 4-year colleges and universities apparently has diminished since 1981. The gap in enrollment rates for students from families in the lowest income quartile and students from more affluent families grew by 12 percentage points between 1980 and 1993.

(b) STUDY.—The Secretary of Education shall conduct a study of the connection between parental income and the educational attainment of children. The study shall—

(1) examine, replicate, or dispute the findings described in subsection (a); and

(2) examine factors that influence postsecondary education decisions by sex, race or ethnicity, socioeconomic status, and demonstrated academic achievement.

(c) TIMELINE.—The Secretary shall conduct the study described in subsection (b), and report to Congress regarding the results of the study, not later than 6 months after the date of enactment of this Act.

AMENDMENT NO. 2032

Strike section 101 and insert the following:

SEC. 101. HOPE AND LIFETIME LEARNING CREDITS MADE REFUNDABLE FOR CERTAIN TAXPAYERS.

(a) IN GENERAL.—Section 25A (relating to HOPE and lifetime learning credits) is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following:

''(i) CREDIT MADE REFUNDABLE FOR LOW INCOME TAXPAYERS.—

''(1) IN GENERAL.—In the case of an eligible taxpayer with respect to any taxable year, the aggregate credits allowed under subpart C shall be increased by the credit which would be allowed under this section without regard to this subsection and the limitation under section 26(a). The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of the credit otherwise allowable under subsection (a) without regard to section 26(a).

''(2) ELIGIBLE TAXPAYER.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'eligible taxpayer' means a taxpayer whose adjusted gross income for the taxable year does not exceed the applicable adjusted gross income limit for such year.

''(B) APPLICABLE AMOUNT.—

''(i) IN GENERAL.—Subject to clause (ii), the applicable adjusted gross income limit for any taxable year is the amount of adjusted gross income the Secretary determines will result in an amount equal to the aggregate net reduction in revenues to the Treasury that would have occurred during such taxable year if the amendments made by section 101 of S. 1133, 105th Congress, as reported by the Committee on Finance of the Senate, had been enacted.

''(ii) SUBSEQUENT ADJUSTMENTS.—Proper adjustments shall be made in any determination made under clause (i) with respect to any taxable year to the extent a determination for the preceding taxable year resulted in an amount in excess of or less than the amount of such reduction for such preceding taxable year.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

WELLSTONE (AND FORD) AMENDMENT NO. 2033

(Ordered to lie on the table.)

Mr. WELLSTONE (for himself and Mr. FORD) submitted an amendment intended to be proposed by them to the bill, H.R. 2646, supra; as follows:

After title II add the following:

TITLE ____—MISCELLANEOUS

SEC ___01. EXPANSION OF EDUCATIONAL OPPORTUNITIES FOR WELFARE RECIPIENTS.

(a) 24 MONTHS OF POSTSECONDARY EDUCATION AND VOCATIONAL EDUCATIONAL TRAINING MADE PERMISSIBLE WORK ACTIVITIES.—Section 407(d)(8) of the Social Security Act (42 U.S.C. 607(d)(8)) is amended to read as follows:

''(8) postsecondary education and vocational educational training (not to exceed 24 months with respect to any individual);''.

(b) MODIFICATIONS TO THE EDUCATIONAL CAP.—

(1) REMOVAL OF TEEN PARENTS FROM 30 PERCENT LIMITATION.—Section 407(c)(2)(D) of the Social Security Act (42 U.S.C. 607(c)(2)(D)) is amended by striking '', or (if the month is in fiscal year 2000 or thereafter) deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph''.

(2) EXTENSION OF CAP TO POSTSECONDARY EDUCATION.—Section 407(c)(2)(D) of the Social Security Act (42 U.S.C. 607(c)(2)(D)) is amended by striking ''vocational educational training'' and inserting ''training described in subsection (d)(8)''.

(c) CLARIFICATION THAT PARTICIPATION IN A FEDERAL WORK-STUDY PROGRAM IS A PERMISSIBLE WORK ACTIVITY UNDER THE TANF PROGRAM.—Paragraphs (2) and (3) of section 407(d) of the Social Security Act (42 U.S.C. 607(d)) are each amended by inserting ''(including participation in an activity under a program established under part C of title IV of the Higher Education Act of 1965)'' before the semicolon.

DURBIN AMENDMENT NO. 2034

(Ordered to lie on the table.)

Mr. DURBIN submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert:

SEC. 101. INCREASE IN DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) INCREASE IN DEDUCTION.—

(1) IN GENERAL.—Subparagraph (B) of section 162(l)(1) is amended to read as follows:

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined under the following table:

"For taxable years beginning in calendar year—	**The applicable percentage is—**
1998	___
1999	___
2000	___
2001	___
2002	___
2003	___
2004	___
2005	___
2006 and thereafter	___.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 1997.

(b) RULES RELATING TO FOREIGN OIL AND GAS INCOME.—

(1) SEPARATE BASKET FOR FOREIGN TAX CREDIT.—

(A) IN GENERAL.—Paragraph (1) of section 904(d) (relating to separate application of section with respect to certain categories of income) is amended by striking ''and'' at the end of subparagraph (H), by redesignating subparagraph (I) as subparagraph (J), and by inserting after subparagraph (H) the following new subparagraph:

''(I) foreign oil and gas income, and''.

(B) DEFINITION.—Paragraph (2) of section 904(d) is amended by redesignating subparagraphs (H) and (I) as subparagraphs (I) and (J), respectively, and by inserting after subparagraph (G) the following new subparagraph:

''(H) FOREIGN OIL AND GAS INCOME.—The term 'foreign oil and gas income' has the meaning given such term by section 954(g).''

(C) CONFORMING AMENDMENTS.—

(i) Section 904(d)(3)(F)(i) is amended by striking ''or (E)'' and inserting ''(E), or (I)''.

(ii) Section 907(a) is hereby repealed.

(iii) Section 907(c)(4) is hereby repealed.

(iv) Section 907(f) is hereby repealed.

(D) EFFECTIVE DATES.—

(i) IN GENERAL.—The amendments made by this paragraph shall apply to taxable years

beginning after the date of the enactment of this Act.

(ii) TRANSITIONAL RULES.—

(I) SEPARATE BASKET TREATMENT.—Any taxes paid or accrued in a taxable year beginning on or before the date of the enactment of this Act, with respect to income which was described in subparagraph (I) of section 904(d)(1) of such Code (as in effect on the day before the date of the enactment of this Act), shall be treated as taxes paid or accrued with respect to foreign oil and gas income to the extent the taxpayer establishes to the satisfaction of the Secretary of the Treasury that such taxes were paid or accrued with respect to foreign oil and gas income.

(II) CARRYOVERS.—Any unused oil and gas extraction taxes which under section 907(f) of such Code (as so in effect) would have been allowable as a carryover to the taxpayer's first taxable year beginning after the date of the enactment of this Act (without regard to the limitation of paragraph (2) of such section 907(f) for first taxable year) shall be allowed as carryovers under section 904(c) of such Code in the same manner as if such taxes were unused taxes under such section 904(c) with respect to foreign oil and gas extraction income.

(III) LOSSES.—The amendment made by subparagraph (C)(iii) shall not apply to foreign oil and gas extraction losses arising in taxable years beginning on or before the date of the enactment of this Act.

(2) ELIMINATION OF DEFERRAL FOR FOREIGN OIL AND GAS EXTRACTION INCOME.—

(A) GENERAL RULE.—Paragraph (1) of section 954(g) (defining foreign base company oil related income) is amended to read as follows:

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'foreign oil and gas income' means any income of a kind which would be taken into account in determining the amount of—

''(A) foreign oil and gas extraction income (as defined in section 907(c)), or

''(B) foreign oil related income (as defined in section 907(c)).''

(B) CONFORMING AMENDMENTS.—

(i) Subsections (a)(5), (b)(5), and (b)(8) of section 954 are each amended by striking ''base company oil related income'' each place it appears (including in the heading of subsection (b)(8)) and inserting ''oil and gas income''.

(ii) Subsection (b)(4) of section 954 is amended by striking ''base company oil-related income'' and inserting ''oil and gas income''.

(iii) The subsection heading for subsection (g) of section 954 is amended by striking ''FOREIGN BASE COMPANY OIL RELATED INCOME'' and inserting ''FOREIGN OIL AND GAS INCOME''.

(iv) Subparagraph (A) of section 954(g)(2) is amended by striking ''foreign base company oil related income'' and inserting ''foreign oil and gas income''.

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders ending with or within such taxable years of foreign corporations.

(c) VALUATION RULES FOR TRANSFERS INVOLVING NONBUSINESS ASSETS.—

(1) IN GENERAL.—Section 2031 (relating to definition of gross estate) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.—For purposes of this chapter and chapter 12—

''(1) IN GENERAL.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092)—

''(A) the value of any nonbusiness assets held by the entity shall be determined as if the transferor had transferred such assets directly to the transferee (and no valuation discount shall be allowed with respect to such nonbusiness assets), and

''(B) the nonbusiness assets shall not be taken into account in determining the value of the interest in the entity.

''(2) NONBUSINESS ASSETS.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonbusiness asset' means any asset which is not used in the active conduct of 1 or more trades or businesses.

''(B) EXCEPTION FOR CERTAIN PASSIVE ASSETS.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

''(i) the asset is property described in paragraph (1) or (4) of section 1221 or is a hedge with respect to such property, or

''(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.

''(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

''(3) PASSIVE ASSET.—For purposes of this subsection, the term 'passive asset' means any—

''(A) cash or cash equivalents,

''(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in any entity,

''(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

''(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B),

''(E) annuity,

''(F) real property used in 1 or more real property trades or businesses (as defined in section 469(c)(7)(C)),

''(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

''(H) commodity,

''(I) collectible (within the meaning of section 401(m)), or

''(J) any other asset specified in regulations prescribed by the Secretary.

''(4) LOOK-THRU RULES.—

''(A) IN GENERAL.—If a nonbusiness asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.

''(B) 10-PERCENT INTEREST.—The term '10-percent interest' means—

''(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

''(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and

''(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

''(5) COORDINATION WITH SUBSECTION (b).—Subsection (b) shall apply after the application of this subsection.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after the date of the enactment of this Act.

NICKLES AMENDMENTS NOS. 2035–2037

(Ordered to lie on the table.)

Mr. NICKLES submitted three amendments intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 2035

Strike section 106.

AMENDMENT NO. 2036

Strike section 106 and insert:

SEC. 106. INCREASE IN DEDUCTION FOR HEALTH INSURANCE FOR SELF-EMPLOYEDS.

(a) IN GENERAL.—The table contained in section 162(l)(1)(B) is amended—

(1) by striking the item relating to years 1998 and 1999, and

(2) by striking ''2000 and 2001'' and inserting ''1998 through 2001''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

AMENDMENT NO. 2037

At the end of title I, insert:

SEC. ___. INCOME TAXED AT LOWEST RATE INCREASED TO $35,000 FOR UNMARRIED INDIVIDUALS, $70,000 FOR JOINT RETURNS AND SURVIVING SPOUSES, AND $52,600 FOR HEADS OF HOUSEHOLDS.

(a) GENERAL RULE.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (e) and inserting the following:

''(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 7703) 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 taxable income is:	The tax is:
Not over $70,000	15% of taxable income.
Over $70,000 but not over $102,300.	$10,500, plus 28% of the excess over $70,000.
Over $102,300 but not over $155,950.	$19,544, plus 31% of the excess over $102,300.
Over $155,950 but not over $278,450.	$36,175, plus 36% of the excess over $155,950.
Over $278,450	$80,275, plus 39.6% of the excess over $278,450.

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

''If taxable income is:	The tax is:
Not over $52,600	15% of taxable income.
Over $52,600 but not over $87,700.	$7,890, plus 28% of the excess over $52,600.
Over $87,700 but not over $142,000.	$17,718, plus 31% of the excess over $87,700.
Over $142,000 but not over $278,450.	$34,551, plus 36% of the excess over $142,000.
Over $278,450	$83,673 plus 39.6% of the excess over $278,450.

''(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 7703) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $35,000	15% of taxable income.
Over $35,000 but not over $61,400.	$5,250, plus 28% of the excess over $35,000.
Over $61,400 but not over $128,100.	$12,642, plus 31% of the excess over $61,400.
Over $128,100 but not over $278,450.	$33,319, plus 36% of the excess over $128,100.
Over $278,450	$87,445, plus 39.6% of the excess over $278,450.

