

(Mr. BINGAMAN), the Senator from Illinois (Mr. DURBIN), the Senator from California (Mrs. FEINSTEIN), the Senator from California (Mrs. BOXER), and the Senator from Nebraska (Mr. HAGEL) were added as cosponsors of S. 1759, a bill to grant a Federal charter to the American GI Forum of the United States.

S. 1825

At the request of Mrs. MURRAY, the name of the Senator from Maryland (Ms. MIKULSKI) was added as a cosponsor of S. 1825, a bill to amend title 10, United States Code, to provide sufficient funding to assure a minimum size for honor guard details at funerals of veterans of the Armed Forces, to establish the minimum size of such details, and for other purposes.

S. 1903

At the request of Mr. THOMAS, the names of the Senator from Georgia (Mr. COVERDELL), the Senator from Kansas (Mr. ROBERTS), and the Senator from Delaware (Mr. ROTH) were added as cosponsors of S. 1903, a bill to prohibit the return of veterans memorial objects to foreign nations without specific authorization in law.

S. 1957

At the request of Mr. BURNS, the names of the Senator from Hawaii (Mr. INOUE) and the Senator from Mississippi (Mr. COCHRAN) were added as cosponsors of S. 1957, a bill to provide regulatory assistance to small business concerns, and for other purposes.

SENATE CONCURRENT RESOLUTION 65

At the request of Ms. SNOWE, the names of the Senator from Connecticut (Mr. DODD), the Senator from Illinois (Mr. DURBIN), the Senator from New York (Mr. MOYNIHAN), the Senator from California (Mrs. BOXER), the Senator from California (Mrs. FEINSTEIN), and the Senator from Wisconsin (Mr. KOHL) were added as cosponsors of Senate Concurrent Resolution 65, a concurrent resolution calling for a United States effort to end restriction on the freedoms and human rights of the enslaved people in the occupied area of Cyprus.

SENATE RESOLUTION 175

At the request of Mr. ROBB, the names of the Senator from Pennsylvania (Mr. SPECTER) and the Senator from New Jersey (Mr. LAUTENBERG) were added as cosponsors of Senate Resolution 175, a bill to designate the week of May 3, 1998 as "National Correctional Officers and Employees Week."

SENATE RESOLUTION 197

At the request of Mr. REID, the names of the Senator from Washington (Mrs. MURRAY), the Senator from South Dakota (Mr. JOHNSON), and the Senator from North Dakota (Mr. CONRAD) were added as cosponsors of Senate Resolution 197, a resolution designating May 6, 1998, as "National Eating Disorders Awareness Day" to heighten awareness and stress prevention of eating disorders.

SENATE RESOLUTION 199

At the request of Mr. TORRICELLI, the names of the Senator from Alaska (Mr. MURKOWSKI), the Senator from Indiana (Mr. LUGAR), and the Senator from Georgia (Mr. COVERDELL) were added as cosponsors of Senate Resolution 199, a resolution designating the last week of April of each calendar year as "National Youth Fitness Week."

SENATE RESOLUTION 211—EXPRESSING THE CONDOLENCES OF THE SENATE

Mr. FAIRCLOTH (for himself, Mr. HELMS, Mr. LOTT, Mr. DASCHLE, Mr. ABRAHAM, Mr. AKAKA, Mr. ALLARD, Mr. ASHCROFT, Mr. BAUCUS, Mr. BENNETT, Mr. BIDEN, Mr. BINGAMAN, Mr. BOND, Mrs. BOXER, Mr. BREAUX, Mr. BROWNBACK, Mr. BRYAN, Mr. BUMPERS, Mr. BURNS, Mr. BYRD, Mr. CAMPBELL, Mr. CHAFEE, Mr. CLELAND, Mr. COATS, Mr. COCHRAN, Ms. COLLINS, Mr. CONRAD, Mr. COVERDELL, Mr. CRAIG, Mr. D'AMATO, Mr. DEWINE, Mr. DODD, Mr. DOMENICI, Mr. DORGAN, Mr. DURBIN, Mr. ENZI, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. FORD, Mr. FRIST, Mr. GLENN, Mr. GORTON, Mr. GRAHAM, Mr. GRAMM, Mr. GRAMS, Mr. GRASSLEY, Mr. GREGG, Mr. HAGEL, Mr. HARKIN, Mr. HATCH, Mr. HOLLINGS, Mr. HUTCHINSON, Mrs. HUTCHISON, Mr. INHOFE, Mr. INOUE, Mr. JEFFORDS, Mr. JOHNSON, Mr. KEMPTHORNE, Mr. KENNEDY, Mr. KERREY, Mr. KERRY, Mr. KOHL, Mr. KYL, Ms. LANDRIEU, Mr. LAUTENBERG, Mr. LEAHY, Mr. LEVIN, Mr. LIEBERMAN, Mr. LUGAR, Mr. MACK, Mr. MCCAIN, Mr. MCCONNELL, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mr. MOYNIHAN, Mr. MURKOWSKI, Mrs. MURRAY, Mr. NICKLES, Mr. REED, Mr. REID, Mr. ROBB, Mr. ROBERTS, Mr. ROCKEFELLER, Mr. ROTH, Mr. SANTORUM, Mr. SARBANES, Mr. SESSIONS, Mr. SHELBY, Mr. SMITH of New Hampshire, Mr. SMITH of Oregon, Ms. SNOWE, Mr. SPECTER, Mr. STEVENS, Mr. THOMAS, Mr. THOMPSON, Mr. THURMOND, Mr. TORRICELLI, Mr. WARNER, Mr. WELLSTONE, and Mr. WYDEN) submitted the following resolution; which was considered and agreed to:

