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House of Representatives

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2004—Continued

Mr. HUNTER (during the reading). Mr. Chairman, I ask unanimous consent that the modifications be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The CHAIRMAN pro tempore. Pursuant to House Resolution 247, the gentleman from California (Mr. HUNTER) and the gentleman from Missouri (Mr. SKELTON) each will control 10 minutes.

The Chair recognizes the gentleman from California (Mr. HUNTER).

Mr. HUNTER. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from Pennsylvania (Mr. WELDON), chairman of the Subcommittee on Tactical Air and Land Forces, and the vice-chairman of the full committee.

(Mr. WELDON of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WELDON of Pennsylvania. Mr. Chairman, I thank my chairman for yielding time to me.

If for no other reason, I would ask my colleagues to look at this amendment en bloc because it contains perhaps one of the most significant pieces of legislation that we have passed in this Congress.

Approximately 1 month ago, 25 Members of Congress, including the gentleman from Texas (Mr. EDWARDS) and I, introduced the Nuclear Security Initiative Act of 2003. This bill is the first major, comprehensive expansion of our efforts to work with the former Soviet states to take away the threat of the use of weapons of mass destruction.

The bill authorizes $78 million of funding, but, more significantly, includes a whole vast, new array of engaging the Russians, including the establishment of a Duma-Congress initiative to focus together on nonproliferation, the establishment of fellowships between the Kurchatov Institute and Lawrence Livermore Laboratory to focus on nonproliferation, the killing in our policy to work with NATO and do appropriate cooperative relationships in development and deployment of theater missile defenses, to work with the Russians on early warning, the Ramos program, to expand that, to create a Teller-Kurchatov alliance for peace to work together, to provide more in the inherent accountability and transparency on how we spend money in Russia to take apart these weapons of mass destruction.

This particular bill, which is in fact as it was introduced, H.R. 1719, was endorsed by the Heritage Foundation, the Carnegie Endowment for Peace, the Nuclear Threat Reduction Initiative, Sam Nunn's group, the Physicians for Social Responsibility, all coming together, along with the Vietnam Veterans Foundation, saying this is the direction we should be moving in.

My colleagues on both sides of the aisle, including the gentleman from Maryland (Mr. HOYER) on the minority side and the gentleman from California (Mr. COX) on the Republican side, are original sponsors.

It is a major step forward, a major step forward for this Congress, for this body in taking the lead on helping to secure these weapons of mass destruction. I thank the distinguished chairman.

Mr. Chairman, I include for the RECORD letters from top Russian leaders thanking this Congress for taking this bold step, including one letter I received yesterday signed by 30 of the top leaders in the Russian Duma thanking this Congress for its leadership role in helping to provide a vision for a new relationship with Russia that goes beyond the Nunn-Lugar program, that allows us to truly establish a new framework in dealing with the issues of weapons of mass destruction that still exists within the bounds of the former Soviet states.

The letters referred to are as follows:

HON. CURT WELDON,
Member of Congress, House of Representatives, Washington, DC.

DEAR CONGRESSMAN WELDON. With satisfaction we knew about your new initiative (a Bill) towards higher cooperation with the Russian Federation on nonproliferation of nuclear weapon and other weapons of mass destruction.

We think that the Russian Federation and the United States as the countries, which possess the biggest inventories of nuclear warheads, are responsible to the world future in the matter of deterrence and nonproliferation.

The especially important role belongs to transition of the nuclear warhead industry to peaceful aims—development of ecologically clean nuclear energy. The Russian and American scientists are especially responsible for this. That's why establishment of the Teller-Kurchatov Alliance for Peace may be an important and useful step. It would be also extremely important to engage students, post-graduates, and young scientists in this work.

We consider that establishment of the Nuclear Treaty Reduction Working Group as a subgroup of Duma-Congress Group will help to setup an additional control on international and national programs in this field.

Dear Mr. Weldon, we wish you success in your initiative promotion, and you can count on our understanding and assistance.

With best regards,

———.

HON. CURT WELDON,
Member Of Congress, House of Representatives, Washington, DC.

DEAR CONGRESSMAN WELDON: We welcome your new initiative (a Bill) towards higher cooperation with the Russian Federation on nonproliferation of nuclear weapon and other weapons of mass destruction.

We believe that the Russian Federation and the United Sates specially account for the world future in the matter of deterrence and nonproliferation being the countries, which possess the biggest inventories of nuclear warheads.

The very important matter is to redirect the nuclear warhead industry to peaceful

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aims—development of ecologically clean nuclear energy. The especially important role belongs to the Russian and American Scientists in this process. That's why establishment of the Teller-Kurchatov Alliance for Peace may be an important and useful step. It would be also extremely important to engage students, post-graduates, and young scientists in this work.

We expect that establishment of the Nuclear Treat Working Group as a subgroup of Duma-Congress Group will help to strengthen the control on international and national programs in this field.

Dear Mr. Weldon, we wish you success in your initiative promotion, and you can count on our understanding and assistance.

Sincerely,

VASILY F. KUZNETSOV,
Deputy of the State Duma.

Hon. CURT WELDON,
Member of Congress, House of Representatives, Washington, DC

DEAR CONGRESSMAN WELDON. With satisfaction we knew about your new initiative (a Bill) towards higher cooperation with the Russian Federation on nonproliferation of nuclear weapon and other weapons of mass destruction.

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The especially important role belongs to transition of the nuclear warhead industry to peaceful aims—development of ecologically clean nuclear energy. The Russian and American scientists are especially responsible for this. That's why establishment of the Teller-Kurchatov Alliance for Peace may be an important and useful step. It would be also extremely important to engage students, post-graduates, and young scientists in this work.

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Dear Mr. Weldon we wish you success in your initiative promotion, and you can count on our understanding and assistance.

With best regards,

VALENTINA N. PIVNENKO,
Chairman of the Committee on the Problems of the North and the Far East of the State Duma.

Mr. Chairman, I thank the chairman for his untiring cooperation, and I thank the ranking member for his cooperation in making sure that together we can bring this package forward.

Mr. SKELTON. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan (Mr. KILDEE).

Mr. KILDEE. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I rise to support the Kline amendment, but I believe we need to point out the realities of this legislation.

Mr. Chairman, this amendment provides the Secretary of Education with the authority to waive certain statutory or regulatory provisions relating to student aid for higher education to benefit our Armed Forces personnel.

The Committee on Education and the Workforce passed the first version of this legislation last Congress after the attacks of September 11. I applaud the gentleman from Minnesota for seeking to help our troops, but I believe this amendment will still not respond to their needs.

Unfortunately, the Secretary of Education has done little to actually help our troops with the authority he has been granted. The Secretary recently granted two waivers under the existing HEROS authority, but these waivers are going to have very little impact on the vast majority of Armed Forces personnel with student loans. The response of the Secretary in this area has been inadequate.

This amendment and existing law provide the Secretary with the authority to ensure that those called up for active duty in the military are not financially disadvantaged, but the student loans of servicemen and women are still accruing interest while they are in armed combat overseas. The minimum that can be done for these individuals is to ensure that interest on their student loans do not accrue while they are defending their country. Unfortunately, the Secretary has not chosen to act in this area. I encourage him to do so.

This amendment is a good first start, but it does not directly or forcefully address the real needs of our servicemen and women who have student loans. I would like to work with the gentleman from Minnesota (Mr. KLINE) to make sure the Secretary uses the authority we grant him.

Mr. HUNTER. Mr. Chairman, I yield 2½ minutes to the gentleman from Colorado (Mr. HEFLEY), chairman of the Subcommittee on Readiness.

Mr. HEFLEY. Mr. Chairman, I would like to be recognized for the purpose of a colloquy with the gentleman from Montana (Mr. REHBERG).

I have an amendment in here that is trying to get rid of the bureaucratic difficulty we have of getting firefighting assets of the Air Force Reserve focused on a fire early on. The law right now, as it is being interpreted, says that you must make sure that there are no private assets that can do it.

I had a forest fire burning in my backyard last summer, 140,000 acres, and we had these planes sitting on the tarmac and could not take off to go help with the fight.

I believe the gentleman from Montana (Mr. REHBERG) and some others have some questions about this.

Mr. REHBERG. Mr. Chairman, will the gentleman yield?

Mr. HEFLEY. I yield to the gentleman from Montana.

Mr. REHBERG. Mr. Chairman, I thank the gentleman from Colorado for yielding to me.

I want to express my concerns about the potential impact of the Hefley-Gallegly amendment on the commercial firefighting industry.

I am aware that action by the FAA has caused some surplus aircraft not to be certified as flightworthy. This action has raised concerns about the availability of firefighting resources in the approaching firefighting season.

I am also aware that the U.S. Forest Service is addressing ways of examining the problem, but I believe in the short term it is unlikely. I ask if I can obtain the gentleman's assurance that in conference on this bill he will work with me to address my concerns about the potential negative impacts of this legislation on the commercial firefighting industry.

Mr. HEFLEY. I appreciate you bringing up these concerns. I think they are legitimate concerns. We have no desire to put the private contractors out of business. We only have eight planes in the Air Force Reserve to do this, and they are scattered from coast to coast, so there is no way it would put them out of business, anyway.

We have no desire to do that. The gentleman has raised a legitimate concern, and I pledge to work with the gentleman. It is kind of a dramatic gesture I made there, but I pledge to work with the gentleman to try to solve this problem in conference. If we do not get it solved, I will not let it go through.

Mr. REHBERG. I thank the gentleman from Colorado.

Mr. GOODLATTE. Mr. Chairman, will the gentleman yield?

Mr. HEFLEY. I yield to the gentleman from Virginia.

Mr. GOODLATTE. Mr. Chairman, I would like to direct to the chairman of the committee, the gentleman from California, the concerns that I have as chairman of the Committee on Agriculture and the gentleman from California (Mr. POMBO) has. He is the chairman of the other committee of concurrent jurisdiction with regard to this issue.

We want to raise our strong concerns to the way this amendment has proceeded to the floor, as well as the way that the amendment is drafted. We have some grave concerns about the necessity of it and about the scope of it. It may go well beyond what both the Committee on Armed Services and the Forest Service think is appropriate and necessary.

Mr. Chairman, I rise in opposition to the Hefley/Gallegly amendment to H.R. 1588, the National Defense Authorization Act For Fiscal Year 2004. This amendment creates a pilot program to improve the use of Air Force and Air National Guard Modular Airborne Fire-Fighting systems to fight wildfires. It should come as no surprise to anyone that I support strengthening our ability to fight wildfires but this amendment is ill-considered. The U.S. Forest Service tells me that this authority is not necessary and they oppose it as does the Office of Management and Budget. This will disrupt decades of contractual services provided by competent private sector participants.

This amendment is identical to bills that were referred primarily to the House Agriculture Committee. As Chairman of the committee of jurisdiction on this issue, I intend to address this issue in conference as a conferee. However, I would note, notwithstanding the comments of the gentleman from Colorado, that he has never discussed this issue

with me or members of the committee staff or asked that any action be taken by the Committee on Agriculture.

Mr. HUNTER. Mr. Chairman, will the gentleman yield?

Mr. HEFLEY. I yield to the gentleman from California.

Mr. HUNTER. Mr. Chairman, I would pledge to work to see that we have a balanced result coming out of the conference and that we work with the gentleman and the other gentlemen who have spoken of this.

Mr. HEFLEY. Let me just say, I am sorry about the procedure, but this bill has been sitting in these two committees for 2 years. We have a fire season coming up again, and we need to focus all the assets we can.

When we have a war and when we have a blazing fire, and that is a war, we want all the assets we can get on it. It is predicted we will have 30 percent less assets this year than we had last year in terms of planes because many of the private planes have been grounded, so we need to solve this and we need to solve it now, not put it off for another year or two.

Mr. SKELTON. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. ACKERMAN).

Mr. ACKERMAN. Mr. Chairman, I rise in support of the en bloc amendment.

I want to thank the chairman of the committee, the gentleman from California (Mr. HUNTER) and the ranking minority member, the gentleman from Missouri (Mr. SKELTON), for their work on this year's National Defense Authorization Act.

Mr. Chairman, my amendment, which is included in the en bloc, is short and simple. It encourages the Secretary of Defense and the U.S. Navy to work with their Israeli counterparts to make arrangements for safe port visits by the U.S. Sixth Fleet to Haifa, and if such arrangements can be made, to resume the regular visits to Haifa that used to occur.

To be clear, the amendment does not require the resumption of visits by the Sixth Fleet to Haifa and does not encourage such visits unless appropriate means can be agreed upon to protect our ships and personnel.

Mr. Chairman, Israel, like our nation, is confronting terror. The visits of our Navy ships to Israel's chief port will send a critical message of support and make clear our Nation's bedrock commitment to the survival of the only real democracy in the Middle East.

I want to thank the chairman and the ranking member for their support, and I encourage Members to support the amendment.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota (Mr. KLINE).

Mr. KLINE. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I rise in strong support of this broad amendment before us. Included in this package is the text of H.R. 1412, the Higher Education Relief Opportunities for Students Act of 2003, or the HEROS Act. This legislation passed the House overwhelmingly on April 1, and I urge its inclusion here to ensure its enactment into law.

As we know, many members of our National Guard and Reserves are also students. This amendment will bring assurance to those men and women by providing the Secretary of Education with the authority to waive certain rules and requirements to ensure that as a result of war, military operation, or national emergency, they are protected from hardship in relation to their education or for their student aid obligations. It is crucial that our military and others are protected while the integrity of the student aid programs remain intact.

I thank my colleague, the gentleman from Michigan (Mr. KILDEE), for his support. I urge all of my colleagues to support this amendment, and I thank the chairman of the Committee, the gentleman from California (Mr. HUNTER), for his support here.

Mr. SKELTON. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts (Mr. TIERNEY).

Mr. TIERNEY. Mr. Chairman, I thank the gentleman for yielding time to me.

Mr. Chairman, I have introduced the Build America Act Amendment, which is a step towards ensuring that the United States defense jobs are performed by United States defense workers. American defense workers are 100 percent committed to our Armed Forces and to ensuring that America has the best-trained, best-equipped, and best-led forces in the world.

Unfortunately, over the past 15 years, defense-related employment has fallen by 67 percent. That translates into over 1 million jobs lost. We need to do more to reverse this disturbing trend, and we must do more on their behalf.

Just as we in Congress continue to fulfill our patriotic promise to our men and women in uniform, we must also demonstrate our equal commitment to those men and women who wear a different kind of uniform, those who build, repair, and operate the machines that sustain and strengthen our security here at home.

The Build America Amendment, which expands the scope of the United States defense Industrial Base Assessment Program, seeks information on why contracts are transferred outside this country and mandates an action plan on how this critical sector can be revitalized and restored.

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The amendment stands in solidarity with our workers, finding out where jobs have gone and fighting to keep them in this country.

Mr. Chairman, I thank the chairman and the ranking member for their fine work on this bill and this section in particular.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the gentleman from the great State of Michigan (Mr. UPTON).

Mr. UPTON. Mr. Chairman, I rise today in support of this amendment en bloc but particularly to an amendment that I offered which supports our Nation's reservists.

In the event of a domestic terrorism attack this country's reservists, particularly the National Guard's weapons of mass destruction team, could be called up at any time to protect and defend their fellow citizens, working with their fellow first responders across the country, police and firefighters. It would clarify that the first response to a domestic terrorism attack will qualify reservists for hostile fire and imminent danger pay. Ultimately, it is a matter of appreciation for the service to our Nation's Reserve forces. I hope all of you will join in supporting this amendment.

Mr. SKELTON. Mr. Chairman, I yield 1 minute to the gentlewoman from Ohio (Ms. KAPTUR).

Ms. KAPTUR. Mr. Chairman, I would like to thank the fine gentleman from Missouri (Mr. SKELTON) for yielding me time, the ranking member on Defense, and also the chairman, my good friend, the gentleman from California (Mr. HUNTER), for allowing the inclusion in the en bloc amendment, our Buy America Enhancement Provisions as well as our Technical Assistance Provisions.

Let me just say that these dual amendments direct and require the Department of Defense to consciously at the highest level support the continuation and enhancement of our domestic industrial manufacturing capabilities, particularly those defense industrial companies that are essential to war production and face stiff foreign competition. It specifies that when application of the Buy American Act is inconsistent with the public interest, the Defense Secretary shall not consider the provision of any trade agreement between the U.S. and a foreign country that is in effect at the time of the determination.

We particularly ask the Department of Defense to focus on critical technologies such as industrial molds, special dies and tools, cutting tools and machine tools and accessories. Of course, in the foundry area, attention is needed as well.

The technical assistance provisions and the center that is proposed will also require the Department to reach out to the over 7,000 such firms in our country that comprise our defense industrial base, many of them small and medium sized companies, and connect them directly to the Department of Defense so that contracts and subcontracts have broad application, and small and medium size businesses are included.

The dual amendments thus require both a "topdown" and "bottomup" approach by the Department to engage this critical sector of U.S. defense manufacturing.

I also want to thank the gentleman from Illinois (Mr. MANZULLO) and the gentlewoman from New York (Ms. VELÁZQUEZ) for their wonderful investigative work on the Committee on

Small Business that has supported strongly the necessarity for these provisions.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the distinguished gentleman from Connecticut (Mr. SIMMONS), who is a member of the committee and has a great defense background.

(Mr. SIMMONS asked and was given permission to revise and extend his remarks.)

Mr. SIMMONS. Mr. Chairman, I thank the gentleman for yielding me time. I support this amendment wholeheartedly in part because it contains a provision requesting a report from the Secretary of Defense which I have requested dealing with the issuance of security clearances and updates on security clearance for defense workers.

My district has literally thousands of defense workers producing the very best submarines in the world. But under a recently passed law which we refer to as the Smith Act, some of these workers run the risk of losing their clearances for activities that took place many, many years ago and, yet, under the provisions of the Smith Act, may result in denial of a clearance which for them results in denial or loss of a job.

I look forward to the report which this amendment requests so that we can work to eliminate this unintended consequence of the Smith Act.

Mr. Chairman, I rise today in support of the en bloc amendment being offered by Chairman DUNCAN HUNTER.

This amendment contains many important provisions. It includes language I authored to require the Secretary of Defense to report to Congress on the granting or renewal of security clearances for Department of Defense personnel and defense contractor personnel.

Those Members of Congress with Department of Defense contractors in their districts know the importance of a security clearance to the men and women who work for those contractors. As someone who has held a TOP SECRET clearance for over 30 years, I fully understand the importance of issuing these clearances to defense contractors and their employees.

My district is home to Electric Boat where thousands of hard working people show up every day to design and build the finest submarines in the world. Every 5 years Electric Boat workers are put through a necessary review of their security clearances, which I support.

Unfortunately, a recent law contained language commonly known as the ''Smith Act'' which requires any person convicted of a crime and sentenced to one year or more in jail to be automatically disqualified from holding a security clearance. The law does not take into account whether the individual actually served the sentence. But, the law says conviction means no clearance, and no clearance means no job.

Mr. Chairman, over the past year many highly skilled veteran workers from Electric Boat have appeared at my district office, frightened that a conviction in their youth will suddenly come back to haunt them and cost them their job. These are men and women who have often held their security clearances for over 20 years. But because of the Smith Act, those clearances are now in jeopardy.

These working men and women have families and contribute positively to their communities, both in eastern Connecticut and around the nation. And at Electric Boat they have been safely and securely building the best submarines in the world for the U.S. Navy for over 100 years!

There are similar stories in other defense contractor facilities around this great nation. While the intention of the ''Smith Act'' was good, it is time to re-examine this law and see if there are more effective ways to update and issue these security clearances.

My amendment does just that. It simply requires the Department of Defense to report back to Congress within 60 days with recommendations for legislation or administrative steps the Secretary of Defense considers necessary to better carry out the business of granting and renewing security clearances.

In searching for solutions to this problem, I am pleased to have the support of both management and labor. Both parties are well aware of the importance of security clearances to the defense industry and the dramatic impact the loss of a clearance has on their employees.

Today I am pleased to share letters from both the President of Electric Boat and the President of the Metal Trades Council of New London County. Both letters express support for my efforts to improve the Smith Act. I ask unanimous consent that these letters be inserted into the RECORD.

In closing, let me thank Chairman HUNTER and his staff for working with me on this important amendment. I appreciate their recognition of the need to review the unintended consequences of the Smith Act.

Finally, I look forward to reviewing the recommendations from the Department of Defense and working with both the Pentagon and my colleagues on the Armed Services Committee to craft a reasonable solution to this problem.

METAL TRADES COUNCIL OF
NEW LONDON COUNTY,
Groton, CT, May 15, 2003.

Hon. DUNCAN HUNTER,
Chairman, House Armed Services Committee, U.S. House of Representatives, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN HUNTER: It has come to my attention that Congressman Rob Simmons is currently working with you and your staff on ways to improve Section 986(c)(1) of title 10 USC, also known as the ''Smith Act.'' As the president of the Metals Trade Council union at Electric Boat in Groton (CT), I am writing today to share my strong support of Mr. Simmons's proposed changes to the Act.

As you know, the purpose of the Smith Act is to ensure that individuals who have been convicted of a serious crime are not given a Defense Security Service (DSS) security clearance at controlled industrial areas like Electric Boat. Under the Act, any person convicted of a crime and sentenced to imprisonment for greater than one year is automatically disqualified from a security clearance. Unfortunately, I have seen firsthand the unintended consequences of the Smith Act.

All too often, an Electric Boat employee, whose security clearance is being reviewed, is denied a clearance renewal because of a minor criminal offense where the individual was sentenced to more than one year in prison, yet served little or no jail time. Sadly, losing a clearance means losing a job.

Many of these working men and women have received their clearances prior to the implementation of the Smith Act and have been on the yard for more than 20 years. They are skilled workers, proud of their work and their country. And while I support efforts to protect controlled industrial areas through tougher scrutiny of clearances, I would urge you to strongly consider the proposed changes that Congressman Simmons has drafted. These improvements to the Smith Act will go a long way toward saving the jobs of numerous laborers at Electric Boat.

Thank you for taking my thoughts into consideration. We at Electric Boat appreciate everything that you and your Committee have done for the submarine capital of the world.

Sincerely,

KENNETH DELACRUZ,
President.

GENERAL DYNAMICS,
Groton, CT, May 15, 2003.

Hon. DUNCAN L. HUNTER,
Rayburn House Office Building, Washington, DC.

DEAR MR. HUNTER: Electric Boat Corporation enthusiastically supports the efforts of Congressman Robert Simmons to amend TITLE 10 > Subtitle A > Part II > chapter 49 > Sec. 986, Title: ''Security Clearances limitations'' (The ''Smith Amendment''). In particular we support the proposed change to Paragraph (c)(1) which presently states:

''Persons Disqualified From Being Granted Security Clearances—A person is described in this subsection if any of the following applies to that person: (1) The person has been convicted in any court of the United States of a crime and sentenced to imprisonment for a term exceeding one year.''

Electric Boat supports Congressman Simmons' proposal that the language in Paragraph (c)(1) be changed to reflect that an individual be disqualified from being granted a security clearance if they have been convicted in any court of the United States of a crime and subsequently served a sentence of a year and a day or greater.

Electric Boat supports retaining the other three disqualifying categories in Section (c).

Electric Boat Corporation is a DOD contractor performing on classified contracts for the United States Navy. Our primary business focus is the design, manufacture and maintenance of United States Navy nuclear submarines. The nature of our contracts, and the type of work we perform, requires that virtually all 10,000 employees be eligible to receive and maintain a DOD security clearance. In accordance with the requirements of the Defense Industrial Security Clearance Program, individuals who hold an active clearance must undergo a ''periodic reinvestigation''. The Smith Amendment in its present form adversely affects Electric Boat because it states that the ''. . . Department of Defense may not grant or renew a security clearance for a person to whom this section applies.'' Unfortunately, a number of Electric Boat employees who hold active/final DOD clearances either are, or will be, negatively impacted by this law. In those instances, although ''sentenced'' during judicial proceedings, they actually served no time or less than one year due to the circumstances of the law in their particular cases. They should not now be penalized (in many cases years later) under legislation that was passed without considering this important distinction.

In the interest of fairness for Electric Boat employees, and many other employees of defense contractors who are adversely affected

by this law, Electric Boat supports Congressman Simmons' recommended amendments to this legislation.

M.W. TONER,
President.

The following is an example of an Electric Boat employee who is subject to lose her DOD Secret clearance as a result of the Smith Act. This individual was identified because her clearance was up for renewal/periodic reinvestigation.

Example (1): This employee is a valued member of management as a trade superintendent in the shipyard. She began her employment in the trades as a welder in 1974. Before starting work with Electric Boat in 1974, the individual was convicted of a drug offense and sentenced to 18 months. The sentence was suspended, she was placed on probation, and she never served any time in jail. The individual has an outstanding work record over the course of the last 29 years. Of greatest significance, she has held a DOD Secret clearance for virtually all of her period of employment and has had her clearance status periodically reinvestigated several times without an issue.

Mr. SKELTON. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. NADLER).

Mr. NADLER. Mr. Chairman, I thank the gentleman for yielding me time. I thank the chairman and ranking member for including in this en bloc amendment, which I support, my amendment which I will address now.

Mr. Chairman, the greatest danger this country faces is that al Qaeda or some other terrorist group will get nuclear weapons. The greatest danger of that happening is that they will get weapons grade material from the former Soviet Union, which has enough weapons grade plutonium and uranium to manufacture 40,000 nuclear weapons lying around, not guarded properly and subject to theft or sale on the black market.

What we ought to do is buy all this material from the Russians from between 25 to $30 billion so we can take possession of it and protect it from theft or sale.

My amendment requires the Secretary of Defense to submit a study to Congress examining the costs and benefits of purchasing all the ex-Soviet Union's weapons grade plutonium and uranium in fiscal year 2005 and safeguarding it from smuggling or theft until it can be rendered unusable for weapons.

I am glad that this study of doing what I regard as essential to protect this country from the possibility of al Qaeda having a nuclear weapon with which to attack us is included in this amendment and I, therefore, support it.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the gentleman from Nevada (Mr. PORTER).

(Mr. PORTER asked and was given permission to revise and extend his remarks.)

Mr. PORTER. Mr. Chairman, I rise today to thank the chairman for including my amendment. The Defense Department conducts studies on the effects of perchlorate on human beings. Perchlorate, a major ingredient in rocket fuel and other military ordnance, has been found in the water of many western States, including my district in Nevada, as well as the chairman's home State of California.

The EPA is currently in the process of determining a safe amount of perchlorate in drinking water, but right now no one knows if even a level of one part per billion is safe. What level of perchlorate is found will have a major impact in the water districts, costing them potentially billions of dollars in technology to meet the standards.

I must add there can be no substitute for clean drinking water for children. And whatever level is found to be safe, Congress must help our communities to meet this need. The major source of perchlorate comes from current and former defense industrial sites, including in my district. The Department of Defense is potentially liable for the cost of perchlorate cleanup at some or all of these sites. Given that, and the perchlorates primarily were made for DOD orders, it is only fair that the Department contribute to the ongoing urgent research on the possible health efforts of this chemical.

I rise today to thank Chairman HUNTER for including my amendment requiring the Defense Department to conduct studies on the effects of perchlorate on human beings.

Perchlorate, a major ingredient in rocket fuel and other military ordnance, has been found in the water of many Western States, including my district of Nevada, as well as in the Chairman's home state of California.

The Environmental Protection Agency is currently in the process of determining the safe amount of perchlorate in drinking water, but right now no one knows what, if any, level above 1 part per billion is safe.

What level of perchlorate is found safe will have a major impact on water districts, costing them potentially billion of dollars in technology to meet new standards.

I must add that there can be no substitute for clean drinking water for children, and that whatever level is found to be safe, Congress must provide the help our communities need to achieve this.

The major source of perchlorate comes from current and former defense industrial sites, including my district.

The Department of Defense is potentially liable for the cost of perchlorate cleanup at some or all of these sites. Given that, and that perchlorates primarily were made for DoD orders, it is only fair that the Department contribute to the ongoing, urgent research on the possible health effects of this chemical.

The Senate Armed Services Committee has already passed, with a bipartisan majority, identical language to my amendment. I thank the Chairman for including this amendment and look forward to working with him in the future.

Mr. HUNTER. Mr. Chairman, how much time remains?

The CHAIRMAN pro tempore (Mr. LAHOOD). The gentleman from California (Mr. HUNTER) has 1½ minutes remaining.

Mr. SKELTON. Mr. Chairman, may I make the same inquiry. How much time do we have left?

The CHAIRMAN pro tempore. The gentleman from Missouri (Mr. SKELTON) has 4 minutes remaining.

Mr. SKELTON. Mr. Chairman, I yield 1½ minutes to the gentlewoman from California (Mrs. CAPPS).

Mrs. CAPPS. Mr. Chairman, I thank my colleague for yielding me time. I wish to engage the distinguished gentleman from Nevada (Mr. PORTER) in colloquy to clarify his amendment which is included in the en bloc amendment.

This amendment requires the Secretary of Defense to reach an agreement with another Federal entity naming the National Institutes of Health and the Centers for Disease Control as preferred candidates to conduct an independent epidemiological study of the effects of perchlorate on humans. It is my understanding that this study would not be done by the Department of Defense or the Department of Energy; am I correct?

Mr. PORTER. Mr. Chairman, will the gentlewoman yield?

Mrs. CAPPS. I yield to the gentleman from Nevada.

Mr. PORTER. That is correct.

Mrs. CAPPS. It is also my understanding that the gentleman's intention in requiring this independent Federal study of perchlorate is to add to the scientific database on this chemical. I understand that your amendment is not intended to delay the setting of a drinking water standard for perchlorate or to delay any cleanup at any site that may have perchlorate contamination. Is my understanding correct?