''(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $35,000	15% of taxable income.
Over $35,000 but not over $51,150.	$5,250, plus 28% of the excess over $35,000.
Over $51,150 but not over $77,975.	$9,772, plus 31% of the excess over $51,150.
Over $77,975 but not over $139,225.	$18,088, plus 36% of the excess over $77,975.
Over $139,225	$40,138, plus 39.6% of the excess over $139,225.

''(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of—

''(1) every estate, and

''(2) every trust,

taxable under this subsection a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $1,700	15% of taxable income.
Over $1,700 but not over $4,000.	$255, plus 28% of the excess over $1,700.
Over $4,000 but not over $6,100.	$899, plus 31% of the excess over $4,000.
Over $6,100 but not over $8,350.	$1,550, plus 36% of the excess over $6,100.
Over $8,350	$2,360, plus 39.6% of the excess over $8,350.''.

(b) INFLATION ADJUSTMENT TO APPLY IN DETERMINING RATES FOR 1999.—Subsection (f) of section 1 is amended—

(1) by striking ''1993'' in paragraph (1) and inserting ''1998'',

(2) by striking ''1992'' in paragraph (3)(B) and inserting ''1997'', and

(3) by striking paragraph (7).

(c) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking ''1992'' and inserting ''1997'' each place it appears:

(A) Section 25A(h).

(B) Section 32(j)(1)(B).

(C) Section 41(e)(5)(C).

(D) Section 42(h)(6)(G)(i)(II).

(E) Section 68(b)(2)(B).

(F) Section 135(b)(2)(B)(ii).

(G) Section 151(d)(4).

(H) Section 221(g)(1)(B).

(I) Section 512(d)(2)(B).

(J) Section 513(h)(2)(C)(ii).

(K) Section 877(a)(2).

(L) Section 911(b)(2)(D)(ii)(II).

(M) Section 4001(e)(1)(B).

(N) Section 4261(e)(4)(A)(ii).

(O) Section 6039F(d).

(P) Section 6334(g)(1)(B).

(Q) Section 7430(c)(1).

(2) Subparagraph (B) of section 59(j)(2) is amended by striking '', determined by substituting '1997' for '1992' in subparagraph (B) thereof''.

(3) Subparagraph (B) of section 63(c)(4) is amended by striking ''by substituting for'' and all that follows and inserting ''by substituting for 'calendar year 1997' in subparagraph (B) thereof 'calendar year 1987' in the case of the dollar amounts contained in paragraph (2) or (5)(A) or subsection (f).''

(4) Subparagraph (B) of section 132(f)(6) is amended by inserting before the period '', determined by substituting 'calendar year 1992' for 'calendar year 1997' in subparagraph (B) thereof''.

(5) Paragraph (2) of section 220(g) is amended by striking '' by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(6) Subparagraph (B) of section 685(c)(3) is amended by striking '', by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(7) Subparagraph (B) of section 2032A(a)(3) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(8) Subparagraph (B) of section 2503(b)(2) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(9) Paragraph (2) of section 2631(c) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(10) Subparagraph (B) of 6601(j)(3) is amended by striking ''by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof''.

(d) MODIFICATION OF WITHHOLDING TABLES FOR TAXABLE YEAR 1998.—Notwithstanding the provisions of section 3402(a) of the Internal Revenue Code of 1986, the Secretary of the Treasury shall modify the tables and procedures under section 3402(a)(1) of such Code to reflect the amendment made by subsection (a). Such modification shall—

(1) take effect on July 1, 1998, and

(2) reflect the entire reduction in taxes for calendar year 1998 made by such amendment during the 6-month period beginning July 1, 1998.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

DODD AMENDMENT NO. 2038

(Ordered to lie on the table.)

Mr. DODD submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert:

SEC. 101. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to 25 percent of the qualified child care expenditures of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) to acquire, construct, rehabilitate, or expand property—

''(I) which is to be used as part of a qualified child care facility of the taxpayer,

''(II) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(III) which does not constitute part of the principal residence (within the meaning of section 1034) of the taxpayer or any employee of the taxpayer,

''(ii) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees of the child care facility, to scholarship programs, to the providing of differential compensation to employees based on level of child care training, and to expenses associated with achieving accreditation,

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer, or

''(iv) under a contract to provide child care resource and referral services to employees of the taxpayer.

''(B) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified child care expenditure' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(C) LIMITATION ON ALLOWABLE OPERATING COSTS.—The term 'qualified child care expenditure' shall not include any amount described in subparagraph (A)(ii) if such amount is paid or incurred after the third taxable year in which a credit under this section is taken by the taxpayer, unless the qualified child care facility of the taxpayer has received accreditation from a nationally recognized accrediting body before the end of such third taxable year.

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 1034) of the operator of the facility.

''(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer unless at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

''(iii) the costs to employees of child care services at such facility are determined on a sliding fee scale.

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70

Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended—

(A) by striking out ''plus'' at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and ''plus'', and

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

''(13) the employer-provided child care credit determined under section 45D.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45D. Employer-provided child care credit.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1998.

KOHL (AND JOHNSON) AMENDMENT NO. 2039

(Ordered to lie on the table.)

Mr. KOHL (for himself and Mr. JOHNSON) submitted an amendment intended to be proposed by them to the bill, H.R. 2646, supra; as follows:

At the appropriate place, insert:

SEC. ___. GAIN OR LOSS FROM SALE OF LIVESTOCK DISREGARDED FOR PURPOSES OF EARNED INCOME CREDIT.

(a) IN GENERAL.—Section 32(i)(2)(D) (relating to disqualified income) is amended by inserting ''determined without regard to gain or loss from the sale of livestock described in section 1231(b)(3),'' after ''taxable year,''.

(b) DISALLOWANCE OF INTEREST DEDUCTION ON RESIDENCES OUTSIDE THE UNITED STATES.—Section 163(h)(4)(A)(i) (defining qualified residence) is amended by adding at the end the following new flush sentence:

''Such term shall not include a residence located outside the United States.''

(c) EFFECTIVE DATES.—

(1) LIVESTOCK.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1995.

BINGAMAN AMENDMENTS NOS. 2040–2041

(Ordered to lie on the table.)

Mr. BINGAMAN submitted two amendments intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 2040

Strike section 101, and insert the following:

SEC. 101. DROPOUT PREVENTION AND STATE RESPONSIBILITIES.

(a) SHORT TITLE.—This section may be cited as the ''National Dropout Prevention Act of 1998''.

(b) DROPOUT PREVENTION.—Part C of title V of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7261 et seq.) is amended to read as follows:

''PART C—ASSISTANCE TO ADDRESS SCHOOL DROPOUT PROBLEMS

''Subpart 1—Coordinated National Strategy

''SEC. 5311. NATIONAL ACTIVITIES.

''(a) NATIONAL PRIORITY.—It shall be a national priority, for the 5-year period beginning on the date of enactment of the National Dropout Prevention Act of 1998, to lower the school dropout rate, and increase school completion, for middle school and secondary school students in accordance with Federal law. As part of this priority, all Federal agencies that carry out activities that serve students at risk of dropping out of school or that are intended to help address the school dropout problem shall make school dropout prevention a top priority in the agencies' funding priorities during the 5-year period.

''(b) ENHANCED DATA COLLECTION.—The Secretary shall collect systematic data on the participation of different racial and ethnic groups (including migrant and limited English proficient students) in all Federal programs.

''SEC. 5312. NATIONAL SCHOOL DROPOUT PREVENTION STRATEGY.

''(a) PLAN.—The Director shall develop, implement, and monitor an interagency plan (in this section referred to as the ''plan'') to assess the coordination, use of resources, and availability of funding under Federal law that can be used to address school dropout prevention, or middle school or secondary school reentry. The plan shall be completed and transmitted to the Secretary and Congress not later than 180 days after the first Director is appointed.

''(b) COORDINATION.—The plan shall address inter- and intra-agency program coordination issues at the Federal level with respect to school dropout prevention and middle school and secondary school reentry, assess the targeting of existing Federal services to students who are most at risk of dropping out of school, and the cost-effectiveness of various programs and approaches used to address school dropout prevention.

''(c) AVAILABLE RESOURCES.—The plan shall also describe the ways in which State and local agencies can implement effective school dropout prevention programs using funds from a variety of Federal programs, including the programs under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) and the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.).

''(d) SCOPE.—The plan will address all Federal programs with school dropout prevention or school reentry elements or objectives, programs under chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.), title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.), the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.), and part B of title IV of the Job Training Partnership Act (29 U.S.C. 1691 et seq.), and other programs.

''SEC. 5313. NATIONAL CLEARINGHOUSE.

''Not later than 6 months after the date of enactment of the National Dropout Prevention Act of 1998, the Director shall establish a national clearinghouse on effective school dropout prevention, intervention and reentry programs. The clearinghouse shall be established through a competitive grant or contract awarded to an organization with a demonstrated capacity to provide technical assistance and disseminate information in the area of school dropout prevention, intervention, and reentry programs. The clearinghouse shall—

''(1) collect and disseminate to educators, parents, and policymakers information on research, effective programs, best practices, and available Federal resources with respect to school dropout prevention, intervention, and reentry programs, including dissemination by an electronically accessible database, a worldwide Web site, and a national journal; and

''(2) provide technical assistance regarding securing resources with respect to, and designing and implementing, effective and comprehensive school dropout prevention, intervention, and reentry programs.

''SEC. 5314. NATIONAL RECOGNITION PROGRAM.

''(a) IN GENERAL.—The Director shall carry out a national recognition program that recognizes schools that have made extraordinary progress in lowering school dropout rates under which a public middle school or secondary school from each State will be recognized. The Director shall use uniform national guidelines that are developed by the Director for the recognition program and shall recognize schools from nominations submitted by State educational agencies.

''(b) ELIGIBLE SCHOOLS.—The Director may recognize any public middle school or secondary school (including a charter school) that has implemented comprehensive reforms regarding the lowering of school dropout rates for all students at that school.

''(c) SUPPORT.—The Director may make monetary awards to schools recognized under this section, in amounts determined by the Director. Amounts received under this section shall be used for dissemination activities within the school district or nationally.

''Subpart 2—National School Dropout Prevention Initiative

''SEC. 5321. FINDINGS.

''Congress finds that, in order to lower dropout rates and raise academic achievement levels, improved and redesigned schools must—

''(1) challenge all children to attain their highest academic potential; and

''(2) ensure that all students have substantial and ongoing opportunities to—

''(A) achieve high levels of academic and technical skills;

''(B) prepare for college and careers;

''(C) learn by doing;

''(D) work with teachers in small schools within schools;

''(E) receive ongoing support from adult mentors;

''(F) access a wide variety of information about careers and postsecondary education and training;

''(G) use technology to enhance and motivate learning; and

''(H) benefit from strong links among middle schools, secondary schools, and postsecondary institutions.

''SEC. 5322. PROGRAM AUTHORIZED.

''(a) ALLOTMENTS TO STATES.—

''(1) IN GENERAL.—From the sum made available under section 5332(b) for a fiscal year the Secretary shall make an allotment to each State in an amount that bears the same relation to the sum as the amount the State received under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) for the preceding fiscal year bears to the amount received by all States under such title for the preceding fiscal year.

''(2) DEFINITION OF STATE.—In this subpart, the term ''State'' means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

''(b) GRANTS.—From amounts made available to a State under subsection (a), the State educational agency may award grants to public middle schools or secondary schools, that have school dropout rates which are in the highest ⅓ of all school dropout rates in the State, to enable the schools to pay only the startup and implementation costs of effective, sustainable, coordinated, and whole school dropout prevention programs that involve activities such as—

''(1) professional development;

''(2) obtaining curricular materials;

''(3) release time for professional staff; and

''(4) planning and research.

''(b) INTENT OF CONGRESS.—It is the intent of Congress that the activities started or implemented under subsection (a) shall be continued with funding provided under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.).

''(c) NUMBER.—The State educational agency shall award not more than 1,000 grants under this subpart during the first year that the State receives an allotment under this subpart, not more than 1,500 grants during the second such year, and not more than 2,000 grants during the third such year.