S. RES. 211

Whereas Terry Sanford served his country with distinction and honor for all of his adult life;

Whereas Terry Sanford served his country in World War II, where he saw action in 5 European campaigns and was awarded a Bronze Star and a Purple Heart;

Whereas as Governor of North Carolina from 1961 to 1965, Terry Sanford was a leader in education and racial tolerance and was named by Harvard University as 1 of the top 10 Governors of the 20th Century;

Whereas as President of Duke University, Terry Sanford made the University into a national leader in higher education that is today recognized as one of the finest universities in the United States; and

Whereas Terry Sanford served with honor in the United States Senate from 1987 to 1993 and championed the solvency of the social security system: Now, therefore, be it

Resolved, That the Senate—

(1) has heard with profound sorrow the announcement of the death of the Honorable

Terry Sanford and expresses its condolences to the Sanford family, especially Margaret Rose, his wife of over 55 years; and

(2) expresses its profound gratitude to the Honorable Terry Sanford and his family for the service that he rendered to his country.

SEC. 2. TRANSMITTAL.

The Secretary of the Senate shall transmit an enrolled copy of this resolution to the family of the Honorable Terry Sanford.

AMENDMENTS SUBMITTED

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

MOSELEY-BRAUN (AND OTHERS) AMENDMENT NO. 2292

Ms. MOSELEY-BRAUN (for herself, Mr. MOYNIHAN, Mr. DASCHLE, Mr. KENNEDY, Mrs. MURRAY, Mr. DODD, Mr. BINGAMAN, Mr. LAUTENBERG, Ms. MIKULSKI, Mr. REED, Mr. ROBB, Mr. GLENN, Mr. REID, Mr. LEVIN, Mr. KERRY, Mrs. FEINSTEIN, Mr. DURBIN, Mr. KERREY, and Mr. HARKIN) proposed an amendment to the bill (H.R. 2646) to amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes; as follows:

Strike all after "SECTION", and insert the following:

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

(a) SHORT TITLE.—This Act may be cited as the "Public School Improvement Tax Act of 1998".

(b) AMENDMENT TO 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.—The table of contents for this Act is as follows:

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

TITLE I—TAX INCENTIVES FOR EDUCATION

Sec. 101. Expansion of incentives for public schools.

Sec. 102. Exclusion from gross income of education distributions from qualified State tuition programs.

Sec. 103. Extension of exclusion for employer-provided educational assistance.

Sec. 104. Additional increase in arbitrage rebate exception for governmental bonds used to finance education facilities.

Sec. 105. Exclusion of certain amounts received under the National Health Corps Scholarship program.

Sec. 106. Treatment of qualified public educational facility bonds as exempt facility bonds.

TITLE II—REVENUE

Sec. 201. Clarification of deduction for deferred compensation.

- Sec. 202. Modification to foreign tax credit carryback and carryover periods.
- Sec. 203. Certain taxpayers precluded from prematurely claiming losses or from creating reserves for bad debts from receivables.
- Sec. 204. Application of environmental income tax.
- Sec. 205. Excise tax on purchase of structured settlement agreements.
- Sec. 206. Property subject to a liability treated in same manner as assumption of liability.
- Sec. 207. Clarification and expansion of mathematical error assessment procedures.
- Sec. 208. Clarification of definition of specified liability loss.
- Sec. 209. Modification of depreciation method for tax-exempt use property.

TITLE I—TAX INCENTIVES FOR EDUCATION

SEC. 101. EXPANSION OF INCENTIVES FOR PUBLIC SCHOOLS.

(a) IN GENERAL.—Part IV of subchapter U of chapter 1 (relating to incentives for education zones) is amended to read as follows:

“PART IV—INCENTIVES FOR QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS

“Sec. 1397E. Credit to holders of qualified public school modernization bonds.

“Sec. 1397F. Qualified zone academy bonds.

“Sec. 1397G. Qualified school construction bonds.

“SEC. 1397E. CREDIT TO HOLDERS OF QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.

“(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified public school modernization bond on the credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount determined under subsection (b).

“(b) AMOUNT OF CREDIT.—

“(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any qualified public school modernization bond is the amount equal to the product of—

“(A) the credit rate determined by the Secretary under paragraph (2) for the month in which such bond was issued, multiplied by

“(B) the face amount of the bond held by the taxpayer on the credit allowance date.