Mr. PORTER. That is correct.

Mrs. CAPPS. Mr. Chairman, I thank the gentleman from Nevada (Mr. PORTER) for this clarification.

Mr. HUNTER. Mr. Chairman, I yield a challenging 15 seconds to the gentleman from Georgia (Mr. KINGSTON).

Mr. KINGSTON. Mr. Chairman, I thank the gentleman for such a generous allocation of time. I just want to say this is probably the most important amendment because I have his and the ranking member's support. All it says is in the event of BRAC, if they close down a base, the roads will stay open to the local folks, and that will be very important to offset the impact of a base closure.

Mr. SKELTON. Mr. Chairman, I yield 1 minute to the gentlewoman from California (Ms. WOOLSEY).

Ms. WOOLSEY. Mr. Chairman, I want to thank the ranking member and the chairman for working with me and my colleagues, the gentleman from Iowa (Mr. LEACH) and the gentleman from Pennsylvania (Mr. PLATTS), to include our amendment in the en bloc amendment.

Our partisan Sense of the Congress amendment calls on the Department of Defense to have an institution devoted to studying peacekeeping operations and preparing our troops for future peacekeeping missions. We have constantly bore witness to the dramatic challenges facing our troops right now in Afghanistan and in Iraq as they work to secure the peace, from acting

as traffic cops to feeding hungry crowds.

Our amendment aims to ensure that these troops are prepared for peace as much as they are ready for war.

Mr. HUNTER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I yield 4 minutes to the gentleman from Michigan (Mr. ROGERS), who has a presentation he wants to make.

Mr. ROGERS of Michigan. Mr. Chairman, I have an important story to tell in a very brief time.

The person you will see here is named Hannan Shahib, a young girl, 15 years old, was injured, burned severely in coalition bombings. Because of the heroic action of our military soldiers on the ground, she was able to survive this, keep her arm due to their great work, and is now at the University Hospital in Michigan receiving treatment.

We have been after the DOD for some time to help us facilitate more of these injured Iraqi children. And I will tell you, when this gal got up off the stretcher to walk to that airplane all on her own, all of these soldiers in that tent, and I happened to be there that day, there were cheers and tears and every one of those soldiers realized that they were there as liberators and not conquerors.

But I tell you what, Mr. Chairman, when we went to the Department of Defense, the bureaucrats down the road, the only tears were frustration. We are getting calls now from different military medical providers in Iraq asking for help. We cannot get any help out of the bureaucrats down the road. For 3 days, Northwest Airlines, Immigration, Department of State, private sector came together to make this happen. It took 3 weeks, 3 weeks for the Department of Defense to even make a decision to let her ride on an airplane to Frankfurt, Germany. We have lost a little girl we were working on this weekend. She was 7 years old. If they had only made a decision, just given us a decision, she might be alive today, in the good care of an American hospital today.

Two hundred people of Hannan's family showed up that day to whisk her off and wish her well. They were crying and cheering and praising the United States of America. We need to do this.

We need to do this. We can do this. We need to show the Iraqi people that our muscles are big, but our hearts and our compassion are bigger. The soldiers on the ground are doing heroic work every day; and they are asking us, Members of Congress, to help them out. We need to nudge the folks down there in the ivory tower, tell them to not worry about the wax that is on the floor; but tell them to start worrying about the soldiers in the dust making these kinds of things happen. They are identifying these children. We can help them, but we need DOD to help. We need to get them out of Baghdad to a commercial airport so we can get them here. All the rest is paid for.

The American people have stood up and said, We are going to help these kids. We have two burn centers around the country standing by ready to go, free of charge to the Federal Government because they feel so strongly that this is important and we need to have it happen. We have talked to as many people as we possibly could, Mr. Chairman, over there at the Department of Defense, and we have asked for help.

As I stand here today, this has been 2 weeks since she has been here; and by the way, those doctors were able to save her arm. Had she been there one more day, she would have lost her arm. Her mother told me just the other day this last weekend that when she calls home there are other folks who are there getting ready to lose their limbs. This is only due to a lack of decision on behalf of the Department of Defense.

The military folks on the ground are doing the right thing. They are standing up. They are showing compassion. They are reaching out. We need to do this, Mr. Chairman. We need an answer from DOD. We need them to stand up and do the right thing and stand up for these soldiers in the field who are doing miraculous things.

Mr. HUNTER. Mr. Chairman, how much time do we have left under the striking request?

The CHAIRMAN pro tempore. The gentleman has 1½ minutes remaining.

Mr. HUNTER. Mr. Chairman, how much time do I have under my regular time?

The CHAIRMAN pro tempore. The gentleman has 1¼ minutes remaining.

Mr. HUNTER. Mr. Chairman, I yield 1½ minutes to the gentleman from Washington (Mr. DICKS).

(Mr. DICKS asked and was given permission to revise and extend his remarks.)

Mr. DICKS. Mr. Chairman, I want to thank the chairman and the ranking member.

The amendment I am offering today is straightforward and noncontroversial. It would authorize the Secretary of the Navy to transfer a small parcel of land to the city of Bremerton, Washington, my hometown in my district.

The property in question sits on the eastern end of the Puget Sound Naval Shipyard and has been determined to be surplused on the Navy's immediate and future needs. It has been used in the past several years largely as a laydown area for steel. The shipyard has found ways to reduce its inventory of steel and transferred the storage of this material closer to the machine shop where it is used.

□ 1730

The property is not well positioned for any other shipyard function, and the installation would prefer not to pay for the upkeep of the property in an empty condition.

The City of Bremerton has proposed to use the property for a Maritime Park and Naval Museum, functions that are consistent with the security needs of the Navy industry and which enhance the mission of the shipyard. The shipyard is also acquiring other property in the City for security purposes. The conveyance of this unneeded property will keep the shipyard footprint from growing substantially and avoid increasing the maintenance costs of the installation to the Navy.

The amendment includes provisions for the city to compensate the Navy through renovations to Navy property acceptable to both sides. Mr. Chairman, this amendment is good for the Navy and good for the taxpayer. I urge my colleagues to support it and to support the en bloc amendments.

Mr. SKELTON. Mr. Chairman, I yield 1 minute to the gentleman from South Carolina (Mr. SPRATT).

(Mr. SPRATT asked and was given permission to revise and extend his remarks.)

Mr. SPRATT. Mr. Chairman, the rule did not make in order an amendment that I sought with respect to cooperative threat reduction, but it does make in order an amendment offered by my good friend, the gentleman from Pennsylvania (Mr. WELDON), and I am here to offer my support for his amendment, which is included in the en bloc amendment.

This amendment is drawn from legislation introduced earlier this year by the gentleman from Pennsylvania, the Nuclear Security Initiative Act, which I was proud to cosponsor. As the gentleman from Pennsylvania said, this bill was in the works for a long time, and I can attest to that. In fact, parts of it come from provisions I introduced in prior years.

I commend the chairman of our committee for allowing this to be made in order, including it in the en bloc. I think it is a positive addition to the bill, and I encourage support for the en bloc amendment.

The rules governing debate on this defense bill did not make in order an amendment I offered with Rep. SCHIFF that would have restored the President's request on Cooperative Threat Reduction (CTR) programs by striking several provisions in the committee bill. Like the Administration, I believe these committee-added provisions will hamstring the program unnecessarily.

I was disappointed not to have the chance to debate the amendment, and I plan to work to strike those provisions in conference. And if I may, Mr. Speaker, I'd like to enter into the RECORD an excerpt from today's Statement of Administration Policy on the committee bill.

The rule did, however, make in order an amendment offered by my friend from Pennsylvania, Mr. WELDON, and I am here to offer my support. This amendment is drawn from legislation introduced earlier this year by Rep. WELDON, the ''Nuclear Security Initiative Act,'' which I was proud to cosponsor. As Mr. WELDON likes to say, the bill was in the works for a long time, and I can attest to that—in fact, it includes some provisions I introduced in prior years with my colleague Rep. ELLEN TAUSCHER.

Like the bill, the Weldon amendment calls for enhanced cooperation between the U.S.

and Russia to reduce the threat posed by weapons of mass destruction, and establishes what should be useful tools for improved collaboration toward that end.

It calls for some important studies, too, including an examination by the National Academy of Sciences of the effect on CTR and other non-proliferation programs of the myriad congressional oversight measures that have been established over the past several years.

I must confess I have mixed feelings about reducing the President's request for CTR, even by the modest amount contained in the Weldon amendment, but as the funds are proposed to be shifted into the Department of Energy's companion threat reduction program, I can support it. And the amendment on balance, like the Weldon-Edwards-McHugh-Spratt bill it is drawn from, should strengthen our threat reduction and non-proliferation programs.

I urge support of the Weldon amendment.

Mr. Chairman, I provide for the RECORD the statement of administration policy with respect to cooperative threat reduction.

From the Statement of Administration Policy issued May 22, 2003 Executive Office of the President Office of Management and Budget Page 3:

''Nonproliferation and Cooperative Threat Reduction The Administration appreciates full funding of the CTR budget request, but is very concerned about requirements imposed by the Committee that would hinder DOD's and DOE's ability to implement more rigorously and effectively Cooperative Threat Reduction (CTR) and Nuclear Nonproliferation activities. Furthermore, H.R. 1588 would limit the President's flexibility to apply CTR resources to the most pressing nonproliferation challenges in support of the Global War on Terrorism and would not clarify that DOE has the authority to carry out such activities outside states of the former Soviet Union.''

Mr. HUNTER. Mr. Chairman, I reserve the balance of my time.

Mr. SKELTON. Mr. Chairman, I yield 30 seconds to the gentleman from Ohio (Mr. RYAN).

Mr. RYAN of Ohio. Mr. Chairman, I thank the gentleman for yielding me this time, and I also thank the chairman of the committee for all his help with the provisions in this bill on strengthening the industrial base.

I also wanted to quickly comment on the Tierney amendments, which is included in here, which will allow us to find out why the contractors are leaving the United States. The average taxpayer pays $1,000 a year that goes to building up our own industrial base, and I think the least we can do is make sure that those jobs are employed here in the United States.

I want to thank the chairman for all his work and also thank the ranking member, the gentleman from Missouri (Mr. SKELTON).

Mr. SKELTON. Mr. Chairman, I move to strike the last word.

Ms. JACKSON-LEE of Texas. Mr. Chairman, will the gentleman yield?

Mr. SKELTON. I yield to the gentlewoman from Texas.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I thank the ranking member, the gentleman from Missouri (Mr. SKELTON), for yielding to me, as well as the gentleman from California (Mr. HUNTER) and the staff for their hard work.

Mr. Chairman, I have an amendment that is part of the en bloc amendment that I wish to speak on at this time. Mr. Chairman, this challenge that I give is one that I hope will be not only instructive but it will open the doors of opportunity, and that is, of course, to small, minority and women-owned businesses. My amendment directs the Secretary of the Department of Defense to commission a study on the feasibility of using small, minority-owned businesses and women-owned businesses in the United States' efforts to build and rebuild Iraq.

This is an operation that will cost billions of dollars. Obviously, as we look toward the future of peacekeeping, America asks the question of when, why and how, and would it not be better to ensure that the backbone of America's economy, small businesses, medium-sized businesses, minority businesses, and women-owned businesses are part of the rebuilding of Iraq?

It is well-known that the culture of many of our nations in the Arab community are interested or have been used to dealing with smaller and more localized businesses. The business-to-business contact providing the opportunities to contract on behalf of the United States and to do the work in Iraq would be miraculous and outstanding. In looking at the work that has been distributed by the Department of Defense in 2001, the most recent statistics, we see that only $300 million is going to what we call hub zone businesses. I believe this amendment is going to be instructive and constructive.

Mr. Chairman, this is a study, but I hope that we can work through conference to be able to work harder on language that would really outreach to our small businesses, and I appreciate the gentleman's assistance as we move toward conference.

Mr. SKELTON. Reclaiming my time, Mr. Chairman, I thank the gentlewoman; and she can be assured that we will work very hard to keep the provisions in the bill.

Ms. JACKSON-LEE of Texas. Mr. Chairman, if the gentleman will continue to yield, as I indicated, this focuses on small businesses, giving the opportunity to develop relationships and help rebuild Iraq. I hope we can strengthen it in conference and work with the chairman as we do so.

Mr. Chairman, I propose an Amendment to H.R. 1588, the ''National Defense Authorization Act For Fiscal Year 2004.''

Under my amendment, ''The Secretary of Defense shall commission a study of the feasibility of using small businesses, minority-owned businesses, and women-owned businesses in the United States' efforts to rebuild Iraq. The study shall include the development of outreach procedures to provide, to small businesses, minority-owned businesses, and women-owned businesses, information on participating in rebuilding Iraq.''

The purpose of this amendment is to direct the Secretary of the Department of Defense to commission a study of the feasibility of using small, minority-owned businesses, and women-owned businesses in the United States' efforts to rebuild Iraq. The study will develop outreach procedures to provide information on participating in rebuilding Iraq to minority-owned businesses and women-owned businesses.

During the course of cooperative discussions with the leadership of the House of Representatives' Armed Services Committee, it was agreed that the language of my amendment would better serve the needs of the small, minority, and women-owned business community if there were revisions.

My revised amendment would read, ''The Secretary of Defense shall ensure that outreach procedures are in place to provide information to small businesses, minority-owned businesses, and women-owned businesses regarding Department of Defense requirements and contract opportunities for the rebuilding of Iraq.

Both the Majority and Minority Party leadership agreed to work in conference to include the revised language in the final passage of the bill. This is a better formulation of the language of the amendment, and it protects small, minority, and women-owned businesses from unnecessary delay. In fact, the Leadership of the Armed Services Committee agreed to work ''robustly'' in conference, and with me to ensure that this amendment language is in the final version of H.R. 1588, and also to ensure that small, minority, and women-owned business participate fully in rebuilding Iraq.

The process of rebuilding Iraq is a monumental task that should include the participation of more than just the large, international corporations. Small, minority, and women-owned businesses are the backbone of our economy. Small businesses employ more members of the workforce than larger businesses. For example, according to 2000 Census statistics published by the Small Business Administration, 114,064,976 employees worked at various businesses. Of that number, 81.95 percent of the employees worked at firms with between 20 and 100 employees. This is the majority of the American workforce. These hardworking men and women possess the expertise and experience to contribute to our efforts to rebuild Iraq. Furthermore, by promoting the participation of America's small, minority, and women-owned businesses in the rebuilding of Iraq, we bolster our work force, alleviate the strains of unemployment, and strengthen our economy.

The Department of Defense has not allocated a substantial percentage of their contracts to small, minority, and women-owned businesses. In 2001, the Department of Defense awarded $135.8 billion in prime contracts. Only $7.8 billion went to small disadvantaged businesses, and only $3.0 billion went to women-owned small businesses. In subcontracts, the Department of Defense awarded a total of $60.5 billion. Of that sum, only $3.0 billion went to small disadvantaged businesses, and $2.5 went to women-owned small businesses.

I also recommend that the Department of Defense hold regional meetings around the country to inform small, minority, and women-

owned businesses of the Department of Defense's contracting opportunities. It is imperative that these meetings be held in localities where the small businesses can easily attend. Holding the meetings in Washington, DC does not provide small, minority, and women-owned businesses with sufficient opportunity to attend. Holding regional meetings will ensure that all contracting companies have the opportunity to participate.

The Department of Defense must also establish procedures to monitor the progress and implementation of their contracts. The monitoring should be conducted on two fronts. First, the Department of Defense should monitor all of the prime and subcontractors that receive funding. Second, the prime contractors should also closely monitor the disbursement of funds to, and progress of, the small, minority, and women-owned businesses to ensure the funds are allocated to businesses owned, not simply staffed, by minorities and women.

It is also critical that the Department of Defense establish a system of accountability. It is not enough for prime contractors to agree to subcontract a portion of their award. There must be a follow-up mechanism, and a sanctioning mechanism. For example, if a prime contractor is awarded a Department of Defense contract based upon an agreement to subcontract 50 percent of the contract to minority, there should be penalties if the prime contractor fails to do so.

The Department of Defense can use the model established by USAID. USAID procures prime and subcontracts for the rebuilding of Iraq, but also make substantial use of small, minority, and women-owned businesses. USAID is responsible for the purchase of over $2.5 billion of goods and services annually in support of U.S. foreign policy initiatives. As of May 12, 2003, USAID has provided $90.9 million for the reconstruction of Iraq. USAID allocated $34.6 million was awarded to Bechtel to build infrastructure, $10 million to ABT Associates for health, $10 million to World Health organization for health, $9 million to UNICEF for health and education, $7.9 million to Research Triangle Institute for local governance, $7.1 million to International Resources Group for personnel support, $4.8 million to Stevedoring Services of America for port management and administration, $4 million to the Air Force Contract Augmentation Program for theater logistical support, $2.5 million to SkyLink Air and Logistic Support for airport management and administration, $1 million to Creative Associates for education.

On May 21, 2003 at the Ronald Reagan Building here in Washington, DC Bechtel National, Inc. hosted a contractor-supplier conference to inform the contractors of its role in USAID's Iraq Infrastructure Reconstruction Program. The conference included an overview of Bechtel's role in rebuilding Iraq, and the status of Bechtel's support of USAID's humanitarian assistance efforts. Bechtel also discussed maximizing Iraqi resources, presentations about tendering and subcontracting processes and requirements including insurance requirements, performance securities, collecting expressions of interest, determining bid lists for specific programs and job orders, tendering and tender evaluations.

USAID's policies require a majority of these funds to be subcontracted. It is important that small, minority, and women-owned have full access to the subcontracted funds available, and also have an equal opportunity to compete for the prime contracts.

For example, in Houston, there are dozens of minority-owned businesses with expertise in all aspects of the oil industry. The minority-owned businesses can provide a range of oil-related services from refining, processing, storage, and transportation.

This amendment's purpose is only to commission a study of feasibility of using small, minority, and women-owned businesses and to develop efficient outreach procedures to maximize inclusion of these businesses. Small, minority, and women-owned businesses are a valuable resource that should be fully utilized in the Iraq rebuilding efforts. This amendment to H.R. 1588, the Department of Defense Reauthorization bill is an important step in that direction. I urge the Chamber to accept my amendment to H.R. 1588.

Mr. HUNTER. Mr. Chairman, will the gentleman yield?

Mr. SKELTON. I yield to the gentleman from California.

Mr. HUNTER. Mr. Chairman, I wish to assure the gentlewoman that we will work to see to it that small businesses participate robustly in rebuilding Iraq.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I thank both gentleman for their help and would conclude by asking my colleagues to support this amendment.

Mr. SKELTON. Mr. Chairman, reclaiming my time, let me urge the passage of the en bloc amendments and thank the chairman so very much for his courtesy in working with this side of the aisle and making all of these happen. I think it is an excellent series of amendments.

Mr. HUNTER. Mr. Chairman, I yield myself the balance of my time to reciprocate to my partner, the ranking member of the Committee on Armed Services, the gentleman from Missouri (Mr. SKELTON), and thank him for his great work on this bill, and I want to thank all the Members for their great work on this en bloc package.

Mr. FARR. Mr. Chairman, I rise today in support of the rights of women around the world, including those of servicewomen who are stationed abroad. The Sanchez amendment is about restoring rights and healthcare access to our servicewomen abroad, and not about the ideological debate on abortion.

This Congress has professed tremendous leadership in advocating on behalf of those who have selflessly chosen to serve in the military. However, the health, safety, and rights of our servicewomen do not seem to be a top priority. In no way should the healthcare options of any serviceman or woman be compromised. Unfortunately, the system currently in place makes servicewomen stationed abroad second-class citizens who are subject to different and inferior healthcare parameters than their male counterparts. In supporting our Armed Services we cannot allow the very rights and liberties that they are fighting for to be compromised by refusing to allow servicewomen to choose to have safe and timely medical procedures at military hospitals.

It is unacceptable that a servicewomen would be forced to compromise her privacy and wait for space on a military transport, in order to obtain a time-sensitive procedure like an abortion. Our female soldiers should be cared for in a safe and timely manner by a military hospital, whose very purpose is to provide healthcare for serviceman and women. Moreover, this amendment clearly states that these abortions would be paid for by private funds, and that no doctor or staff would be forced to participate in these procedures.

In defense of women's reproductive freedoms, and our servicewomen stationed abroad, I support the Sanchez amendment and urge my colleagues to do the same.

Mr. VITTER. Mr. Chairman, I rise today to urge the support of my amendment that would assist in our efforts to ensure that militarily useful United States flag commercial vessels crewed by American citizens are available for this Nation's military and national security needs under the Maritime Security Program.

The MSP program provides the Department of Defense with a large fleet of U.S.-flag roll-on/roll-off, container and other militarily useful vessels for the transport of military vehicles, supplies and other materiel in support of U.S. military operations around the world. I particularly commend Chairman HUNTER for his strong support of the MSP program, and for his leadership by including provisions in the pending Defense Authorization bill that would extend, expand and significantly improve that vital military program.

Chairman HUNTER's work will preserve the ability of the United States through the MSP program to maintain a fleet of active, militarily useful, privately owned United States-flag vessels to meet national defense and other security requirements and to maintain a United States presence in international commercial shipping.

In order to encourage the participation of the most modern vessels in the MSP program, my amendment would allow existing vessels to be documented under United States flag provided that the telecommunications and other electronic equipment of such vessels meets internationally accepted standards.

When the MSP program was originally enacted in the mid-1990's, Congress provided that vessels which meet internationally accepted construction and equipment standards and are reflagged under United States flag for operation in the MSP program are not required to retrofit material and equipment solely for the purpose of complying with U.S. law and regulations, where such law or regulations establish a standard exceeding the internationally accepted standard which applied to the vessel before it was reflagged. However, that legislation did not expressly address related telecommunications standards within its provisions. Our amendment remedies that oversight.

Accordingly, my amendment would permit a vessel to be added to the U.S.-flag commercial fleet for operation in the MSP program if its telecommunications and other radio equipment aboard the vessels comply with applicable international Safety of Life at Sea (SOLAS) Convention requirements. Our amendment removes unjustified impediments to the documentation of militarily useful vessels under the United States flag, and is in keeping with the elimination of financial and other burdens that the Congress specifically sought to remove through the establishment of the Marine Security Program.

I would particularly like to acknowledge and thank my other colleague from Louisiana, Mr.

TAUZIN, the Chairman of the Energy and Commerce Committee, and Mr. DINGELL, the Ranking Member of that Committee, for their cooperation and support on this amendment. I also would like to express my appreciation to Chairman HUNTER and Chairman DREIER for working so closely with us to clear this amendment. I urge the support of this body for this amendment that is critical to the military and national security of the United States.

Mr. WAXMAN. Mr. Chairman, I rise in opposition to the amendment.

This amendment makes a number of unnecessary and potentially harmful changes to Federal procurement law in the name of fighting terrorism. Most troubling is the authority it grants to all agencies—not just the Department of Defense—to use special simplified procurement procedures designed for commercial items for any good or service, regardless of cost. This means that full and open competition will not be used when purchasing these items. It also means that the government will not have access to important safeguards designed to protect taxpayer dollars on sole-source contracts below $15 million.

We all want to fight the war on terrorism as effectively as possible, but the case simply has not been made that we need this bill. What agencies are having problems getting material or services to fight the war on terrorism? What exactly is it that they have been enable to get?

I haven't heard that agencies are having any problems. The administration has not asked for these ''flexibilities.'' Maybe that is because existing law already has a great deal of flexibility. Waivers from almost all acquisition procedures are available to agencies for a number of reasons. Those include waivers for national security reasons, if there is an ''unusual and compelling urgency,'' and even if it is determined that it is ''in the public interest.'' All of these would seem to apply to fighting the war on terrorism.

Under current law, when the government buys a good or service from a company, the government is entitled to receive cost and pricing data if that company is the only one that can provide the product to the government and if the value of the contract is over $550,000. The laws that require this information are the Truth in Negotiations Act. The Cost Accounting Standards are also a critical oversight tool. Congress wrote those laws to prevent waste, fraud, and abuse and they are critical safeguards needed to protect taxpayer dollars in the Federal procurement process.

The amendment allows any agency—not just the Defense Department—to enter into sole-source contracts worth up to $15 million without requiring the contractor to provide accurate cost and pricing data to ensure that taxpayers are getting their money's worth. I think that is foolish and irresponsible, and I urge members to oppose this amendment.

Mr. HOEFFEL. Mr. Chairman, I rise in support of the en bloc amendment. This amendment contains many important provisions, most notably language regarding the Tacony Warehouse.

In September of 2001, the Philadelphia City Planning Commission released a long-term plan to redevelop and revitalize the North Delaware Riverfront located in Philadelphia. The plan is to transform the area from a corridor of abandoned industry and shipping to one of recreation and leisure, business and residential living.

A key component of this plan is the demolition of the Tacony Warehouse, an abandoned 1988 BRAC site that is under the administrative responsibility of the United States Army. Congress included $5 million in the Fiscal Year 2001 Department of Defense Appropriations bill to demolish this building, yet the United States Army has taken no action to destroy the property.

My amendment expresses the Sense of the Congress that the Secretary of the Army should take swift action to finally demolish the Tacony Warehouse. It is imperative that the Tacony Warehouse be destroyed in order for the City of Philadelphia and the Tacony Community Development Corporation to move forward with their efforts to revitalize Northeast Philadelphia.

I wish to thank Chairman HUNTER and Ranking Member SKELTON for their support of my amendment.

Mr. Chairman, this amendment is an important first step in ensuring that the Army moves forward in demolishing the Tacony Warehouse, as previously required by Congress. I look forward to working with Chairman LEWIS and Ranking Member MURTHA in securing the necessary Federal commitments so that their instructions to the Army in fiscal year 2001 Defense Appropriations Bill are realized.

Revitalizing our nation's riverfronts will leave our cities economically stronger and more sustainable. I ask my colleagues to support this important amendment.

Mr. HUNTER. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN pro tempore (Mr. LAHOOD). The question is on the amendments en bloc offered by the gentleman from California (Mr. HUNTER).

The amendments en block were agreed to.

The CHAIRMAN pro tempore. It is now in order to consider amendment No. 4 printed in House Report 108–122.

AMENDMENT NO. 4 OFFERED BY MR. TOM DAVIS OF VIRGINIA

Mr. TOM DAVIS of Virginia. Mr. Chairman, I offer amendment No. 4 made in order under the rule.

The CHAIRMAN pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 4 offered by Mr. TOM DAVIS of Virginia:

At the end of subtitle A of title XI (page 349, after line 10), insert the following new section (and redesignate subsequent sections accordingly):

SEC. 1111. HUMAN CAPITAL PERFORMANCE FUND.

(a) IN GENERAL.—Subpart D of part III of title 5, United States Code, is amended by inserting after chapter 53 the following:

''CHAPTER 54—HUMAN CAPITAL PERFORMANCE FUND

''Sec.
''5401. Purpose.
''5402. Definitions.
''5403. Human Capital Performance Fund.
''5404. Human capital performance payments.
''5405. Regulations.
''5406. Agency plan.
''5407. Nature of payment.
''5408. Appropriations.

''§ 5401. Purpose

''The purpose of this chapter is to promote, through the creation of a Human Capital Performance Fund, greater performance in the Federal Government. Monies from the Fund will be used to reward agencies' highest performing and most valuable employees. This Fund will offer Federal managers a new tool to recognize employee performance that is critical to the achievement of agency missions.

''§ 5402. Definitions

''For the purpose of this chapter—

''(1) 'agency' means an Executive agency under section 105, but does not include the General Accounting Office;

''(2) 'employee' includes—

''(A) an individual paid under a statutory pay system defined in section 5302(1);

''(B) a prevailing rate employee, as defined in section 5342(a)(2); and

''(C) a category of employees included by the Office of Personnel Management following the review of an agency plan under section 5403(b)(1);

but does not include—

''(i) an individual paid at an annual rate of basic pay for a level of the Executive Schedule, under subchapter II of chapter 53, or at a rate provided for one of those levels under another provision of law;

''(ii) a member of the Senior Executive Service paid under subchapter VIII of chapter 53, or an equivalent system;

''(iii) an administrative law judge paid under section 5372;

''(iv) a contract appeals board member paid under section 5372a;

''(v) an administrative appeals judge paid under section 5372b; and

''(vi) an individual in a position which is excepted from the competitive service because of its confidential, policy-determining, policy-making, or policy-advocating character; and

''(3) 'Office' means the Office of Personnel Management.

''§ 5403. Human Capital Performance Fund

''(a) There is hereby established the Human Capital Performance Fund, to be administered by the Office for the purpose of this chapter.

''(b)(1)(A) An agency shall submit a plan as described in section 5406 to be eligible for consideration by the Office for an allocation under this section. An allocation shall be made only upon approval by the Office of an agency's plan.

''(B)(i) After the reduction for training required under section 5408, ninety percent of the remaining amount appropriated to the Fund may be allocated by the Office to the agencies. Of the amount to be allocated, an agency's pro rata distribution may not exceed its pro rata share of Executive branch payroll.

''(ii) If the Office does not allocate an agency's full pro rata share, the undistributed amount remaining from that share will become available for distribution to other agencies, as provided in subparagraph (C).

''(C)(i) After the reduction for training under section 5408, ten percent of the remaining amount appropriated to the Fund, as well as the amount of the pro rata share not distributed because of an agency's failure to submit a satisfactory plan, shall be allocated among agencies with exceptionally high-quality plans.

''(ii) An agency with an exceptionally high-quality plan is eligible to receive an additional distribution in addition to its full pro rata distribution.

''(2) Each agency is required to provide to the Office such payroll information as the Office specifies necessary to determine the Executive branch payroll.