''(d) AMOUNT.—

''(1) IN GENERAL.—Subject to subsection (e) and except as provided in paragraph (2), a grant under this subpart shall be awarded—

''(A) in the first year that a school receives a grant payment under this subpart, in an amount that is not less than $50,000 and not more than $100,000, based on factors such as—

''(i) school size;

''(ii) costs of the model being implemented; and

''(iii) local cost factors such as poverty rates;

''(B) in the second such year, in an amount that is not less than 75 percent of the amount the school received under this subpart in the first such year;

''(C) in the third year, in an amount that is not less than 50 percent of the amount the school received under this subpart in the first such year; and

''(D) in each succeeding year in an amount that is not less than 30 percent of the amount the school received under this subpart in the first such year.

''(2) INCREASES.—The Director shall increase the amount awarded to a school under this subpart by 10 percent if the school creates smaller learning communities within the school and the creation is certified by the State educational agency.

''(e) DURATION.—A grant under this subpart shall be awarded for a period of 3 years, and may be continued for a period of 2 additional years if the State educational agency determines, based on the annual reports described in section 5328(a), that significant progress has been made in lowering the school dropout rate for students participating in the program assisted under this subpart compared to students at similar schools who are not participating in the program.

''SEC. 5323. STRATEGIES AND ALLOWABLE MODELS.

''(a) STRATEGIES.—Each school receiving a grant under this subpart shall implement research-based, sustainable, and widely replicated, strategies for school dropout prevention and reentry that address the needs of an entire school population rather than a subset of students. The strategies may include—

''(1) specific strategies for targeted purposes; and

''(2) approaches such as breaking larger schools down into smaller learning communities and other comprehensive reform approaches, developing clear linkages to career skills and employment, and addressing specific gatekeeper hurdles that often limit student retention and academic success.

''(b) ALLOWABLE MODELS.—The Director shall annually establish and publish in the Federal Register the principles, criteria, models, and other parameters regarding the types of effective, proven program models that are allowed to be used under this subpart, based on existing research.

''(c) CAPACITY BUILDING.—

''(1) IN GENERAL.—The Director, through a contract with a non-Federal entity, shall conduct a capacity building and design initiative in order to increase the types of proven strategies for dropout prevention on a schoolwide level.

''(2) NUMBER AND DURATION.—

''(A) NUMBER.—The Director shall award not more than 5 contracts under this subsection.

''(B) DURATION.—The Director shall award a contract under this section for a period of not more than 5 years.

''(d) SUPPORT FOR EXISTING REFORM NETWORKS.—

''(1) IN GENERAL.—The Director shall provide appropriate support to eligible entities to enable the eligible entities to provide training, materials, development, and staff assistance to schools assisted under this subpart.

''(2) DEFINITION OF ELIGIBLE ENTITY.—The term 'eligible entity' means an entity that, prior to the date of enactment of the National Dropout Prevention Act of 1998—

''(A) provided training, technical assistance, and materials to 100 or more elementary schools or secondary schools; and

''(B) developed and published a specific educational program or design for use by the schools.

''SEC. 5324. SELECTION OF SCHOOLS.

''(a) SCHOOL APPLICATION.—

''(1) IN GENERAL.—Each school desiring a grant under this subpart shall submit an application to the State educational agency at such time, in such manner, and accompanied by such information as the State educational agency may require.

''(2) CONTENTS.—Each application submitted under paragraph (1) shall—

''(A) contain a certification from the local educational agency serving the school that—

''(i) the school has the highest number or rates of school dropouts in the age group served by the local educational agency;

''(ii) the local educational agency is committed to providing ongoing operational support, for the school's comprehensive reform plan to address the problem of school dropouts, for a period of 5 years; and

''(iii) the local educational agency will support the plan, including—

''(I) release time for teacher training;

''(II) efforts to coordinate activities for feeder schools; and

''(III) encouraging other schools served by the local educational agency to participate in the plan;

''(B) demonstrate that the faculty and administration of the school have agreed to apply for assistance under this subpart, and provide evidence of the school's willingness and ability to use the funds under this subpart, including providing an assurance of the support of 80 percent or more of the professional staff at the school;

''(C) describe the instructional strategies to be implemented, how the strategies will serve all students, and the effectiveness of the strategies;

''(D) describe a budget and timeline for implementing the strategies;

''(E) contain evidence of interaction with an eligible entity described in section 5323(d)(2);

''(F) contain evidence of coordination with existing resources;

''(G) provide an assurance that funds provided under this subpart will supplement and not supplant other Federal, State, and local funds;

''(H) describe how the activities to be assisted conform with an allowable model described in section 5323(b); and

''(I) demonstrate that the school and local educational agency have agreed to conduct a schoolwide program under 1114.

''(b) STATE AGENCY REVIEW AND AWARD.—The State educational agency shall review applications and award grants to schools under subsection (a) according to a review by a panel of experts on school dropout prevention.

''(c) CRITERIA.—The Director shall establish clear and specific selection criteria for awarding grants to schools under this subpart. Such criteria shall be based on school dropout rates and other relevant factors for State educational agencies to use in determining the number of grants to award and the type of schools to be awarded grants.

''(d) ELIGIBILITY.—

''(1) IN GENERAL.—A school is eligible to receive a grant under this subpart if the school is—

''(A) a public school—

''(i) that is eligible to receive assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), including a comprehensive secondary school, a vocational or technical secondary school, and a charter school; and

''(ii)(I) that serves students 50 percent or more of whom are low-income individuals; or

''(II) with respect to which the feeder schools that provide the majority of the incoming students to the school serve students 50 percent or more of whom are low-income individuals; or

''(B) is participating in a schoolwide program under section 1114 during the grant period.

''(2) OTHER SCHOOLS.—A private or parochial school, an alternative school, or a school within a school, is not eligible to receive a grant under this subpart, but an alternative school or school within a school may be served under this subpart as part of a whole school reform effort within an entire school building.

''(e) COMMUNITY-BASED ORGANIZATIONS.—A school that receives a grant under this subpart may use the grant funds to secure necessary services from a community-based organization, including private sector entities, if—

''(1) the school approves the use;

''(2) the funds are used to provide school dropout prevention and reentry activities related to schoolwide efforts; and

''(3) the community-based organization has demonstrated the organization's ability to provide effective services as described in section 107(a) of the Job Training Partnership Act (29 U.S.C. 1517(a)).

''(f) COORDINATION.—Each school that receives a grant under this subpart shall coordinate the activities assisted under this subpart with other Federal programs, such as programs assisted under chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.) and the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.).

''SEC. 5325. DISSEMINATION ACTIVITIES.

''Each school that receives a grant under this subpart shall provide information and technical assistance to other schools within the school district, including presentations, document-sharing, and joint staff development.

''SEC. 5326. PROGRESS INCENTIVES.

''Notwithstanding any other provision of law, each local educational agency that receives funds under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) shall use such funding to provide assistance to schools served by the agency that have not made progress toward lowering school dropout rates after receiving assistance under this subpart for 2 fiscal years.

''SEC. 5327. SCHOOL DROPOUT RATE CALCULATION.

''For purposes of calculating a school dropout rate under this subpart, a school shall use—

''(1) the annual event school dropout rate for students leaving a school in a single year determined in accordance with the National Center for Education Statistics' Common Core of Data, if available; or

''(2) in other cases, a standard method for calculating the school dropout rate as determined by the State educational agency.

''SEC. 5328. REPORTING AND ACCOUNTABILITY.

''(a) REPORTING.—In order to receive funding under this subpart for a fiscal year after the first fiscal year a school receives funding under this subpart, the school shall provide, on an annual basis, to the Director a report regarding the status of the implementation of activities funded under this subpart, the disaggregated outcome data for students at schools assisted under this subpart such as dropout rates, and certification of progress from the eligible entity whose strategies the school is implementing.

''(b) ACCOUNTABILITY.—On the basis of the reports submitted under subsection (a), the Director shall evaluate the effect of the activities assisted under this subpart on school dropout prevention compared to a control group.

''SEC. 5329. PROHIBITION ON TRACKING.

''(a) IN GENERAL.—A school shall be ineligible to receive funding under this subpart for a fiscal year, if the school—

''(1) has in place a general education track;

''(2) provides courses with significantly different material and requirements to students at the same grade level; or

''(3) fails to encourage all students to take a core curriculum of courses.

''(b) REGULATIONS.—The Secretary shall promulgate regulations implementing subsection (a).

''Subpart 3—Definitions; Authorization of Appropriations

''SEC. 5331. DEFINITIONS.

''In this Act:

''(1) DIRECTOR.—The term ''Director'' means the Director of the Office of Dropout Prevention and Program Completion established under section 219 of the General Education Provisions Act.

''(2) LOW-INCOME.—The term ''low-income'', used with respect to an individual, means an individual determined to be low-income in accordance with measures described in section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)).

''(3) SCHOOL DROPOUT.—The term ''school dropout'' has the meaning given the term in section 4(17) of the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6103(17)).

''SEC. 5332. AUTHORIZATION OF APPROPRIATIONS.

''(a) SUBPART 1.—There are authorized to be appropriated to carry out subpart 1, $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''(b) SUBPART 2.—There are authorized to be appropriated to carry out subpart 2, $145,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years, of which—

''(1) $125,000,000 shall be available to carry out section 5322; and

''(2) $20,000,000 shall be available to carry out section 5323.''.

(c) OFFICE OF DROPOUT PREVENTION AND PROGRAM COMPLETION.—Title II of the Department of Education Organization Act (20 U.S.C. 3411) is amended—

(1) by redesignating section 216 (as added by Public Law 103–227) as section 218; and

(2) by adding after section 218 (as redesignated by paragraph (1)) the following:

''OFFICE OF DROPOUT PREVENTION AND PROGRAM COMPLETION

''SEC. 219. (a) ESTABLISHMENT.—There shall be in the Department of Education an Office of Dropout Prevention and Program Completion (hereafter in this section referred to as the 'Office'), to be administered by the Director of the Office of Dropout Prevention and Program Completion. The Director of the Office shall report directly to the Secretary and shall perform such additional functions as the Secretary may prescribe.

''(b) DUTIES.—The Director of the Office of Dropout Prevention and Program Completion (hereafter in this section referred to as the 'Director'), through the Office, shall—

''(1) help coordinate Federal, State, and local efforts to lower school dropout rates and increase program completion by middle school, secondary school, and college students;

''(2) recommend Federal policies, objectives, and priorities to lower school dropout rates and increase program completion;

''(3) oversee the implementation of subpart 2 of part C of title V of the Elementary and Secondary Education Act of 1965;

''(4) develop and implement the National School Dropout Prevention Strategy under section 5312 of the Elementary and Secondary Education Act of 1965;

''(5) annually prepare and submit to Congress and the Secretary a national report describing efforts and recommended actions regarding school dropout prevention and program completion;

''(6) recommend action to the Secretary and the President, as appropriate, regarding school dropout prevention and program completion; and

''(7) consult with and assist State and local governments regarding school dropout prevention and program completion.

''(c) SCOPE OF DUTIES.—The scope of the Director's duties under subsection (b) shall include examination of all Federal and non-Federal efforts related to—

''(1) promoting program completion for children attending middle school or secondary school;

''(2) programs to obtain a secondary school diploma or its recognized equivalent (including general equivalency diploma (GED) programs), or college degree programs; and

''(3) reentry programs for individuals aged 12 to 24 who are out of school.

''(d) DETAILING.—In carrying out the Director's duties under this section, the Director may request the head of any Federal department or agency to detail personnel who are engaged in school dropout prevention activities to another Federal department or agency in order to implement the National School Dropout Prevention Strategy.''.

(d) STATE RESPONSIBILITIES.—Title XIV of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801 et seq.) is amended by adding at the end the following:

''PART I—DROPOUT PREVENTION

''SEC. 14851. DROPOUT PREVENTION.

''In order to receive any assistance under this Act, a State educational agency shall comply with the following provisions regarding school dropouts:

''(1) UNIFORM DATA COLLECTION.—Within 1 year after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall report to the Secretary and statewide, all school district and school data regarding school dropout rates in the State, and demographic breakdowns, according to procedures that conform with the National Center for Education Statistics' Common Core of Data.

''(2) ATTENDANCE-NEUTRAL FUNDING POLICIES.—Within 2 years after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall develop and implement education funding formula policies for public schools that provide appropriate incentives to retain students in school throughout the school year, such as—

''(A) a student count methodology that does not determine annual budgets based on attendance on a single day early in the academic year; and

''(B) specific incentives for retaining enrolled students throughout each year.

''(3) SUSPENSION AND EXPULSION POLICIES.—Within 2 years after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall develop uniform, long-term suspension and expulsion policies for serious infractions resulting in more than 10 days of exclusion from school per academic year so that similar violations result in similar penalties.''.