“(2) DETERMINATION.—During each calendar month, the Secretary shall determine a credit rate which shall apply to bonds issued during the following calendar month. The credit rate for any month is the percentage which the Secretary estimates will on average permit the issuance of qualified public school modernization bonds without discount and without interest cost to the issuer.

“(c) LIMITATION BASED ON AMOUNT OF TAX.—

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

“(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(B) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

“(d) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND; CREDIT ALLOWANCE DATE.—For purposes of this section—

“(1) QUALIFIED PUBLIC SCHOOL MODERNIZATION BOND.—The term ‘qualified public school modernization bond’ means—

“(A) a qualified zone academy bond, and

“(B) a qualified school construction bond.

“(2) CREDIT ALLOWANCE DATE.—The term ‘credit allowance date’ means, with respect to any issue, the last day of the 1-year period beginning on the date of issuance of such issue and the last day of each successive 1-year period thereafter.

“(e) OTHER DEFINITIONS.—For purposes of this part—

“(1) LOCAL EDUCATIONAL AGENCY.—The term ‘local educational agency’ has the meaning given to such term by section 14101 of the Elementary and Secondary Education Act of 1965. Such term includes the local educational agency that serves the District of Columbia but does not include any other State agency.

“(2) BOND.—The term ‘bond’ includes any obligation.

“(3) STATE.—The term ‘State’ includes the District of Columbia and any possession of the United States.

“(4) PUBLIC SCHOOL FACILITY.—The term ‘public school facility’ shall not include any stadium or other facility primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public.

“(f) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section and the amount so included shall be treated as interest income.

“(g) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any qualified public school modernization bond is held by a regulated investment company, the credit determined under subsection (a) shall be allowed to shareholders of such company under procedures prescribed by the Secretary.

“SEC. 1397F. QUALIFIED ZONE ACADEMY BONDS.

“(a) QUALIFIED ZONE ACADEMY BOND.—For purposes of this part—

“(1) IN GENERAL.—The term ‘qualified zone academy bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by a local educational agency,

“(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

“(C) the issuer—

“(i) designates such bond for purposes of this section,

“(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

“(iii) certifies that it has the written approval of the local educational agency for such bond issuance, and

“(D) the term of each bond which is part of such issue does not exceed 15 years.

“(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

“(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

“(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term ‘quali-

fied contribution’ means any contribution (of a type and quality acceptable to the local educational agency) of—

“(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

“(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

“(iii) services of employees as volunteer mentors,

“(iv) internships, field trips, or other educational opportunities outside the academy for students, or

“(v) any other property or service specified by the local educational agency.

“(3) QUALIFIED ZONE ACADEMY.—The term ‘qualified zone academy’ means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

“(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

“(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

“(D) the comprehensive education plan of such public school or program is approved by the local educational agency, and

“(E)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

“(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

“(4) QUALIFIED PURPOSE.—The term ‘qualified purpose’ means, with respect to any qualified zone academy—

“(A) constructing, rehabilitating, or repairing the public school facility in which the academy is established,

“(B) providing equipment for use at such academy,

“(C) developing course materials for education to be provided at such academy, and

“(D) training teachers and other school personnel in such academy.

“(5) TEMPORARY PERIOD EXCEPTION.—A bond shall not be treated as failing to meet the requirement of paragraph (1)(A) solely by reason of the fact that the proceeds of the issue of which such bond is a part are invested for a reasonable temporary period (but not more than 36 months) until such proceeds are needed for the purpose for which such issue was issued. Any earnings on such proceeds during such period shall be treated as proceeds of the issue for purposes of applying paragraph (1)(A).

“(b) LIMITATIONS ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—There is a national zone academy bond limitation for each calendar year. Such limitation is—

“(A) \$400,000,000 for 1998,

“(B) \$700,000,000 for 1999,

“(C) \$700,000,000 for 2000,

“(D) \$700,000,000 for 2001,

“(C) \$700,000,000 for 2002, and

“(D) except as provided in paragraph (3), zero after 2002.

“(2) ALLOCATION OF LIMITATION.—

“(A) ALLOCATION AMONG STATES.—

“(i) 1998 LIMITATION.—The national zone academy bond limitation for calendar year 1998 shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget).

“(ii) LIMITATION AFTER 1998.—The national zone academy bond limitation for any calendar year after 1998 shall be allocated by the Secretary among the States in the manner prescribed by section 1397G(d); except that, in making the allocation under this clause, the Secretary shall take into account Basic Grants attributable to large local educational agencies (as defined in section 1397G(e)).

“(B) ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.—The limitation amount allocated to a State under subparagraph (A) shall be allocated by the State education agency to qualified zone academies within such State.

“(C) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under subparagraph (B) for such calendar year.

“(3) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(A) the limitation amount under this subsection for any State, exceeds

“(B) the amount of bonds issued during such year which are designated under subsection (a) with respect to qualified zone academies within such State,

the limitation amount under this subsection for such State for the following calendar year shall be increased by the amount of such excess. The preceding sentence shall not apply if such following calendar year is after 2004.