''§ 5404. Human capital performance payments

''(a)(1) Notwithstanding any other provision of law, the Office may authorize an

agency to provide human capital performance payments to individual employees based on exceptional performance contributing to the achievement of the agency mission.

''(2) The number of employees in an agency receiving payments from the Fund, in any year, shall not be more than the number equal to 15 percent of the agency's average total civilian full- and part-time permanent employment for the previous fiscal year.

''(b)(1) A human capital performance payment provided to an individual employee from the Fund, in any year, shall not exceed 10 percent of the employee's rate of basic pay.

''(2) The aggregate of an employee's rate of basic pay, adjusted by any locality-based comparability payments, and human capital performance pay, as defined by regulation, may not exceed the rate of basic pay for Executive Level IV in any year.

''(3) Any human capital performance payment provided to an employee from the Fund is in addition to any annual pay adjustment (under section 5303 or any similar provision of law) and any locality-based comparability payment that may apply.

''(c) No monies from the Human Capital Performance Fund may be used to pay for a new position, for other performance-related payments, or for recruitment or retention incentives paid under sections 5753 and 5754.

''(d)(1) An agency may finance initial human capital performance payments using monies from the Human Capital Performance Fund, as available.

''(2) In subsequent years, continuation of previously awarded human capital performance payments shall be financed from other agency funds available for salaries and expenses.

''§ 5405. Regulations

''The Office shall issue such regulations as it determines to be necessary for the administration of this chapter, including the administration of the Fund. The Office's regulations shall include criteria governing—

''(1) an agency plan under section 5406;

''(2) the allocation of monies from the Fund to agencies;

''(3) the nature, extent, duration, and adjustment of, and approval processes for, payments to individual employees under this chapter;

''(4) the relationship to this chapter of agency performance management systems;

''(5) training of supervisors, managers, and other individuals involved in the process of making performance distinctions; and

''(6) the circumstances under which funds may be allocated by the Office to an agency in amounts below or in excess of the agency's pro rata share.

''§ 5406. Agency plan

''(a) To be eligible for consideration by the Office for an allocation under this section, an agency shall—

''(1) develop a plan that incorporates the following elements:

''(A) adherence to merit principles set forth in section 2301;

''(B) a fair, credible, and transparent employee performance appraisal system;

''(C) a link between the pay-for-performance system, the employee performance appraisal system, and the agency's strategic plan;

''(D) a means for ensuring employee involvement in the design and implementation of the system;

''(E) adequate training and retraining for supervisors, managers, and employees in the implementation and operation of the pay-for-performance system;

''(F) a process for ensuring ongoing performance feedback and dialogue between supervisors, managers, and employees throughout the appraisal period, and setting timetables for review;

''(G) effective safeguards to ensure that the management of the system is fair and equitable and based on employee performance; and

''(H) a means for ensuring that adequate agency resources are allocated for the design, implementation, and administration of the pay-for-performance system;

''(2) upon approval, receive an allocation of funding from the Office;

''(3) make payments to individual employees in accordance with the agency's approved plan; and

''(4) provide such information to the Office regarding payments made and use of funds received under this section as the Office may specify.

''(b) The Office, in consultation with the Chief Human Capital Officers Council, shall review and approve an agency's plan before the agency is eligible to receive an allocation of funding from the Office.

''(c) The Chief Human Capital Officers Council shall include in its annual report to Congress under section 1303(d) of the Homeland Security Act of 2002 an evaluation of the formulation and implementation of agency performance management systems.

''§ 5407. Nature of payment

''Any payment to an employee under this section shall be part of the employee's basic pay for the purposes of subchapter III of chapter 83, and chapters 84 and 87, and for such other purposes (other than chapter 75) as the Office shall determine by regulation.

''§ 5408. Appropriations

''There is authorized to be appropriated $500,000,000 for fiscal year 2004, and, for each subsequent fiscal year, such sums as may be necessary to carry out the provisions of this chapter. In the first year of implementation, up to 10 percent of the amount appropriated to the Fund shall be available to participating agencies to train supervisors, managers, and other individuals involved in the appraisal process on using performance management systems to make meaningful distinctions in employee performance and on the use of the Fund.''.

(b) CLERICAL AMENDMENT.—The table of chapters for part III of title 5, United States Code, is amended by inserting after the item relating to chapter 53 the following:

''54. Human Capital Performance Fund .... 5401''.

The CHAIRMAN pro tempore. Pursuant to House Resolution 247, the gentleman from Virginia (Mr. TOM DAVIS) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Virginia (Mr. TOM DAVIS).

Mr. TOM DAVIS of Virginia. Mr. Chairman, I yield myself such time as I may consume, and I rise to offer an amendment to authorize the establishment of a Human Capital Performance Fund, a fund that would enable agencies to reward their highest-performing and most valuable employees at various and sundry GS levels. This is a common-sense idea that the current civil service laws prohibit.

In his fiscal year 2004 budget submission to the Congress, the President proposed the creation of a Human Capital Performance Fund that would provide for a base pay increase of up to 10 percent to individual employees based on exceptional employees' contribution to an agency's mission. H.R. 1836, the Civil Service and National Security Personnel Improvement Act, which the gentleman from California (Mr. HUNTER) and I introduced last month, included this language that I am offering here today. In addition, the Human Capital Performance Fund was approved by the Committee on Government Reform during its consideration of this legislation.

The incentive payments paid to employees from this performance fund would be, number one, in addition to an employee's current salary and general schedule grade; second, continuing rather than just a one-time bonus; and, third, part of a base pay for purposes of retirement and other benefits.

This amendment would authorize $500 million for the fund for fiscal year 2004, in which 90 percent would be available to the agencies. The other 10 percent would be used to train Federal managers on how to effectively manage and evaluate employee performance.

To qualify for funds from this fund agencies must submit a plan demonstrating its performance management system supports its strategic goals and performance objectives and is able to make a meaningful distinction in individual performance.

In addition, the Committee on Government Reform included additional requirements that agencies must certify that their agency plans contain certain elements that are essential to a good performance management system, such as adherence to merit principles, transparency, employee feedback, and sufficient training.

The statement of administration policy strongly endorses the authorization of the performance fund. I believe it will go a long way toward moving the government-wide human capital management agenda forward. I urge adoption of this amendment.

Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN pro tempore. Does any Member seek time in opposition?

Mr. WAXMAN. Mr. Chairman, I seek time in opposition.

The CHAIRMAN pro tempore. The gentleman from California (Mr. WAXMAN) is recognized for 5 minutes.

Mr. WAXMAN. Mr. Chairman, I yield myself such time as I may consume.

It is ironic, Mr. Chairman, that this amendment is made in order. It applies across the board to civil servants, but this is a DOD bill, and what the Republican leadership would not allow to be in order is a debate about the dramatic radical changes on civil service and procurement issues.

First, with regard to the amendment before us, I have concerns about this Human Capital Performance Fund because I am concerned that the fund will be used as a ruse to slash annual pay raises for Federal employees.

Mr. Chairman, three of my colleagues, though, were denied the opportunity to come to the floor and offer a proposal, which was such a common-sense approach, for restoring the fundamental rights of DOD employees

without in any way hindering the Department's ability to perform its mission.

The Cooper-Danny Davis-Van Hollen amendment would have protected due process appeal and collective bargaining rights. The amendment would have reaffirmed the importance of veterans' preferences and nondiscrimination based on political affiliation. These are the same fundamental rights enjoyed by other Federal employees and, indeed, by employees all around the country. Yet the underlying bill takes those rights away. They would not even allow the chance for these authors to propose this.

Now, let me inform my colleagues that that Cooper-Van Hollen-Danny Davis amendment will be the motion to recommit, so Members will still have to vote on it. But the Republican leadership will not allow us to debate the Cooper amendment on the floor because they cannot defend their own bill. This is no way for the House to deal with one of the most sweeping civil service changes in history.

What makes this process even more galling is that we are dealing with the rights of 700,000 loyal and hard-working DOD employees. They are the same employees who saw terrorists crash an airplane into their headquarters at the Pentagon, and they are the same employees who made enormous sacrifices to support the military efforts in Iraq.

We have our basic priorities all wrong. At the same time that the House today is going to reward billionaires with unnecessary tax breaks, the Republican majority is passing legislation to take away health benefits from veterans and strip dedicated Defense Department employees of their basic rights.

Of course, this is only the latest assault on Federal employees by the Bush administration. Federal jobs have been given to private contractors who are unsupervised and unable to do their job as effectively or efficiently as it would be public employees, and financial bonuses have been given to political appointees instead of career employees. If we are truly concerned about a strong national defense, we ought to open debate and make sure that we have a motivated workforce.

I was also unable to offer an amendment requiring sole source contracts over $1 million to be covered by laws intended to prevent waste, fraud and abuse. Who is in favor of waste, fraud and abuse? Well, we would have given the chance for Members to make sure that that sort of thing would not happen.

The approach of the leadership on the Republican side is unprecedented, and I want to use this time to protest it.

Mr. Chairman, I yield 1 minute to the gentleman from Maryland (Mr. HOYER) to further talk about what is happening in this DOD bill.

Mr. HOYER. Mr. Chairman, I thank the gentleman for yielding me this time, and I wish to ask the gentleman from Virginia if he is for the budget provision in the Republican budget for 4.1 percent parity for civil service employees?

Mr. TOM DAVIS of Virginia. Mr. Chairman, will the gentleman yield?

Mr. HOYER. I yield to the gentleman from Virginia.

Mr. TOM DAVIS of Virginia. Mr. Chairman, not only are we for it, there is language in this underlying legislation that calls for pay parity to the maximum extent practicable.

□ 1745

Mr. HOYER. I understand the maximum extent practical. Is the gentleman for the 4.1 percent parity for civil service employees?

Mr. TOM DAVIS of Virginia. Absolutely.

Mr. HOYER. Reclaiming my time, when this proposal was originally made, I said if it is a proposal in lieu of ensuring proper pay for Federal employees, then I would oppose it, and I would oppose it vigorously. I do not think the administration is yet for parity. They did not offer parity. This Congress has repeatedly said they are for parity. In fact, the President's pay advisory committee says that civilians are further behind comparable private sector jobs than the military. In light of that, certainly we must adopt the premise that 4.1 percent pay raise will be adopted; but I say to my friend that if this is solely for the purposes of supplementation, then I think that it is not objectionable. But my concern is that they fund this, but not the pay raise.

Mr. TOM DAVIS of Virginia. Mr. Chairman, I yield myself 15 seconds.

Let me assure the gentleman from Maryland (Mr. HOYER) that this is in addition to. This is supplemental to what would ordinarily be paid. The underlying legislation speaks to that. This is a half billion in additional compensation to Federal employees, and I want to put that on the record.

Mr. Chairman, I yield 1 minute to the gentleman from Pennsylvania (Mr. MURPHY).

Mr. MURPHY. Mr. Chairman, I thank the gentleman from Virginia for allowing me to speak on this important amendment that will motivate Federal workers to perform at their true potential.

In January, the National Commission on the Public Service, chaired by Paul Volcker, issued a report stating the current civil service system ''makes few distinctions between hard-working high-achievers and indifferent non-achievers.''

A recent OPM study found the current performance evaluation for the Senior Executive Service ''is merely a rubber stamp and not a measure of, nor an incentive to, performance.'' And a recent Center for Public Service survey of Federal employees found the average estimate of the number of poor performers in their midst was about 25 percent. These results are typical of the conclusions reached by other studies conducted to evaluate the status of the Federal civil service. The true value of the individual Federal worker is lost beneath the layers of rigidity in a decades-old architecture of pay and classification.

We must not underestimate the value of rewarding our hard-working Federal employees. The amendment offered by the gentleman from Virginia (Mr. TOM DAVIS) which has the strong support of the President represents a major step in the direction of adequately acknowledging these contributions. I urge Members to support this amendment.

Mr. TOM DAVIS of Virginia. Mr. Chairman, I yield 1 minute to the gentlewoman from Tennessee (Mrs. BLACKBURN).

Mrs. BLACKBURN. Mr. Chairman, I thank the gentleman for the opportunity to speak on this amendment.

Under the current civil service system, agencies are limited in the extent to which they can reward employees for their performance, in the way they can recognize excellent performance. In the current system, employees at lower levels of their employment grade can receive quality step increases limited to about 3 percent of their annual salary, and they can only receive one a year regardless of how well they perform in their job. The Human Capital Performance Fund would allow agencies to reward their top-performing employees with a pay raise, a pay raise that they deserve, that they have worked for and earned, but would never receive under the current guidelines.

It is important to clarify, however, that the funds in the Human Capital Performance Fund are in addition to across-the-board pay raises and periodic within-grade step increases that Federal workers already receive. This is not an attempt to gouge Federal employee pay raises, and this is not an attempt to circumvent the existing system. It is an attempt to integrate performance incentives into a civil service system that was developed many decades ago. I urge support for this amendment.

Mr. WAXMAN. Mr. Chairman, I yield myself such time as I may consume.

I have some misgivings about this amendment, but the real point that I want to make is that we should have had an opportunity to debate radical, sweeping civil service changes for the DOD. It was wrong not to have that chance to offer an amendment to do that.

In the motion to recommit, an employee bill of rights will be offered which will protect veterans' preferences, protect against discrimination based upon political opinion or affiliation, right to overtime pay, due process rights, and appeal rights. I hope Members will be willing to vote for that.

Mr. TOM DAVIS of Virginia. Mr. Chairman, I yield myself the balance of my time.

I thank the gentleman from Maryland (Mr. HOYER) for some of the clarifications he brought forth. It is very clear that underlying pay parity is something I feel strongly about. That needs to be in the record.

In addition, this bonus builds for calculations for retirement, something that current bonuses do not. Pay parity has been an issue not just with this administration but with previous administrations, and we have joined together in a bipartisan way to overturn those, and will be fighting that battle again this year.

Mr. HOYER. Mr. Chairman, will the gentleman yield?

Mr. TOM DAVIS of Virginia. I yield to the gentleman from Maryland.

Mr. HOYER. I think the gentleman is correct, it has been a bipartisan problem. We have been together. I look forward to succeeding this year, as we have in years past.

Mr. TOM DAVIS of Virginia. Mr. Chairman, hopefully this bonus pool will reward hard-working Federal employees who exhibit great merit. I urge adoption of the amendment.

The CHAIRMAN pro tempore (Mr. LAHOOD). The question is on the amendment offered by the gentleman from Virginia (Mr. TOM DAVIS).

The amendment was agreed to.

The CHAIRMAN pro tempore. It is now in order to consider amendment No. 6 printed in House Report 108–122.

AMENDMENT NO. 6 OFFERED BY MR. DREIER

Mr. DREIER. Mr. Chairman, I offer an amendment.

The CHAIRMAN pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 6 offered by Mr. DREIER:

At the end of title X (page 333, after line 21), insert the following new section:

SEC. ___. REPEAL OF MTOPS REQUIREMENT FOR COMPUTER EXPORT CONTROLS.

(a) REPEAL.—Effective 120 days after the date of the enactment of this Act, subtitle B of title XII and section 3157 of the National Defense Authorization Act for Fiscal Year 1998 (50 U.S.C. App. 2404 note) are repealed.

(b) CONSULTATION REQUIRED.—During the 120–day period beginning on the date of the enactment of this Act and before implementing any new regulations relating to an export administration system for high-performance computers, the President shall consult with the following congressional committees:

(1) The Select Committee on Homeland Security, the Committee on Armed Services, and the Committee on International Relations of the House of Representatives.

(2) The Committee on Armed Services, the Committee on Foreign Relations, and the Committee on Banking, Housing, and Urban Affairs of the Senate.

(c) REPORT.—Not later than 30 days after implementing any regulations described in subsection (b), the President shall submit to Congress a report that—

(1) identifies the functions of the Secretary of Commerce, Secretary of Defense, Secretary of Energy, Secretary of State, the Secretary of Homeland Security, and any other relevant national security or intelligence agencies under the export administration system embraced by those regulations; and

(2) explains how the export administration system will effectively advance the national security objectives of the United States.

(d) NEW REGULATIONS.—If the President finds that it is in the national security interest of the United States, the President may, after consultation with the Secretary of Commerce, Secretary of Defense, Secretary of Energy, Secretary of State, Secretary of Homeland Security, the Director of Central Intelligence, and other relevant national security and intelligence agencies, issue regulations that replace the current MTOPS-based method for controlling computer exports, after considering other means of controlling such exports, including controls that may incorporate accepted and accurate measurements of computer performance (including the performance of clustered computers).

The CHAIRMAN pro tempore. Pursuant to House Resolution 247, the gentleman from California (Mr. DREIER) and a Member opposed each will control 10 minutes.

Mr. DREIER. Mr. Chairman, I ask unanimous consent to yield 5 minutes of my time to the gentlewoman from California (Ms. LOFGREN), the coauthor of the amendment, and that she may control that time.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DREIER. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, we are making an attempt to move into the 21st century; and quite frankly, we have found from the war on terrorism and the war with Iraq that one of the most phenomenal developments has been the technological advances that have been made in dealing with our national security concerns.

One of the things that we found during that process is the fact that we have a very outdated structure known as millions of theoretical operations per second, MTOPs, which has not enhanced our ability to move ahead technologically and has undermined our ability to compete globally. We believe very strongly that it is important for us to have in place a structure which would in fact allow us to deal with the potential transfer of sensitive computer technology to our adversaries.

This amendment which I have offered along with the gentlewoman from California (Ms. LOFGREN) will allow for the administration to have 120 days during which time they would come up with another method of dealing with this, and they must do it in full consultation with the relevant committees here in both Houses of Congress.

Mr. Chairman, I reserve the balance of my time.

Mr. HUNTER. Mr. Chairman, I claim the time in opposition to the amendment.

The CHAIRMAN pro tempore (Mr. HASTINGS of Washington). The gentleman from California (Mr. HUNTER) is recognized for 10 minutes.

Mr. HUNTER. Mr. Chairman, we have a system today which makes a great deal of sense. It says if we sell a supercomputer, and the President has a right to define what a supercomputer is, he can raise the number of millions of theoretical operations per second that define a supercomputer, but once he makes that determination, then if someone sells to what is known as a Tier III country, and that is a country that we may have great problems with, and I will ask the staff to bring down a poster that has those countries. I am talking about countries like China, India, Djibouti, other countries like that; and if you sell a supercomputer to those countries, you have to do something very simple, you just give notice.

You just send a notice to the Department of Commerce; and under our law that we worked out very studiously, the Department of Commerce gives within 24 hours that notice to the Secretary of Defense and the Secretary of State, and they are able to scrub their list and say wait a minute, have we got a bad guy who is an end user here? Have we got a company that wants to kill Americans? Do we have somebody who is going to aid terrorists?

If that is not the case and we come up with a benign end user, okay, go ahead and sell it. All we have to do is give notice 10 days before the transfer is made. And if the bureaucracy fails to act in 10 days, the trade under our present law is authorized.

The gentleman from California (Mr. DREIER), and I have great respect for him and he is a great friend and he is right on many defense issues, is wrong on this one because this takes away the notice. We are a Nation that now understands that fighting terrorism means knowing things. It means intelligence. We are the country that is going to get information off driver's licenses and visas and background checks because we need information; and yet if this passes, there is no notice requirement.

The gentleman from California (Mr. DREIER) says some notice requirement may be built in in the future; but when we strike title B, it takes away the notice requirement.

The other thing that it takes away, it takes away what is known as end-use verification. That means when we sell a supercomputer to Communist China, and they say we are not using this for our nuclear weapons development, we are going to use this for our weather laboratories, that means we have a right to go over and check in that weather laboratory and make sure that they have not transferred it over to nuclear weapons development. The Dreier amendment strikes this, and we no longer can check on how this equipment is being used.

Mr. DICKS. Mr. Chairman, will the gentleman yield?

Mr. HUNTER. I yield to the gentleman from Washington.

Mr. DICKS. Mr. Chairman, the gentleman from California (Mr. COX) and I led the investigation into the transfer of technology to China, and one of the

things that we found in our investigation was the great difficulty of verifying what the end use in fact was.

We have to look at the possibility that they could use this to upgrade their nuclear weapons capability. I think this is very serious and dangerous. I do not think we should do this. I think to end all export controls in 120 days is irresponsible, and that is what the amendment will do.

Mr. HUNTER. Mr. Chairman, I reserve the balance of my time.

Ms. LOFGREN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I think this is a good amendment, and I think it is important for Members to know that the administration supports the amendment. We received a letter from Secretary Don Evans indicating that the administration supports the amendment and also a letter from Condoleezza Rice indicating that ''the President has long-supported the repeal of this requirement.'' She and the President support this amendment.

Clearly, President Bush would not support an amendment that would be adverse to the national security interests of the United States, and the truth is we are not repealing computer export controls. What we are doing with this amendment is replacing the control system with something that is flexible and that works better.

I have here in my hand a Sony PlayStation 2. It is a children's toy. I bought one for my son for Christmas on ebay and a game, the Madden game. This children's toy was controlled under the MTOP export control standard at one time, and we could not change it fast enough so that the toys could not be exported. That is a preposterous result. Of course we have altered the MTOP since then, but the reason the President wants this change is so the President and the administration can move and protect this country in a flexible way, and the current law does not allow that.

I hope that Members listen to Condoleezza Rice and listen to the technology sector that knows about computers. Certainly this has great economic value in this time when the tech sector is in the dumps, but we would never support it if it was not also consistent with national security, which clearly it is.

Mr. Chairman, I reserve the balance of my time.

Mr. HUNTER. Mr. Chairman, I yield 1½ minutes to the gentleman from Mississippi (Mr. TAYLOR).

Mr. TAYLOR of Mississippi. Mr. Chairman, I rise in strong opposition to this amendment. In 1993, a group of Congressmen wrote then-Secretary of State Warren Christopher asking permission for an outfit called Hughes-Loral to launch satellites in China allegedly for telecommunications purposes.

□ 1800

The result of that and the mistakes that followed were that the Chinese now have the technology, paid for by the American taxpayer, to put multiple warheads on one rocket and kick them into different trajectories to land on different cities. That was the scandal that came of that.

The pitch then was, nothing can go wrong. As a matter of fact, the letter says: You will find that Hughes satellites are guarded around the clock by U.S. Government and Hughes personnel during their time in China and that the Chinese have no opportunity to touch or even view the embedded MTCR control technology. Therefore, no technology transfer is possible at any time. As the gentleman from California (Mr. COX) and the gentleman from Washington (Mr. DICKS) will tell you, they sure as heck got that technology, paid for by the American taxpayer, that now threatens the American taxpayer.

The gentleman from California (Mr. DREIER) signed that letter. How many mistakes does the gentleman from California have to make? How much more do we have to put the American people at risk so that one company or two can make a couple of bucks, and then we as the taxpayers have to go back and spend a fortune to undo the harm that has been done?

Mr. DREIER. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR of Mississippi. I yield to the gentleman from California.

Mr. DREIER. I thank my friend for yielding. That letter has nothing to do with what we are looking at here today.

Mr. TAYLOR of Mississippi. It is the exact same argument.

Mr. DREIER. Mr. Chairman, I am happy to yield 1½ minutes to the gentleman from Florida (Mr. GOSS), the very distinguished chairman of the Permanent Select Committee on Intelligence.

(Mr. GOSS asked and was given permission to revise and extend his remarks.)

Mr. GOSS. Mr. Chairman, I thank my distinguished friend, the chairman of the Committee on Rules, for yielding me this time. This is a subject that we have discussed many times. There is no question about one thing and that is that MTOPS is no longer a viable template to use as the decision-driver to control exports of high-performance computers. We, I think, all agree on that. We have economic and security concerns to weigh when we talk export on these matters. They are very serious. They affect a great many people in a great many ways. But we understand that what we are dealing with is no longer viable. What we need and what the administration is seeking, I am told, is new computer control methodology that will deal with technology as it is today, in the world as it is today that provides for our national security and provides for economic opportunity. That is something we need to do.

The risk before us right now is repealing the old system without having the new system fully in place. The Dreier amendment, I believe, allows 4 months to put the new system in place, specific consultation with the appropriate committees, those who are concerned about this on all sides of it; and it comes with a pledge from the head of our national security affairs, Condoleezza Rice, that indeed the administration is about this and a pledge from the Secretary of Commerce that says repeal of existing regulation on exports of high-performance computers until appropriate regulations are in place will not happen.

That ought to give us satisfaction. The question is, can the administration get it done in 4 months? I believe so. Are we in the process? I believe so. Should we stand pat under the old system that does not work just because we are scared to go forward with the technology in situations today? The answer is no. I believe the Dreier amendment should be considered and supported.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Mr. Chairman, I rise in strong opposition to the Dreier amendment. I, too, signed that letter in 1993, and I have regretted it ever since. Unlike the gentleman from California (Mr. DREIER), who has not seemed to have learned his lessons on this, the bottom line is this is exactly the same issue. I signed that letter in 1993 because I was promised that there would be no transfer of technology for military use that could be in any way threatening to the United States. And you know what happened? Yes, because the satellite industry wanted to sell satellites to Communist China and the end result was our missile technology was transferred to Communist China and as the gentleman from Mississippi (Mr. TAYLOR) said, we now have MIRVs based on our technology, that technology, aimed at the United States. This is a travesty. The same will happen if we do not put these types of restrictions on supercomputers.

The bottom line is there is an obsession with open trade to Communist China driving policy here. We need to put heavy restrictions on those countries that could be potential enemies, like Communist China, while opening up free trade with nonbelligerent countries that do not pose a threat to us.

Vote ''no'' on the Dreier amendment. Keep us safe.

Ms. LOFGREN. Mr. Chairman, I yield 2 minutes to the gentleman from Washington (Mr. SMITH), a leader in this effort.

Mr. SMITH of Washington. Mr. Chairman, I think the most telling thing about this debate thus far is that those who oppose this amendment have said virtually nothing about the amendment itself. We absolutely completely agree that that system on the gentleman from California's chart should stay in place. We should have checks on end use. We should have some standard for what to ship to countries that we do not want to ship

it to. This amendment does not eliminate that. It merely recognizes the fact that the existing standard does not work and actually places our country in precisely the danger the opponents have described.

The MTOPS system is hopelessly out of date and keeping up with it is virtually impossible. Just to give you one example, by trying to figure out what a supercomputer is, you have this concept that you can simply look at a computer and say, it's a supercomputer or it isn't. It is not that easy. MTOPS is the way it is currently measured, but that does not take into account that a computer that would be under the supercomputer level can be elevated to the supercomputer level simply by adding another processor which is about the size of my hand, or smaller, to the computer.

The point here is that the MTOPS system does not work. The Dreier amendment would change that and has nothing to do with the letter that people signed back in 1993. We should absolutely keep standards in place for what technology we export, particularly to countries that we are concerned about. The standard we have now does not work, and it does not protect us. It not only hurts business, as has been mentioned, which, by the way, is also important to national security if we are to maintain our leadership in technology in this country where it does us the most good on national security; but this also does not even work to protect national security because the standard is hopelessly out of date. We are giving the President of the United States, who I think the gentleman from California (Mr. HUNTER) has some confidence in on national security issues, the power to change that system to one that would work better. That is what we are doing.

At some point, the opponents of this amendment might talk about it. I doubt it. They will talk about other issues. On the substance of the Dreier amendment, it is a change that is going to protect our national security, which is something we should all be in support of.

Mr. HUNTER. Mr. Chairman, I yield myself 30 seconds.

Mr. Chairman, let me just say, the playtop system that the gentlewoman from California held up and said this would be licensed, that is not the case today. Today the case is 19,000 million theoretical operations per second. That is about 2,000. Nobody is asking for a report on that. We have taken care of that.

Secondly, the heart of this is the report. If you sell to one of these controlled countries like China, you have to let the Secretary of Defense know you did it. He only has 10 days to review it. If he does not do anything, you make the sale. But the idea that we do not want to bother ourselves with knowing what we are doing makes no sense.

Mr. Chairman, I yield 1 minute to the gentleman from Hawaii (Mr. ABERCROMBIE).

Mr. ABERCROMBIE. Mr. Chairman, there is a bit of acrimony here, and I think we ought to reduce it. People have different views on this. I regret that my good friend from Washington says that we are not wanting to take up the question of the MTOPS and that that is an inadequate measure. I have here before me the GAO report on ''Export Controls: More Thorough Analysis Needed to Justify Changes in High Performance Computer Controls,'' in which it states quite specifically that the inadequacies of the report, that is to say, the President's report on this issue is compounded by the continued use of the flawed measured MTOPS. That is not what we are talking about.

We are talking about whether or not this amendment would get done what the advocates say it will do. It will not. What it does is say give the President the opportunity to come up with a system. The reason this should be defeated is that those who wish to have a different kind of measure, those who wish to be able to sell these computers or its components in some other form need to come up with the alternative proposal and have it vetted through the Committee on Armed Services and other relevant committees, and then we will take it up and vote on it. This should be defeated because it is not ready to be passed.

Mr. DREIER. Mr. Chairman, I am very happy to yield 1½ minutes to the gentleman from California (Mr. COX), the distinguished chairman of the Select Committee on Homeland Security.

Mr. COX. Mr. Chairman, I thank the gentleman for yielding me this time. I thank the chairman, as well, for working with me on the language of this amendment which I became concerned with first as chairman of a different select committee on U.S. national security and military commercial concerns with the People's Republic of China. As a result of extensive expert testimony during hearings before that committee, I became convinced that the MTOPS standard is not an acceptable metric for the purposes that we are seeking to achieve with our export control regime, and I support modernizing and updating the approach that we are taking to high-end computer export controls. I have suggested, and there is included in this amendment, a 120-day period during which these regulations can be implemented by the Bush administration, and I appreciate the gentleman from California (Mr. DREIER) changing the text of the amendment so that the repeal of the current regime is not immediately effective.