AMENDMENT NO. 2041

At the end, add the following:

TITLE ____—DROPOUT PREVENTION AND STATE RESPONSIBILITIES

SEC. ___01. SHORT TITLE.

This title may be cited as the ''National Dropout Prevention Act of 1998''.

Subtitle A—Dropout Prevention

SEC. ___11. DROPOUT PREVENTION.

Part C of title V of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7261 et seq.) is amended to read as follows:

''PART C—ASSISTANCE TO ADDRESS SCHOOL DROPOUT PROBLEMS

''Subpart 1—Coordinated National Strategy

''SEC. 5311. NATIONAL ACTIVITIES.

''(a) NATIONAL PRIORITY.—It shall be a national priority, for the 5-year period beginning on the date of enactment of the National Dropout Prevention Act of 1998, to lower the school dropout rate, and increase school completion, for middle school and secondary school students in accordance with Federal law. As part of this priority, all Federal agencies that carry out activities that serve students at risk of dropping out of school or that are intended to help address the school dropout problem shall make school dropout prevention a top priority in the agencies' funding priorities during the 5-year period.

''(b) ENHANCED DATA COLLECTION.—The Secretary shall collect systematic data on the participation of different racial and ethnic groups (including migrant and limited English proficient students) in all Federal programs.

''SEC. 5312. NATIONAL SCHOOL DROPOUT PREVENTION STRATEGY.

''(a) PLAN.—The Director shall develop, implement, and monitor an interagency plan (in this section referred to as the ''plan'') to assess the coordination, use of resources, and availability of funding under Federal law that can be used to address school dropout prevention, or middle school or secondary school reentry. The plan shall be completed and transmitted to the Secretary and Congress not later than 180 days after the first Director is appointed.

''(b) COORDINATION.—The plan shall address inter- and intra-agency program coordination issues at the Federal level with respect to school dropout prevention and middle school and secondary school reentry, assess the targeting of existing Federal services to students who are most at risk of dropping out of school, and the cost-effectiveness of various programs and approaches used to address school dropout prevention.

''(c) AVAILABLE RESOURCES.—The plan shall also describe the ways in which State and local agencies can implement effective school dropout prevention programs using funds from a variety of Federal programs, including the programs under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) and the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.).

''(d) SCOPE.—The plan will address all Federal programs with school dropout prevention or school reentry elements or objectives, programs under chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.), title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.), the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.), and part B of title IV of the Job Training Partnership Act (29 U.S.C. 1691 et seq.), and other programs.

''SEC. 5313. NATIONAL CLEARINGHOUSE.

''Not later than 6 months after the date of enactment of the National Dropout Prevention Act of 1998, the Director shall establish a national clearinghouse on effective school dropout prevention, intervention and reentry programs. The clearinghouse shall be established through a competitive grant or contract awarded to an organization with a demonstrated capacity to provide technical assistance and disseminate information in the area of school dropout prevention, intervention, and reentry programs. The clearinghouse shall—

''(1) collect and disseminate to educators, parents, and policymakers information on research, effective programs, best practices, and available Federal resources with respect to school dropout prevention, intervention, and reentry programs, including dissemination by an electronically accessible database, a worldwide Web site, and a national journal; and

''(2) provide technical assistance regarding securing resources with respect to, and designing and implementing, effective and comprehensive school dropout prevention, intervention, and reentry programs.

''SEC. 5314. NATIONAL RECOGNITION PROGRAM.

''(a) IN GENERAL.—The Director shall carry out a national recognition program that recognizes schools that have made extraordinary progress in lowering school dropout rates under which a public middle school or secondary school from each State will be recognized. The Director shall use uniform national guidelines that are developed by the Director for the recognition program and shall recognize schools from nominations submitted by State educational agencies.

''(b) ELIGIBLE SCHOOLS.—The Director may recognize any public middle school or secondary school (including a charter school) that has implemented comprehensive reforms regarding the lowering of school dropout rates for all students at that school.

''(c) SUPPORT.—The Director may make monetary awards to schools recognized under this section, in amounts determined by the Director. Amounts received under this section shall be used for dissemination activities within the school district or nationally.

''Subpart 2—National School Dropout Prevention Initiative

''SEC. 5321. FINDINGS.

''Congress finds that, in order to lower dropout rates and raise academic achievement levels, improved and redesigned schools must—

''(1) challenge all children to attain their highest academic potential; and

''(2) ensure that all students have substantial and ongoing opportunities to—

''(A) achieve high levels of academic and technical skills;

''(B) prepare for college and careers;

''(C) learn by doing;

''(D) work with teachers in small schools within schools;

''(E) receive ongoing support from adult mentors;

''(F) access a wide variety of information about careers and postsecondary education and training;

''(G) use technology to enhance and motivate learning; and

''(H) benefit from strong links among middle schools, secondary schools, and postsecondary institutions.

''SEC. 5322. PROGRAM AUTHORIZED.

''(a) ALLOTMENTS TO STATES.—

''(1) IN GENERAL.—From the sum made available under section 5332(b) for a fiscal year the Secretary shall make an allotment to each State in an amount that bears the same relation to the sum as the amount the State received under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) for the preceding fiscal year bears to the amount received by all States under such title for the preceding fiscal year.

''(2) DEFINITION OF STATE.—In this subpart, the term ''State'' means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

''(b) GRANTS.—From amounts made available to a State under subsection (a), the State educational agency may award grants to public middle schools or secondary schools, that have school dropout rates which are in the highest ⅓ of all school dropout rates in the State, to enable the schools to pay only the startup and implementation costs of effective, sustainable, coordinated, and whole school dropout prevention programs that involve activities such as—

''(1) professional development;

''(2) obtaining curricular materials;

''(3) release time for professional staff; and

''(4) planning and research.

''(b) INTENT OF CONGRESS.—It is the intent of Congress that the activities started or implemented under subsection (a) shall be continued with funding provided under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.).

''(c) NUMBER.—The State educational agency shall award not more than 1,000 grants under this subpart during the first year that the State receives an allotment under this subpart, not more than 1,500 grants during the second such year, and not more than 2,000 grants during the third such year.

''(d) AMOUNT.—

''(1) IN GENERAL.—Subject to subsection (e) and except as provided in paragraph (2), a grant under this subpart shall be awarded—

''(A) in the first year that a school receives a grant payment under this subpart, in an amount that is not less than $50,000 and not more than $100,000, based on factors such as—

''(i) school size;

''(ii) costs of the model being implemented; and

''(iii) local cost factors such as poverty rates;

''(B) in the second such year, in an amount that is not less than 75 percent of the amount the school received under this subpart in the first such year;

''(C) in the third year, in an amount that is not less than 50 percent of the amount the school received under this subpart in the first such year; and

''(D) in each succeeding year in an amount that is not less than 30 percent of the

amount the school received under this subpart in the first such year.

''(2) INCREASES.—The Director shall increase the amount awarded to a school under this subpart by 10 percent if the school creates smaller learning communities within the school and the creation is certified by the State educational agency.

''(e) DURATION.—A grant under this subpart shall be awarded for a period of 3 years, and may be continued for a period of 2 additional years if the State educational agency determines, based on the annual reports described in section 5328(a), that significant progress has been made in lowering the school dropout rate for students participating in the program assisted under this subpart compared to students at similar schools who are not participating in the program.

''SEC. 5323. STRATEGIES AND ALLOWABLE MODELS.

''(a) STRATEGIES.—Each school receiving a grant under this subpart shall implement research-based, sustainable, and widely replicated, strategies for school dropout prevention and reentry that address the needs of an entire school population rather than a subset of students. The strategies may include—

''(1) specific strategies for targeted purposes; and

''(2) approaches such as breaking larger schools down into smaller learning communities and other comprehensive reform approaches, developing clear linkages to career skills and employment, and addressing specific gatekeeper hurdles that often limit student retention and academic success.

''(b) ALLOWABLE MODELS.—The Director shall annually establish and publish in the Federal Register the principles, criteria, models, and other parameters regarding the types of effective, proven program models that are allowed to be used under this subpart, based on existing research.

''(c) CAPACITY BUILDING.—

''(1) IN GENERAL.—The Director, through a contract with a non-Federal entity, shall conduct a capacity building and design initiative in order to increase the types of proven strategies for dropout prevention on a schoolwide level.

''(2) NUMBER AND DURATION.—

''(A) NUMBER.—The Director shall award not more than 5 contracts under this subsection.

''(B) DURATION.—The Director shall award a contract under this section for a period of not more than 5 years.

''(d) SUPPORT FOR EXISTING REFORM NETWORKS.—

''(1) IN GENERAL.—The Director shall provide appropriate support to eligible entities to enable the eligible entities to provide training, materials, development, and staff assistance to schools assisted under this subpart.

''(2) DEFINITION OF ELIGIBLE ENTITY.—The term 'eligible entity' means an entity that, prior to the date of enactment of the National Dropout Prevention Act of 1998—

''(A) provided training, technical assistance, and materials to 100 or more elementary schools or secondary schools; and

''(B) developed and published a specific educational program or design for use by the schools.

''SEC. 5324. SELECTION OF SCHOOLS.

''(a) SCHOOL APPLICATION.—

''(1) IN GENERAL.—Each school desiring a grant under this subpart shall submit an application to the State educational agency at such time, in such manner, and accompanied by such information as the State educational agency may require.

''(2) CONTENTS.—Each application submitted under paragraph (1) shall—

''(A) contain a certification from the local educational agency serving the school that—

''(i) the school has the highest number or rates of school dropouts in the age group served by the local educational agency;

''(ii) the local educational agency is committed to providing ongoing operational support, for the school's comprehensive reform plan to address the problem of school dropouts, for a period of 5 years; and

''(iii) the local educational agency will support the plan, including—

''(I) release time for teacher training;

''(II) efforts to coordinate activities for feeder schools; and

''(III) encouraging other schools served by the local educational agency to participate in the plan;

''(B) demonstrate that the faculty and administration of the school have agreed to apply for assistance under this subpart, and provide evidence of the school's willingness and ability to use the funds under this subpart, including providing an assurance of the support of 80 percent or more of the professional staff at the school;

''(C) describe the instructional strategies to be implemented, how the strategies will serve all students, and the effectiveness of the strategies;

''(D) describe a budget and timeline for implementing the strategies;

''(E) contain evidence of interaction with an eligible entity described in section 5323(d)(2);

''(F) contain evidence of coordination with existing resources;

''(G) provide an assurance that funds provided under this subpart will supplement and not supplant other Federal, State, and local funds;

''(H) describe how the activities to be assisted conform with an allowable model described in section 5323(b); and

''(I) demonstrate that the school and local educational agency have agreed to conduct a schoolwide program under 1114.

''(b) STATE AGENCY REVIEW AND AWARD.—The State educational agency shall review applications and award grants to schools under subsection (a) according to a review by a panel of experts on school dropout prevention.

''(c) CRITERIA.—The Director shall establish clear and specific selection criteria for awarding grants to schools under this subpart. Such criteria shall be based on school dropout rates and other relevant factors for State educational agencies to use in determining the number of grants to award and the type of schools to be awarded grants.

''(d) ELIGIBILITY.—

''(1) IN GENERAL.—A school is eligible to receive a grant under this subpart if the school is—

''(A) a public school—

''(i) that is eligible to receive assistance under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.), including a comprehensive secondary school, a vocational or technical secondary school, and a charter school; and

''(ii)(I) that serves students 50 percent or more of whom are low-income individuals; or

''(II) with respect to which the feeder schools that provide the majority of the incoming students to the school serve students 50 percent or more of whom are low-income individuals; or

''(B) is participating in a schoolwide program under section 1114 during the grant period.

''(2) OTHER SCHOOLS.—A private or parochial school, an alternative school, or a school within a school, is not eligible to receive a grant under this subpart, but an alternative school or school within a school may be served under this subpart as part of a whole school reform effort within an entire school building.

''(e) COMMUNITY-BASED ORGANIZATIONS.—A school that receives a grant under this subpart may use the grant funds to secure necessary services from a community-based organization, including private sector entities, if—

''(1) the school approves the use;

''(2) the funds are used to provide school dropout prevention and reentry activities related to schoolwide efforts; and

''(3) the community-based organization has demonstrated the organization's ability to provide effective services as described in section 107(a) of the Job Training Partnership Act (29 U.S.C. 1517(a)).