“SEC. 1397G. QUALIFIED SCHOOL CONSTRUCTION BONDS.

“(a) QUALIFIED SCHOOL CONSTRUCTION BOND.—For purposes of this part, the term ‘qualified school construction bond’ means any bond issued as part of an issue if—

“(1) 95 percent or more of the proceeds of such issue are to be used for the construction, rehabilitation, or repair of a public school facility,

“(2) the bond is issued by a State or local government within the jurisdiction of which such school is located,

“(3) the issuer designates such bond for purposes of this section, and

“(4) the term of each bond which is part of such issue does not exceed 15 years.

Rules similar to the rules of section 1397F(a)(5) shall apply for purposes of paragraph (1).

“(b) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (a) by any issuer shall not exceed the sum of—

“(1) the limitation amount allocated under subsection (d) for such calendar year to such issuer, and

“(2) if such issuer is a large local educational agency (as defined in subsection (e)) or is issuing on behalf of such an agency, the limitation amount allocated under subsection (e) for such calendar year to such agency.

“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—There is a national qualified school construction bond limitation for each calendar year equal to the dollar amount specified in paragraph (2) for

such year, reduced, in the case of calendar years 1999 and 2000, by 1.5 percent of such amount.

“(2) DOLLAR AMOUNT SPECIFIED.—The dollar amount specified in this paragraph is—

“(A) \$9,700,000,000 for 1999,

“(B) \$9,700,000,000 for 2000, and

“(C) except as provided in subsection (f), zero after 2000.

“(d) 65-PERCENT OF LIMITATION ALLOCATED AMONG STATES.—

“(1) IN GENERAL.—Sixty-five percent of the limitation applicable under subsection (c) for any calendar year shall be allocated among the States under paragraph (2) by the Secretary. The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to issuers within such State and such allocations may be made only if there is an approved State application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among the States in proportion to the respective amounts each such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year. For purposes of the preceding sentence, Basic Grants attributable to large local educational agencies (as defined in subsection (e)) shall be disregarded.

“(3) MINIMUM ALLOCATIONS TO STATES.—

“(A) IN GENERAL.—The Secretary shall adjust the allocations under this subsection for any calendar year for each State to the extent necessary to ensure that the sum of—

“(i) the amount allocated to such State under this subsection for such year, and

“(ii) the aggregate amounts allocated under subsection (e) to large local educational agencies in such State for such year,

is not less than an amount equal to such State’s minimum percentage of 65 percent of the national qualified school construction bond limitation under subsection (c) for the calendar year.

“(B) MINIMUM PERCENTAGE.—A State’s minimum percentage for any calendar year is the minimum percentage described in section 1124(d) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6334(d)) for such State for the most recent fiscal year ending before such calendar year.

“(4) ALLOCATIONS TO CERTAIN POSSESSIONS.—The amount to be allocated under paragraph (1) to any possession of the United States other than Puerto Rico shall be the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). In making other allocations, the amount to be allocated under paragraph (1) shall be reduced by the aggregate amount allocated under this paragraph to possessions of the United States.

“(5) APPROVED STATE APPLICATION.—For purposes of paragraph (1), the term ‘approved State application’ means an application which is approved by the Secretary of Education and which includes—

“(A) the results of a recent publicly-available survey (undertaken by the State with the involvement of local education officials, members of the public, and experts in school construction and management) of such State’s needs for public school facilities, including descriptions of—

“(i) health and safety problems at such facilities,

“(ii) the capacity of public schools in the State to house projected enrollments, and

“(iii) the extent to which the public schools in the State offer the physical infrastructure needed to provide a high-quality education to all students, and

“(B) a description of how the State will allocate to local educational agencies, or otherwise use, its allocation under this subsection to address the needs identified under subparagraph (A), including a description of how it will—

“(i) give highest priority to localities with the greatest needs, as demonstrated by inadequate school facilities coupled with a low level of resources to meet those needs,

“(ii) use its allocation under this subsection to assist localities that lack the fiscal capacity to issue bonds on their own, including the issuance of bonds by the State on behalf of such localities, and

“(iii) ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, and repair in the State that would have occurred in the absence of such allocation.

Any allocation under paragraph (1) by a State education agency shall be binding if such agency reasonably determined that the allocation was in accordance with the plan approved under this paragraph.

“(e) 35-PERCENT OF LIMITATION ALLOCATED AMONG LARGEST SCHOOL DISTRICTS.—

“(1) IN GENERAL.—Thirty-five percent of the limitation applicable under subsection (c) for any calendar year shall be allocated under paragraph (2) by the Secretary among local educational agencies which are large local educational agencies for such year. No qualified school construction bond may be issued by reason of an allocation to a large local educational agency under the preceding sentence unless such agency has an approved local application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among large local educational agencies in proportion to the respective amounts each such agency received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

“(3) LARGE LOCAL EDUCATIONAL AGENCY.—For purposes of this section, the term ‘large local educational agency’ means, with respect to a calendar year, any local educational agency if such agency is—

“(A) among the 100 local educational agencies with the largest numbers of children aged 5 through 17 from families living below the poverty level, as determined by the Secretary using the most recent data available from the Department of Commerce that are satisfactory to the Secretary, or

“(B) 1 of not more than 25 local educational agencies (other than those described in clause (i)) that the Secretary of Education determines (based on the most recent data available satisfactory to the Secretary) are in particular need of assistance, based on a low level of resources for school construction, a high level of enrollment growth, or such other factors as the Secretary deems appropriate.