I am concerned that while we are repealing the provisions concerning MTOPS, we are also repealing the notification requirements in the statute. I would hope that as we go to conference we might correct what I believe is an oversight in that respect because I believe that any new regime of regulations would include such notification requirements in all events. But I think it is important that we modernize our regime in this respect, and I support the amendment. I will vote in support of it.

Mr. HUNTER. Mr. Chairman, I yield 1 minute to the gentleman from New Jersey (Mr. SAXTON), chairman of the Subcommittee on Terrorism, Unconventional Threats and Capabilities.

(Mr. SAXTON asked and was given permission to revise and extend his remarks.)

Mr. SAXTON. Mr. Chairman, as the gentleman mentioned at the beginning of this session, the Committee on Armed Services set up a new subcommittee which I have the honor of chairing. One of our responsibilities on the Subcommittee on Terrorism, Unconventional Threats and Capabilities is to review matters just such as this one that would have to do with the proliferation of weapons of a variety of kinds and the materials that could be used to construct them. This very amendment offered by the gentleman from California (Mr. DREIER) is just such a subject that should be reviewed by this subcommittee. That is what we are staffed for, and that is what we do; and here we are on the floor considering this amendment without even having had the opportunity to consider it by our subcommittee.

We are for international trade. We are for export of computer systems to the right people. However, this is a wrongheaded, in my opinion, at least at this point without having had a chance to study it before today, amendment which goes, in my opinion, in the wrong direction as has been stated by the developing coalition, including the gentleman from Hawaii (Mr. ABERCROMBIE), the gentleman from Washington (Mr. DICKS), and the gentleman from Mississippi (Mr. TAYLOR).

Ms. LOFGREN. Mr. Chairman, I yield myself the balance of my time.

I thought it was quite wonderful that the chairman of the Permanent Select Committee on Intelligence supported this amendment. I would like to note for the record that the ranking member, the gentlewoman from California (Ms. HARMAN), has also announced her support for the amendment. I think there is a reason for that. We have been trying to resolve this for many, many years; and because of a variety of snags, we were unable to do it, but we are paying an economic price. The Silicon Valley unemployment rate today is 8.5 percent. We have lost 239,000 jobs since January of 2001, and we need to revitalize the economy. This is one way to do it that is safe. It is supported by the Bush administration, it is supported by Condoleezza Rice, it is supported by the Department of Defense, it is supported by the GAO study; and I think it is time to act.

I am delighted to cosponsor this amendment with my colleague, the gentleman from California (Mr. DREIER). It has overwhelming support

on both sides of the aisle as well as within the administration. I think it is quite worthy of the support of Members on both sides. It does not jeopardize our national security in any way. I hope that Members will listen to the debate and vote ''aye.''

Mr. DREIER. Mr. Chairman, I yield myself the balance of my time. As we have worked in structuring this rule, I want to congratulate the gentleman from California (Mr. HUNTER) for all of the effort he has put into this great piece of legislation. I do not step forward to challenge him on an issue lightly. This is a very serious matter. I will take a back seat to no one when it comes to the national security of the United States of America.

The gentleman from California and I came together with Ronald Reagan in 1980, and I would not be supportive of any legislation which repealed regulations to ensure that the transfer of sensitive technology would go into the hands of our adversaries. I have great confidence in Condoleezza Rice. I have great confidence in the leadership of this President. And I believe that the correspondence that we have had, having worked closely on fashioning this amendment with the administration, having worked closely with the chairman of the Permanent Select Committee on Intelligence, having worked closely with the chairman of the Select Committee on Homeland Security, and Democrats on the other side of the aisle to ensure that we have this opportunity to do it, guarantees that we will address our national security concerns.

□ 1815

Pass this amendment. Repeal this outdated moment. Please vote in favor of the amendment.

Mr. HUNTER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this amendment guts a very important aspect of national security, and that aspect is knowledge. The idea that we want to take away notice when a supercomputer is sold to one of these third-tier countries, and once again I would ask the floor staff to put up that list of so-called third-tier countries, including Communist China and a number of others which may at some point be our adversary, the idea that we want to take away our notice so that we do not know if we are transferring a supercomputer to the Osama bin Laden Construction Corporation, we want to divest ourselves of that knowledge, that makes no sense.

We have a system in place which is very practical. It is a 10-day system. You simply tell, by notice, the Department of Commerce if you are going to sell a supercomputer. The President decides what a supercomputer consists of; and if you are going to sell a supercomputer to China or Pakistan or Vietnam or Algeria, you give them a 10-day notice. He sends a copy within 24 hours to the Secretary of Defense, the Secretary of State. If nobody objects, you make the sale. If 10 days expires, you go ahead and transfer this supercomputer.

The other thing we have is in-use verification. We want to make sure when a supercomputer goes to China it is being used by their weather bureau, for example, not by their nuclear facilities. The only way one can tell is by sending a team and saying is that supercomputer where they said it would be? That is called in-use verification. The gentleman from California's (Mr. DREIER) amendment strikes in-use verification.

The gentleman from Illinois (Mr. HYDE) joins me in opposing this amendment very strongly. I would ask the Members to look at the handout that the gentleman from Illinois (Mr. HYDE) and I put out together.

Please vote this amendment down and please retain notice.

Ms. ESHOO. Mr. Chairman, I rise in strong support of the amendment offered by my colleagues Chairman DREIER and Representative LOFGREN.

The amendment allows the Administration to reform the MTOP standard to control computer exports, a standard implemented during the Cold War to protect high-performance computers from falling into the hands of rogue nations.

Why should this standard be reformed?

Quite simply, the MTOP standard has failed to keep pace with technological innovation and has become a useless tool that serves no other purpose other than to place American companies at a severe competitive disadvantage with their foreign competitors.

Personal computers available today perform at more than 25 times the speed of the supercomputers built just a decade ago. Yet these same PCs are treated like weapons under the MTOP standard.

Clearly, reform of our export system is necessary.

This amendment protects our national security while at the same time allowing American high technology companies to compete on a level playing field with their foreign competitors.

Importantly, it is not only the technology and computer industries who are calling for this reform.

Both the Defense Department and the GAO agree that the MTOPS export control system is ''ineffective'' and ''irrelevant''.

We must reform this standard and I urge my colleagues to support this amendment.

Ms. HARMAN. Mr. Chairman, I rise in support of the Dreier-Lofgren amendment, which would repeal the requirement to use MTOPS as the metric for restricting exports of high-powered computers and authorize the President to devise a new approach that is both more effective at protecting national security and less injurious to U.S. commercial interests.

When Congress imposed the MTOPS requirements as part of the National Defense Authorization Act back in 1998, we made a terrible mistake by mandating a metric that was poorly matched to the threat it was designed to address. At the same time, we handicapped U.S. high tech companies trying to break into the world's fastest growing markets—and gave an artificial advantage to all the companies abroad who would like to move the leading edge in high-powered computing to other nations.

The MTOPS metric has been ineffective at controlling the diffusion of technology primarily because computing power has advanced at such a furious pace over the past decade and a half. In 1991 when the MTOPS metric was first devised, the fastest supercomputer in the world was the Cray C90, which was the size of two refrigerators and cost about $10 million. Do you realize that today a Dell Pentium 4 laptop computer, which costs about $1,000, has more computing power than the Cray C90?

What's more, ''clustering'' technology allows a foreign government whose technological capabilities we are trying to limit to buy mass market PCs off the shelves of Radio Shack or Wal-Mart and achieve the same computing power by harnessing them together.

The most important point I want to make today is that this amendment repealing the MTOPS mandate will not injure national security. To that end, I want to cite just a few sources:

A May 2001 report by the Center for Strategic and International Studies (CSIS) concluded that the MTOPS system is ''ineffective, given the global diffusion of information technology and the rapid increases in performance'' and ''irrelevant'' because it ''cannot accurately measure performance of current microprocessors or alternative sources of supercomputing like clustering.''

A February 2001 study by DOD's Office of Science and Technology similarly concluded that ''MTOPS has lost its effectiveness * * * due to rapid technology advances.''

President George W. Bush commented in March 2001 that ''With computing power doubling every 18 months, these controls have the shelf life of sliced bread. They don't work.''

Mr. Chairman, passing this amendment will give the President the power to devise a better system to protect national security. Let's do the right thing and approve the Dreier-Lofgren amendment.

The CHAIRMAN pro tempore (Mr. HASTINGS of Washington). All time has expired.

The question is on the amendment offered by the gentleman from California (Mr. DREIER).

The question was taken; and the Chairman pro tempore announced that the noes appeared to have it.

Mr. DREIER. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN pro tempore. Pursuant to clause 8 of rule XX, further proceedings on the amendment offered by the gentleman from California (Mr. DREIER) will be postponed.

The CHAIRMAN pro tempore. The Committee will rise informally.

The SPEAKER pro tempore (Mr. LAHOOD) assumed the Chair.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries.

The SPEAKER pro tempore. The Committee will resume its sitting.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2004

The Committee resumed its sitting.

The CHAIRMAN pro tempore (Mr. HASTINGS of Washington). It is now in order to consider amendment No. 9 printed in House Report 108–122.

AMENDMENT NO. 9 OFFERED BY MR. HASTINGS OF FLORIDA

Mr. HASTINGS of Florida. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 9 offered by Mr. HASTINGS of Florida:

Page 260, strike lines 23 and 24.

Page 262, strike lines 7 through 12.

The CHAIRMAN pro tempore. Pursuant to House Resolution 247, the gentleman from Florida (Mr. HASTINGS) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Florida (Mr. HASTINGS).

Mr. HASTINGS of Florida. Mr. Chairman, I yield myself such time as I may consume.

I rise today to offer an amendment that preserves congressional oversight authority over Department of Defense actions. U.S. Code, Title 10, directs the Department of Defense to prepare a variety of reports annually, quarterly, and monthly. The Secretary has argued, and with some currency, that the task of preparing these reports is too time-consuming and manpower intensive. The Secretary now seeks to have the requirement to submit reports deleted.

Mr. Chairman, I am all for efficiency in government, but let us be careful not to give away the House and the Senate. Mr. Chairman, included in the list of reports the Secretary of Defense seeks to delete from Title 10 are some that are critical for the House and Senate. We cannot abrogate our constitutional duty of checks and balances over the largest department of the Executive Branch simply because it takes time to prepare a report.

My amendment retains three reporting requirements that I believe are extremely important to this body's oversight authority.

The first directs the Secretary of Defense to inform the House Permanent Select Committee on Intelligence and the Senate Intelligence Committee on any actions taken consistent with activities outlined in the National Security Act. I can assure the Members, as a member of the Permanent Select Committee on Intelligence, this information is of the utmost importance to us.

The second is an annual report from the Secretary of Defense to the House Committee on Armed Services and the Senate Armed Services Committee as well as the House Committee on International Relations and the Senate Foreign Relations Committee. This report lists all humanitarian assistance activities of the Department, including the cost of those activities.

The third report retained by my amendment requires the heads of each DOD department or agency to provide an annual report to the House Committee on Armed Services and the Senate Armed Services Committee on the management of the civilian workforce under their jurisdiction.

With the sweeping changes envisioned for the DOD civilian workforce, who can argue that these reports are no longer important?

I appreciate the Secretary's concerns. As a matter of fact, several of us met with Secretary Rumsfeld as he returned to the Department of Defense, and one of the questions that was put to him was what changes did he see this second time around. Very candidly and forthrightly he said the thing that struck him most is the number of reports that are required to be brought out by the Department of Defense.

I have included in this amendment timely and relevant reports to Congress and excluded from it original versions that would have required more.

We are about to write a very large check for the Department of Defense and rightly so, but at the end of the day let us make sure we know what we are paying for. I would like to thank the gentleman from California (Chairman HUNTER) for his interest in my amendment, and especially I am grateful to him and his staff and the ranking member, and I believe that we have reached an acceptable compromise.

Mr. Chairman, I reserve the balance my time.

Mr. HUNTER. Mr. Chairman, I ask unanimous consent for the time in opposition, although I am not opposed to the amendment.

The CHAIRMAN pro tempore. Without objection, the gentleman from California (Mr. HUNTER) is recognized for 5 minutes.

There was no objection.

Mr. HUNTER. Mr. Chairman, I yield myself such time as I may consume.

I want to thank the gentleman for bringing this amendment and thank him for working with the committee, and we have no objection to the amendment.

Mr. HASTINGS of Florida. Mr. Chairman, I thank the gentleman and the ranking member.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN pro tempore. The question is on the amendment offered by the gentleman from Florida (Mr. HASTINGS).

The amendment was agreed to.

AMENDMENT NO. 6 OFFERED BY MR. DREIER

The CHAIRMAN pro tempore. Pursuant to clause 6 of rule XVIII, proceedings will now resume on amendment No. 6.

The pending business is the demand for a recorded vote on the amendment offered by the gentleman from California (Mr. DREIER) on which further proceedings were postponed and on which the noes prevailed by voice vote.

The Clerk will redesignate the amendment.

The Clerk redesignated the amendment.

RECORDED VOTE

The CHAIRMAN pro tempore. A recorded vote has been demanded.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 207, noes 217, not voting 10, as follows:

[Roll No. 219]

AYES—207

Ackerman
Allen
Baca
Baird
Baldwin
Ballance
Becerra
Bereuter
Berkley
Biggert
Bishop (NY)
Blumenauer
Blunt
Boehlert
Boehner
Bono
Boswell
Boucher
Brady (TX)
Brown (SC)
Burr
Camp
Cannon
Cantor
Capps
Capuano
Cardin
Cardoza
Case
Castle
Chocola
Clay
Conyers
Cooper
Cox
Crane
Crowley
Cubin
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis, Tom
DeGette
Delahunt
DeLauro
DeLay
Diaz-Balart, L.
Dingell
Doggett
Dooley (CA)
Dreier
Dunn
Ehlers
Emanuel
Engel
Eshoo
Etheridge
Farr
Flake
Fletcher
Foley
Fossella
Frank (MA)
Frost
Gallegly
Gonzalez
Goodlatte
Goss
Granger
Greenwood
Grijalva
Gutierrez
Gutknecht
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hensarling
Herger
Hill
Hinojosa
Hoekstra
Holt
Honda
Hooley (OR)
Houghton
Hoyer
Hulshof
Inslee
Israel
Issa
Jackson (IL)
Jefferson
John
Johnson (CT)
Johnson, E. B.
Jones (OH)
Kelly
Kennedy (MN)
Kennedy (RI)
Kilpatrick
Kind
Kirk
Knollenberg
Kolbe
Kucinich
LaHood
Lampson
Larsen (WA)
Latham
LaTourette
Leach
Lee
Lewis (GA)
Linder
Lofgren
Lowey
Lucas (KY)
Majette
Maloney
Manzullo
Markey
Matheson
Matsui
McCarthy (NY)
McCollum
McCrery
McDermott
McGovern
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (NC)
Moore
Moran (VA)
Myrick
Nadler
Napolitano
Neal (MA)
Northup
Nunes
Oberstar
Olver
Osborne
Ose
Otter
Pallone
Pastor
Paul
Pelosi
Peterson (MN)
Petri
Pitts
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Reynolds
Roybal-Allard
Rush
Sanchez, Linda T.
Sanchez, Loretta
Schakowsky
Schiff
Scott (VA)
Serrano
Sessions
Shays
Shimkus
Smith (TX)
Smith (WA)
Snyder
Solis
Sullivan
Tauscher
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tierney
Toomey
Towns
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velazquez
Walden (OR)
Walsh
Waters
Watson
Watt
Weiner
Weller
Wexler
Wilson (NM)

NOES—217

Abercrombie
Aderholt
Akin
Alexander
Andrews
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bell
Berman
Berry
Bilirakis
Bishop (GA)
Bishop (UT)
Blackburn
Bonner
Boozman
Boyd
Bradley (NH)
Brady (PA)
Brown (OH)
Brown, Corrine

Burgess
Burns
Burton (IN)
Buyer
Calvert
Capito
Carson (IN)
Carson (OK)
Carter
Chabot
Clyburn
Coble
Cole
Collins
Costello
Cramer
Crenshaw
Culberson
Davis (TN)
Davis, Jo Ann
Deal (GA)
DeFazio
DeMint
Deutsch
Diaz-Balart, M.
Dicks
Doyle
Duncan
Edwards
English
Evans
Everett
Fattah
Feeney
Ferguson
Filner
Forbes
Ford
Franks (AZ)
Frelinghuysen
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Graves
Green (TX)
Green (WI)
Hall
Hayes
Hayworth
Hefley
Hinchey
Hobson
Hoeffel
Holden
Hostettler
Hunter
Hyde
Isakson
Istook
Jackson-Lee (TX)
Janklow
Jenkins
Johnson (IL)
Johnson, Sam
Jones (NC)
Kanjorski
Kaptur
Keller
Kildee
King (IA)
King (NY)
Kingston
Kleczka
Kline
Lantos
Larson (CT)
Levin
Lewis (CA)
Lewis (KY)
Lipinski
LoBiondo
Lucas (OK)
Lynch
Marshall
McCarthy (MO)
McCotter
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Miller (FL)
Miller (MI)
Miller, Gary
Miller, George
Mollohan
Moran (KS)
Murphy
Murtha
Musgrave
Nethercutt
Ney
Norwood
Nussle
Obey
Ortiz
Owens
Pascrell
Payne
Pearce
Pence
Peterson (PA)
Pickering
Platts
Pombo
Pomeroy
Porter
Regula
Rehberg
Renzi
Reyes
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Royce
Ruppersberger
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanders
Sandlin
Saxton
Schrock
Scott (GA)
Sensenbrenner
Shadegg
Shaw
Sherman
Sherwood
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Souder
Spratt
Stark
Stearns
Stenholm
Strickland
Stupak
Sweeney
Tancredo
Tanner
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Tiahrt
Tiberi
Turner (OH)
Turner (TX)
Visclosky
Vitter
Wamp
Waxman
Weldon (FL)
Weldon (PA)
Wicker
Wilson (SC)
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NOT VOTING—10

Bonilla
Brown-Waite, Ginny
Combest
Doolittle
Emerson
Gephardt
Gordon
Langevin
Oxley
Whitfield

ANNOUNCEMENT BY THE CHAIRMAN PRO TEMPORE

The CHAIRMAN pro tempore (Mr. HASTINGS of Washington) (during the vote). Members are advised that 2 minutes remain in this vote.

□ 1848

Messrs. NETHERCUTT, MORAN of Kansas, CARSON of Oklahoma, PENCE, Mr. RYUN of Kansas, MEEK of Florida, BURTON of Indiana, RUPPERSBERGER, Ms. BROWN of Florida, Messrs. WYNN, TIAHRT, LARSON of Connecticut, and WILSON of South Carolina, Ms. ROS-LEHTINEN, and Mr. SHADEGG changed their vote from ''aye'' to ''no.''

Messrs. KIND, TOOMEY, THOMPSON of California, WATT, WALDEN of Oregon, PALLONE, LAMPSON, MARKEY, NADLER, RAHALL, CROWLEY and Ms. HARRIS changed their vote from ''no'' to ''aye.''

So the amendment was rejected.

The result of the vote was announced as above recorded.

Stated against:

Mr. LANGEVIN. Mr. Chairman, on rollcall No. 219, my vote was not recorded, but had it been recorded I would have voted ''no.''

PERSONAL EXPLANATION

Mr. OXLEY. Mr. Chairman, I was absent from the House floor during rollcall vote 208 through rollcall vote 219. Had I been present, I would have voted ''aye'' on rollcall votes numbered 208, 209, 210, 211, 212, 213, 214, 217, 218, and 219. I would have voted ''nay'' on rollcall votes 215 and 216.

Mr. BOEHLERT. Mr. Speaker, I submit the following letter for the RECORD.

COMMITTEE ON SCIENCE,
HOUSE OF REPRESENTATIVES,
Washington, DC, May 15, 2003.

Hon. DUNCAN HUNTER,
Chairman, Committee on Armed Services, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I understand that the Armed Services Committee has requested that the Committee on Science waive its right to a referral on several sections of H.R. 1588, the National Defense Authorization Act for Fiscal Year 2004. It is also my understanding that the Parliamentarian's office has confirmed that the Science Committee has jurisdiction over several provisions in H.R. 1588.

To expedite the consideration of this bill by the House, the Committee is willing to waive its right to a referral, provided that the Science Committee's right to participate as conferees on those provisions within its jurisdiction is also protected. I would also appreciate if this exchange of letters could be included in the record of debate on H.R. 1588 during floor consideration.

Thank you for your consideration in this matter.

Sincerely,

SHERWOOD BOEHLERT,
Chairman.

Mr. BLUMENAUER. Mr. Chairman, providing national defense is one of the federal government's most significant functions, and today it is more important than ever. Our military superiority, as demonstrated during the war in Iraq, is unmatched. In terms of numbers, the United States spends more on defense than the next 25 nations combined.

Yet this $400 billion authorization, the largest defense allocation in history, does not sufficiently address long term threats to our national security. In fact, it takes us in the wrong direction by exempting the Pentagon from its future environmental responsibilities and not providing adequate resources to clean up the legacy of past defense-related pollution.

With such an enormous authorization of resources, we must make sure that the money is being spent wisely. Unfortunately, we have not eliminated unnecessary, wasteful programs that do little to enhance the security of the United States. Despite agreement on the need for deep and lasting changes to military strategy, doctrine, and force structure, the Pentagon's focus so far has been on acquiring new capabilities rather than on re-evaluating current questionable priorities and programs. While the Pentagon identified only $24.3 billion to fund ''transformation goals,'' roughly one third of that amount is also budgeted for missile defense, a Reagan era program that continues to suffer from technological difficulties and cost overruns. This is misdirected funding taking away from other defense commitments and ignores the fact that we are more at risk from terrorist with trucks, suitcases and motorboats than missiles.

We are not meeting our commitments to ''hometown security.'' More of this money should be directed to our struggling communities to address the real security threats they are facing, as demonstrated by the current code orange security status.

We are not meeting our commitments to our veterans. Our spending priorities should include funding concurrent receipts, which enable retirees who were injured in the line of duty to receive both their deserved retirement pay and disability payments. The number one issue I hear about from military retirees in my district is veterans' health care funding, which has vast unmet needs.

We are not meeting our environmental commitments. We should not lay the burden on our communities of cleaning up the Department of Defense's toxic legacy. In particular, we should fund remedies to the problem of unexploded ordnance. There are some 2,000 former military properties in every state and nearly every congressional district where these hidden dangers lurk. This is a prime example of the need for the federal government to be a better partner and clean up after itself.

In addition to the unwise and wasteful expenditures in this bill, it also authorizes unnecessary and destructive waivers of important environmental protections essential to the health of Americans and the health of our land and water. The bill would weaken one of the key provisions of the Endangered Species Act involving critical habitat protection. It would also weaken the definition of ''harassment'' in the Marine Mammal Protection Act. Unfortunately these laws apply to all ocean users, not just the Department of Defense. If we exempt the largest landowner in the country from environmental regulations, how can we expect anyone else to follow our laws?

Instead of addressing real threats to readiness, the Bush administration and Republican leadership are taking on an easier target: endangered species. Using national defense as cover, the Republicans propose to make changes to environmental laws in ways that have nothing to do with defense readiness, suggesting that was not their goal in the first place. The provision in this bill are too broad to protect the environment, yet too narrow to deal with the wide range of problems that hinder military readiness, like encroachment and sprawl.

This is the same sprawl and unplanned growth that threatens our farms and forestlands, pollutes our air and water, and congests our roadways.

There is much that we could do to strengthen and better protect America with the enormous resources authorized in this bill. There are too many items authorized that threaten Americans' health and safety or waste tax dollars with no tangible benefit. We must do better in shaping our Nation's defense policy and honoring our existing commitments to veterans, the environment, and our community.

Ms. BALDWIN. Mr. Chairman, I rise today to oppose the FY 04 Defense Authorization bill.

Since September 11, 2001, our nation has faced the threat of international terrorism.

Every Member of Congress has taken seriously one of our most important responsibilities; protecting the lives and property of all Americans. I have supposed many of President's Bush's initiatives to address the threat posed by Al Qaida and international terrorism when I believed they would enhance our country's security. I have opposed proposals when I believed they would not.

The test of any defense related legislation is: Does it make our country safer? This bill fails that test. In fact, in some ways, this bill will decrease our security.

First, this bill encourages nuclear proliferation. This bill will eliminate the prohibition on the research, development and deployment of low-yield nuclear weapons, even as the United States works to stop proliferation of nuclear weapons elsewhere. The list of countries with nuclear weapons keeps growing: the United States, Russia, Great Britain, France, China, Israel, India, and Pakistan. Now North Korea has them. Who's next? The United States committed to work toward disarmament when the Nuclear Non-proliferation Treaty (NPT) went into effect in 1972. We should be taking bold steps toward ending the threat of nuclear holocaust once and for all, not creating new ones.

The United States must show leadership by refraining from the use of nuclear weapons. Developing new ones sends exactly the opposite message. By continuing the development of new nuclear weapons at the same time we are trying to convince other nations to abstain from such weapons, we undermine our credibility to fight proliferation. Now is not the time to send an ambiguous non-proliferation message to those nations who would try to join the nuclear club.

These ''tactical'' nuclear weapons are not needed for our defense. Conventional ''bunker buster'' bombs have been used and additional research is ongoing to improve their effectivess. A ''robust earth penetrator'' would not be a targeted ''smart bomb,'' since fallout would harm human beings in the area of the blast. One that successfully penetrates deep enough to contain the fallout would need to have sufficient explosive power to no longer be considered a ''mini'' or tactical nuclear weapon. The only permanent solution to the nuclear threat is to eliminate these weapons entirely through a global legal commitment, backed by strong oversight and enforcement mechanisms.

Second, the overall spending level in this bill is excessive. This will be the largest defense budget in the history of the United States. The Center for Strategic and Budgetary Assessment has calculated that it is 10 percent higher in real terms than the average military budget during the Cold War. At $400.5 billion, this bill is $7.6 billion higher than the current authorized level. It represents 51 percent of Fiscal Year 2004 discretionary spending. The first Defense Authorization bill passed after I was elected to Congress in 1998 was the FY 2000 bill. That legislation authorized $291.0 billion.

Clearly we are the preeminent military power in the world. Our military spending is 8 times as large as the next largest military—Russia. No other nation, or collection of nations, is anywhere close to being able to challenge American military power. Continuing to increase our military spending beyond the rate of inflation and in a time of budget deficits and a stagnant economy is not a wise use of taxpayer dollars. We can be safe without spending more.

Before significantly increasing defense spending, we need to eliminate the waste, fraud and abuse within the department. The department's inspector general found that the department could not account for more than $1 trillion in spending. Yes, $1 trillion. That's two and half yearly defense budgets. A General Accounting Office report found that the Army could not account for 56 airplanes, 32 tanks, and 36 missile command launch-units. The GAO found that the department has 2,200 overlapping accounting systems which cost a total of $18 billion per year. $18 billion, and apparently they don't even work. The GAO estimates there is at least $20 billion in savings that could be found in the defense budget.

Third, this bill continues funding for weapons systems that are expensive and unnecessary. The bill would authorize $1.05 billion to purchase 9 new MV–22 Osprey tilt-rotor aircraft and continue program research and development. This aircraft has had continuing design problems that have already cost us $15 billion, four crashes and the lives of 23 Marines. We don't need these planes. We also do not need the F–22 Raptor. Like the Osprey, it has continuing technical problems and cost overruns. Each aircraft costs $260 million. We could save $3.5 billion if we did not purchase the proposed 22 this year.

The bill also makes it harder to close unneeded military bases. We have and will continue to restructure our forces to meet our new security needs. That process requires us to reduce our expenses by closing excess bases. Keeping unnecessary bases open wastes valuable defense dollars that could be used to enhance our security.

Perhaps the biggest boondoggle in the defense budget is the national missile defense system. The bill calls for $9.1 billion to continue research, development and initial deployment in Alaska. Each year we put more and more resources into this unproven technology that does not address the most likely threats from weapons of mass destruction. Is a nuclear weapon likely to arrive on an intercontinental ballistic missile? Homeland security experts don't believe so. They are worried about our ports and our borders. The GAO found that ''an effective port security environment may be many years away.'' The U.S. maritime system consists of more than 300 sea and river ports with more than 3,700 cargo and passenger terminals. In excess of 6 million transport containers enter our ports each year. With $9.1 billion we could secure our ports, and have money left over to address other urgent homeland security needs like funding for first responders, research on chemical, biological and nuclear weapons detection, improving our border security, and providing more resources for non-proliferation efforts overseas. These should be our priorities.

Fourth, the bill includes many unwise, inappropriate and unnecessary provisions. The bill would exempt the Department of Defense from certain aspects of the Marine Mammal Protection Act and Endangered Species Act. These laws already contain exemptions in cases where national security is at stake. Both the General Accounting Office and EPA Administrator Whitman have testified that environmental laws have not affected military readiness. This provision will undermine our environmental laws and threaten endangered species.

The bill gives the Secretary of Defense unprecedented ability to bypass civil service personnel rules and establish new personnel systems. Civil service rules were established to protect workers and protect the public interest by ensuring that fair rules and professionalism replace political favoritism and cronyism. The Bush Administration submitted this sweeping and unprecedented request at the last minute. We don't even know what kind of system the Secretary of Defense intends to create. Any major change like this one requires extensive hearings and in-depth analysis before Congress makes a decision. We should not be railroaded into dismantling an effective, honest civil service system. Furthermore, we should not give a blank check to the Administration in designing this system.

Finally, I am concerned about the continued funding of counter-narcotics military operations in Colombia. The involvement of our military in Colombia's civil war is counterproductive and dangerous. This bill allows counter-narcotics funding and equipment to be used by the Colombian government to fight its civil war. This policy should come to an end.