''(f) COORDINATION.—Each school that receives a grant under this subpart shall coordinate the activities assisted under this subpart with other Federal programs, such as programs assisted under chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.) and the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6101 et seq.).

''SEC. 5325. DISSEMINATION ACTIVITIES.

''Each school that receives a grant under this subpart shall provide information and technical assistance to other schools within the school district, including presentations, document-sharing, and joint staff development.

''SEC. 5326. PROGRESS INCENTIVES.

''Notwithstanding any other provision of law, each local educational agency that receives funds under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) shall use such funding to provide assistance to schools served by the agency that have not made progress toward lowering school dropout rates after receiving assistance under this subpart for 2 fiscal years.

''SEC. 5327. SCHOOL DROPOUT RATE CALCULATION.

''For purposes of calculating a school dropout rate under this subpart, a school shall use—

''(1) the annual event school dropout rate for students leaving a school in a single year determined in accordance with the National Center for Education Statistics' Common Core of Data, if available; or

''(2) in other cases, a standard method for calculating the school dropout rate as determined by the State educational agency.

''SEC. 5328. REPORTING AND ACCOUNTABILITY.

''(a) REPORTING.—In order to receive funding under this subpart for a fiscal year after the first fiscal year a school receives funding under this subpart, the school shall provide, on an annual basis, to the Director a report regarding the status of the implementation of activities funded under this subpart, the disaggregated outcome data for students at schools assisted under this subpart such as dropout rates, and certification of progress from the eligible entity whose strategies the school is implementing.

''(b) ACCOUNTABILITY.—On the basis of the reports submitted under subsection (a), the Director shall evaluate the effect of the activities assisted under this subpart on school dropout prevention compared to a control group.

''SEC. 5329. PROHIBITION ON TRACKING.

''(a) IN GENERAL.—A school shall be ineligible to receive funding under this subpart for a fiscal year, if the school—

''(1) has in place a general education track;

''(2) provides courses with significantly different material and requirements to students at the same grade level; or

''(3) fails to encourage all students to take a core curriculum of courses.

''(b) REGULATIONS.—The Secretary shall promulgate regulations implementing subsection (a).

"Subpart 3—Definitions; Authorization of Appropriations

"SEC. 5331. DEFINITIONS.

''In this Act:

''(1) DIRECTOR.—The term ''Director'' means the Director of the Office of Dropout Prevention and Program Completion established under section 219 of the General Education Provisions Act.

''(2) LOW-INCOME.—The term ''low-income'', used with respect to an individual, means an individual determined to be low-income in accordance with measures described in section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)).

''(3) SCHOOL DROPOUT.—The term ''school dropout'' has the meaning given the term in section 4(17) of the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6103(17)).

"SEC. 5332. AUTHORIZATION OF APPROPRIATIONS.

''(a) SUBPART 1.—There are authorized to be appropriated to carry out subpart 1, $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

''(b) SUBPART 2.—There are authorized to be appropriated to carry out subpart 2, $145,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years, of which—

''(1) $125,000,000 shall be available to carry out section 5322; and

''(2) $20,000,000 shall be available to carry out section 5323.''.

SEC. ___12. OFFICE OF DROPOUT PREVENTION AND PROGRAM COMPLETION.

Title II of the Department of Education Organization Act (20 U.S.C. 3411) is amended—

(1) by redesignating section 216 (as added by Public Law 103–227) as section 218; and

(2) by adding after section 218 (as redesignated by paragraph (1)) the following:

''OFFICE OF DROPOUT PREVENTION AND PROGRAM COMPLETION

''SEC. 219. (a) ESTABLISHMENT.—There shall be in the Department of Education an Office of Dropout Prevention and Program Completion (hereafter in this section referred to as the 'Office'), to be administered by the Director of the Office of Dropout Prevention and Program Completion. The Director of the Office shall report directly to the Secretary and shall perform such additional functions as the Secretary may prescribe.

''(b) DUTIES.—The Director of the Office of Dropout Prevention and Program Completion (hereafter in this section referred to as the 'Director'), through the Office, shall—

''(1) help coordinate Federal, State, and local efforts to lower school dropout rates and increase program completion by middle school, secondary school, and college students;

''(2) recommend Federal policies, objectives, and priorities to lower school dropout rates and increase program completion;

''(3) oversee the implementation of subpart 2 of part C of title V of the Elementary and Secondary Education Act of 1965;

''(4) develop and implement the National School Dropout Prevention Strategy under section 5312 of the Elementary and Secondary Education Act of 1965;

''(5) annually prepare and submit to Congress and the Secretary a national report describing efforts and recommended actions regarding school dropout prevention and program completion;

''(6) recommend action to the Secretary and the President, as appropriate, regarding school dropout prevention and program completion; and

''(7) consult with and assist State and local governments regarding school dropout prevention and program completion.

''(c) SCOPE OF DUTIES.—The scope of the Director's duties under subsection (b) shall include examination of all Federal and non-Federal efforts related to—

''(1) promoting program completion for children attending middle school or secondary school;

''(2) programs to obtain a secondary school diploma or its recognized equivalent (including general equivalency diploma (GED) programs), or college degree programs; and

''(3) reentry programs for individuals aged 12 to 24 who are out of school.

''(d) DETAILING.—In carrying out the Director's duties under this section, the Director may request the head of any Federal department or agency to detail personnel who are engaged in school dropout prevention activities to another Federal department or agency in order to implement the National School Dropout Prevention Strategy.''.

Subtitle B—State Responsibilities

SEC. ___21. STATE RESPONSIBILITIES.

Title XIV of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801 et seq.) is amended by adding at the end the following:

"PART I—DROPOUT PREVENTION

"SEC. 14851. DROPOUT PREVENTION.

''In order to receive any assistance under this Act, a State educational agency shall comply with the following provisions regarding school dropouts:

''(1) UNIFORM DATA COLLECTION.—Within 1 year after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall report to the Secretary and statewide, all school district and school data regarding school dropout rates in the State, and demographic breakdowns, according to procedures that conform with the National Center for Education Statistics' Common Core of Data.

''(2) ATTENDANCE-NEUTRAL FUNDING POLICIES.—Within 2 years after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall develop and implement education funding formula policies for public schools that provide appropriate incentives to retain students in school throughout the school year, such as—

''(A) a student count methodology that does not determine annual budgets based on attendance on a single day early in the academic year; and

''(B) specific incentives for retaining enrolled students throughout each year.

''(3) SUSPENSION AND EXPULSION POLICIES.—Within 2 years after the date of enactment of the National Dropout Prevention Act of 1998, a State educational agency shall develop uniform, long-term suspension and expulsion policies for serious infractions resulting in more than 10 days of exclusion from school per academic year so that similar violations result in similar penalties.''.

KENNEDY AMENDMENTS NOS. 2042–2047

(Ordered to lie on the table.)

Mr. KENNEDY submitted six amendments intended to be proposed by him to the bill, H.R. 2646, supr; as follows:

AMENDMENT NO. 2042

On page 3, beginning with line 22, strike all through page 5, line 6, and insert:

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

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

''(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public school, or

''(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public school in connection with such enrollment or attendance.

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

AMENDMENT NO. 2043

On page 3, beginning with line 22, strike all through page 5, line 6, and insert:

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

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

''(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public school, or

''(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public school in connection with such enrollment or attendance.

''(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A)(i) in connection with education provided by 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 public school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.''

AMENDMENT NO. 2044

Strike section 101 and insert the following:

SEC. 101. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $500 ($1,500 in the case of any taxable year beginning after December 31, 1998, and ending before January 1, 2003).''

(3) CONFORMING AMENDMENTS.—

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

(B) Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(5)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) 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).''

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) 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''.

(d) NO DOUBLE BENEFIT.—Section 530(d)(2) (relating to distributions for qualified education expenses) is amended by adding at the end the following new subparagraph:

''(D) DISALLOWANCE OF EXCLUDED AMOUNTS AS CREDIT OR DEDUCTION.—No deduction or credit shall be allowed to the taxpayer under any other section of this chapter for any qualified education expenses to the extent taken into account in determining the amount of the exclusion under this paragraph.''

(e) TECHNICAL CORRECTIONS.—

(1)(A) Section 530(b)(1)(E) (defining education individual retirement account) is amended to read as follows:

''(E) Any balance to the credit of the designated beneficiary on the date on which the beneficiary attains age 30 shall be distributed within 30 days after such date to the beneficiary or, if the beneficiary dies before attaining age 30, shall be distributed within 30 days after the date of death to the estate of such beneficiary.''

(B) Section 530(d) (relating to tax treatment of distributions) is amended by adding at the end the following new paragraph:

''(8) DEEMED DISTRIBUTION ON REQUIRED DISTRIBUTION DATE.—In any case in which a distribution is required under subsection (b)(1)(E), any balance to the credit of a designated beneficiary as of the close of the 30-day period referred to in such subsection for making such distribution shall be deemed distributed at the close of such period.''

(2)(A) Section 530(d)(1) is amended by striking ''section 72(b)'' and inserting ''section 72''.

(B) Section 72(e) (relating to amounts not received as annuities) is amended by inserting after paragraph (8) the following new paragraph:

''(9) EXTENSION OF PARAGRAPH (2)(B) TO QUALIFIED STATE TUITION PROGRAMS AND EDUCATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—Notwithstanding any other provision of this subsection, paragraph (2)(B) shall apply to amounts received under a qualified State tuition program (as defined in section 529(b)) or under an education individual retirement account (as defined in section 530(b)). The rule of paragraph (8)(B) shall apply for purposes of this paragraph.''

(3) Section 530(d)(4)(B) (relating to exceptions) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following new clause:

''(iv) an amount which is includible in gross income solely because the taxpayer elected under paragraph (2)(C) to waive the application of paragraph (2) for the taxable year.''

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1998.

(2) TECHNICAL CORRECTIONS.—The amendments made by subsection (e) shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

AMENDMENT NO. 2045

Strike section 101 and insert the following:

SEC. 101. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $500 ($1,000 in the case of any taxable year beginning after December 31, 1998, and ending before January 1, 2003).''

(3) CONFORMING AMENDMENTS.—

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

(B) Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(5)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) 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).''

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) 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''.

(d) NO DOUBLE BENEFIT.—Section 530(d)(2) (relating to distributions for qualified education expenses) is amended by adding at the end the following new subparagraph:

''(D) DISALLOWANCE OF EXCLUDED AMOUNTS AS CREDIT OR DEDUCTION.—No deduction or credit shall be allowed to the taxpayer under any other section of this chapter for any qualified education expenses to the extent taken into account in determining the amount of the exclusion under this paragraph.''

(e) TECHNICAL CORRECTIONS.—

(1)(A) Section 530(b)(1)(E) (defining education individual retirement account) is amended to read as follows:

''(E) Any balance to the credit of the designated beneficiary on the date on which the beneficiary attains age 30 shall be distributed within 30 days after such date to the beneficiary or, if the beneficiary dies before attaining age 30, shall be distributed within 30 days after the date of death to the estate of such beneficiary.''

(B) Section 530(d) (relating to tax treatment of distributions) is amended by adding at the end the following new paragraph:

''(8) DEEMED DISTRIBUTION ON REQUIRED DISTRIBUTION DATE.—In any case in which a distribution is required under subsection (b)(1)(E), any balance to the credit of a designated beneficiary as of the close of the 30-day period referred to in such subsection for making such distribution shall be deemed distributed at the close of such period.''

(2)(A) Section 530(d)(1) is amended by striking ''section 72(b)'' and inserting ''section 72''.

(B) Section 72(e) (relating to amounts not received as annuities) is amended by inserting after paragraph (8) the following new paragraph:

''(9) EXTENSION OF PARAGRAPH (2)(B) TO QUALIFIED STATE TUITION PROGRAMS AND EDUCATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—Notwithstanding any other provision of this subsection, paragraph (2)(B) shall apply to amounts received under a qualified State tuition program (as defined in section 529(b)) or under an education individual retirement account (as defined in section 530(b)). The rule of paragraph (8)(B) shall apply for purposes of this paragraph.''

(3) Section 530(d)(4)(B) (relating to exceptions) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following new clause:

''(iv) an amount which is includible in gross income solely because the taxpayer elected under paragraph (2)(C) to waive the application of paragraph (2) for the taxable year.''

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1998.