“(4) APPROVED LOCAL APPLICATION.—For purposes of paragraph (1), the term ‘approved local application’ means an application which is approved by the Secretary of Education and which includes—

“(A) the results of a recent publicly-available survey (undertaken by the local educational agency with the involvement of school officials, members of the public, and experts in school construction and management) of such agency’s needs for public school facilities, including descriptions of—

“(i) the overall condition of the local educational agency’s school facilities, including health and safety problems,

“(ii) the capacity of the agency’s schools to house projected enrollments, and

“(iii) the extent to which the agency’s schools offer the physical infrastructure needed to provide a high-quality education to all students,

“(B) a description of how the local educational agency will use its allocation under this subsection to address the needs identified under subparagraph (A), and

“(C) a description of how the local educational agency will ensure that its allocation under this subsection is used only to supplement, and not supplant, the amount of school construction, rehabilitation, or repair in the locality that would have occurred in the absence of such allocation.

A rule similar to the rule of the last sentence of subsection (d)(5) shall apply for purposes of this paragraph.

“(f) CARRYOVER OF UNUSED LIMITATION.—If for any calendar year—

“(1) the amount allocated under subsection (d) to any State, exceeds

“(2) the amount of bonds issued during such year which are designated under subsection (a) pursuant to such allocation, the limitation amount under such subsection for such State for the following calendar year shall be increased by the amount of such excess. A similar rule shall apply to the amounts allocated under subsection (e). The subsection shall not apply if such following calendar year is after 2002.

“(g) SET-ASIDE ALLOCATED AMONG INDIAN TRIBES.—

“(1) IN GENERAL.—The 1.5 percent set-aside applicable under subsection (c)(1) for any calendar year shall be allocated under paragraph (2) among Indian tribes for the construction, rehabilitation, or repair of tribal schools. No allocation may be made under the preceding sentence unless the Indian tribe has an approved application.

“(2) ALLOCATION FORMULA.—The amount to be allocated under paragraph (1) for any calendar year shall be allocated among Indian tribes on a competitive basis by the Secretary of Education, in consultation with the Secretary of the Interior—

“(A) through a negotiated rulemaking procedure with the tribes in the same manner as the procedure described in section 106(b)(2) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4116(b)(2)), and

“(B) based on criteria described in paragraphs (1), (3), (4), (5), and (6) of section 12005(a) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8505(a)).

“(3) APPROVED APPLICATION.—For purposes of paragraph (1), the term ‘approved application’ means an application submitted by an Indian tribe which is approved by the Secretary of Education and which includes—

“(A) the basis upon which the applicable tribal school meets the criteria described in paragraph (2)(B), and

“(B) an assurance by the Indian tribe that such tribal school will not receive funds pursuant to allocations described in subsection (d) or (e).

“(4) DEFINITIONS.—For purposes of this subsection—

“(A) INDIAN TRIBE.—The term ‘Indian tribe’ has the meaning given such term by section 45A(c)(6).

“(B) TRIBAL SCHOOL.—The term ‘tribal school’ means a school that is operated by an Indian tribe for the education of Indian children with financial assistance under grant under the Tribally Controlled Schools Act of 1988 (25 U.S.C. 2501 et seq.) or a contract with the Bureau of Indian Affairs under the In-

dian Self-Determination and Education Assistance Act (25 U.S.C. 450f et seq.).”

(b) REPORTING.—Subsection (d) of section 6049 (relating to returns regarding payments of interest) is amended by adding at the end the following new paragraph:

“(8) REPORTING OF CREDIT ON QUALIFIED PUBLIC SCHOOL MODERNIZATION BONDS.—

“(A) IN GENERAL.—For purposes of subsection (a), the term ‘interest’ includes amounts includible in gross income under section 1397E(f) and such amounts shall be treated as paid on the credit allowance date (as defined in section 1397E(d)(2)).

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

“(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.”

(c) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter U of chapter 1 is amended by striking the item relating to part IV and inserting the following new item:

“Part IV. Incentives for qualified public school modernization bonds.”

(2) Part V of subchapter U of chapter 1 is amended by redesignating both section 1397F and the item relating thereto in the table of sections for such part as section 1397H.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to obligations issued after December 31, 1998.

(2) REPEAL OF RESTRICTION ON ZONE ACADEMY BOND HOLDERS.—The repeal of the limitation of section 1397E of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act) to eligible taxpayers (as defined in subsection (d)(6) of such section) shall apply to obligations issued after December 31, 1997.

SEC. 102. EXCLUSION FROM GROSS INCOME OF 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) 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 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 December 31, 1997.