Mr. Chairman, we can keep our nation secure. Unfortunately, this defense authorization bill does not do so. This defense budget wastes money. If I believed that the increased expenditures were appropriately focused on paying our brave servicemen and women what they deserve and increasing their readiness, I would support it. But this defense budget is targeted at the wrong threats. This defense budget sets the wrong priorities.

Mr. UDALL of Colorado. Mr. Chairman, this bill is one of the most important measures that the House will consider this year. It is intended to set out our vision for the defense of our country in the years ahead—both in terms of policy direction and spending priorities. Unfortunately, the vision this bill puts forth is not one I can endorse, and so I cannot vote for it.

We are over a year into our war on terrorism and fresh from military action in Iraq. There is no doubt that we must continue to focus on defending our homeland against terrorism, we must support our military personnel, and we must give our military the training, equipment, and weapons it needs to beat terrorism around the world.

That's why I'm in favor of provisions in the bill that support those men and women who made our victory possible in Afghanistan and Iraq. The bill provides an average 4.1 percent pay raise for service members, boosts military special pay and extends bonuses, and fund programs to improve living and working facilities on military installations. Those are all good provisions that I support.

I'm also in favor of ensuring our defense capabilities are up to the task of defending against 21st century threats. Secretary Rumsfeld continues to try to refocus and reprioritize our defense programs along 21st century lines, but I'm not sure his vision has the support of some of our colleagues here in the House, who seem content to address new threats with Cold War-era technologies. Indeed, with the exception of the Crusader artillery system, the Administration and Congress have continued every major weapons system inherited from previous administrations.

So my first objection to this bill is that although it brings overall defense spending to

levels 13 percent higher than average Cold War levels, it doesn't present a coherent vision of how to realign our defense priorities. We need to make clear decisions about our defense spending, and this bill doesn't begin to consider the choices that must be made.

I have other strong objections to the bill. It includes provisions similar to those in H.R. 1935, a bill we considered in the Resources Committee, to exempt the Department of Defense from compliance with the Endangered Species Act (ESA) and the Marine Mammal Protection Act (MMPA). There is a broad-based support for existing environmental laws—as there should be—and these laws already allow case-by-case flexibility to protect national security. The Pentagon has never sought to take advantage of this flexibility, so it strains belief that these laws are undermining our national security. Indeed, the General Accounting Office has found that training readiness remains high at military installations notwithstanding our environmental laws.

Lacking any compelling data to conclusively demonstrate that military readiness and training have suffered as a result of compliance with the ESA and MMPA, I am not persuaded that the changes to these acts proposed by the military are justified. If anything, the recently completed Iraqi Freedom campaign verifies once again that our armed forces remain the best trained, best equipped force on the planet. The Administration has opportunistically selected the present circumstances as a thin veneer behind which to move legislation to weaken key aspects of the ESA and MMPA that it could not achieve otherwise. Such over-reaching should not be rewarded, and the House should not have included these provisions in the bill we are considering today.

I am also concerned about the bill's provisions to overhaul DOD's personnel system. Last year, Congress authorized the largest government reorganization over thirty years with the creation of the Department of Homeland Security, affecting 170,000 Federal employees. Following extensive debate, the new DHS Secretary was given authority to establish a flexible personnel system that at least attempted to protect workers' rights. The provisions in this bill would create even wider ranging exemptions for the Department of Defense, stripping almost 700,000 civilian employees of fundamental rights relating to due process, appeals, and collective bargaining.

The Administration only knows that it wants to gut the current system, but it hasn't provided an alternative. This bill provides a blank check for the Administration to undo many of our civil service laws in an unprecedented unilateral approach to civil service reform. What's worse, the Rules Committee wouldn't allow the House to consider a sensible amendment that would restore a system of checks and balances for our Federal workers. I cannot support the way this bill treats so many dedicated civilian employees of the Department of Defense.

Finally, I am concerned about the bill's provisions on nuclear weapons. This year's bill provides funding to study the feasibility of developing nuclear earth-penetrating weapons and low-yield nuclear weapons. Low-yield nuclear weapons have an explosive yield of five kilotons or less—''only'' a third of the explosive yield of the bomb dropped on Hiroshina.

Mr. Chairman, our obligations under the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) require the United States to work towards nuclear disarmament, rather than further increase the size and diversity of our arsenal. Indeed, we're working even now to prevent North Korea, Iran, Syria, and other countries from gaining access to nuclear weapons. By continuing the development of new U.S. nuclear weapons at the same time that we are trying to convince other nations to forego obtaining such weapons, we undermine our credibility in the fight to stop nuclear proliferation.

I believe we must be extremely cautious before we consider expanding applications of nuclear use. We all agree on the need to maintain the deterrent capability of our nuclear forces, but I don't believe we need more or new weapons to maintain our deterrent. This bill takes our nuclear posture a step backwards, putting the U.S. in a position of leading the world in the direction of developing more nuclear weapons.

Mr. Chairman, if the House had been permitted to consider more needed amendments to the bill, it might have been improved enough so that I could support it. But the Rules Committee rebuffed sensible amendments at every turn, denying us a voice on civil services protections and the environment, among other issues. So in view of my strong objections outlined above, I cannot support this bill.

Mr. VAN HOLLEN. Mr. Chairman, it is my intention to vote for the National Defense Authorization Act for fiscal year 2004 now before the House. The brave men and women risking their lives in Iraq deserve the support of the United States Congress and we have a responsibility to provide the military with the means to protect all of us. However, I am deeply troubled by portions of the Act that have the potential to undermine America's standing in the world, decrease our security, undermine the protections guaranteed under current law for civil servants working in the Department of Defense, and endanger our environment. Earlier today an important amendment failed to be included in the final version of the Act that we are now being asked to vote on.

The Tauscher Amendment would have transferred money from the Robust Nuclear Earth Penetrator to a conventional weapon system meant to defeat hardened and deeply buried targets. The development and possible use of such a bunker-busting nuclear weapon is a dangerous step for this Congress to authorize. Such weapons would disperse deadly radioactive fallout into the atmosphere, could lead to the resumption of nuclear testing and would undercut US efforts to halt the proliferation of weapons of mass destruction.

We were also denied the opportunity even to cast a vote on the other amendments. An amendment I proposed with Mr. COOPER and Mr. DAVIS to ensure that protections for the 700,000 civil service employees of the Department of Defense remain in force was excluded from consideration by the Rules Committee yesterday. In the Committee on Government Reform, of which I am a member, representatives from the Department of Defense made it clear that our military success in Iraq was the result of a team effort; a team effort between the military and the civil servants within the Department of Defense that provided them crucial support. It was a true partnership. Yet, just a few weeks after our military success in Iraq, the Pentagon launched what can only be described as a sneak, surprise attack on the rights of those civil servants within the Department of Defense. If these civil service protections, in existence since the Presidency of Theodore Roosevelt, are thrown out it will open up the Department of Defense to party politics and will change our security. We want a personnel system that rewards people based on merit, not based on political favoritism. We want, for example, our procurement officers to be looking out for the public interest, to be looking out for our national interests, not the interests of the most politically connected contractors. I support the idea of pay for performance; but it should be merit-based performance, not a political loyalty test. I think this bill, which is important to our national security, should not contain this provision which damages the integrity of the Civil Service.

We were also denied the right to vote on an amendment to protect our environment. I am appalled by the provisions in this bill that exempt the Defense Department from important environmental protections. It is a sad irony that the Department, which is responsible for protecting our nation from enemy assaults would ask for an exemption from laws to prevent assaults on our environment here at home.

The work of the Department of Defense is crucial to protecting both the physical security of our citizens and ensuring that we as Americans can live in a society that protects our interests in the long run. I will vote for the Act, but my support is tempered by my serious concern that certain elements of this bill could prove detrimental to other important national interests.

Mr. STARK Mr. Chairman, I oppose HR 1588, the Defense Authorization Bill.

This bill will enact a defense budget 23 percent higher than the average military budget during the Cold War. It then sets the stage for a 17 percent increase in defense budgets over the next decade. Republicans seek to finance these increases by taking money away from basic domestic priorities and saddling our children with a deficit as far as the eye can see.

Of course, the President and Republicans won't provide the funds needed to improve our

schools and guarantee our children a high quality education. They won't provide a real Medicare prescription drug benefit for our seniors and people with disabilities. They won't even give so-called ''first responders'' the resources to protect Americans against terrorist attacks that may well be spurred by this Administration's fanatical foreign policy.

There isn't a dollar in the President's overall budget for school modernization, but this defense budget has us spending $9.1 billion on a pie-in-the-sky missile defense system. 28,000 kids will be cut from Head Start, but $15 million will go to researching something called nuclear ''bunker buster'' bombs.

Make no mistake about it, the Bush Administration has us on the edge of a new nuclear arms race by pushing for research into so-called ''low-yield'' nuclear weapons. The idea behind their development is their possible use in conventional warfare! So much for the theory of nuclear deterrence. Such a policy would only welcome more nations—on top of North Korea—into a renewed worldwide nuclear weapons race. I don't even want to imagine a future where the world's armies use nuclear weapons to fight wars.

At the same time this bill raises the nuclear ante throughout the world, we'll be spending $28 million less than the federal government says is necessary for non-proliferation efforts. These are vital to keeping weapons of mass destruction out of the hands of Al Qaeda and other terrorist organizations.

Republicans are also overriding basic environmental protections in this defense bill before us today. Their bill will allow military bases to override the Endangered Species Act—putting rare species at risk of decimation. It also allows the Navy to use sonar devices that have led to the deaths of whales and other threatened marine mammals.

It doesn't stop at endangering our environment. It also tramples the rights of workers at the Department of Defense and other who work for our military. If enacted, this bill will scrap basic civil service protections at the Defense Department that have long promoted a professional federal workforce. It even fails to provide women on military bases overseas with access to potentially needed reproductive health services—even if they pay for those services with their own money.

Mr. Chairman, this Department of Defense Authorization bill is wrong in many ways. It dedicates too much of our limited federal budget to defense at the expense of other vital domestic needs. It spends those dollars in ways that could add to our defense costs by inciting a new nuclear arms race. It weakens protections for those who work in the Department of Defense or otherwise serve our military. And, it endangers environmental protections here at home. I urge my colleagues to join me in opposition to this dangerous bill.

Mr. FALEOMAVAEGA. Mr. Chairman, I want to thank the Chairman, the Ranking Member and both Republican and Democratic members of the Armed Service Subcommittee on Total Force and the full Committee for unanimously supporting an amendment to increase the number of military academy appointments from American Samoa, Guam and the Virgin Islands to the U.S. Military Academy, the United States Naval Academy, and the United States Air Force Academy.

For my constituents, this means that American Samoa will be able to send two students to each service academy. Given that American Samoa has a population of over 57,000 people, a per capita income of less than $4,500 and almost 5,000 men and women serving in the U.S. Armed Services, I am pleased that we may be able to offer more students the opportunity to attend one of our nation's prestigious military academies.

Like other States and Territories, American Samoa has a long and proud tradition of supporting and defending the United States of America. In 1900, the traditional leaders of American Samoa ceded the island of Tutuila to the United States.

Tutila's harbor is the deepest in the South Pacific and the port village of Pago Pago was used as a coaling station for U.S. naval ships in the early part of the century and a support base for U.S. soldiers during World War II. To this day, American Samoa serves as a refueling point for U.S. naval ships and military aircraft.

American Samoa also has a per capita enlistment rate in the U.S. military which is as high as any State or U.S. Territory. Our sons and daughters have served in record numbers in every U.S. military engagement from World War II to present operations in our war against terrorists. We have stood by the United States in good times and bad and I believe it is only appropriate that this relationship should be acknowledged by increasing our number of military academy appointments.

Again, I want to thank Chairman JOHN MCHUGH and Ranking Member VIC SNYDER of the Subcommittee on Total Force for supporting my request to increase the number of military academy appointments for American Samoa. I also want to thank my good friends, the Chairman of the Committee on Armed Services, Congressman DUNCAN HUNTER and Ranking Member IKE SKELTON, for their support.

On a personal note and as a Vietnam Veteran, I also want to thank the sons and daughters of this great nation who are currently serving in the U.S. Armed Forces. As we consider the National Defense Authorization for Fiscal Year 2004, I am hopeful that we will remember the sacrifices they are making to protect our liberties and in so remembering I urge my colleagues to support this reauthorization.

Mr. BRADLEY of New Hampshire. Mr. Chairman, I rise today in support of the defense authorization bill and commend Chairman HUNTER, ranking member SKELTON and the committee staff on their strong efforts in crafting this legislation.

As our soldiers, sailors and airmen continue the global war on terrorism and as thousands of them return home from the liberation of the Iraqi people and elimination of the threat posed by Saddam Hussein, it is a fitting tribute to them and to their families that we pass this legislation.

Our men and women in the military and their families are this bill's primary focus. This bill authorizes another 4.1 percent average pay raise and other incentives that are critical to maintaining retention, morale, recruitment, and quality of life. The thousands of men and women who get up and put on a uniform to serve their country abroad or on the seas should do so with the best equipment and the best training possible. Their service will protect our shores, provide stability in unstable regions, provide security to our friends and allies, and deter or destroy those who wish to harm us.

A lesser-known aspect of our Operations Enduring Freedom and Iraqi Freedom is the success of the logistical support structure of those operations. The logistical coordination that supported our efforts in Afghanistan and Iraq can be described as nothing less than an organizational marvel. It takes teamwork, training, skill and courage, Mr. Chairman, and critical to that achievement is the work of the 157th Air Refueling Wing of the Air Mobility Command based at Pease Air National Guard Base located in my district. In Operation Iraqi Freedom, tankers flew more than 17,050 refueling missions supporting aircraft from all services—the 157th Air Refueling Wing completed over 400 sorties, offloading over 26 million pounds of fuel to aircraft from all the services. In fact, the 157th was recently selected as the recipient of the Air Force's Most Outstanding Unit Award for the second year in a row due to their performance. Therefore, I am happy that this bill includes an airborne tanker initiative of $229 million that would give the Air Force the flexibility of retaining KC–135E aircraft, meeting unfunded requirements for depot maintenance of tanker aircraft.

Mr. Chairman, yesterday I had the honor of meeting Air Force Capt. Jeremy Shane Carter and 1st Lieutenant Drew Bjerken, two courageous airmen who recently have returned from Operation Iraqi Freedom. They are part of the electronic warfare component of our military success that does not receive the full credit it deserves. Capt. Carter and Lieutenant Bjerken operated one of the real jewels in our electronic warfare arsenal, the Compass Call aircraft. This platform monitors and jams communications and targeting systems used by adversaries. Compass Call air crews flew over 200 combat sorties providing 24/7 coverage in all major combat engagements including the operations to recover POW Pvt. Jessica Lynch and the capture of the oil facilities at the Al Faw peninsula in Iraq. Saving Private Lynch is it own fantastic story. But it should be remembered that Compass Call aircraft were essential to the successful capture of Al Faw by special operations foiling the sabotage of oil facilities by Iraqi soldiers and averting a major environmental and economic disaster for the country and region. I am pleased that this bill includes an additional $9 million that will go toward the completion of upgrades to Compass Call aircraft to the block 35 configuration.

Mr. Chairman, this legislation continues our efforts at transforming our military for the threats of the future. The bill contains $3.5 billion for the procurement of 21 F–22 fighter aircraft, ensuring that the U.S. maintains air dominance in any conflict in the years ahead. The bill also continues our efforts to have the Pentagon procure smarter and more efficiently through continued research and development of the F–35 Joint Strike Fighter. Variants of the F–35 will eventually replace four aircraft, the F–16, the A–10, and the AV–8B and F–18 C/D, bringing important cost savings to our taxpayers not only in production but also in the maintenance and operation over the life of each aircraft.

Air dominance today and in the future is directly attributable to the electronic warfare capability of our aircraft, helicopters and satellite systems. BAE Systems' Electronic Systems division in my home state of New Hampshire is the world leader in electronic warfare systems,

providing protection, surveillance, stealth and lethality for our pilots and aircrews in all the services. I am pleased with the programs included in this bill that fund research and development for countermeasures to protect our pilots and other important electronic systems.

As every regional military commander will attest, our Navy is stretched thin, especially our submarine force. Although this bill does not fund the refueling of the USS *Jacksonville,* I would like to highlight the need to refuel all of the remaining Los Angeles Class submarines in our fleet. Taxpayers have already paid half the job. The reactors for these submarines have been procured at a cost of over $200 million each, it makes sense for us to finish the job and keep these boats in service for the remainder of their design life.

Mr. Chairman, this bill is a good balance of our resources to continue our military's transformation to meet the challenges of tomorrow. It responds to the realities of the war on terrorism and sets us on course to meet the new challenges that unquestionably lie ahead. I urge my colleagues to support the bill.

Mr. WOLF. Mr. Chairman, I congratulate our men and women in uniform and in civilian positions who helped liberate Iraq from the grip of Saddam Hussein. Our military—the finest in the world—has in the course of just two years liberated Afghanistan, played a vital role in defending the homeland against terrorism, and worked with our allies to hunt down terrorists. I am grateful to all those who protect our national security, both in and out of uniform. They have my deep respect. They are outstanding Americans and valued federal employees. Indeed, a large number of federal employees, many of whom work for the Department of Defense, call the 10th Congressional District of Virginia their home, and I am proud to be their Representative in Congress.

As we debate H.R. 1588 the National Defense Authorization Act for fiscal year 2004, I want to express my support for many important programs included in this bill which are investments to make sure that our military remains the best in the world, as it should. Our service men and women and those civilians who support them deserve only the best. Our colleague and my classmate, DUNCAN HUNTER, chairman of the House Armed Services Committee, deserves our congratulations for the hard work of his committee in bringing this bill to the floor.

There are some provisions in this bill, however, which deeply concern me. Those address the wholesale personnel reforms and management authority changes at the Defense Department which I believe could shortchange civilian employees and come on the heels of the many recent historic accomplishments made possible by these very employees.

The Department of Defense has acted with lightning speed in presenting to Congress a number of changes to its personnel system. There was minimal consultation with members of Congress, little notice of its plans provided, and relatively few hearings held about this sweeping proposal. Why such a rush to change?

H.R. 1588 would radically alter the way in which many Department of Defense employees are paid, establishing a pay-for-performance plan with standards which are in some cases subjective. The Secretary of Defense would be able to overrule the director of the Office of Personnel and Management in making personnel decisions, if the President agreed with the Secretary.

The Department of Defense would be granted more power than ever before in how it structures policies which will impact its 746,000 civilian employees. While I understand the need for flexibility in the modern-day federal workplace, I am very concerned that some of the changes in H.R. 1588 champion flexibility at the expense of oversight and congressional involvement in ensuring employee protections on a fair and level civil service playing field. When oversight is limited and decisions are channeled to one source, red flags should go up about accountability and the decision-making process at DOD.

I also am concerned about what appears to be some ambiguity on the question of veterans' preference in hiring at the Department of Defense. Veterans are given preference in hiring for civil service positions in recognition of their military service to our nation. This long-standing policy allows the Department of Defense as well as other government departments and agencies to recruit and retain veterans who can continue to provide valuable service to their nation in their civilian lives. It is unclear under this legislation whether the veterans preference in hiring will remain totally intact in all areas of hiring in the Department of Defense. This lack of clarity is troubling not only as a matter of practice, but as a matter of principle: there should be a clear understanding that the veterans preference cannot be waived in any hiring circumstances.

Because of the controversial personnel change included, in this legislation, I am very disappointed that the House Rules Committee foreclosed the opportunity to amend that section of the bill. No amendments were made in order concerning the civil service portion of H.R. 1588. Some colleagues, including Representative COOPER were prepared to offer a valuable amendment and had submitted it to the Rules Committee. That amendment would have created an Employees Bill of Rights offering fundamental civil service protections for the civilian employees at the Department of Defense. That amendment should have been made in order, and this House should have had the chance to debate that amendment. Had we been given that opportunity, I would have voted for the Cooper amendment.

Our colleague Representative IKE SKELTON, the ranking member of the Armed Services Committee, argued yesterday in a Washington Post op-ed that ''major reassignments of constitutional authority such as this demand the same sort of thoughtful foresight as a war plan.'' He added that ''the only thing that is obvious and consistent throughout the 50 provisions included in this bill is the aggregation of power sought for the Department of Defense, removing the legal restrictions and congressional oversight that should safeguard against any abuses, however unintentional. This approach is a rush to judgment that will affect vast numbers of people and, in many cases, will enshrine bad policy in law.''

Secretary of Defense Donald Rumsfeld responded to Congressman SKELTON'S arguments today in his own Post op-ed. He laid out his case for what he sees as necessary ''flexibility and agility'' in managing the civilian workforce at DOD in the 21st century. I would not disagree that we are in a changed world and that the federal government must respond to those changes.

But the secretary should heed his own op-ed conclusion. He stated: ''The fact is that the transformation of our military capabilities depends on the transformation of the way the Defense Department operates. This does not mean an end to congressional oversight. What it means is that we need to work together to ensure the department has the flexibility to keep up with the new threats emerging as this century unfolds.''

Indeed. We need to work together. That means giving Congress the opportunity for thoughtful and deliberate study of this plan, time to investigate its implications, and the chance to ask the tough questions to make sure we fully understand how this plan will impact the lives of the people at the Pentagon who work to serve their country. That doesn't mean that Congress just salutes and says, ''Yes, sir,'' and rubber stamps the secretary's controversial plan.

We must ask what message this plan sends to the rest of government. Will the Department of Defense's rush into a personnel transformation plan encourage other government departments and agencies to do the same, affecting even more federal employees? Because of my concern about responding to the terrorism threat in our country, I voted for the legislation establishing the new Department of Homeland Security and allowing the department to set up new model rules which could be used to judge future decisions on personnel policy. We are on new ground and don't as yet know how well this model works. The DOD personnel proposal before the House could not only affect the Department of Defense, but may impact the entire government in ways which we cannot yet know.

I also must share my concern about a pattern of unilateral action we continue to see within the Office of the Secretary of Defense. There have been troubling news reports about how some high ranking military personnel have been treated at the Department of Defense. I am concerned how senior civilian employees would fare under the new personnel proposals for DOD.

Our Armed Forces deserve the very best, and I am pleased that this bill authorizes giving those in uniform and those civilians supporting them the funding they need to continue to do their jobs in the outstanding way in which they have in the past and will do in the future.

Unfortunately those parts of the bill relating to personnel issues have not been adequately investigated by Congress and will impact civilian employees at the Department of Defense in ways that we can only guess at this point. These Federal employees and the military deserve more than a rushed plan that fundamentally alters the way the Department of Defense interacts with its civilian employees.

Mr. KIND. Mr. Chairman, as we were reminded last week with the triple bombing in Saudi Arabia, international terrorism still threatens our world. Currently we have troops around the world fighting in the global war against terrorism, and it is important that we make sure they have the resources to prevail.

The United States has the best trained, best equipped fighting force in the world, and the legislation today seeks to ensure America's military supremacy in the future. It provides for a sizable procurement agenda allowing the United States to stay at the cutting edge of technology. It also provides a 4.1 percent pay

increase for our deserving military personnel who sacrifice to ensure the security of America, most recently in dangerous battlegrounds in Afghanistan and Iraq.

Further, this bill reduces housing expenses for service members, contains new benefits for reservists, and authorizes $35 million for the Impact Aid program that serves school districts with high numbers of military children. H.R. 1588 also moves forward new weapons programs critical to meet 21st century challenges, as well as funds important for non-proliferation and weapons of mass destruction security activities in Russia and other nations.

In past years, defense authorization bills have generally been approved with wide bipartisan support. And while most provisions of the legislation in front of us today are necessary and widely supported, the majority party and the administration have decided to include a few highly controversial riders that need to be addressed. Under the rules of debate set up by the majority party, however, we will not have an opportunity to debate and attempt to amend provisions that strip civil services protections for 700,000 Federal employees, unnecessarily discard environmental regulations and hinder nuclear nonproliferation efforts. These provisions do not serve to enhance the security of our Nation, and at the very least, deserve to be thoroughly considered by Congress with input from the public.

In the name of transformation, the administration has proposed eliminating civil service protections of the 700,000 civilians working in the Department of Defense. This unprecedented proposal stabs at the heart of our Federal civil service which has been crafted over decades based on concerns and needs of employees and the federal government to protect federal employees from political pressure and favoritism. Most offensive, however, is the arrogance of the administration in seeking to remove the civil service protections from dedicated employees without consulting with Congress or employee representatives on a replacement plan. In fact, the General Accounting Office (GAO) notes that the Department of Defense (DOD) does not have a good track record on working with employee representatives, raising additional concerns that the needs of employees will not be considered as a new personnel plan is formulated.

I was pleased that the Government Reform Committee stepped in to curtail the administration's proposal; however, the language passed by that committee and included in the legislation before us still fails to adequately protect our federal employees in areas such as due process, appeal, and collective bargaining rights. In addition, it grants the Secretary of Defense, and all future Secretaries of Defense, wide latitude in making sweeping, and potentially politically motivated, personnel changes without respect to the needs of the employees. The GAO, does not find adequate justification for these personnel proposals considering the enormous impact they will have on the Federal workforce.

The Bush administration has been attacking civil service rights since day one, regardless of whether any new proposal will be good for employees or good for the federal government. While it is important that we update Federal Government personnel systems to ensure our Federal workforce is modeled to meet the challenges of today and the future, this must be done in a systematic and inclusive manner based on sound principles, innovation, and experience. An amendment drafted by Mr. Cooper would have removed these provisions dismantling the civil service system, and allow Congress to thoroughly weigh the need for flexibility in personnel management with the needs of the Federal workforce. However, the majority has refused to allow debate or consideration on this amendment.

Another area of concern is the exemption from environmental regulations being sought by the administration and included in this bill. While it is understandable that the Defense Department must have the ability to properly train our soldiers, sailors, airmen, and Marines in realistic combat conditions, the necessity of exempting 25 million acres of land at the more than 425 installation nationwide from the Resource Conservation and Recovery Act, Clean Air Act, Superfund, Endangered Species Act, and Marine Mammal Protection Act has not been proven. Again, the GAO has found that training readiness remains high at most military installations.

DOD currently has the ability to seek national security and military training exemptions in federal environmental law to address encroachment concerns. However, as we debated in the House Resources Committee two weeks ago, DOD has never sought an exemption from the Endangered Species Act or Marine Mammal Protection Act. Exempting the DOD from these proven environmental laws is simply not necessary to ensure the best training of our troops and will harm the tremendous progress made in protecting important species for future generations. An amendment drafted by the ranking member of the House Resources, Mr. RAHALL, would have removed this unnecessary exemption. Again, however, the majority has refused to allow consideration of this important amendment.

While current times call for increased attention to national security, it is also important that Congress make responsible funding decisions and dedicate limited resources to defense projects needed for our security in the 21st century. I have consistently criticized the hurried efforts of the administration to develop a ballistic missile defense system that is questioned by most experts and will post enormous costs to the taxpayers. Formidable technical challenges plague the proposed missile defense program in which every component is behind schedule, over budget, and unable to perform its mission. Yet, the administration's answer is to exempt the program from accountability requirements and increase funding. The legislation in front of us contains $9.1 billion for the ballistic missile defense program, which is a 17 percent increase over last year's level, and five times the amount spent on proven nuclear non-proliferation efforts. This is a perfect example of how Congress must better prioritize the national security threats, and work to reduce funding for ineffective and obsolete programs.

In conclusion, Mr. Chairman, we need to continue to fund a strong national defense to meet the emerging challenges of tomorrow but at the same time highlight the deficiencies in the majority's proposal. We are doing well, but we can do better. For this reason, I urge my colleagues to oppose the majority's rule for debate that denies us the opportunity to consider amendments to remove the sweeping personnel and environmental revisions of this bill.

Currently our nation is under a ''Code Orange'' homeland security alert, meaning that the risk of a terrorist attack on our nation is high. The tireless work of our soldiers, sailors, airmen, and Marines, along with other security and intelligence officials, have protected the American people from further devastating terrorist attacks, and we need to make sure they have the resources they need to do their job. If we can remove the detrimental provisions from this legislation, we will certainly be able to pass a truly effective and bipartisan bill.

Mr. NUSSLE. Mr. Chairman, I rise today in support of H.R. 1588, the National Defense Authorization Act for fiscal year 2004. The authorizations of appropriations in this important piece of legislation are consistent with the levels established in H. Con. Res. 95, the Congressional Budget Resolution. On April 11, this body passed a conference report that made available the budgetary resources for our most urgent constitutional responsibility—the common defense. We provided $400.6 billion in budget authority for national defense.

The principal reason for these considerable budget resources is, of course, Congress's unwavering commitment to win the war against terrorism. But in addition to combating terrorism, we provided a blueprint in the resolution to give service members a pay raise averaging 4.1 percent, increased housing allowances, and increased incentive pay. Consistent with the resolution, the bill we are considering today also contains levels of weapons procurement not seen since the Reagan administration, and the largest amount ever for research and development.

This bill improves our national security by striking a balance between modernizing existing forces and investing in transformational capabilities. U.S. forces have seen nearly every type of conflict in recent months, from air campaigns and armored warfare, to special operations and urban street combat. They have fought terrorists and irregular forces while conducting psychological warfare and other convert operations. H.R. 1588 draws on the ''lessons learned'' from those conflicts.

The budget resolution also provided an allocation of $70 million so that proceeds from Post Exchanges and other facilities on closed bases can be re-applied without an appropriation. H.R. 1588 would codify that in law.