(2) TECHNICAL CORRECTIONS.—The amendments made by subsection (e) shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

AMENDMENT NO. 2046

On page 10, line 17, strike ''1998'' and insert ''1998, except that such amendments shall only take effect to the extent that—

''(A) contributions to education individual retirement accounts or qualified elementary and secondary education expenses are—

''(i) limited to accounts that, at the time the account is created or organized, are designated solely for the payment of such expenses, and

''(ii) not allowed for contributors who have modified adjusted gross income in excess of $60,000 and are ratably reduced to zero for contributors who have modified adjusted gross income between $50,000 and $60,000,

''(B) contributions to education individual retirement accounts in excess of $500 for any taxable years may be made only to accounts described in subparagraph (A)(i),

''(C) no contributions may be made to accounts described in subparagraph (A)(i) for taxable years ending after December 31, 2002,

''(D) the modified adjusted gross income limitation shall apply to all contributors but contributions made by a person other than the taxpayer with respect to whom a deduction is allowed under section 151(c)(1) for a designated beneficiary shall be treated as having been made by such taxpayer, and

''(E) expenses for computer and other equipment, transportation, and supplementary items are allowed tax-free only if required or provided by the school.''

AMENDMENT NO. 2047

Strike sections 101, 102, and 103, and insert:

SEC. 102. EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED STATE TUITION PROGRAMS.

(a) IN GENERAL.—Section 529(c)(3)(B) (relating to distributions) is amended to read as follows:

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—

''(i) IN GENERAL.—No amount shall be includible in gross income under subparagraph (A) if the qualified higher education expenses of the designated beneficiary during the taxable year are not less than the aggregate distributions during the taxable year.

''(ii) DISTRIBUTIONS IN EXCESS OF EXPENSES.—If such aggregate distributions exceed such expenses during the taxable year,

the amount otherwise includible in gross income under subparagraph (A) shall be reduced by the amount which bears the same ratio to the amount so includible (without regard to this subparagraph) as such expenses bear to such aggregate distributions.

''(iii) ELECTION TO WAIVE EXCLUSION.—A taxpayer may elect to waive the application of this subparagraph for any taxable year.

''(iv) IN-KIND DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

''(v) DISALLOWABLE OF EXCLUDED AMOUNTS AS CREDIT OR DEDUCTION.—No deduction or credit shall be allowed to the taxpayer under any other section of this chapter for any qualified higher education expenses to the extent taken into account in determining the amount of the exclusion under this paragraph.''

(b) DEFINITION OF QUALIFIED HIGHER EDUCATION EXPENSES.—Section 529(e)(3)(A) (defining qualified higher education expenses) is amended to read as follows:

''(A) IN GENERAL.—The term 'qualified higher education expenses' means expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary at an eligible educational institution.''

(c) COORDINATION WITH EDUCATION CREDITS.—Section 25A(e)(2) (relating to coordination with exclusions) is amended—

(1) by inserting ''a qualified State tuition program or'' before ''an education individual retirement account'', and

(2) by striking ''section 530(d)(2)'' and inserting ''section 529(c)(3)(B) or 530(d)(2)''.

(d) TECHNICAL CORRECTION.—Section 529(c)(3)(A) is amended by striking ''section 72(b)'' and inserting ''section 72''.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1998.

(2) TECHNICAL CORRECTION.—The amendment made by subsection (d) shall take effect as if included in the amendments made by section 211 of the Taxpayer Relief Act of 1997.

SEC. 103. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

''(a) IN GENERAL.—Section 127(d) (relating to termination of exclusion for educational assistance programs) is amended by striking ''May 31, 2000'' and inserting ''December 31, 2002''.

''(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—The last sentence of section 127(c)(1) (defining educational assistance) is amended by striking '', and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree''.

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to expenses paid with respect to courses beginning after May 31, 2000.

(2) GRADUATE EDUCATION.—The amendment made by subsection (b) shall apply to expenses paid with respect to courses beginning after June 30, 1996.

D'AMATO (AND OTHERS) AMENDMENT NO. 2048

(Ordered to lie on the table.)

Mr. D'AMATO (for himself, Mr. DASCHLE, Ms. SNOWE, and Mrs. FEINSTEIN) submitted an amendment intended to be proposed by them to the bill, H.R. 2646, supra; as follows:

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

TITLE ____—WOMEN'S HEALTH AND CANCER

SEC. ___01. SHORT TITLE.

This Act may be cited as the ''Women's Health and Cancer Rights Act of 1998''.

SEC. ___02. FINDINGS.

Congress finds that—

(1) breast cancer has become an epidemic in this nation affecting alarming numbers of women;

(2) the offering and operation of health plans affect commerce among the States;

(3) health care providers located in a State serve patients who reside in the State and patients who reside in other States; and

(4) in order to provide for uniform treatment of health care providers and patients among the States, it is necessary to cover health plans operating in 1 State as well as health plans operating among the several States.

SEC. ___03. AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.

(a) IN GENERAL.—Subpart B of part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 (as added by section 603(a) of the Newborns' and Mothers' Health Protection Act of 1996 and amended by section 702(a) of the Mental Health Parity Act of 1996) is amended by adding at the end the following new section:

''SEC. 713. REQUIRED COVERAGE FOR MINIMUM HOSPITAL STAY FOR MASTECTOMIES AND LYMPH NODE DISSECTIONS FOR THE TREATMENT OF BREAST CANCER, COVERAGE FOR RECONSTRUCTIVE SURGERY FOLLOWING MASTECTOMIES, AND COVERAGE FOR SECONDARY CONSULTATIONS.

''(a) INPATIENT CARE.—

''(1) IN GENERAL.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits shall ensure that inpatient coverage with respect to the treatment of breast cancer is provided for a period of time as is determined by the attending physician, in consultation with the patient, to be medically appropriate following—

''(A) a mastectomy;

''(B) a lumpectomy; or

''(C) a lymph node dissection for the treatment of breast cancer.

''(2) EXCEPTION.—Nothing in this section shall be construed as requiring the provision of inpatient coverage if the attending physician and patient determine that a shorter period of hospital stay is medically appropriate.

''(b) RECONSTRUCTIVE SURGERY.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits with respect to a mastectomy shall ensure that, in a case in which a mastectomy patient elects breast reconstruction, coverage is provided for—

''(1) all stages of reconstruction of the breast on which the mastectomy has been performed;

''(2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and

''(3) the costs of prostheses and complications of mastectomy including lymphodemas;

in the manner determined by the attending physician and the patient to be appropriate, and consistent with any fee schedule contained in the plan.

''(c) NOTICE.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan shall provide notice to each participant and beneficiary under such plan regarding the coverage required by this section in accordance with regulations promulgated by the Secretary. Such notice shall be in writing and prominently positioned in any literature or correspondence made available or distributed by the plan or issuer and shall be transmitted—

''(1) in the next mailing made by the plan or issuer to the participant or beneficiary;

''(2) as part of any yearly informational packet sent to the participant or beneficiary; or

''(3) not later than January 1, 1998; whichever is earlier.

''(d) NO AUTHORIZATION REQUIRED.—

''(1) IN GENERAL.—A provider shall not be required to obtain authorization from the plan or issuer for prescribing any length of stay in connection with a mastectomy, a lumpectomy, or a lymph node dissection for the treatment of breast cancer.

''(2) PRENOTIFICATION.—Nothing in this section shall be construed as preventing a group health plan from requiring prenotification of an inpatient stay referred to in this section if such requirement is consistent with terms and conditions applicable to other inpatient benefits under the plan, except that the provision of such inpatient stay benefits shall not be contingent upon such notification.

''(e) PROHIBITIONS.—A group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, may not—

''(1) deny to a woman eligibility, or continued eligibility, to enroll or to renew coverage under the terms of the plan, solely for the purpose of avoiding the requirements of this section;

''(2) provide monetary payments or rebates to individuals to encourage such individuals to accept less than the minimum protections available under this section;

''(3) penalize or otherwise reduce or limit the reimbursement of an attending provider because such provider provided care to an individual participant or beneficiary in accordance with this section;

''(4) provide incentives (monetary or otherwise) to an attending provider to induce such provider to provide care to an individual participant or beneficiary in a manner inconsistent with this section;

''(5) provide financial or other incentives to a physician or specialist to induce the physician or specialist to refrain from referring a participant or beneficiary for a secondary consultation that would otherwise be covered by the plan or coverage involved; and

''(6) subject to subsection (f)(3), restrict benefits for any portion of a period within a hospital length of stay required under subsection (a) in a manner which is less favorable than the benefits provided for any preceding portion of such stay.

''(f) RULES OF CONSTRUCTION.—

''(1) IN GENERAL.—Nothing in this section shall be construed to require a woman who is a participant or beneficiary—

''(A) to undergo a mastectomy or lymph node dissection in a hospital; or

''(B) to stay in the hospital for a fixed period of time following a mastectomy or lymph node dissection.

''(2) LIMITATION.—This section shall not apply with respect to any group health plan, or any group health insurance coverage offered by a health insurance issuer, which

does not provide benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer.

''(3) COST SHARING.—Nothing in this section shall be construed as preventing a group health plan or issuer from imposing deductibles, coinsurance, or other cost-sharing in relation to benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer under the plan (or under health insurance coverage offered in connection with a group health plan), except that such coinsurance or other cost-sharing for any portion of a period within a hospital length of stay required under subsection (a) may not be greater than such coinsurance or cost-sharing for any preceding portion of such stay.

''(4) LEVEL AND TYPE OF REIMBURSEMENTS.—Nothing in this section shall be construed to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(g) SAFE HARBORS.—The provisions of this section shall not be applicable to any group health plan for any plan year for which such plan has voluntarily sought and received certification from the National Cancer Institute, or any similar entity authorized by the Secretary, that such plan provides appropriate coverage, consistent with the objectives of this section, for mastectomies, lumpectomies and lymph node dissection for the treatment of breast cancer.''.

(b) CLERICAL AMENDMENT.—The table of contents in section 1 of the Employee Retirement Income Security Act of 1974, as amended by section 603 of the Newborns' and Mothers' Health Protection Act of 1996 and section 702 of the Mental Health Parity Act of 1996, is amended by inserting after the item relating to section 712 the following new item:

''Sec. 713. Required coverage for minimum hospital stay for mastectomies and lymph node dissections for the treatment of breast cancer, coverage for reconstructive surgery following mastectomies, and coverage for secondary consultations.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to plan years beginning on or after the date of enactment of this Act.

(2) SPECIAL RULE FOR COLLECTIVE BARGAINING AGREEMENTS.—In the case of a group health plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made by this section shall not apply to plan years beginning before the later of—

(A) the date on which the last collective bargaining agreements relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of enactment of this Act), or

(B) January 1, 1999.

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section shall not be treated as a termination of such collective bargaining agreement.

SEC. ___04. AMENDMENTS TO THE PUBLIC HEALTH SERVICE ACT RELATING TO THE GROUP MARKET.

(a) IN GENERAL.—Subpart 2 of part A of title XXVII of the Public Health Service Act (as added by section 604(a) of the Newborns' and Mothers' Health Protection Act of 1996 and amended by section 703(a) of the Mental Health Parity Act of 1996) is amended by adding at the end the following new section:

''SEC. 2706. REQUIRED COVERAGE FOR MINIMUM HOSPITAL STAY FOR MASTECTOMIES AND LYMPH NODE DISSECTIONS FOR THE TREATMENT OF BREAST CANCER, COVERAGE FOR RECONSTRUCTIVE SURGERY FOLLOWING MASTECTOMIES, AND COVERAGE FOR SECONDARY CONSULTATIONS.

''(a) INPATIENT CARE.—

''(1) IN GENERAL.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits shall ensure that inpatient coverage with respect to the treatment of breast cancer is provided for a period of time as is determined by the attending physician, in consultation with the patient, to be medically appropriate following—

''(A) a mastectomy;

''(B) a lumpectomy; or

''(C) a lymph node dissection for the treatment of breast cancer.

''(2) EXCEPTION.—Nothing in this section shall be construed as requiring the provision of inpatient coverage if the attending physician and patient determine that a shorter period of hospital stay is medically appropriate.

''(b) RECONSTRUCTIVE SURGERY.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits with respect to a mastectomy shall ensure that, in a case in which a mastectomy patient elects breast reconstruction, coverage is provided for—

''(1) all stages of reconstruction of the breast on which the mastectomy has been performed;

''(2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and

''(3) the costs of prostheses and complications of mastectomy including lymphodemas;

in the manner determined by the attending physician and the patient to be appropriate, and consistent with any fee schedule contained in the plan.