SEC. 104. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATION FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking “\$5,000,000” the second place it appears and inserting “\$10,000,000”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after December 31, 1998.

SEC. 105. EXCLUSION OF CERTAIN AMOUNTS RECEIVED UNDER THE NATIONAL HEALTH CORPS SCHOLARSHIP PROGRAM.

(a) IN GENERAL.—Section 117(c) (relating to the exclusion from gross income amounts received as a qualified scholarship) is amended—

(1) by striking “Subsections (a)” and inserting the following:

“(1) IN GENERAL.—Except as provided in paragraph (2), subsections (a)”;

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

“(2) NATIONAL HEALTH CORPS SCHOLARSHIP PROGRAM.—Paragraph (1) shall not apply to any amount received by an individual under the National Health Corps Scholarship Program under section 338A(g)(1)(A) of the Public Health Service Act.”

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 1993.

SEC. 106. TREATMENT OF QUALIFIED PUBLIC EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking “or” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting “, or”, and by adding at the end the following:

“(13) qualified public educational facilities.”

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 is amended by adding at the end the following:

“(k) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—

“(1) IN GENERAL.—For purposes of subsection (a)(13), the term ‘qualified public educational facility’ means any school facility which is—

“(A) part of a public elementary school or a public secondary school,

“(B) except as provided in paragraph (6)(B)(iii), located in a high-growth school district, and

“(C) owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a State or local educational agency described in paragraph (2).

“(2) PUBLIC-PRIVATE PARTNERSHIP AGREEMENT DESCRIBED.—A public-private partnership agreement is described in this paragraph if it is an agreement—

“(A) under which the corporation agrees—

“(i) to do 1 or more of the following: construct, rehabilitate, refurbish, or equip a school facility, and

“(ii) at the end of the contract term, to transfer the school facility to such agency for no additional consideration, and

“(B) the term of which does not exceed the term of the underlying issue.

“(3) SCHOOL FACILITY.—For purposes of this subsection, the term ‘school facility’ means—

“(A) school buildings,

“(B) functionally related and subordinate facilities and land with respect to such buildings, including any stadium or other facility primarily used for school events, and

“(C) any property, to which section 168 applies (or would apply but for section 179), for use in the facility.

“(4) PUBLIC SCHOOLS.—For purposes of this subsection, the terms ‘elementary school’ and ‘secondary school’ have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subsection.

“(5) HIGH-GROWTH SCHOOL DISTRICT.—For purposes of this subsection, the term ‘high-growth school district’ means a school district established under State law which had an enrollment of at least 5,000 students in the second academic year preceding the date of the issuance of the bond and an increase in student enrollment of at least 20 percent during the 5-year period ending with such academic year.

“(6) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

“(A) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

“(i) \$10 multiplied by the State population, or

“(ii) \$5,000,000.

“(B) ALLOCATION RULES.—

“(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the State may allocate in a calendar year the amount described in subparagraph (A) for such year in such manner as the State determines appropriate.

“(ii) RULES FOR CARRYFORWARD OF UNUSED AMOUNT.—With respect to any calendar year, a State may make an election under rules similar to the rules of section 146(f), except that the sole carryforward purpose with respect to such election is the issuance of exempt facility bonds described in section 142(a)(13).

“(iii) SPECIAL ALLOCATION RULE FOR SCHOOLS OUTSIDE HIGH-GROWTH SCHOOL DISTRICTS.—A State may elect to allocate an aggregate face amount of bonds not to exceed \$5,000,000 from the amount described in subparagraph (A) for each calendar year for qualified public educational facilities without regard to the requirement under paragraph (1)(A).”

(c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking “or (12)” and inserting “(12), or (13)”, and

(2) by striking “and environmental enhancements of hydroelectric generating facilities” and inserting “environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities”.

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not apply) is amended—

(1) by adding at the end the following:

“(3) EXEMPT FACILITY BONDS FOR QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Subsection (c) shall not apply to any exempt facility bond issued as part of an issue described in section 142(a)(13) (relating to qualified public educational facilities).”, and

(2) by striking “MORTGAGE REVENUE BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3) BONDS” in the heading and inserting “CERTAIN BONDS”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 1998.

TITLE II—REVENUE

SEC. 201. CLARIFICATION OF DEDUCTION FOR DEFERRED COMPENSATION.

(a) IN GENERAL.—Section 404(a) (relating to deduction for contributions of an employer to an employee’s trust or annuity plan and compensation under a deferred-payment plan) is amended by adding at the end the following new paragraph:

“(11) DETERMINATIONS RELATING TO DEFERRED COMPENSATION.—For purposes of determining under this section—

“(A) whether compensation of an employee is deferred compensation, and

“(B) 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) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act except with respect to compensation

relating to severance pay, which shall apply to taxable years beginning after December 31, 2000.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendment made by subsection (a) to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(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.

SEC. 202. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking “in the second preceding taxable year,” and

(2) by striking “or fifth” and inserting “fifth, sixth, or seventh”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1998.