I will note that H.R. 1588 contains a provision affecting the Pentagon's Military Housing Privatization Initiative. There were some technical problems because the Congressional Budget Office has recently reconsidered its scoring rules for activities involving loans, loan guarantees, and other ways the government encourages private sector participation in military housing projects. But working together, the Armed Services and Budget Committees have achieved an agreement that allows this program to be appropriately reflected in the budget. I am pleased that we were able to resolve this issue in a spirit of cooperation.

Several provisions of this bill directly affect thousands of my constituents who work at the Rock Island Arsenal in the Quad Cities in Eastern Iowa. Funding for the Army's Future Combat Systems program, increased funding for replenishing of munitions stocks, and overall spending levels will enhance the ability of these workers to continue their very important job. The employees of the Rock Island Arsenal do a superb job of equipping the world's best Army, and this bill reflects Congress's continued commitment to those workers.

With that I express my support for H.R. 1588.

Mr. FARR. Mr. Chairman, earlier in the year, Department of Defense (DOD) approached Congress with a request to exempt itself from several fundamental environmental laws in order to strengthen military readiness. At the time this request shocked most of us, because the readiness of our military is the best in the world but that the state of some of our natural resources are not. Things went from bad to worse when the House Armed Services Committee reported out a bill that went way above and beyond what DOD had originally asked for.

H.R. 1588, the fiscal year 2004 defense authorization bill, contains provisions that fundamentally change the Endangered Species Act (ESA) and the Marine Mammal Protection Act (MMPA), two major pieces of legislation that directly affect my home district in California. There are many species listed under ESA in my home district. These include the California condor, which has been through an intense reestablishment program, the San Joaquin Kit Fox that lives on Fort Hunter Liggett, steelhead trout that breed in our rivers and streams, and the snowy plover which nests on our beaches.

The continued existence of many of these species relies on the designation of ''critical habitat,'' which is basically the homes and breeding grounds that are necessary for their survival. For example, the Santa Cruz long-toed salamander has only six breeding ponds on which the whole species depends. Without the designation of these breeding ponds as critical habitat, the salamander would be left without a vehicle for bringing them back from the brink of extinction.

This bill aims to make critical habitat designation only when it is ''necessary'' and not when its ''prudent and determinable'' as the law currently states. I ask you when would it be ''necessary'' to designate critical habitat? I'm not sure because ''necessary'' is not defined in the bill. So basically, the Secretary of the Interior and the Secretary of Commerce would be able to make a decision with no set criteria. The Bush Administration has clearly stated its belief that critical habitat provides no protection, and as such this provision could result in many species without homes and breeding areas such that the Santa Cruz long-toed salamander would have no ponds, the snowy plover would have no open beaches, and the marbled murrelet would have no trees.

H.R. 1588 not only guts ESA, but it also puts whales and dolphins in jeopardy by changing the Marine Mammal Protection Act.

The intent of the MMPA is to prohibit the ''harassment'' of marine mammals. The language in H.R. 1588 weakens the definition of ''harassment'' not just for DOD related activities but also for all people who use our oceans and coasts. The waters of Monterey Bay in my home district are home to sea otters, sea lions and harbor seals and serve as a migratory route for majestic humpback and blue whales. These animals are important economic resources because people visit my district to see them. Likewise, people travel to see the orcas in the waters of Puget Sound, Washington, the whales in the Gulf of Maine, and the manatees along the coast of Florida.

Current MMPA language aims to protect these animals from being harassed, from being injured, and from being killed. But H.R. 1588 drastically weakens this protection and would allow an increasing number of harmful interactions such as: oil and gas exploration and high intensity sonar testing. Such increased harassment and harm to marine mammals would go largely unchecked by wildlife agencies and left unmonitored and unmitigated.

Struggling sea otters are currently dying at record levels in the State of California. They are listed both under ESA and MMPA. Our sea otters need these laws to protect what's left of their population; without them they will go extinct in California.

Consideration of fundamental changes to these laws should be taken up during re-authorization of ESA and MMPA when there is ample time for hearings and discussion, and not under the guise of national security.

Mr. KLECZKA. Mr. Chairman, we are not currently at war with another nation and the Cold War has been over for more than a decade. But we alone already spend more on our military than the 21 countries with the next largest defense budgets combined. Our military spending is greater than the total defense budgets, added together, of Russia, China, Japan, the United Kingdom, France, Germany, Saudi Arabia, Italy, India, South Korea, Brazil, Taiwan, Israel, Spain, Australia, Canada, Netherlands, Turkey, Mexico, Kuwait, and the Ukraine.

Nonetheless, before us today is a bill, H.R. 1588, FY04 Defense Authorization, that would authorize an increase of $7.6 billion for a total defense budget of $400.5 billion, the highest in this country's history.

This legislation authorizes $3.5 billion for the F–22 Raptor, an air superiority fighter designed to fight the Soviet Union. This program has seen continual cost overruns and encountered technical problems, and now represents the most costly jet fighter ever built. However, the other fighters that the F–22 is designed to replace continue to perform admirably and the only countries that possess aircraft that even come close to parity with our existing fighters are our allies in NATO, as well as Russia. Given this program's troubled history, it is likely to balloon in cost even more, and is hardly a bargain for our military and taxpayers.

Likewise, the ''Star Wars'' missile defense program also receives a huge boost in this measure, increasing by 17 percent over last year to a total of $9.1 billion. Despite massive spending since the 1980s on this program, a working system has yet to be produced. Furthermore, we live in an age in which those wishing to do us harm would be more likely to smuggle a nuclear device into our country through a port where overworked customs inspectors rarely examine the bulk of arriving cargo. Firing a ballistic missile at the United States is suicide, and any potential enemies know it.

The defense authorization measure would also unnecessarily circumvent important environmental laws like the Endangered Species Act (ESA). The Department of Defense (DoD) has control over 25 million acres of land that provide habitats for over 300 endangered and threatened species, and portions of this land have been designated for special protection in recognition of the endangered wildlife present. Under the ESA, the DoD works with environmental agencies to provide protection for these species that live within the boundaries of military installations.

The bill before us allows DoD to avoid its obligations under the ESA by filing alternative resources management plans. Concerns have already been raised that such plans may be inadequate to protect endangered species, and as a result are currently the subject of court challenges.

The bill's sponsors claim that this new provision is necessary to ensure that training is not affected. However, a General Accounting Office (GAO) report last year found no evidence to support the contention that critical habitat designations conflict with military training or other activities. And even if such conflicts were to arise, the Pentagon is already able to obtain national security exemptions from the ESA critical habitat conservation measures. No Secretary of Defense has ever requested such an exemption in the 30 years the law has been in effect. The ESA provision has no place being included in this defense legislation.

Lastly, this bill allows DoD to scrap the civil service procedures currently in place to safeguard the rights of 700,000 of its civilian employees. The legislation would allow managers, including Administration political appointees, to change the existing pay scale, the appeals process for employees that disagree with decisions related to their employment, and the right to join a union in some cases.

While the Administration claims that it wants these provisions in order to institute more flexible, performance-based pay and personnel policies, last month the GAO's Comptroller General warned that ''moving too quickly or prematurely at DoD or elsewhere can significantly raise the risk of doing it wrong . . .'' The GAO testified that such changes would first require having a ''credible . . . validated performance management system in place with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms to ensure fairness and prevent politicization and abuse.''

GAO said the DoD does not have these safeguards, transparency, or accountability in place. We should not rush to rubber stamp an Administration plan that could lead to favoritism, appointment of political cronies, or discrimination in hiring, tenure, promotion, or other conditions of employment due to an employee's political opinions or affiliation.

The defense of our nation is a critical issue to which every Member is committed, and I certainly support increasing military pay, providing quality health care for those who serve and their families, and funding necessary modernization priorities.

But this bill contains unnecessary weakening of environmental laws and elimination of worker civil service protections while providing an increase to a military budget besides which already far outpaces all other allies and potential enemies. It would make move to devote increased resources to homeland security to prevent future terrorist attacks than spend more money on weapons systems that are designed to fight Cold War adversaries that no longer exist.

Therefore, I must regretfully cast my vote against this legislation.

Mr. TOWNS. Mr. Chairman, I rise in opposition to the rule for H.R. 1588, the National Defense Authorization bill.

In one swift act, this bill would make sweeping changes to the civil service system that has served its employees and our nation well

for 100 years. The recent quick and decisive action by our armed services in Iraq demonstrated that the current civil service system has not harmed our military's effectiveness. I strongly believe that our DOD civilian employees deserve all of the same protections that workers in other agencies enjoy.

Even if some of these ideas had merit, which they clearly do not, DOD is not ready to implement such a major personnel change without first making critical management reforms. In a hearing on April 8, Comptroller General David Walker said that although DOD may get an ''A'' for fighting and winning armed conflicts, it receives a ''D'' for its management practices. Previously, the Comptroller General described the financial management problems at DOD as ''pervasive, complex, long-standing, and deeply rooted in virtually all business operations throughout the department.'' This does not sound like an agency that is ready for wholesale changes to its personnel system. The GAO has also noted repeatedly that agency-wide, the entire government does not have the systems in place to implement meaningful performance-based pay that this bill would enact as well.

Although civil service reform may warrant consideration, all of the nonpartisan, credible information indicates that this bill goes way too far and that the DOD is not ready to effectively make such changes.

This rule did not allow our side to offer an amendment that would help address the shortcoming in the civil service section of the bill. So I urge the defeat of this unfair and poorly crafted rule.

Ms. SCHAKOWSKY. Mr. Chairman, I rise today in opposition to H.R. 1588. This bill allows the Department of Defense to severely alter the current civil service system, to trample over environmental laws, and to develop more nuclear weapons while providing more money to the DOD, despite the fact that it still cannot pass an audit. It strips away the fundamental rights from almost 700,000 civilian employees at the Department of Defense (DOD). These rights include collective bargaining, due process and appeal rights, and the congressionally passed annual pay raise. This bill also exempts the Department of Defense from public health and environmental laws, dramatically weakening protections for marine mammals and endangered species and undermining the role of states that administer pollution control laws. Finally, this bill promotes unnecessary irresponsible funding for the development of more nuclear weapons such as the infamous ''bunker buster'', and authorizes over $9 billion for ballistic missile defense programs—a program that will not work.

I also want to mention my support of the Sanchez amendment, which simply gives American women overseas the same legal abortion rights they would receive if they were home. The current ban on abortions at overseas U.S. military facilities denies women who have volunteered to serve this country a right they would ordinarily have if they were not overseas. This sends the wrong message to women who believe in the freedoms for which this country stands and want to serve this country to preserve those freedoms.

H.R. 1588 will authorize over $400 billion to the Department of Defense, $20.6 billion more than the President's budget request for FY2004. U.S. taxpayers will pay $15.7 billion for nuclear weapons in FY2004. For that same amount of money, we could have provided health care to 2,803,167 more people, including 132,473 in my home state of Illinois.

I support efforts to provide our military with the necessary funding needed to defend our country and to increase the salaries of our men and women in the Armed Forces but I am not willing to compromise the environment, workers' rights, and domestic priorities, such as education and health care, to achieve this goal. I urge my colleagues to vote against this bill.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I want to begin by saying that I opposed the war in Iraq. I support the brave men and women who sacrificed their lives and safety to fight in Operation Iraqi Freedom, but I feel that war should always be the last option.

While I opposed the war in Iraq, at the same time I recognize that it is important to ensure our national security. It is important for us to strike a balance: protect our national security but not rush to engage in war.

Our ongoing fight against terrorism makes it more difficult to strike this balance. The world has watched in horror as suicide bombings orchestrated by terrorist groups have ravaged countries overseas. There have been nine suicide bombing attacks in Saudi Arabia in the last few weeks. Twenty-five innocent victims lost their lives including eight U.S. citizens. There have been thirteen suicide bombing attacks in Morocco that killed 28 people. The al-Queda terrorist network is suspected in many of the bombings. The FBI has announced that the bombings abroad may be a prelude to attacks on American soil. As a result the Department of Homeland Security recently elevated the terrorist threat level to ''High.''

The fight against terrorism and the labor to protect our national security is multifaceted. Part of protecting our national security is protecting those who secure our nation. The individuals include America's many veterans and also the troops returning to the United States from Operation Iraqi Freedom. It is critical that H.R. 1588, have sufficient fund allocations for programs for our veterans and troops from Iraqi freedom, as well as other valuable programs.

I have proposed an amendment to H.R. 1588 to direct the Secretary of the Department of Defense to study the feasibility of using small, minority, and women-owned businesses in the efforts to rebuild Iraq. During the course of cooperative discussions with the leadership of the House of Representatives' Armed Services Committee, it was agreed that the language of my amendment would better serve the needs of the small, minority, and women-owned business community if there were revisions.

My revised amendment would read, ''The Secretary of Defense shall ensure that outreach procedures are in place to provide information to small business, minority-owned businesses, and women-owned businesses regarding Department of Defense requirements and contract opportunities for the rebuilding of Iraq.

Both the Majority and Minority Party leadership agreed to work in conference to include the revised language in the final passage of the bill. This is a better foundation of the language of the amendment, and it protects small, minority, and women-owned businesses from unnecessary delay. In fact, the Leadership of the Armed Services Committee agreed to work ''robustly'' in conference, and with me to ensure that this amendment language is in the final version of H.R. 1588, and also to ensure that small, minority, and women-owned business participate fully in rebuilding Iraq.

The adoption of my amendment coupled with the support of the leadership of the Armed Services Committee will give me the power to insist that the Department of Defense use small, minority, and women-owned businesses in the efforts to rebuild Iraq. This valuable program must be followed-up, and followed through. It is because of amendments to H.R. 1588 that I support the bill.

The sections of H.R. 1588 that I am concerned with deal with funding the production of weapons. Under H.R. 1588, the Army is appropriated $1,594,622,000 for missiles, the Navy and Marine Corps are appropriated $2,529,821,000 for missiles and torpedoes, and the Air Force is appropriated $4,348,039,000 for missiles.

I am absolutely opposed to missile defense and nuclear weapons expenditures. Missiles are inherently dangerous and are an outdated weapon in our armed services' arsenal. Take for example the missile known as the cluster bomb. Cluster bombs are designed to hit their target and disperse sub-munitions, also called ''grenades'' in surface-delivered weapons and ''bomblets'' in air-delivered weapons, over a large area, thereby increasing the radius of destructive effect over a target. Typically cluster bombs are used by U.S. Forces on troop concentrations, airfields, and air defense units.

Many human rights organizations have called to an end to the use of cluster bombs. For example, Human Rights Watch has called for a global moratorium on use of cluster bombs because they have been shown to cause unacceptable civilian casualties both during and after conflict. Cluster bombs have wide dispersal pattern and cannot be targeted precisely, making them especially dangerous when used near civilian areas. Cluster bombs are usually used in very large numbers and have a high initial failure rate which results in numerous explosive ''duds'' that pose the same post-conflict problem as antipersonnel landmines. Equally important, the duds pose a threat to American troops canvassing the area of attack.

Expending hundreds of millions of dollars on missile programs that are dangerous to civilian populations and to American troops is a poor use of Department of Defense Funds. In light of the housing, unemployment, education, and health care crisis America is presently faced with I cannot condone expending such exorbitant sums of money on missiles.

Furthermore, H.R. 1588 is completely lacking in peace-keeping provisions. The Department of Defense is as responsible for promoting peace around the world as they are waging war around the world. This Chamber should demand the Department of Defense allocate more funds toward the peace-keeping mission.

The need for peace and the fears and concerns about terrorism show that it is of critical importance that we fully support and fund the operations and programs of the Department of Defense. The Department of Defense Reauthorization bill that we are considering today is a comprehensive authorization that covers many Department of Defense programs that benefit military personnel.

The most important element of our Armed Forces is the personnel. H.R. 1588 contains

numerous valuable provisions that benefit the brave men and women who serve in our armed forces. H.R. 1588 retains health professionals to fulfill active-duty service commitments, increases the flexibility for voluntary retirement for military officers, and simplifies the annual participation requirements for the Ready Reserves.

H.R. 1588 also makes valuable changes to the Education and Training Programs of the Department of Defense. The bill creates a masters of operational studies degree for the Marine Corps University, expands education assistance authority for cadets and midshipmen, increase in allocation of scholarships under the Army Reserve ROTC scholarship program, and inclusion of accrued interest may be repaid under Selected Reserve critical specialities education loan repayment program.

H.R. 1588 also improves the benefit program by adding more classes of individuals to participate in the Federal long-term care insurance program. Increases assistance to local educational agencies that benefit dependents of the Armed Forces and DoD civilian employees. Other provisions of H.R. 1588, improve the DoD Health care provisions by making improvement to the chiropractic, medical, and dental programs.

I support the provisions of H.R. 1588 that are beneficial to the brave men and women of our Armed Forces. However, I oppose the provisions of H.R. 1588 that fund missiles, and I am disappointed that the bill does not contain more peace keeping measures. Therefore, Mr. Chairman, I support H.R. 1588 with some reservations.

Mr. HOLT. Mr. Chairman, Democrats and Republicans in recent years have recognized the rapidly-changing security challenges that confront our Nation and come together to address them. That is why much of this bill is non-controversial. In particular, we are united since the terrorist attacks of September 11, 2001 in supporting the increased investments needed to strengthen our common defense and to effectively prosecute the war against terrorism.

Let me begin by stating that there is no higher test for this bill, in my estimation, than how it treats the brave men and women who risk their lives every day to defend our freedom. By that standard, I am pleased by the provisions that continue our shared commitment to boost the income for all of our military personnel with a 4.1 percent average increase in base pay. It also extends several special pay provisions and bonuses for active duty personnel through December 31, 2004, including the enlistment and re-enlistment bonus. Furthermore, it calls for reducing the average amount of housing expenses paid by service members from 7.5 percent to 3.5 percent in FY 2004 and eliminates the out-of-pocket expense completely by FY 2005.

But on balance, I am opposing this bill on final passage because I fundamentally disagree with key aspects of its policy presumptions and prescriptions. It will make America less safe.

First and most importantly, the growing reliance upon nuclear weapons that this bill encourages makes our Nation and the world less safe, not more so. Accordingly, I strongly disagree with the funding in this bill to continue work on high-yield, burrowing nuclear ''bunker-busters'' that target underground military facilities or arsenals. I am equally opposed to the language in this bill that lifts the ban on research leading to low yield ''mini-nuclear weapons'' of 5 kilotons or less.

Last month, I sent a letter to President Bush that was co-signed by 34 of my colleagues to convey our grave concern that he is weakening long-standing U.S. policy governing the use of nuclear as opposed to conventional weapons. That action coupled with the examples I've cited and other provisions in this bill further undermine the U.S. non-proliferation efforts of Republican and Democratic Presidents alike and heighten growing international fear that Bush Administration's policies are fueling a new nuclear arms race.

Second, I am opposed to the blanket exemptions from our Nation's environmental protection laws for the Pentagon in this bill. There is no convincing evidence that environmental laws like the Clean Air Act and the Endangered Species Act hinder our military's capacity to defend our Nation.

But you don't have to take my word for it. The out-going EPA Administrator, Christine Whitman, has testified to the Congress that she does not ''believe that there is a training mission anywhere in the country that is being held up or not taking place because of environmental protection.'' Furthermore, the U.S. General Accounting Office (GAO) has reported to the Congress that the Pentagon has failed to produce any evidence that environmental laws have significantly affected our military readiness.

I do not think the Pentagon or any other federal agency should be above the law. Moreover, current law already allows case-by-case environmental exemptions for the Pentagon, when they are determined to be in the national interest.

Finally, this bill also contains provisions that will be very harmful to hundreds of thousands of dedicated civilian men and women who make our Defense Department work.

Last year saw the largest government reorganization in more than three decades with the creation of the U.S. Department of Homeland Security, affecting 170,000 federal employees. Following extensive congressional debate, Secretary Ridge was granted authority to establish a more flexible agency that attempted to protect basic worker rights.

But this bill will give Defense Secretary Rumsfeld broad authority to rollback worker protections for hundreds of thousands of Pentagon employees. There will be nothing to prevent agency managers from abusing their power for political advancement or engaging in discriminatory practices. Allowing managers the ability to waive such protections under the guise of national security and the need for greater flexibility is wrong. It will not make us safer.

At the same time that the Pentagon seeks to do away with its current personnel system in this bill, Secretary Rumsfeld has not offered a serious alternative to replace it. Instead, he has simply requested a blank check to undo, in whole or in part, many of the civil service laws and protections that have been in place for nearly a century to safeguard against the return of an unfair patronage system.

I want to be very clear. I support a strong national defense. I support modernizing our military. I support giving our troops the resources and training they need to keep our nation secure. But I cannot support a bill that contains provisions that will take our military backwards, rather than forwards. I cannot support a bill that will re-ignite a global nuclear arms race, even as we go to war to stop the spread of nuclear weapons abroad! I cannot support a bill that takes away the rights of hundreds of thousands of hard-working Pentagon employees. Finally, I cannot support a bill that disingenuously claims that stripping away important environmental protections will somehow bolster our national security.

Ms. KILPATRICK. Mr. Chairman, I rise in opposition to the bill, H.R. 1588. If this were a straightforward Defense Authorization bill, it would have my support, but the provisions contained in this legislation go far beyond the scope of the Pentagon and the great men and women who grace our uniformed services.

This bill has become a Trojan Horse. The Defense bill is being used as a legislative vehicle by which the President, the Secretary of Defense and a complaint majority in this chamber can rewrite the rules that conserve our land and wildlife resources.

This bill is not about providing for the health and welfare of our armed services, or taking care of military needs at home and abroad, or about advancing our military capabilities. The underlying bill contained a major rewrite of the Endangered Species Act (ESA) and the Marine Mammal Protection Act that goes far beyond what the military needs or requested. The Endangered Species Act specifically allows the Secretary of Defense to waive requirements for purposes of advancing our national security. In other words, the Secretary has waiver authority under present law.

But for reasons that are beyond me, the Secretary of Defense wants broader exemptions than are found in current law. For example, the bill weakens ''critical habitat'' designation requirements to such an extent that they are only done on a discretionary basis. These changes to our national environmental laws are being railroaded without consideration of a full debate and without an opportunity to consider a more sensible alternative. The majority, in its rush to pass bad legislation, has denied the opportunity for Members to consider an alternative environmental provision authored by my fellow colleague from Michigan, Mr. DINGELL, and the distinguished gentleman from West Virginia, Mr. RAHALL. The majority has denied us a right to discuss this important issue and the right to offer amendments.

Mr. Chairman, given the tilted playing field on which H.R. 1588 is being considered, I regret that I must vote against final passage.

Before closing, I want to pay a salute to the men and women of our armed forces and thank them for a job well done and for the sacrifices they are making to protect our Nation. As I recall the swiftness with which they marched into Baghdad, I am puzzled at the implication of some that our present environmental laws and regulations impaired their military readiness. I am convinced that our military is well prepared, and am equally convinced that they can maintain a high standard of readiness under existing environmental laws.

The CHAIRMAN pro tempore. There being no further amendments in order, the question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN pro tempore. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. LAHOOD) having assumed the chair, Mr. HASTINGS of Washington, Chairman pro tempore of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1588) to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, to prescribe military personnel strengths through fiscal year 2004, and for other purposes, pursuant to House Resolution 247, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. COOPER

Mr. COOPER. Mr. Speaker, I offer a motion.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. COOPER. I am in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. COOPER moves to recommit the bill H.R. 1588 to the Committee on Armed Services with instructions to report the same back to the House forthwith with the following amendments:

In section 9902 of title 5, United States Code (as proposed to be added by section 1111 of the bill), after subsection (b) (page 353, after line 12) insert the following new subsection:

''(c) EMPLOYEE BILL OF RIGHTS.—

''(1) SENSE OF CONGRESS.—It is the sense of Congress that—

''(A) the Department of Defense should have flexibilities in personnel decisions, including pay and promotion, in order to provide the strongest possible national defense; and

''(B) the Department of Defense should protect fundamental civil service protections of civilian employees at the Department.

''(2) CIVIL SERVICE PROTECTIONS.—

''(A) The right of an employee to receive a veterans preference in hiring and a reduction in force, as in effect on the date of the enactment of this subsection, shall not be abridged.

''(B) An employee shall have the right to be free from favoritism, nepotism, or discrimination in connection with hiring, tenure, promotion, or other conditions of employment due to the employee's political opinion or affiliation.

''(C) The Secretary shall not refuse to bargain in good faith with a labor organization, except as provided in section 9902(f) (relating to bargaining at the national rather than local level), and shall submit negotiation impasses to—

''(i) an impartial panel; or

''(ii) an alternative dispute resolution procedure agreed upon by the parties;

''(D) An employee shall have the right to full and fair compensation for overtime, other time worked that is not part of a regular workweek schedule, and pay for hazardous work assignments.

''(E) An employee shall have the right to form, join, or assist any labor organization, or to refrain from any such activity, freely and without fear of penalty or reprisal. Such right includes the right to engage in collective bargaining with respect to conditions of employment through representatives chosen by employees.

''(F) An employee against whom removal or suspension for more than 14 days is proposed shall have a right to—

''(i) reasonable advance notice stating specific reasons for the proposed action, unless there is reasonable cause to believe that such employee has committed a crime or immediate action is necessary in the interests of national security;

''(ii) reasonable time to answer orally or in writing; and

''(iii) representation by an attorney or other representative.

''(G) An employee shall have a right to appeal actions involving alleged discrimination to the Equal Employment Opportunity Commission.

(H) An employee shall have a right to back pay and attorney fees if the employee is the prevailing party in an appeal of a removal or suspension.

Page 359, line 5, insert ''and'' after ''Secretary;''.

Page 359, line 8, strike ''; and'' and insert a period.

Page 359, strike lines 9 through 12.

Mr. COOPER (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Tennessee (Mr. COOPER) is recognized for 5 minutes in support of his motion to recommit.

Mr. COOPER. Mr. Speaker, this is the amendment that was banned in Washington. This is the amendment that Republican leadership does not want us to vote on. Why? They are afraid Members will like it. They are afraid it will pass. They are afraid that the real majority in this great House of Representatives, common sense, the Democrats and Republicans working together, will like what is in this amendment.

That is why the Committee on Rules did not allow it to be considered in either rule, and that is why the chairman of the Committee on Armed Services did not allow an amendment like this to be put before the Committee on Armed Services.

What is in the Cooper-Davis-Van Hollen amendment that makes it so controversial? Members will be surprised when they read it. There are copies at the desk.

It is a relatively simple three-page DOD civilian bill of rights. No new rights are extended. All we are trying to do is to make sure, to make absolutely sure, that existing civilian employees' rights are preserved.

Let me read section A. The right of an employee to receive a veterans preference in hiring and reduction in force shall not be abridged.

Who in this House is against that?

An employee shall have the right to be free from favoritism, nepotism, or discrimination.

Who in this House is against that?

The Secretary shall not refuse to bargain in good faith with a labor organization.

Who in this House is against that?

The Secretary shall submit negotiating impasses to an impartial panel.

Who in this House is against that?

An employee shall have the right to full and fair compensation for overtime and pay for hazardous duty work.

Who in this House is against that?

An employee shall have the right to form, join, or assist any labor organization, or to refrain from any such activity, freely and without fear of penalty or reprisal.

Who is against that in this House?

Such right includes the right to engage in collective bargaining with respect to conditions of employment through representatives chosen by employees.

Who in this House is against that?

There are simple, basic, due process and appeal rights that these employees have today that you are about to take away unless Members vote for the motion to recommit. These rights include freedom from racial discrimination, so these people have a chance to take their case to the EEOC.

Many on the other side of the aisle will say these rights are already in the bill. If that is true, if that is true, they should welcome this motion to recommit and vote for it. If they are believing their own speeches, they should vote for this motion to recommit, because it will not kill this bill. It will not even delay this bill a microsecond. All it will do is safeguard the rights of DOD employees.

This is the only chance Members will have in this long debate to help these employees. The next time Members visit a military base, the next time a DOD employee or family member appears at a gathering, they are going to ask Members what they did or did not do to help them. They are going to ask us why the Senate helped them and you did not. Because the other body is treating these people in a much fairer manner.

□ 1900

You do not want to tell these 750,000 patriotic families that you do not have time or the interest to consider preserving their existing rights. So now is your chance, your only chance to help these people, 65 of whom died on September 11 when the terrorists attacked

the Pentagon, people who are part of the best employee workforce in the history of the Pentagon.

Mr. Speaker, I yield the balance of my time to the gentleman from Maryland (Mr. HOYER).

Mr. HOYER. Mr. Speaker, over a hundred years ago Republicans and Democrats came together to prevent and preclude and to eliminate a politicized patronage system that was sucking down the quality of public service. What the amendment says is that we will not return to that kind of a system. I agree with the gentleman. If your bill does not do that, this motion to recommit does not harm it. If there is a chance that it does, it precludes it and protects it against a politicized civil service system. Vote for this motion to recommit.

Mr. HUNTER. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from California (Mr. HUNTER) is recognized for 5 minutes in opposition to the motion to recommit.

Mr. HUNTER. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Virginia (Mr. TOM DAVIS), the chairman of the Committee on Government Reform.

Mr. TOM DAVIS of Virginia. Mr. Speaker, this amendment was offered and rejected in the Committee on Government Reform.

The gentleman is right, it was 100 years ago; and today we are in an information age when terrorists move information at the speed of an e-mail, money at the speed of a wire transfer, and people at the speed of a commercial jet liner. But the Department of Defense is still bogged down in bureaucratic processes in an industrial age that goes back 100 years.

Now, we preserve the rights the gentleman talked about, and he alluded to the fact, I am holding up the bill and ask you to read these. This section 9902 has 10 pages of fundamental employee protections. We include Chapters 33 and 35 of title V, which cover veterans' preferences with nonwaivable chapters.