''(c) NOTICE.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan shall provide notice to each participant and beneficiary under such plan regarding the coverage required by this section in accordance with regulations promulgated by the Secretary. Such notice shall be in writing and prominently positioned in any literature or correspondence made available or distributed by the plan or issuer and shall be transmitted—

''(1) in the next mailing made by the plan or issuer to the participant or beneficiary;

''(2) as part of any yearly informational packet sent to the participant or beneficiary; or

''(3) not later than January 1, 1998;

whichever is earlier.

''(d) NO AUTHORIZATION REQUIRED.—

''(1) IN GENERAL.—A provider shall not be required to obtain authorization from the plan or issuer for prescribing any length of stay in connection with a mastectomy, a lumpectomy, or a lymph node dissection for the treatment of breast cancer.

''(2) PRENOTIFICATION.—Nothing in this section shall be construed as preventing a plan or issuer from requiring prenotification of an inpatient stay referred to in this section if such requirement is consistent with terms and conditions applicable to other inpatient benefits under the plan, except that the provision of such inpatient stay benefits shall not be contingent upon such notification.

''(e) PROHIBITIONS.—A group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, may not—

''(1) deny to a woman eligibility, or continued eligibility, to enroll or to renew coverage under the terms of the plan, solely for the purpose of avoiding the requirements of this section;

''(2) provide monetary payments or rebates to individuals to encourage such individuals to accept less than the minimum protections available under this section;

''(3) penalize or otherwise reduce or limit the reimbursement of an attending provider because such provider provided care to an individual participant or beneficiary in accordance with this section;

''(4) provide incentives (monetary or otherwise) to an attending provider to induce such provider to provide care to an individual participant or beneficiary in a manner inconsistent with this section;

''(5) provide financial or other incentives to a physician or specialist to induce the physician or specialist to refrain from referring a participant or beneficiary for a secondary consultation that would otherwise be covered by the plan or coverage involved; and

''(6) subject to subsection (f)(3), restrict benefits for any portion of a period within a hospital length of stay required under subsection (a) in a manner which is less favorable than the benefits provided for any preceding portion of such stay.

''(f) RULES OF CONSTRUCTION.—

''(1) IN GENERAL.—Nothing in this section shall be construed to require a woman who is a participant or beneficiary—

''(A) to undergo a mastectomy or lymph node dissection in a hospital; or

''(B) to stay in the hospital for a fixed period of time following a mastectomy or lymph node dissection.

''(2) LIMITATION.—This section shall not apply with respect to any group health plan, or any group health insurance coverage offered by a health insurance issuer, which does not provide benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer.

''(3) COST SHARING.—Nothing in this section shall be construed as preventing a group health plan or issuer from imposing deductibles, coinsurance, or other cost-sharing in relation to benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer under the plan (or under health insurance coverage offered in connection with a group health plan), except that such coinsurance or other cost-sharing for any portion of a period within a hospital length of stay required under subsection (a) may not be greater than such coinsurance or cost-sharing for any preceding portion of such stay.

''(4) LEVEL AND TYPE OF REIMBURSEMENTS.—Nothing in this section shall be construed to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(g) SAFE HARBORS.—The provisions of this section shall not be applicable to any group health plan or health insurance issuer in connection with a group health plan for any plan year for which such plan has voluntarily sought and received certification from the National Cancer Institute, or any similar

entity authorized by the Secretary, that such plan provides appropriate coverage, consistent with the objectives of this section, for mastectomies, lumpectomies and lymph node dissection for the treatment of breast cancer.''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to group health plans for plan years beginning on or after the date of enactment of this Act.

(2) SPECIAL RULE FOR COLLECTIVE BARGAINING AGREEMENTS.—In the case of a group health plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made by this section shall not apply to plan years beginning before the later of—

(A) the date on which the last collective bargaining agreements relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of enactment of this Act), or

(B) January 1, 1999.

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section shall not be treated as a termination of such collective bargaining agreement.

SEC. ___05. AMENDMENT TO THE PUBLIC HEALTH SERVICE ACT RELATING TO THE INDIVIDUAL MARKET.

(a) IN GENERAL.—Subpart 3 of part B of title XXVII of the Public Health Service Act (as added by section 605(a) of the Newborn's and Mother's Health Protection Act of 1996) is amended by adding at the end the following new section:

''SEC. 2752. REQUIRED COVERAGE FOR MINIMUM HOSPITAL STAY FOR MASTECTOMIES AND LYMPH NODE DISSECTIONS FOR THE TREATMENT OF BREAST CANCER AND SECONDARY CONSULTATIONS.

''The provisions of section 2706 shall apply to health insurance coverage offered by a health insurance issuer in the individual market in the same manner as they apply to health insurance coverage offered by a health insurance issuer in connection with a group health plan in the small or large group market.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to health insurance coverage offered, sold, issued, renewed, in effect, or operated in the individual market on or after the date of enactment of this Act.

SEC. ___06. AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.

(a) IN GENERAL.—Chapter 100 of the Internal Revenue Code of 1986 (relating to group health plan portability, access, and renewability requirements) is amended by redesignating sections 9804, 9805, and 9806 as sections 9805, 9806, and 9807, respectively, and by inserting after section 9803 the following new section:

''SEC. 9804. REQUIRED COVERAGE FOR MINIMUM HOSPITAL STAY FOR MASTECTOMIES AND LYMPH NODE DISSECTIONS FOR THE TREATMENT OF BREAST CANCER, COVERAGE FOR RECONSTRUCTIVE SURGERY FOLLOWING MASTECTOMIES, AND COVERAGE FOR SECONDARY CONSULTATIONS.

''(a) INPATIENT CARE.—

''(1) IN GENERAL.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits shall ensure that inpatient coverage with respect to the treatment of breast cancer is provided for a period of time as is determined by the attending physician, in consultation with the patient, to be medically appropriate following—

''(A) a mastectomy;

''(B) a lumpectomy; or

''(C) a lymph node dissection for the treatment of breast cancer.

''(2) EXCEPTION.—Nothing in this section shall be construed as requiring the provision of inpatient coverage if the attending physician and patient determine that a shorter period of hospital stay is medically appropriate.

''(b) RECONSTRUCTIVE SURGERY.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan, that provides medical and surgical benefits with respect to a mastectomy shall ensure that, in a case in which a mastectomy patient elects breast reconstruction, coverage is provided for—

''(1) all stages of reconstruction of the breast on which the mastectomy has been performed;

''(2) surgery and reconstruction of the other breast to produce a symmetrical appearance; and

''(3) the costs of prostheses and complications of mastectomy including lymphodemas;

in the manner determined by the attending physician and the patient to be appropriate, and consistent with any fee schedule contained in the plan.

''(c) NOTICE.—A group health plan, and a health insurance issuer providing health insurance coverage in connection with a group health plan shall provide notice to each participant and beneficiary under such plan regarding the coverage required by this section in accordance with regulations promulgated by the Secretary. Such notice shall be in writing and prominently positioned in any literature or correspondence made available or distributed by the plan or issuer and shall be transmitted—

''(1) in the next mailing made by the plan or issuer to the participant or beneficiary;

''(2) as part of any yearly informational packet sent to the participant or beneficiary; or

''(3) not later than January 1, 1998;

whichever is earlier.

''(d) NO AUTHORIZATION REQUIRED.—

''(1) IN GENERAL.—A provider shall not be required to obtain authorization from the plan or issuer for prescribing any length of stay in connection with a mastectomy, a lumpectomy, or a lymph node dissection for the treatment of breast cancer.

''(2) PRENOTIFICATION.—Nothing in this section shall be construed as preventing a plan or issuer from requiring prenotification of an inpatient stay referred to in this section if such requirement is consistent with terms and conditions applicable to other inpatient benefits under the plan, except that the provision of such inpatient stay benefits shall not be contingent upon such notification.

''(e) PROHIBITIONS.—A group health plan, and a health insurance issuer offering group health insurance coverage in connection with a group health plan, may not—

''(1) deny to a woman eligibility, or continued eligibility, to enroll or to renew coverage under the terms of the plan, solely for the purpose of avoiding the requirements of this section;

''(2) provide monetary payments or rebates to individuals to encourage such individuals to accept less than the minimum protections available under this section;

''(3) penalize or otherwise reduce or limit the reimbursement of an attending provider because such provider provided care to an individual participant or beneficiary in accordance with this section;

''(4) provide incentives (monetary or otherwise) to an attending provider to induce such provider to provide care to an individual participant or beneficiary in a manner inconsistent with this section;

''(5) provide financial or other incentives to a physician or specialist to induce the physician or specialist to refrain from referring a participant or beneficiary for a secondary consultation that would otherwise be covered by the plan or coverage involved; and

''(6) subject to subsection (f)(3), restrict benefits for any portion of a period within a hospital length of stay required under subsection (a) in a manner which is less favorable than the benefits provided for any preceding portion of such stay.

''(f) RULES OF CONSTRUCTION.—

''(1) IN GENERAL.—Nothing in this section shall be construed to require a woman who is a participant or beneficiary—

''(A) to undergo a mastectomy or lymph node dissection in a hospital; or

''(B) to stay in the hospital for a fixed period of time following a mastectomy or lymph node dissection.

''(2) LIMITATION.—This section shall not apply with respect to any group health plan, or any group health insurance coverage offered by a health insurance issuer, which does not provide benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer.

''(3) COST SHARING.—Nothing in this section shall be construed as preventing a group health plan or issuer from imposing deductibles, coinsurance, or other cost-sharing in relation to benefits for hospital lengths of stay in connection with a mastectomy or lymph node dissection for the treatment of breast cancer under the plan (or under health insurance coverage offered in connection with a group health plan), except that such coinsurance or other cost-sharing for any portion of a period within a hospital length of stay required under subsection (a) may not be greater than such coinsurance or cost-sharing for any preceding portion of such stay.

''(4) LEVEL AND TYPE OF REIMBURSEMENTS.—Nothing in this section shall be construed to prevent a group health plan or a health insurance issuer offering group health insurance coverage from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(g) SAFE HARBORS.—The provisions of this section shall not be applicable to any group health plan or health insurance issuer in connection with a group health plan for any plan year for which such plan has voluntarily sought and received certification from the National Cancer Institute, or any similar entity authorized by the Secretary, that such plan provides appropriate coverage, consistent with the objectives of this section, for mastectomies, lumpectomies and lymph node dissection for the treatment of breast cancer.''.

(b) CONFORMING AMENDMENTS.—

(1) Sections 9801(c)(1), 9805(b) (as redesignated by subsection (a)), 9805(c) (as so redesignated), 4980D(c)(3)(B)(i)(I), 4980D(d)(3), and 4980D(f)(1) of such Code are each amended by striking ''9805'' each place it appears and inserting ''9806''.

(2) The heading for subtitle K of such Code is amended to read as follows:

''Subtitle K—Group Health Plan Portability, Access, Renewability, and Other Requirements''.

(3) The heading for chapter 100 of such Code is amended to read as follows:

''CHAPTER 100—GROUP HEALTH PLAN PORTABILITY, ACCESS, RENEWABILITY, AND OTHER REQUIREMENTS''.

(4) Section 4980D(a) of such Code is amended by striking ''and renewability'' and inserting ''renewability, and other''.

(c) CLERICAL AMENDMENTS.—

(1) The table of contents for chapter 100 of such Code is amended by redesignating the items relating to sections 9804, 9805, and 9806 as items relating to sections 9805, 9806, and 9807, and by inserting after the item relating to section 9803 the following new item:

''Sec. 9804. Required coverage for minimum hospital stay for mastectomies and lymph node dissections for the treatment of breast cancer, coverage for reconstructive surgery following mastectomies, and coverage for secondary consultations.''.

(2) The item relating to subtitle K in the table of subtitles for such Code is amended by striking ''and renewability'' and inserting ''renewability, and other''.

(3) The item relating to chapter 100 in the table of chapters for subtitle K of such Code is amended by striking ''and renewability'' and inserting ''renewability, and other''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to plan years beginning on or after the date of enactment of this Act.

(2) SPECIAL RULE FOR COLLECTIVE BARGAINING AGREEMENTS.—In the case of a group health plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before the date of enactment of this Act, the amendments made by this section shall not apply to plan years beginning before the later of—

(A) the date on which the last collective bargaining agreements relating to the plan terminates (determined without regard to any extension thereof agreed to after the date of enactment of this Act), or

(B) January 1, 1999.