SEC. 203. CERTAIN TAXPAYERS PRECLUDED FROM PREMATURELY CLAIMING LOSSES OR FROM CREATING RESERVES FOR BAD DEBTS FROM RECEIVABLES.

(a) REPEAL OF NON-ACCRAUAL EXPERIENCE METHOD FOR SERVICE PROVIDERS.—Section 448(d) (relating to definitions and special rules) is amended by striking paragraph (5) and by redesignating paragraphs (6), (7), and (8) as paragraphs (5), (6), and (7), respectively.

(b) CERTAIN RECEIVABLES NOT ELIGIBLE FOR MARK TO MARKET.—Section 475(c) (relating to definitions) is amended by adding at the end the following new paragraph:

“(4) SPECIAL RULES FOR CERTAIN RECEIVABLES.—

“(A) IN GENERAL.—Paragraph (2)(C) shall not include any note, bond, debenture, or other evidence of indebtedness which is non-financial customer paper.

“(B) NONFINANCIAL CUSTOMER PAPER.—For purposes of subparagraph (A), the term ‘non-financial customer paper’ means any receivable—

“(i) arising out of the sale of goods or services by a person the principal activity of which is the selling or providing of non-financial goods and services, and

“(ii) held by such person or a related person at all times since issue.”

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year beginning after December 31, 2000—

(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 ratably over the 4-taxable year period beginning with such first taxable year.

SEC. 204. APPLICATION OF ENVIRONMENTAL INCOME TAX.

(a) EXTENSION OF TAX.—Section 59A(e) (relating to application of tax) is amended to read as follows:

“(e) APPLICATION OF TAX.—The tax imposed by this section shall apply to taxable years beginning after December 31, 1986, and before January 1, 1996, and to taxable years beginning after December 31, 2003.”

(b) COORDINATION WITH EXCEPTION OF CERTAIN SMALL CORPORATIONS FROM ALTERNATIVE MINIMUM TAX.—Section 59A(a) (relating to imposition of tax) is amended by adding at the end the following flush sentence: “Such tax shall not be imposed on a corporation for any taxable year if such corporation is exempt under section 55(e)(1) for the taxable year.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 205. EXCISE TAX ON PURCHASE OF STRUCTURED SETTLEMENT AGREEMENTS.

(a) IN GENERAL.—Subtitle D (relating to miscellaneous excise taxes) is amended by adding at the end the following new chapter:

“CHAPTER 48—STRUCTURED SETTLEMENT AGREEMENTS

“Sec. 5000A. Tax on purchases of structured settlement agreements.

“SEC. 5000A. TAX ON PURCHASES OF STRUCTURED SETTLEMENT AGREEMENTS.

“(a) IMPOSITION OF TAX.—There is hereby imposed on any person who purchases the right to receive payments under a structured settlement agreement a tax equal to 20 percent of the amount of the purchase price.

“(b) EXCEPTION FOR COURT-ORDERED PURCHASES.—Subsection (a) shall not apply to any purchase which is pursuant to a court order which finds that such purchase is necessary because of the extraordinary and unanticipated needs of the individual with the personal injuries or sickness giving rise to the structured settlement agreement.

“(c) STRUCTURED SETTLEMENT AGREEMENT.—For purposes of this section, the term ‘structured settlement agreement’ means—

“(1) any right to receive (whether by suit or agreement) periodic payments as damages on account of personal injuries or sickness, or

“(2) any right to receive periodic payments as compensation for personal injuries or sickness under any workmen’s compensation act.

“(d) PURCHASE.—For purposes of this section, the term ‘purchase’ has the meaning given such term by section 179(d)(2).”

(b) CONFORMING AMENDMENT.—The table of chapters for subtitle D is amended by adding at the end the following new item:

“CHAPTER 48. Structured settlement agreements.

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

SEC. 206. PROPERTY SUBJECT TO A LIABILITY TREATED IN SAME MANNER AS ASSUMPTION OF LIABILITY.

(a) REPEAL OF PROPERTY SUBJECT TO A LIABILITY TEST.—

(1) SECTION 357.—Section 357(a) (relating to assumption of liability) is amended by striking “, or acquires from the taxpayer property subject to a liability” in paragraph (2).

(2) SECTION 358.—Section 358(d)(1) (relating to assumption of liability) is amended by striking “or acquired from the taxpayer property subject to a liability”.

(3) SECTION 368.—

(A) Section 368(a)(1)(C) is amended by striking “, or the fact that property acquired is subject to a liability,”.

(B) The last sentence of section 368(a)(2)(B) is amended by striking “, and the amount of any liability to which any property acquired from the acquiring corporation is subject,”.