The NSPS strictly forbids political patronage and mandates that the Department comply with all existing civil service protections, sex, age, race discrimination. That is in section 2301 and section 2302 of title V.

Nepotism protections, section 2302, are not waived. They remain in this legislation.

The amendment would require employees to be able to collectively bargain. The legislation at 9902 specifically says that employees may organize, bargain collectively, and participate through labor organizations of their own choosing. And section 9902, the gentleman from New York (Mr. MCHUGH) offered an amendment in committee that sets up an independent employee review panel appointed by the President, not the Secretary of Defense. The McHugh amendment took care of that problem.

These flexibilities are less in most cases than what we just gave the Department of Homeland Security less than a year ago and which dozens of other government departments have. We need to understand that. And they are based on the experience of nine pilot programs and 40,000 employees who have voted, in many cases against the union bosses who oppose them, to continue these kinds of reforms.

Let us take the civil service into the 21st century, and let us pay our employees what they are worth.

The SPEAKER pro tempore. The gentleman from California (Mr. HUNTER) has 3 minutes remaining.

Mr. HUNTER. Mr. Speaker, the gentleman is absolutely right when he went over the litany of rights and protections that are in this bill. And we had a 25-hour mark up in which members on the Committee on Armed Services had lots of time, Democrat and Republican, to look at this bill. And let me just say, this bill passed 58 to 2 out of the Committee on Armed Services. And I think if folks really thought that this totally stripped due process away from 700,000 Americans, they would not have voted for that. And it does not strip away due process.

You know something, we are asking the Secretary of Defense to rebuild a system, and I think it is a system that is going to end up employing more people in the civil service because those 300,000 people in uniform who are doing the job now, because of bureaucracy, it is too tough to get through to appoint a civil servant, so it is easier to tell a sergeant, Sergeant, you go to it. The sergeant salutes, he goes and does it, and a civil service job is taken away.

This is going to be a great new reform package.

Now, let us get to the big picture. Just a couple of weeks ago American military folks, people coming from the air and the great Air Force, people projecting power from the sea in our Navy, people making combined arms operations with the Marines and the Army, people parachuting in with the 173rd Airborne coming into northern Iraq, the Third Armored Division moving up like a spear point up through the throat of Iraq going straight to Saddam Hussein's hideout, the great First Marine Division, the First Cav., all those Special Operators, those Special Forces, all the great men and women who supported this operation, went out and took what this Congress has given them over the last many years in terms of equipment and training and they carried out America's foreign policy, and they fought for freedom and they did a great job.

This bill does our job. It replaces that equipment. It raises that pay of 4.1 percent average across the board. It helps us to fight the battle of today if we have to engage by bolstering heavy armor and bringing in new precision-guided munitions; and it also looks over the horizon to the battle we might have to fight tomorrow.

Those great men and women in uniform did their job. This bill is our job. Please vote down the motion to recommit, and let us pass this bill.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. COOPER. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—ayes 204, noes 224, not voting 6, as follows:

[Roll No. 220]

AYES—204

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns

Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOES—224

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Dreier
Duncan
Dunn
Ehlers
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Gutknecht
Hall
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOT VOTING—6

Bonilla
Combest
Doolittle
Emerson
Gephardt
Greenwood

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD) (during the vote). Two minutes remain to vote.

□ 1923

Mr. HALL changed his vote from ''aye'' to ''no.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. HUNTER. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 361, noes 68, not voting 5, as follows:

[Roll No. 221]

AYES—361

Abercrombie
Ackerman
Aderholt
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bell
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonner
Bono
Boozman
Boswell
Boucher
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (SC)
Brown, Corrine
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Castle
Chabot
Chocola
Clyburn
Coble
Cole
Collins
Cooper
Costello
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dooley (CA)
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Engel
English
Etheridge
Evans
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Ford
Fossella
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hill
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Hooley (OR)
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson-Lee (TX)
Janklow
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kind
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Lantos
Larsen (WA)
Latham
LaTourette
Leach
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Maloney
Manzullo
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCotter
McCrery
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (FL)
Miller (MI)
Miller (NC)
Miller, Gary
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Napolitano
Neal (MA)
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Ortiz
Osborne
Ose
Otter
Oxley
Pallone
Pascrell
Pastor
Pearce
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reyes
Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sanchez, Loretta
Sandlin
Saxton
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spratt
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Turner (TX)
Upton
Van Hollen
Visclosky
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Wynn
Young (AK)
Young (FL)

NOES—68

Baird
Baldwin
Ballance
Becerra
Blumenauer
Brown (OH)
Capps
Capuano
Case
Clay
Conyers
Crowley
Davis (IL)
DeFazio
DeGette
Delahunt
Dingell
Doggett
Eshoo
Farr
Fattah
Filner
Frank (MA)
Grijalva
Hinchey
Holt
Honda
Jackson (IL)
Kanjorski
Kilpatrick
Kleczka
Kucinich
Larson (CT)
Lee
Lewis (GA)
Lofgren
Markey
McCollum
McDermott
McGovern
Miller, George
Nadler
Oberstar
Obey
Olver
Owens
Paul
Payne
Rush
Sabo
Sanchez, Linda T.
Sanders
Schakowsky
Serrano
Solis
Stark
Tierney
Towns
Udall (CO)
Udall (NM)
Velazquez
Waters
Watson
Watt
Waxman
Weiner
Woolsey
Wu

NOT VOTING—5

Bonilla
Combest
Doolittle
Emerson
Gephardt

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). Two minutes remain to vote.

□ 1931

So the bill was passed.

The result of the vote was announced as above recorded.

The title of the bill was amended so as to read: ''A bill to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes''.

A motion to reconsider was laid on the table.

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 1588, NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2004

Mr. HUNTER. Mr. Speaker, I ask unanimous consent that in the engrossment of the bill, H.R. 1588, the Clerk be authorized to correct section numbers, punctuation, cross-references, and the table of contents, and to make such other technical and conforming changes as may be necessary to reflect the actions of the House in amending the bill.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from California?

There was no objection.

GENERAL LEAVE

Mr. HUNTER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1588, the bill just passed.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). Is there objection to the request of the gentleman from California?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Monahan, one of its clerks, announced that the Senate agrees to the amendment of the House to the resolution (S. Con. Res. 46) ''Concurrent resolution to correct the enrollment of H.R. 1298.''.

UNEMPLOYMENT COMPENSATION AMENDMENTS OF 2003

Ms. DUNN. Mr. Speaker, pursuant to House Resolution 248, I call up the bill (H.R. 2185) to extend the Temporary Extended Unemployment Compensation Act of 2002, and ask for its immediate consideration.

The Clerk read the title of the bill.

The text of H.R. 2185 is as follows:

H.R. 2185

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Unemployment Compensation Amendments of 2003''.

SEC. 2. EXTENSION OF THE TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 2002.

(a) IN GENERAL.—Section 208 of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 30), as amended by Public Law 108–1 (117 Stat. 3), is amended—

(1) in subsection (a)(2), by striking ''before June 1'' and inserting ''on or before December 31'';

(2) in subsection (b)(1), by striking ''May 31, 2003'' and inserting ''December 31, 2003'';

(3) in subsection (b)(2)—

(A) in the heading, by striking ''MAY 31, 2003'' and inserting ''DECEMBER 31, 2003''; and

(B) by striking ''May 31, 2003'' and inserting ''December 31, 2003''; and

(4) in subsection (b)(3), by striking ''August 30, 2003'' and inserting ''March 31, 2004''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 21).

The SPEAKER pro tempore. Pursuant to House Resolution 248, the gentlewoman from Washington (Ms. DUNN) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes.

The Chair recognizes the gentlewoman from Washington (Ms. DUNN).

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today we consider H.R. 2185 to extend unemployment benefits for millions of displaced workers. I want to thank the gentleman from California (Mr. THOMAS) for his leadership in bringing this bill to the floor today. This bill will extend the current unemployment insurance program until December 2003 with a phase-out until March 2004.

My legislation will allow dislocated workers to receive 13 weeks of benefits in all States and an additional 13 weeks for workers who live in States with high unemployment rates such as Alaska, Connecticut, Massachusetts, Oregon, Pennsylvania, and Washington. The bill will help approximately 2.4 million displaced workers nationwide.

In my home State of Washington, the unemployment rate has again increased from 7.1 percent to 7.3 percent, making it the third highest unemployment rate in the Nation. Mass layoffs continue to have an adverse impact on our State's economy, especially in the aerospace industry. I represent more than 25,000 Boeing workers, many of whom have already lost their jobs.

As we work on a jobs and growth package to provide an immediate boost to our economy, we must also give displaced workers the peace of mind in knowing that they have a little time to find a job. So what does H.R. 2185 do? It achieves the following: it extends unemployment benefits until December 31, 2003, with a phase-out until March 31, 2004; it extends unemployment benefits for 13 weeks in all States for displaced workers; it extends unemployment benefits for an additional 13 weeks for a total of 26 weeks in high unemployment States.

This bill will cost $6.5 billion over 10 years, and it will help about 2.4 million workers nationwide. I think it is important that people realize that the Congress has done a lot to help unemployed workers. We feel this is the time to continue generosity and to help some of these folks who are trying to get jobs.

The existing unemployment extension expires at the end of this month with a phase-out until August. Congress has now extended unemployment benefits three different times: first in March 2002, 13 weeks for all States and 26 weeks for high unemployment States; secondly, in January 2003, 13 weeks for all States and 26 weeks for high unemployment States; and, lastly, in April 2003 an additional 26 weeks for airline and related industry workers.

We are extending the safety net for workers struggling to find a job while stimulating our economic growth by reducing taxes for individuals and encouraging business expansion. By extending unemployment benefits for an additional 13 weeks in all States, we can help the 2.4 million workers, and in my State, 60,000 workers, who need this kind of help.

Our unemployment system has worked well for many years, and it serves people during economic downturns. We are constantly reviewing the unemployment program to ensure that it helps those who have lost their jobs through no fault of their own. It is a temporary program, and now is the time to extend these benefits in a temporary way to help those folks who need to be helped.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I ask unanimous consent to control the time of the gentleman from New York (Mr. RANGEL).

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me assure the House that on the Democratic side of the aisle, we are pleased that we have legislation before us that extends the Federal unemployment compensation for an additional 7 months. We think that is the right way to move. However, we are extremely disappointed that the legislation does not include any additional help for those who have already exhausted their unemployment insurance benefits.

We are very disappointed that over a million people who currently are unemployed, who cannot find employment, will not be able to get any benefits under this legislation. Few States will be able to go beyond the 13 weeks of additional Federal unemployment insurance benefits because of the trigger mechanism. We believe that the legislation before us should include 26 weeks of unemployment insurance benefits for all those workers who exhaust their State unemployment insurance funds.

Let me point out that in prior recessions we have done exactly that. The gentlewoman from Washington (Ms. DUNN) points out what we have done, but it falls far short of what we did in the recession in the early 1990s. Despite the fact that this recession is much deeper than the prior recession, we have lost 2.7 million jobs, twice as many jobs as in the early 1990s, and 70 percent more people have exhausted their unemployment insurance benefits in this recession than in the recession in the early 1990s. In the early 1990s, we extended benefits for 27 months. Yet in

this recession, we have only extended benefits for 15 months. In the prior recession, we extended Federal unemployment benefits initially for 26 weeks, then reduced it to 20 weeks; yet the legislation before us maintains only 13 weeks of benefits for those who are unemployed.

We have accumulated $21 billion in the Federal unemployment trust funds just for this purpose. The legislation before us is scored at about $6.5 billion. If we would extend the benefits to all of those who have exhausted benefits and provide 26 weeks of Federal unemployment insurance, it would cost perhaps another $3.5 billion, so $10 billion, about half the money that is in the fund exactly for this purpose.

Lastly, let me point out that providing unemployment insurance benefits for those who are unemployed and cannot find employment through no fault of their own would be the best way to stimulate our economy. A little later this evening we will be talking about a tax bill, supposedly to create jobs. If we really want to help our economy, let us give the money to those people who have to spend it because they have no other source of income.

The rule before us denies the opportunity of Members to offer amendments. That is regrettable. We should have had that opportunity. Speaking for my side of the aisle, the Democrats will use every opportunity we can to try to correct this legislation to deal with the 1 million people who are being left out by the underlying bill.

Mr. Speaker, I reserve the balance of my time.

Ms. DUNN. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. ENGLISH), a very valuable member of the Committee on Ways and Means.

Mr. ENGLISH. Mr. Speaker, I must say having been in western Pennsylvania, when you have been reading the headlines, looking at the economic statistics, things are indeed bleak out there. We are in a recession even if many within the Washington beltway do not fully recognize it, and that is why I rise today to applaud the Committee on Ways and Means, the gentlewoman from Washington, and the House leadership for recognizing the needs of the unemployed in this recession.

While we work, apparently in the face of partisan opposition, to enact a balanced and robust economic growth package, we also need to provide immediate help for these displaced workers. These are people who would rather have a job; but in lieu of a job during an economic slowdown, they need these benefits. Today's legislation will maintain a safety net for our Nation's displaced workers by providing up to 26 weeks of benefits for those who exhaust their State benefits. This type of measure is absolutely critical to move now so we make sure that no families fall between the cracks.

However, as we do it, I think we also need to recognize as a House that maybe the time has come to reassess parts of the safety net, look for ways of extending it, and that is why I have introduced the Safety Net Extension Act, a bill that would not only extend temporary assistance for the unemployed, but also enact some permanent reforms to the unemployment system. It would provide relief for those workers who are paying taxes on their unemployment benefits, many of whom are in my district. My bill would look to also reauthorization trade adjustment assistance, and I view this package as being of a piece.

Tonight we have an opportunity to move forward and extend the unemployment benefits for workers who have been laid off, making sure that they do not fall between the cracks. But in the long haul, I would hope that we in the House would come together on a bipartisan basis and look for ways of enriching those benefits and at the same time pass a real stimulus package that will get the economy back on a growth path.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would point out to the gentleman from Pennsylvania (Mr. ENGLISH) that under the bill, 78,000 people from Pennsylvania will be denied any additional benefits.

Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. ANDREWS).

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Speaker, tomorrow morning 1 million Americans will arise and have no jobs. They will go to the front doorstep and pick up the newspaper and look at the want ads.

□ 1945

The want ads will be filled with solicitations for jobs if you are a nuclear engineer or if you are ready to work for minimum wage with no benefits. And then they will go to their mailbox and even though they have no job, they will still have their mortgage bill and their car insurance bill and their utility bill and all the other expenses they need to support their families. And they will go out for their daily trek to try to find work and they will find that for every 3½ people in America looking for a job, there is one job. It is a measure of decency and equity how we treat these 1 million Americans.

Before we adjourn for the recess in the wee small hours of the morning, the majority will no doubt pass significant relief for the owners of the companies that laid off these million people. How tragic it is that we will not even get the opportunity to address the real needs of the 1 million Americans who will wake up tomorrow with no job, no prospects and no unemployment benefits. Let us measure the decency of this House and the capacity for compassion in this country by extending unemployment benefits for all the people of the country who need them, not simply those covered by this bill. Of course we will support this bill to help those who are helped, but it is a tragedy that we are leaving behind 1 million Americans who need work.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

I want to remind the gentleman from New Jersey that, under this bill, 124,250 of his constituents will receive unemployment coverage.

Mr. ANDREWS. Mr. Speaker, will the gentlewoman yield?

Ms. DUNN. I yield to the gentleman from New Jersey.

Mr. ANDREWS. Also in this bill, 51,000 of my constituents will not receive the extension, either.

Ms. DUNN. Because they have already received Federal benefits in the past.

Mr. ANDREWS. If the gentlewoman will yield, and they have exhausted those benefits and have no benefits now.

Ms. DUNN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. WELLER), a very trusted and good member of our committee.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Ladies and gentlemen of the House, I rise in strong support of H.R. 2185. It is simple legislation that helps people, a simple, straightforward 7-month extension of the current Federal Temporary Extended Unemployment Compensation program. It is going to benefit 2.5 million unemployed, many in Illinois and many in the district that I represent.

I would note that 2.5 million unemployed workers will receive extra help through this extension on top of the 5 million workers who have already received Federal extended benefits in 2002–2003. For those who measure their compassion by how much money you spend, I would note that this proposal before us provides about $7 billion in additional extended unemployment benefits on top of the $16 billion that we provided the States earlier this year.

This is important legislation. My State in Illinois has 6.6 percent unemployment. My district, my home county, has 12.8 percent unemployment. The manufacturing sector in the district that I represent is hurting. Many of those laid off are employed or used to be employed in the manufacturing sector. This legislation extending unemployment benefits combined with the economic growth and jobs plan that we will be adopting, which deserves bipartisan support, would be a boost for the manufacturing sector as well as the economy in my State of Illinois.

I urge support of this 7-month extension of unemployment benefits. I urge support for the jobs and growth plan later on this evening.

Mr. CARDIN. Mr. Speaker, let me just point out to my friend from Illinois that 53,000 of his constituents will

not be able to get benefits because of being excluded from this legislation.

Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. DAVIS).

Mr. DAVIS of Florida. Mr. Speaker, this bill tonight, while a welcome step, will leave by the end of the year 2 million Americans without the safety net that they have contributed to when they were employed as far as the unemployment compensation tax, as a part of benefits.

1.4 million Federal workers have already exhausted their State and Federal benefits. 685,000 workers will exhaust their benefits and be left stranded under this bill, 58,000 in my home State of Florida.

There is a simple reason for this. This Congress is refusing to do what Democrats and Republicans came to do in the early 1990s during the recession and that is to add an additional 13 weeks of coverage after 13 weeks have expired from the Federal Government on top of 26 weeks of the State. There is no defense on the other side of the aisle as to why we should not repeat what Democrats and Republicans did in the 1990s to preserve the safety net.

Who is being affected out there tonight by this? There are more than three unemployed workers looking for every job opening in the country today. 341,000 people lost their jobs in April. The unemployment rate is 6 percent. There are 8.8 million people out of work right now. One out of every five unemployed workers have been out for 6 months right now. The unemployment compensation trust fund today has $20 billion in it that is designed to be used exactly for the benefits the Republicans are refusing to provide tonight to these people who are looking for work.

And who are these people? The average unemployed worker has been looking on 29 different occasions trying to find a job, 29 potential job openings. People over 45 on the average have applied for 42 different jobs without success. Two-thirds of unemployed workers have had to cut back on basic necessities for their families. One in four unemployed workers have lost their home. Six in ten unemployed workers have spent almost all their savings.

Is this what you want to be proud of tonight? Is this what we are not capable of addressing tonight? Let us pass this bill but only after we adopt the benefits that were provided in the 1990s.

Ms. DUNN. Mr. Speaker, I yield 1 minute to the gentleman from Delaware (Mr. CASTLE), a former Governor and current valued Member.

Mr. CASTLE. I thank the gentlewoman for yielding me this time.

Mr. Speaker, I also rise in strong support of H.R. 2185, the Unemployment Compensation Amendments. I am proud to be an original cosponsor of this important measure, and I thank Chairman THOMAS and the House leadership for bringing this to the floor.

Sadly, we have watched many Americans become unemployed and struggle to find work in today's economy. Today, Congress is taking a much-needed step in extending unemployment compensation for our Nation's workers. Figures show the U.S. unemployment rate is at 6 percent, and nearly 9 million people are unemployed. This legislation provides a safety net for men and women who have lost their jobs through no fault of their own.

We must assist workers during these times of hardship so they can successfully make the transition back to the workforce. The legislation before us helps accomplish this goal and coupled with existing job training and networking programs we can return Americans to the workforce. I urge my colleagues to join together in supporting this important legislation.

Mr. CARDIN. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentlewoman from Ohio (Mrs. JONES), a distinguished member of the Committee on Ways and Means.

(Mrs. JONES of Ohio asked and was given permission to revise and extend her remarks.)

Mrs. JONES of Ohio. Thank God, Mr. Speaker. They finally woke up and decided that we needed to extend unemployment benefits. But they fell short. In fact, they have let so many people fall off the cliff, I wonder, where is the safety net?

In Ohio, as a result of the proposal for unemployment benefits that is being presented, 36,500 people will not get unemployment benefits. Right now in Ohio, since this President took office, 167,000 people have lost their job. In the city of Cleveland, 57,000 people have lost their job.

If you do not believe me about unemployment, let me go to somebody that everybody thinks is really great and ought to be heard. Let me tell you what Mr. Greenspan said about unemployment. He says:

''Unemployment insurance is essentially restrictive because it's been our perception that we don't want to create incentives for people not to take jobs. But when you're in a period of job weakness, where it is not a choice on the part of people whether they're employed or unemployed, then obviously you want to be temporarily generous.'' We ought to be temporarily generous.

''And I think that's what we have done in the past and it has worked well.''

He goes on to say this:

''I do, however, argue that we must be careful about creating permanent, temporary extensions, if I might put it that way. And I was suggesting to your colleagues that should you be going forward in an extension that it is far more important to have a short extension and if necessary just repeat it later.'' But I think this is important. ''And I think that because it is stringent in normal periods, that one should recognize that people who lose jobs not because they did anything and can't find new ones, you have a different form of problem, which means that you have to allow the unemployment system to be much broader and, indeed, that's what we need to do.''

So I say, pay no attention to me, listen to Mr. Greenspan where he says, but when you get into a period where jobs are failing, the arguments that people are worried about incentives should not apply.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

I think, to put the comments of Mr. Greenspan in context, because he made them at the meeting of the Joint Economic Committee yesterday, where I was present, he said:

''I have always been of the opinion, and stated before this committee previously, that our unemployment insurance system seems to work rather well. It is not overly generous, which would induce the type of increased levels of structural unemployment which we see in other countries which have these types of things, these types of structures. But unemployment insurance is essentially restrictive because it's been our perception that we don't want to create incentives for people not to take jobs. But when you're in a period of job weakness where it is not a choice on the part of the people whether they're unemployed or unemployed, then obviously you want to be temporarily generous.''

And he says, ''If you go forward with additional extensions, I would be careful to keep the extensions relatively short and renew them again if necessary.''

That is exactly what we are doing.

He says, ''Because we're not quite clear at this stage what the path of short-term economic activity is. A number of major economic forecasters have forecasts for the third quarter, which is just about in front of us, of 4 percent growth at an annual rate. And that is a relatively long list.''

Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. LOBIONDO).

Mr. LOBIONDO. I thank the gentlewoman from Washington for yielding me this time.

Mr. Speaker, I rise in very strong support of H.R. 2185 which will provide an additional 13 weeks of unemployment benefits to workers whose State jobless benefits will expire at the end of this month. I believe that we need to make sure that unemployed workers can continue to look for work with a degree of security that they can pay their bills. This legislation is the right way to accomplish this goal. I supported an extension of unemployment benefits in January and at that time signaled my belief that we should extend benefits throughout all of 2003 to give the economy time to recover and Congress a chance to pass a strong jobs and growth package. Tonight, we will pass that package, and we will also make unemployed workers eligible for unemployment benefits through the end of the year.

I would like to thank the gentleman from California (Mr. THOMAS), the

chairman of the Committee on Ways and Means; I would like to thank the gentleman from New York (Mr. QUINN), a colleague whom I have worked with closely to help working men and women; and I would like for all of my colleagues to think about, as we prepare to go back to our districts to answer to the folks that we represent next week, that we think about people in the real world, people who are around that kitchen table who know that they have a problem on their hands. This gives us an opportunity to say that we have listened, we have recognized the problem, and we are willing to do something about it. People will argue maybe that this is not perfect, but it is a good step that everyone should support, and we should look for additional ways to help working men and women get through these troubled times.

Mr. CARDIN. Mr. Speaker, let me point out to my friend from New Jersey that 51,000 people in his State are not going to get benefits because of leaving out the extra weeks.

Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. MCDERMOTT), a distinguished member of the Committee on Ways and Means.

Mr. MCDERMOTT. Mr. Speaker, welcome back to the rubber-stamp Congress. This bill is a statement by the President of the United States that he does not care about 1 million people. He sent the message to his junta here, and they run a bill out last night, drop it in, never had one single hearing on it, will not give us a chance to amend it.

If you gave us an amendment to cover those 1 million people, it would pass. The people on your side would be afraid to go home, having given the stiff arm to people who are off benefits. But we have to rubber-stamp everything George Bush does. ''I approve of everything George Bush does. I will leave a million people off the unemployment rolls deliberately.'' Deliberately. It is not an accident. It is not as though it just happened to us.

I got this from the White House. I suppose everyone else has theirs. You are going to use that again tonight on another bill, the tax bill. I have figured out what the President is thinking. He figured out, ''Well, I'm leaving a million people off and then I'm going to give this huge tax cut and I'm going to create a million jobs. And all those people who have been left out, they're going to have a job.''

□ 2000

Of course they are going to have to wait until tax time next year or sometime. I do not know when all that is going to start.

This is nonsense. You did absolutely the minimum you could do and keep a straight face and put out your press release that you did something for unemployment. How you could deliberately construct one when you have 70 percent more people running out of benefits now than Bush, Sr., did 10 years ago.

At least he said 27 weeks. He was expansive. His son is about as tightfisted as we are ever going to see towards working people. Not to the military. Not to nuclear defense and all that kind of stuff, but to working people he is just saying, hey, folks, I am sorry you do not qualify or your State did not trigger but tell the kids to kind of suck it up. Pull their belt a little bit tighter because the rubber stamp Congress of George Bush is out here tonight. They are waiting at home to see what you do.

If you had been out of work and you cannot pay your rent and you cannot buy for your kids and you are one of those million, you say to your kids, I am sorry but the President does not care. He has got $20 billion in a fund down there, but he will not give us anything.

How is that going to look in the next election? You ought to be thinking about that. I guarantee that before we leave here you will be back here extending these benefits again.

Your idea that people are staying at home from work to live off these fancy benefits is simply nonsense. Nobody who has lost a job stays at home when there is a job available. There are not enough jobs.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I certainly agree with the gentleman from Washington in that anybody who cannot find a job wants to, which is why we are going to pass tonight the Jobs and Growth Reconciliation Tax Act of 2003.

I do want to also remind the gentleman from Washington that the Congress has been watching over the concerns of States like Washington that have been the recipient of many unemployed people, and we have not done nothing. The debate tonight makes it sound like the Federal Government has done nothing.

In the State of Washington specifically, we have followed up 30 weeks of State benefits that the residents of our State are eligible for with 26 weeks of federally funded benefits that we passed in March, 2002, and extended again another 26 weeks in January of 2003, and then we matched the State for 9 total weeks of Federal- and State-funded benefits. We added on 7 weeks of State benefits for aerospace and timber workers who are in training programs. If we total that all up, it comes to 65 weeks for all dislocated workers, 98 weeks for aerospace workers and 72 weeks for timber workers.

I think the extension that we are going to do today, which for the State of Washington would provide 60,000 new people with unemployment benefits, is the right thing to do. With luck, if we play our cards right and the economy responds in the way we hope it will, we will not need to extend unemployment benefits, but if we need to, we will be there and do it, as Alan Greenspan says, on a temporary basis.

Mr. Speaker, I yield 4 minutes to the gentleman from the State of Oregon (Mr. WALDEN) who talks from experience since he is from the State with the highest unemployment.

Mr. WALDEN of Oregon. Mr. Speaker, we are proud of a lot of things in the great State of Oregon. Having the highest unemployment rate at 8 percent is not among them.

It is astounding to me to hear some of the Members on the other side of the aisle talk about unemployment insurance being a great economic producer. You are the people who have taken the jobs away from the people in Wallowa County: unemployment rate, 15.1 percent. It is your policies, yes, it is your policies who took away the jobs in Crook County: unemployment rate, 11.5 percent; Grant County, 14 percent.

I will tell you the policies. Did you vote for the Healthy Forests Restoration Act of 2003 the day before yesterday? Did you? Did you? Did you? No. Maybe you voted for it. Did you?

Mr. NEAL of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. WALDEN of Oregon. I yield to the gentleman from Massachusetts.

Mr. NEAL of Massachusetts. Mr. Speaker, what was the unemployment rate there 5 years ago or 6 years ago?

Mr. WALDEN of Oregon. Mr. Speaker, worse. Worse. It has been double-digit rates. I am happy to show the numbers. I will get them.

Some of these counties were approaching 20 percent unemployment because they are surrounded by Federal forests. Yes, it is hard to believe. Yes, you can laugh. Folks in Wallowa County are not laughing. We have been on 65 weeks of unemployment, 65 weeks, the highest unemployment in the country. If we want to create jobs in rural America, and that is what I represent, 72,000 square miles. My colleagues know my district. It is all of eastern Oregon. These are hard-working people. They are Republicans and Democrats. It is not a partisan thing to be unemployed. They want real jobs.

I am going to vote to extend this. You bet I am. This district, and I have only represented it for 4 years, did not enjoy the roaring 1990s of the major metropolitan areas. We are a resource-based district. Agriculture and timber. Our forests burn. Our watersheds are destroyed. Trees rot because they cannot go in and cut down the dead trees after a fire. We are trying to change that. I want healthy watersheds. I want healthy forests. They are America's forests. And I want these men and women back to work.

So I plead with my colleagues as we extend unemployment, which we must, and I have supported it every time, including the aerospace extension, to extend the benefits, but I plead with my colleagues, these people want jobs. Help us change the policies. When they voted no this week on healthy forests, they voted to take away their jobs again. Please work with us. It is more than just a safety net.

Mr. HOYER. Mr. Speaker, will the gentleman yield?

Mr. WALDEN of Oregon. I yield to the gentleman from Maryland.

Mr. HOYER. Mr. Speaker, I think the gentleman makes a good point, and he says work with us. The gentleman recalls that you would not allow us amendments to that bill so that many Democrats would have felt very comfortable voting for that bill. So you did not work with us.