For purposes of subparagraph (A), any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section shall not be treated as a termination of such collective bargaining agreement.

DURBIN AMENDMENT NO. 2049

(Ordered to lie on the table.)

Mr. DURBIN submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert:

SEC. 101. INCREASE IN DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) INCREASE IN DEDUCTION.—

(1) IN GENERAL.—Subparagraph (B) of section 162(l)(1) is amended to read as follows:

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined under the following table:

''For taxable years beginning in calendar year—	**The applicable percentage is—**
1998	45
1999	60
2000	100
2001	100
2002	100
2003	100
2004	100
2005	100
2006 and thereafter	100.''

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 1997.

(b) RULES RELATING TO FOREIGN OIL AND GAS INCOME.—

(1) SEPARATE BASKET FOR FOREIGN TAX CREDIT.—

(A) IN GENERAL.—Paragraph (1) of section 904(d) (relating to separate application of section with respect to certain categories of income) is amended by striking ''and'' at the end of subparagraph (H), by redesignating subparagraph (I) as subparagraph (J), and by inserting after subparagraph (H) the following new subparagraph:

''(I) foreign oil and gas income, and''.

(B) DEFINITION.—Paragraph (2) of section 904(d) is amended by redesignating subparagraphs (H) and (I) as subparagraphs (I) and (J), respectively, and by inserting after subparagraph (G) the following new subparagraph:

''(H) FOREIGN OIL AND GAS INCOME.—The term 'foreign oil and gas income' has the meaning given such term by section 954(g).''

(C) CONFORMING AMENDMENTS.—

(i) Section 904(d)(3)(F)(i) is amended by striking ''or (E)'' and inserting ''(E), or (I)''.

(ii) Section 907(a) is hereby repealed.

(iii) Section 907(c)(4) is hereby repealed.

(iv) Section 907(f) is hereby repealed.

(D) EFFECTIVE DATES.—

(i) IN GENERAL.—The amendments made by this paragraph shall apply to taxable years beginning after the date of the enactment of this Act.

(ii) TRANSITIONAL RULES.—

(I) SEPARATE BASKET TREATMENT.—Any taxes paid or accrued in a taxable year beginning on or before the date of the enactment of this Act, with respect to income which was described in subparagraph (I) of section 904(d)(1) of such Code (as in effect on the day before the date of the enactment of this Act), shall be treated as taxes paid or accrued with respect to foreign oil and gas income to the extent the taxpayer establishes to the satisfaction of the Secretary of the Treasury that such taxes were paid or accrued with respect to foreign oil and gas income.

(II) CARRYOVERS.—Any unused oil and gas extraction taxes which under section 907(f) of such Code (as so in effect) would have been allowable as a carryover to the taxpayer's first taxable year beginning after the date of the enactment of this Act (without regard to the limitation of paragraph (2) of such section 907(f) for first taxable year) shall be allowed as carryovers under section 904(c) of such Code in the same manner as if such taxes were unused taxes under such section 904(c) with respect to foreign oil and gas extraction income.

(III) LOSSES.—The amendment made by subparagraph (C)(iii) shall not apply to foreign oil and gas extraction losses arising in taxable years beginning on or before the date of the enactment of this Act.

(2) ELIMINATION OF DEFERRAL FOR FOREIGN OIL AND GAS EXTRACTION INCOME.—

(A) GENERAL RULE.—Paragraph (1) of section 954(g) (defining foreign base company oil related income) is amended to read as follows:

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'foreign oil and gas income' means any income of a kind which would be taken into account in determining the amount of—

''(A) foreign oil and gas extraction income (as defined in section 907(c)), or

''(B) foreign oil related income (as defined in section 907(c)).''

(B) CONFORMING AMENDMENTS.—

(i) Subsections (a)(5), (b)(5), and (b)(8) of section 954 are each amended by striking ''base company oil related income'' each place it appears (including in the heading of subsection (b)(8)) and inserting ''oil and gas income''.

(ii) Subsection (b)(4) of section 954 is amended by striking ''base company oil-related income'' and inserting ''oil and gas income''.

(iii) The subsection heading for subsection (g) of section 954 is amended by striking ''FOREIGN BASE COMPANY OIL RELATED INCOME'' and inserting ''FOREIGN OIL AND GAS INCOME''.

(iv) Subparagraph (A) of section 954(g)(2) is amended by striking ''foreign base company oil related income'' and inserting ''foreign oil and gas income''.

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to taxable years of foreign corporations beginning after the date of the enactment of this Act, and to taxable years of United States shareholders ending with or within such taxable years of foreign corporations.

(c) VALUATION RULES FOR TRANSFERS INVOLVING NONBUSINESS ASSETS.—

(1) IN GENERAL.—Section 2031 (relating to definition of gross estate) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.—For purposes of this chapter and chapter 12—

''(1) IN GENERAL.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092)—

''(A) the value of any nonbusiness assets held by the entity shall be determined as if the transferor had transferred such assets directly to the transferee (and no valuation discount shall be allowed with respect to such nonbusiness assets), and

''(B) the nonbusiness assets shall not be taken into account in determining the value of the interest in the entity.

''(2) NONBUSINESS ASSETS.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonbusiness asset' means any asset which is not used in the active conduct of 1 or more trades or businesses.

''(B) EXCEPTION FOR CERTAIN PASSIVE ASSETS.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

''(i) the asset is property described in paragraph (1) or (4) of section 1221 or is a hedge with respect to such property, or

''(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.

''(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

''(3) PASSIVE ASSET.—For purposes of this subsection, the term 'passive asset' means any—

''(A) cash or cash equivalents,

''(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in any entity,

''(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

''(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B),

''(E) annuity,

''(F) real property used in 1 or more real property trades or businesses (as defined in section 469(c)(7)(C)),

''(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

''(H) commodity,

''(I) collectible (within the meaning of section 401(m)), or

''(J) any other asset specified in regulations prescribed by the Secretary.

''(4) LOOK-THRU RULES.—

''(A) IN GENERAL.—If a nonbusiness asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.

''(B) 10-PERCENT INTEREST.—The term '10-percent interest' means—

''(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

''(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and

''(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

''(5) COORDINATION WITH SUBSECTION (b).—Subsection (b) shall apply after the application of this subsection.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after the date of the enactment of this Act.

PROTOCOLS TO THE NORTH ATLANTIC TREATY OF 1949 ON ACCESSION OF POLAND, HUNGARY, AND CZECH REPUBLIC

HARKIN AMENDMENTS NOS. 2050–2052

(Ordered to lie on the table).

Mr. HARKIN submitted three amendments intended to be proposed by him to the resolution of ratification for the treaty (Treaty Doc. 105–36) protocols to the North Atlantic Treaty of 1949 on the accession of Poland, Hungary, and the Czech Republic. These protocols were opened for sigature at Brussels on December 16, 1997, and signed on behalf of the United States of America and other parties to the North Atlantic Treaty; as follows:

AMENDMENT NO. 2050

At the end of section 3(2)(A) of the resolution, insert the following:

As used in this subparagraph, the term ''NATO common-funded budget'' shall be deemed to include—

(A) Foreign Military Financing under the Arms Export Control Act;

(B) transfers of excess defense articles under section 516 of the Foreign Assistance Act of 1961;

(C) Emergency Drawdowns;

(D) no-cost leases of United States equipment;

(E) the subsidy cost of loan guarantees and other contingent liabilities under subchapter VI of chapter 148 of title 10, United States Code; and

(F) international military education and training under chapter 5 of part II of the Foreign Assistance Act of 1961.

AMENDMENT NO. 2051

In section 3(2)(A), strike ''and'' at the end of clause (ii).

In section 3(2)(A), strike ''(iii)'' and insert ''(iv)''.

In section 3(2)(A), insert after clause (ii) the following:

(iii) any future United States subsidy of the national expenses of Poland, Hungary, or the Czech Republic to meet its NATO commitments, including the assistance described in subparagraph (C), may not exceed 25 percent of all assistance provided to that country by all NATO members.

At the end of section 3(2), insert the following new subparagraph:

(C) ADDITIONAL UNITED STATES ASSISTANCE DESCRIBED.—The assistance referred to in subparagraph (A)(iii) includes—

(i) Foreign Military Financing under the Arms Export Control Act;

(ii) transfers of excess defense articles under section 516 of the Foreign Assistance Act of 1961;

(iii) Emergency Drawdowns;

(iv) no-cost leases of United States equipment;

(v) the subsidy cost of loan guarantees and other contingent liabilities under subchapter VI of chapter 148 of title 10, United States Code; and

(vi) international military education and training under chapter 5 of part II of the Foreign Assistance Act of 1961.

AMENDMENT NO. 2052

At the end of section 3(2), add the following new subparagraph:

(C) ANALYSIS OF COSTS OF CONTINUED NATO ENLARGEMENT.—The Congressional Budget Office shall submit to the Senate a report containing an analysis of common-funded and national costs for the enlargement of NATO to include Estonia, Latvia, Lithuania, Slovakia, Slovenia, Romania, Bulgaria, Macedonia, and Albania. Such analysis shall include an estimate of costs for—

(i) the costs to new members to continue to restructure their militaries;

(ii) the costs of force improvements already being pursued by existing NATO members; and

(iii) the costs directly related to NATO enlargement, including ensuring interoperability between the forces of current and new members.

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

JEFFORDS AMENDMENT NO. 2053

(Ordered to lie on the table.)

Mr. JEFFORDS submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Strike section 101 and insert:

SEC. 101. TRUST FUND FOR DC SCHOOLS.

(a) IN GENERAL.—Subchapter W of chapter 1 (relating to District of Columbia Enterprise Zone) is amended by adding at the end the following:

''SEC. 1400D. TRUST FUND FOR DC SCHOOLS.

''(a) CREATION OF FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Trust Fund for DC Schools', consisting of such amounts as may be appropriated or credited to the Fund as provided in this section.

''(b) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

''(1) IN GENERAL.—There are hereby appropriated to the Trust Fund for DC Schools amounts equivalent to 50 percent of the revenues received in the Treasury resulting from the amendment made by section 201 of the Parent and Student Savings Account PLUS Act.

''(2) TRANSFER OF AMOUNTS.—The amounts appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund for DC Schools on the basis of estimates made by the Secretary of the amounts referred to in such paragraph. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

''(c) EXPENDITURES FROM FUND.—

''(1) IN GENERAL.—Amounts in the Trust Fund for DC Schools shall be available, without fiscal year limitation, in an amount not to exceed $2,000,000,000 for the period beginning after December 31, 1998, and ending before January 1, 2009, for qualified service expenses with respect to State or local bonds issued by the District of Columbia to finance the construction, rehabilitation, and repair of schools under the jurisdiction of the government of the District of Columbia.

''(2) QUALIFIED SERVICE EXPENSES.—The term 'qualified service expenses' means expenses incurred after December 31, 1998, and certified by the District of Columbia Control Board as meeting the requirements of paragraph (1) after giving notice of any proposed certification to the Subcommittees on the District of Columbia of the Committees on Appropriations of the House of Representatives and the Senate.

''(d) REPORT.—It shall be the duty of the Secretary to hold the Trust Fund for DC Schools and to report to the Congress each year on the financial condition and the results of the operations of such Fund during the preceding fiscal year and on its expected condition and operations during the next fiscal year. Such report shall be printed as a House document of the session of the Congress to which the report is made.

''(e) INVESTMENT.—

''(1) IN GENERAL.—It shall be the duty of the Secretary to invest such portion of the Trust Fund for DC Schools as is not, in the Secretary's judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired—

''(A) on original issue at the issue price, or

''(B) by purchase of outstanding obligations at the market price.

''(2) SALE OF OBLIGATIONS.—Any obligation acquired by the Trust Fund for DC Schools may be sold by the Secretary at the market price.

''(3) INTEREST ON CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund for DC Schools shall be credited to and form a part of the Trust Fund for DC Schools.''

(b) CONFORMING AMENDMENT.—The table of sections for subchapter W of chapter 1 is amended by adding after the item relating to section 1400C the following:

''Sec. 1400D. Trust Fund for DC Schools.''

In section 103(a), strike ''December 31, 2002'' and insert ''June 30, 2002''.

NOTICE OF HEARING

COMMITTEE ON RULES AND ADMINISTRATION

Mr. WARNER. Mr. President, I wish to announce that the Committee on