(b) CLARIFICATION OF ASSUMPTION OF LIABILITY.—Section 357(c) is amended by adding at the end the following new paragraph:

“(4) DETERMINATION OF AMOUNT OF LIABILITY ASSUMED.—For purposes of this section, section 358(d), section 368(a)(1)(C), and section 368(a)(2)(B)—

“(A) a liability shall be treated as having been assumed to the extent, as determined on the basis of facts and circumstances, the transferor is relieved of such liability or any portion thereof (including through an indemnity agreement or other similar arrangement), and

“(B) in the case of the transfer of any property subject to a nonrecourse liability, unless the facts and circumstances indicate otherwise, the transferee shall be treated as assuming with respect to such property a ratable portion of such liability determined on the basis of the relative fair market values (determined without regard to section 7701(g)) of all assets subject to such liability.

(c) APPLICATION TO PROVISIONS OTHER THAN SUBCHAPTER C.—

(1) SECTION 584.—Section 584(h)(3) is amended—

(A) by striking “, and the fact that any property transferred by the common trust fund is subject to a liability,” in subparagraph (A),

(B) by striking clause (ii) of subparagraph (B) and inserting:

“(ii) ASSUMED LIABILITIES.—For purposes of clause (i), the term ‘assumed liabilities’ means any liability of the common trust fund assumed by any regulated investment company in connection with the transfer referred to in paragraph (1)(A).

“(C) ASSUMPTION.—For purposes of this paragraph, in determining the amount of any liability assumed, the rules of section 357(c)(4) shall apply.”

(2) SECTION 1031.—The last sentence of section 1031(d) is amended—

(A) by striking “assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability” and inserting “assumed (as determined under section 357(c)(4)) a liability of the taxpayer”, and

(B) by striking “or acquisition (in the amount of the liability)”.

(d) CONFORMING AMENDMENTS.—

(1) Section 351(h)(1) is amended by striking “, or acquires property subject to a liability,”.

(2) Section 357 is amended by striking “or acquisition” each place it appears in subsection (a) or (b).

(3) Section 357(b)(1) is amended by striking “or acquired”.

(4) Section 357(c)(1) is amended by striking “, plus the amount of the liabilities to which the property is subject,”.

(5) Section 357(c)(3) is amended by striking “or to which the property transferred is subject”.

(6) Section 358(d)(1) is amended by striking “or acquisition (in the amount of the liability)”.

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

SEC. 207. CLARIFICATION AND EXPANSION OF MATHEMATICAL ERROR ASSESSMENT PROCEDURES.

(a) TIN DEEMED INCORRECT IF INFORMATION ON RETURN DIFFERS WITH AGENCY RECORDS.—Section 6213(g)(2) (defining mathematical or clerical error) is amended by adding at the end the following flush sentence:

“A taxpayer shall be treated as having omitted a correct TIN for purposes of the preceding sentence if information provided by the taxpayer on the return with respect to the individual whose TIN was provided differs from the information the Secretary obtains from the person issuing the TIN.”

(b) EXPANSION OF MATHEMATICAL ERROR PROCEDURES TO CASES WHERE TIN ESTAB-

LISHES INDIVIDUAL NOT ELIGIBLE FOR TAX CREDIT.—Section 6213(g)(2) is amended by striking “and” at the end of subparagraph (I), by striking the period at the end of the first subparagraph (J) (relating to higher education credit) and inserting a comma, by redesignating the second subparagraph (J) (relating to earned income credit) as subparagraph (K) and by striking the period at the end and inserting “, and”, and by adding at the end the following new subparagraph:

“(L) the inclusion of a TIN on a return with respect to an individual for whom a credit is claimed under section 21, 24, or 32 if, on the basis of data obtained by the Secretary from the person issuing the TIN, it is established that the individual does not meet any applicable age requirements for such credit.”

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

SEC. 208. CLARIFICATION OF DEFINITION OF SPECIFIED LIABILITY LOSS.

(a) IN GENERAL.—Subparagraph (B) of section 172(f)(1) (defining specified liability loss) is amended to read as follows:

“(B) Any amount (not described in subparagraph (A)) allowable as a deduction under this chapter which is attributable to a liability—

“(i) under a Federal or State law requiring the reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of an offshore drilling platform, remediation of environmental contamination, or payment of workmen’s compensation, and

“(ii) with respect to which the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to net operating losses for taxable years beginning after the date of the enactment of this Act.

SEC. 209. MODIFICATION OF DEPRECIATION METHOD FOR TAX-EXEMPT USE PROPERTY.

(a) IN GENERAL.—Subparagraph (A) of section 168(g)(3) (relating to tax-exempt use property subject to lease) is amended to read as follows:

“(A) TAX-EXEMPT USE PROPERTY.—In the case of any tax-exempt use property, the recovery period used for purposes of paragraph (2) shall be equal to 150 percent of the class life of the property determined without regard to this subparagraph.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property—

(1) placed in service after December 31, 1998, and

(2) placed in service on or before such date which—

(A) becomes tax-exempt use property after such date, or

(B) becomes subject to a lease after such date which was not in effect on such date.

In the case of property to which paragraph (2) applies, the amendment shall only apply with respect to periods on and after the date the property becomes tax-exempt use property or subject to such a lease.

NOTICE OF HEARING

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Ms. COLLINS. Mr. President, I would like to announce for the information of the Senate and the public that the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, will hold a hearing on