Mr. WALDEN of Oregon. Reclaiming, first, I am not on the Committee on Rules.

Mr. HOYER. I understand that. I did not mean the gentleman personally.

Mr. WALDEN of Oregon. Second, let me suggest that the gentleman's side was given an opportunity to craft a bill to create a majority vote on this floor. The gentleman from California (Mr. GEORGE MILLER) and the gentleman from Oregon (Mr. DEFAZIO), whom I have worked with on other issues and will again, put forward a proposal of their free will in writing. They were given that opportunity. Many of you voted for that. I think it is insufficient. It did not prevail. It did not achieve a majority.

But it goes beyond healthy forests. The rules and the regulations and the laws, I remember when George McGovern left this body and opened a bed and breakfast. He wrote a column, and he said, ''I wish I had done this before I served in the Congress, because I had no idea what these rules and regulations and laws do to small business.''

I have been in small business 16 years. The bill we are going to vote on tonight to increase the ability to expense and deduct will produce jobs because companies will have the ability to invest in equipment they need. Somebody has to make that equipment, and they will. So let us get America back to work, and let us extend benefits as we need to extend them, and I will continue to vote to do that as I am going to do tonight.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Let me just point out to my friend from Oregon that the Bush Administration has the worst job record of any administration since World War II, losing 69,000 jobs, whereas the Clinton Administration has the best, creating over half a million jobs.

Mr. Speaker, I yield 3½ minutes to the distinguished gentleman from Maryland (Mr. HOYER), Democratic whip.

Mr. WALDEN of Oregon. Mr. Speaker, will the gentleman yield?

Mr. HOYER. I yield to the gentleman from Oregon.

Mr. WALDEN of Oregon. Mr. Speaker, I would suggest that the job losses occurred in my district under the Clinton Administration. I would suggest that and I bet I could prove that. The gentleman's numbers are about States in total, not looking at rural communities like the ones I represent.

Mr. HOYER. Mr. Speaker, reclaiming my time, there is no doubt, however, that George W. Bush has the worst job creation or, better put, the worst job loss record of any President. I would tell the gentleman from Oregon I do not recall his statement, but I recall the statements of many of his colleagues that stood on this floor in 2001 and said, if we vote for this $1 trillion package, we are going to create jobs, the economy is going to boom, and, guess what, we can do it within the framework of this $5.6 trillion surplus which is now, of course, as the gentleman knows well, a $2.7 trillion deficit, an $8 trillion turnaround which is going to dampen the economy of Oregon and our entire country.

Mr. Speaker, what a difference a week makes. I ask the gentleman from Oregon (Mr. WALDEN) to listen to this.

Last week, my colleagues may recall, the gentleman from Texas (Mr. DELAY), House majority leader, last week said in on this floor in regard to the much-needed extension of unemployment insurance benefits, what they bring here under great pressure from Democrats, and that is the only reason it is here, and I am going to vote for it, the gentleman from Texas (Mr. DELAY) said this:

''I think it is a stretch to say that we are at a crisis point, that we have to move quickly and not deliberatively on this issue.''

I am sure the people in eastern Oregon thought we had better move quickly, and the gentleman from Oregon (Mr. WALDEN) agrees with that. Our Republicans friends finally have recognized that last week's noncrisis, which is what their leader said, is this week's emergency for millions of American families; and I share the gentleman from Oregon's (Mr. WALDEN) view on the need of those unemployed.

The Republicans have finally peeked out from under their tax-cut blinders just long enough to see the harsh reality on Main Street America today, that our Nation has the highest unemployment rate in 9 years, that there are nearly 9 million unemployed Americans, that our economy has lost 2.7 million private sector jobs since President Bush was inaugurated, and that 4 million jobless Americans will have their temporary unemployment benefits completely cut off on May 31 unless this Congress acts immediately.

We asked that they act last week. We asked that they act the week before that. They have not done so. But their political analysts have told them, do not go home without at least positively affecting some of these people. Even as they prepare to shower the most affluent citizens in America with enormous budget-busting, debt-exploding tax cuts, the self-proclaimed compassionate conservatives demonstrate again that they only have so much compassion in their hearts, two-thirds to be exact tonight, because 1 million people are going to be left on the cutting room floor.

This GOP bill is most notable for its half measures. It will provide only 13 weeks of additional benefits to workers who have exhausted their State benefits, rather than 26 weeks that we sought. And for the 1 million unemployed Americans who have already exhausted both their State and Federal unemployment benefits, this bill would provide zero; nada; nothing; sorry, we cannot help.

I challenge my Republican colleagues to go home and tell the jobless constituents in eastern Oregon or anyplace else who have exhausted their State and Federal benefits that they refuse to extend them when they have the opportunity tonight now. Do it. Do the right thing.

Ms. DUNN. Mr. Speaker, may I inquire as to the amount of time that remains for both sides, please?

The SPEAKER pro tempore. The gentlewoman from Washington (Ms. DUNN) has 12 minutes remaining, and the gentleman from Maryland (Mr. CARDIN) has 13¾ minutes remaining.

Mr. CARDIN. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Massachusetts (Mr. NEAL), a member of the Committee on Ways and Means.

Mr. NEAL of Massachusetts. Mr. Speaker, I thank the gentleman from Maryland (Mr. CARDIN) for yielding me this time.

I say to the gentleman from Oregon here, I think there is a fundamental difference in the philosophy of these two parties, and it is highlighted once again this evening. We care about the entire American family. What we mean by community is a place where nobody is to be abandoned and nobody is to be left behind.

But let me give my colleagues a quote to follow up on what the gentleman from Maryland (Mr. HOYER) said, where the majority leader offered another callous comment about the unemployed. But let me offer a comment from another prominent member of the Republican leadership as he said, as he often is, worked up about this or that, hey, this is not a welfare program.

Talk about callousness? Talk about indifference? We are going to vote in the wee hours of this morning to give a massive tax cut to people who, to their everlasting credit, have not even asked for it. Those are members of the American family. It has sent shudders through Wall Street what they are about to do. And every one of the Members on this side of the aisle will march in, head down, and do what they are told once again.

There are millions of Americans who are struggling today, millions of them. And I want to vote to help the people in Oregon. They deserve it, just like the people on the East Coast. Do my colleagues know what we call that in our democracy? The national principle. We come to the assistance of parts of this country who need it.

Let me give the Members some economic facts, and they are pretty bleak. U.S. unemployment, a 9-year high. It was 4.1 percent when the President

took office. Now it is 6 percent. The number of discouraged workers, and I suspect a lot of them live in the gentleman from Oregon's congressional district, who are not even looking for a job any longer are at a 20-year high, 2.3 million jobs lost since 2001. One point seven million jobs have been lost since the $1.3 trillion 2001 tax cuts took effect.

Do we have in this institution amnesia? We were told this was a jobs bill last year, and I am telling the Members watch, 2 o'clock in the morning, head down, they will all vote for it again. And do the Members know what? Not one of them even asked a question. That is the embarrassing part about it. Seventy-three thousand jobs lost per month.

Mr. Speaker, vote for the Democratic alternative on the motion to recommit. Give those people in Oregon an opportunity. Call them members of the American family.

Ms. DUNN. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. CUNNINGHAM).

Mr. CUNNINGHAM. Mr. Speaker, I looked up and I heard these figures come out that this many people are going to be left out of this bill. I looked up at who is supporting it and where the figures are coming from. It is called the Center on Budget Priorities, an extreme far-left-wing organization that is supported by Democrat Socialists of America, lodged a progressive caucus on its website, supports increased taxes, increased social spending, bigger wasteful government, supports union over small business, and I could go on. So I think the numbers are a little bit misfit.

In the year 2000, this country was going through a recession. The tax relief that was passed according to Alan Greenspan and the economists who testified before the committees said that the tax relief shallowed that recession. It was growing at about 4.5 percent, which is slow, but it was increasing. And then we had 9/11. New York City alone, $200 billion in reconstruction and construction.

□ 2015

That does not include $83 billion in lost revenue and the jobs that went with it. In all of your districts, think about the hotel business, the tourism. Hotels in San Diego were at 10 percent occupancy. Tourism went down. The airlines got hurt. Look what happened to the stock market. Then we had Enron; then we had WorldCom.

We produced 58 bills that the other body did not pass to stimulate the economy. That was under Democratic leadership in the other body. Some of those bills restored confidence for people that lost thousands, in some cases millions, of dollars in their retirement accounts, and that would have helped stimulate the economy as well. But that was held up.

Mr. Speaker, it was said that this is the worst jobs President there ever was. Let me remind Members of some of the facts.

First of all, on the 1993 tax bill, the Democrats will say that no Republican voted for it. Let me tell you why. The same issues that Democrats demagogue on every single day, veterans, Democrats cut COLAs in 1993. You cut the COLAs for our military; that was on food stamps. You increased the tax on Social Security, and in that bill every dime was taken out of the Social Security trust fund.

Guess what? You even had a gas tax that went into the general fund. We changed that when we took the majority and put it into a transportation fund. That is where we came up with ISTEA for infrastructure control. We did away with your 1993 highest tax increase in the history of the United States. Then I remember the lady in the red dress and the gentleman from Missouri said we need middle-class tax cuts. Well, you increased the tax on the middle-class.

We decreased those taxes. And not a single Clinton budget, not even the Blue Dog budget, which had some very good points in it during that time frame, ever passed the House, ever. Not a Clinton budget passed.

Republicans brought the Clinton budget to the House floor to force the Democrats to vote on it, it was so bad. Do you know how many Democrats voted for it? Three, the same amount that voted for the First Lady's health care package.

When you say that President Clinton was responsible for the surplus, it just ain't so.

Now, let us get down to the issue that is before us that people left out. I have been here for 12 years; and this year is the worst partisan attack, from our side as well, and a lot of it in reaction.

I will bet every single Member here, except for those in leadership, would rather sit down and work together, and we can; and we can help the people with this bill, instead of the partisan attacks.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me tell my friend from California that if he checks with the Department of Labor he will find that 150,000 people in his State are not going to be covered under this bill who are unemployed.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentlewoman from California (Ms. WOOLSEY).

Ms. WOOLSEY. Mr. Speaker, I thank the gentleman for yielding me time.

Well, it is about time the Republican leadership does something about the unemployed and something for the unemployed; but what they offer is too little, too late, and it does not cover those who have used up their benefits but are still not working.

I would like to remind the gentlewoman from Washington State that unemployed workers cannot find jobs when there are not any. I would like to respond to the gentleman from Oregon, referring to ''our policies,'' meaning the Democrats. Our policies, indeed. When Bill Clinton was our President, our economy was strong. Not like today, when just 3 weeks ago the Labor Department reported that new applications for unemployment insurance hit 455,000 for the week ending April 19, and that number does not even count families who have exhausted their benefits and are not working.

Just listen to one of my constituents. He says, ''I have a master's degree and I have not been able to find work. I also deal with a chronic illness. I find myself applying for food stamps and soon will be unable to pay any bills. I am not sure I will have a roof over my head very soon. A lot of people are having a very difficult time. Please, Congresswoman, try to make unemployment extensions a top priority.''

That is why I support the Rangel bill, H.R. 1652, the Unemployment Benefits Extension Act, which would provide 26 weeks of extended benefits through November 2003. This bill will provide real benefits to all of those workers who are in between jobs, not only those who are newly unemployed.

Mr. Speaker, I urge my colleagues to oppose this legislation, and I urge the Republican leadership to take up H.R. 1652 so that we can have real unemployment relief.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, some of these speakers on the other side have talked about folks who have been covered in the past by Federal unemployment insurance, but they do not make that point. They make it sound as though they never have been covered.

I think it is important to reiterate that the Congress in March of 2002 extended to folks 13 weeks of Federal unemployment and 26 weeks for high unemployment States; extended it once again in January 2003, 13 weeks for all States and 26 weeks for high unemployment States; extended it again in April 2003, an additional 26 weeks for airline and related industry workers; and that many States also have provided for unemployment benefits.

Some States have additional benefits to help those who have exhausted their Federal benefits. For example, States have the option to provide 13 weeks of extended benefits at a 50/50 State and Federal cost share. This is after the 26 weeks of State and 13/13 weeks of Federal benefits, where we matched the States.

Additional Federal funds have been given to States to provide for unemployment benefits in any way they wish. They are done under the Reid Act. In March 2002, Congress allocated $8 billion to States under the Reid Act. States have the flexibility to use this money to pay for an additional unemployment benefit if they choose to do so. At this time States still have $6 billion of unused funds under the Reid Act. Congress also provided, as I said

before, targeted additional benefits to airline and related industry sectors.

So I think it is very, very misleading to make it sound like this is the first time we have thought of people who are unemployed. We have kept very close watch over these folks, because we feel their pain and we want to make sure they are provided with the help they need to go out and get jobs.

Mr. Speaker, I yield 2 minutes to the gentleman from the high-unemployment State of Connecticut (Mr. SHAYS).

Mr. SHAYS. Mr. Speaker, I thank the gentlewoman for yielding me time.

Mr. Speaker, I find this debate interesting, because we are debating a bill we all, or most all, are going to be supporting, so it is kind of like this is a good bill, we are going to vote for it, but we want it better or want it differently.

It is a good bill. It is a good bill for my State; 75,359 people have benefited. We are going to help 37,450 more, for a total of 112,809. In terms of dollars spent, we have provided $259,231,629. We are going to add $142 million, for $401 million. This is an effort to reach out.

My colleague from Buffalo, New York, has helped push this, along with the gentlewoman from Washington (Ms. DUNN) and others. We listened to our Democratic colleagues who said we need to move forward with the bill. It seems to me they should be taking credit for some of what we are doing.

Now, I support this legislation because I think it is important to our workers who are out of work; but I also support our tax cut, because I think that is ultimately how we are going to benefit these folks who need a job.

We are going to increase the child tax credit to $1,000, and then phase it out for the wealthy. It only is going for the families that need it. If you have three kids, you get to subtract $3,000 from the bottom line of your taxes. If you are married, you are not going to be paying a penalty anymore.

But my colleagues on the other side of the aisle voted against this. We are going to reduce the marginal rates to help working families. We are going to treat dividends like capital gains, and also reduce the capital gains rate.

We are going to get this economy moving again, frankly, with or without the support of our Democratic colleagues. We are going to provide the unemployment compensation we need, we are going to provide the tax cuts that we need, and we are going to get this economy moving again.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me say to my friend from Connecticut that the suggestion we are making to cover those who are unemployed costs less than 1 percent of the tax bill we are taking up later.

Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. BELL).

Mr. BELL. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I rise tonight to talk about the need for follow-through and about what got us to this point. For many weeks now, those of us here on the Democratic side of the aisle have been talking about jobs, the need for an economic stimulus plan that would lead to true job creation, the need to extend unemployment benefits for those who simply cannot find work in this lousy economy.

□ 2030

If Members come from a place like Houston, Texas, like I do, in a State that is facing 6.7 percent unemployment, the highest unemployment we have seen in 10 years, and a city like Houston, where more than 2,000 people are losing their jobs each and every month, we realize that people are desperate and that they need a helping hand. But for weeks what we continued to hear from the other side of the aisle was, no, that there would be no further extensions.

Well, now that has suddenly changed; and we welcome that change. I know that there will be a lot of chest thumping on the other side of the aisle tonight, that they have now passed an unemployment benefit extension, and many of us will join with them in that vote.

The problem is follow-through. Because if you are going to finally be brought kicking and screaming to the realization that people need a helping hand, then at least be willing to give them the hand that they need, not a plan that leaves 1 million unemployed people out in the cold, but provides for another 13-week extension for those individuals; not just another 13-week extension for the others, but a 26-week extension that would provide a real window of opportunity for those individuals to find work.

If they are finally going to listen to us and recognize the need to extend unemployment insurance benefits, then they should have been willing to follow through and accept our proposal. I am glad they were willing to go part of the way, but given the economic situation we face in this country, they should have been willing to go the rest of the way.

Ms. DUNN. Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Texas (Mr. GREEN).

Mr. GREEN of Texas. Mr. Speaker, I thank the gentleman for yielding time to me, and I thank my colleagues from the Committee on Ways and Means for allowing me to speak.

I rise in support of the effort to give out-of-work Americans more time to find a job before their benefits run out. In December of 2000, my hometown of Houston had one of the lowest unemployment rates in the Nation, 3.5 percent. The national average then was 4.2. Today we have unemployment of 6.7 percent in Houston. That is almost double what it was in December of 2000. Texas has lost 112,000 jobs since January of 2001. The country as a whole has lost over 2.5 million jobs since then.

Texans want to work, earn a living, and make homes for their families, but no one can survive for long on an unemployment check. People do not lose their jobs just to collect the unemployment check. It is almost laughable. It is only making the best of a terrible situation.

One hundred thirty-three thousand Texans are likely to run out of their regular unemployment without finding new work. We need to help these workers, and I am glad we are doing so today. But many will be left out, even as we act today. By the end of this month, there will be an estimated 69,000 Texans who have run out of their extended benefits and remain unemployed in this slow economy, even if we act today. Another 39,000 Texas workers will run out of benefits this summer. None of these numbers take into account the underemployed and the long-term unemployed.

Mr. Speaker, while I commend the leadership of both parties in bringing this legislation to the floor today, we need to realize it is only a Band-Aid. Texans and American workers need an extension of unemployment benefits, but they would rather have a job. But workers see Congress exporting good jobs and building up a massive Federal debt that slows down the economy and will have to be paid for by our children.

I urge support of the legislation, but it is a half a loaf, at best.

Mr. CARDIN. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Maine (Mr. MICHAUD).

Mr. MICHAUD. Mr. Speaker, I thank the gentleman for yielding time to me.

I am pleased that the House has taken up the extension of the unemployment benefits tonight. The unemployment in my congressional district is a glaring 30 percent in the Millinocket and East Millinocket labor market area, 13 percent in the Calais labor market area, 12 percent in the Jonesport labor market area, and the list goes on and on. Mill after mill are either shutting machines down or closing their doors completely.

As far as the Statewide unemployment, it is in the single digits. But as far as the northern part of the State, as I mentioned, it is over 30 percent in some of the labor market areas. It is not as if you could drive an hour away or so to go to where there is low unemployment. You have to drive about 6 hours away.

The aid we deliver tonight is desperately needed, but, Mr. Speaker, we can do so much more. We should be voting on a bill like H.R. 1652, the Rangel bill, of which I am a cosponsor. The bill would extend benefits by 26 weeks and give an additional 13 weeks for unemployed workers who have exhausted their benefits.

This would help the 2,700 workers in Maine who have exhausted their benefits and who would be left behind, because this bill would not consider them tonight. These are people who are left stranded by the economic downturn,

jobless through no fault of their own, and are desperately looking for work but cannot find the work.

For those who do not know, I have worked in a mill, paper mill, over 30 years in northern Maine. I know what it is like to lose your job. These neighbors, they are neighbors of mine, they are family, and they are friends. They do not want a handout, but, with no other recourse, they do need a helping hand.

Until we get this economy moving again and providing new jobs, instead of the 2 million jobs that we have lost over the couple of years, they will need this help desperately. But we can do much better for my constituents and people across this country, so I urge that we amend this bill to increase the unemployment compensation.

Ms. DUNN. Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, it is my pleasure to yield 1½ minutes to the gentlewoman from Florida (Ms. CORRINE BROWN).

Ms. CORRINE BROWN of Florida. Mr. Speaker, this administration should be referred to as the administration of hard knocks. It is simply amazing that George W. Bush, who has been in office for only 2 years after being selected by the Supreme Court, has led this country into one of the worst economic downturns in our Nation's history; 2 years, selected by the Supreme Court, and he has led this country into one of the worst economic downturns in the Nation's history. We have lost over 2 million jobs in the last 2 years and as many as 500,000 jobs in the last 3 months alone.

The only answer the Republicans have to our economic problems is tax cuts, tax cuts, and more tax cuts. This is supposed to be the People's House, not a House that just represents the country club buddies of the Republican Party.

On this weekend before Memorial Day we have an unemployment package before the House, and once again the Republican Party is playing politics with the American people. They again block the Democratic proposal, which would have given workers an additional 13 weeks to find a job in these difficult markets.

Watch out, Republicans. They can fool some of the people some of the time, but they cannot fool all of the people all of the time. The 1 million people left out in the cold are paying attention and will remember them on Election Day.

Ms. DUNN. Mr. Speaker, I yield 1 minute to the very valued member of the House of Representatives, the gentleman from New York (Mr. QUINN).

Mr. QUINN. Mr. Speaker, I want to thank the gentlewoman from Washington for yielding time to me. I also want to thank the gentlewoman for her work on this unemployment extension.

Many times I find myself at odds with the Republican Party, my party, when it comes to unemployment benefits for the working families across this country. But tonight we are not trying to fool any of the people any of the time. Tonight we are being very straightforward. Tonight what we are trying to do is to make sure that the working men and women and families of this country understand that the Republican Party understands their needs.

I am happy to support this bill tonight, as I think most Members on both sides of the aisle will. I want to thank our leadership of the Republican Party for taking this up and allowing many of us who feel that we need to have a voice for working families in the country make that voice heard.

I want to make certain that our Members understand that it is an opportunity for us to help working families. I am proud to say that we are going to do that very straightforwardly in a very clean bill, unattached to anything else, up or down, yes or no.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we would give the gentleman a chance to help the 103,000 people who are currently not covered by the bill in New York.

Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, in Illinois we have unemployment now of 6.7 percent; 17,000 workers have lost their job in the last 6 months; 2.5 million Americans have lost their jobs in the last 2 years; and 2 million of those jobs are manufacturing jobs.

One gentleman brought up the statistics and said that the statistics, and we are talking about the 1 million people who are left out, they were put out by the Center for Budget Priorities. In fact, the Department of Labor also recognized that 1 million people would not be covered by this unemployment insurance.

The fact is, I believe people on both sides are going to support this because people on both sides believe that people are hurt and need support. But this is an itsy-bitsy unemployment insurance program, when we can cover another 1 million people. That is how some people refer to the $350 billion tax cut. In my view, this is an itsy-bitsy unemployment tax cut.

We can do more because we are able to do more. We should not make that choice, that if you are unemployed you cannot get unemployment insurance. I believe that is the value we want to put in place. Although a number of us will support this, we can do better than the economic plan envisioned here.

Ms. DUNN. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. PETERSON), from one of those high unemployment States.

Mr. PETERSON of Pennsylvania. Mr. Speaker, I would like to commend the Committee on Ways and Means and the gentlewoman from Washington (Ms. DUNN) for her leadership on this issue.

I come from western Pennsylvania, which has been struggling with high unemployment. We have had many plant closings, a very difficult time. I believe this committee and this Congress has been meeting these issues head on and appropriately.

Why do we have the high unemployment? I hear today we are laying blame. If we are laying blame, I mention where I think the blame lies. September 11 shook the economy of this country. Why did we have 9/11? We had two embassies blown up. What did we do about the terror? Nothing. We had a barracks blown up, and several hundred of the Marines killed. What did we do about the terror? Nothing. We had the side of a ship blown up. What did we do about that terror? Nothing. We had an attempt to blow up the towers in New York before 9/11. What did we do? Blow up a baby milk factory.

We have an energy issue in this country that the last administration ignored. Every time we have had energy spikes in this country, our economy has gone down. Because we do not have adequate energy supply in this country, and when we do not have ample supply of all energies, we have spikes in prices.

We have been unwilling to have an energy policy. We have moved to all-natural gas for power generation. This very day we have gas prices that are going to hurt this economy in the year ahead because they are the highest they have ever been, and our storage is the lowest.

Yes, a lack of fighting terror years ago in the last administration, lack of an energy policy in the last administration, is the reason. Unemployment does not happen in a year. Those things happen over years of not taking care of business.

I just wanted to share my thoughts of where the blame ought to be.

Mr. CARDIN. Mr. Speaker, I yield myself the balance of my time.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). The gentleman from Maryland (Mr. CARDIN) is recognized for 45 seconds.

Mr. CARDIN. Mr. Speaker, as I said at the beginning of this debate, we welcome the opportunity of having an unemployment compensation bill on the floor. It is important that we enact legislation tonight that will help those people who are unemployed.

I can assure Members the Democrats want to join in that effort. We will offer an opportunity under the Rules so we can extend those benefits to all the people that are being trapped that are entitled to unemployment through their employment paying into the fund, so we do not leave 1 million people behind.

We would urge Members to support our motion, which will allow the 7-month extension for those who have exhausted the State benefits and also include those who have exhausted their 13 weeks.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

I would like to do a comparison between the bill that we are talking

about on the floor tonight and the bill that the Democrats have often brought up as being a better bill.

The Democrat plan is not targeted. It guarantees 26 weeks of benefits, regardless of local economic conditions in a State. Our bill is targeted. It provides immediately 13 weeks of Federal assistance to those who need it now, and it targets additional benefits to States that have high unemployment rates.

The Democrat plan is too long in duration. That plan would extend the program through October, 2004. We might be out of this recession by October of 2004. Our goal is to create jobs. We are enacting tax relief for all Americans that will give our economy an immediate boost and create new jobs.

Our bill continues the unemployment benefits through December, 2003, with a phase-out through March, 2004. That means Congress can come back, as we have consistently done in the past, and review the economic conditions at that time and decide if we need to extend unemployment benefits.

□ 2045

Also, in the growth bill, in addition to these unemployment extension benefits, we will provide $20 billion of Federal assistance to States in the jobs and growth package. This is a good solid unemployment package. It should pass.

Mr. SIMMONS. Mr. Speaker, I rise today in support of H.R. 2185, the ''Unemployed Compensation Amendments of 2003.'' I am proud to be an original sponsor of a measure so important to my home State of Connecticut.

Despite the fact that this Congress has passed several extensions for unemployment benefits, there are still millions of displaced workers who, of no fault of their own, are unable to find employment. This Congress—led by my colleague JENNIFER DUNN—recognizes this and has put forth a bill that will once again provide a lift to those who are still feeling the impact of September 11 on the economy.

Nowhere is this bill more important than in my home State of Connecticut. Unemployment benefit claims in Connecticut are up 7 percent from this month last year.

Thousands of Connecticut's working men and women need more assistance. For these reasons, it is imperative for Congress to act now and extend the unemployment insurance program to help those who are still looking for jobs.

H.R. 2185 will go a long way toward helping Connecticut's economy recover and ensure our workers economic security as they seek to rejoin the workforce.

On behalf of those more than 112,000 working men and women in Connecticut who will benefit from an unemployment extension, I ask that all Members of Congress support this bill.

Mr. BLUMENAUER. Mr. Speaker, Oregon's highest unemployment rate in the Nation gives me more than 139,800 reasons to be concerned. This extension is one of the most important things we can do to help people in my State. It is ironic that the bill to extend these benefits is being debated on the same day as we are poised to pass a massive tax cut. The contrast between the economic effect of the two pieces of legislation and the people they benefit are stark. Each new dollar in the unemployment benefits program quickly boosts the economy by $1.73, while the cut in dividend taxes enriches the economy by only 9 cents per dollar. Republican leadership priorities are made clear when it takes an extraordinary effort to extend $6.5 billion in benefits for those struggling to find work, while approving $350 billion—sure to be a trillion dollars if the authors of the tax cut have their way—in tax cuts that, in large part, benefit the wealthiest and worsen our ever spiraling national deficit.

After fighting for this extension for months I'm pleased we will pass this legislation before benefits expire this weekend, but it is once again, too little too late. What about the thousands of Oregonians who have had their benefits lapse? They will not be eligible for any benefits under this legislation. The Democratic substitute, which will not be allowed under the restrictive rule for debate today, would have assisted these workers. Our amendment would also have helped states improve coverage of low-wage earners and part-time workers, who pay unemployment taxes but often fail to qualify for benefits upon losing their jobs. Unfortunately, we will not even be able to debate this proposal today, instead forced to vote for half a solution. I hope we can reach the point where the House appreciates that unemployment benefits are too critical to be political cannon fodder. Unemployed Oregonians struggling to provide for their families deserve better.

Mr. STARK. Mr. Speaker, I rise today to support H.R. 2185, the Unemployment Compensation Amendment of 2003, but I must also highlight that this bill is an inadequate response to the plight of those without jobs.

Although the economic policies of the Bush administration and the Republican Congress have led to the loss of 2.7 million jobs, my Republican colleagues continue to do the absolute minimum to help those out-of-work Americans. H.R. 2185 reauthorizes 13 weeks of emergency benefits for individuals who have exhausted their regular unemployment benefits, but it ignores many others who are unemployed.

This legislation does not help the 1.1 million Americans who have already exhausted their emergency unemployment benefits and still cannot find work. With three unemployed workers for every job opening in America, the prospect of these long term unemployed workers finding a job are gloomy at best. They need help, but they're left out in the cold under this bill.

Another inadequacy of H.R. 2185 is that it only provides 13 weeks of additional emergency unemployment benefits after beneficiaries have exhausted their 26 weeks of regular unemployment benefits. A 13-week emergency unemployment benefit extension is simply inadequate because the number of workers who have been unemployed for more than 6 months has more than tripled over the last three years—up from 596,000 in April 2000 to 1.9 million in April 2003.

Finally, the Republican legislation fails to modernize the Unemployment Insurance program and adjust the definition of a high unemployment State, so that beneficiaries in States marred in deep recessions can access an additional 7 weeks of emergency unemployment benefits. Those 7 weeks of emergency unemployment benefits would be in addition to the current 13 weeks those unemployed workers can receive under current law. Because of the Republican bill's failure to change this definition, only 5 to 6 States qualify as high unemployment States and some funds designated for emergency benefits to high unemployment States are currently sitting unused in a federal trust fund.

If the Republicans really wanted to help hard-working average Americans, they could have begun by passing the Democratic alternative plan. Our plan really helps those who are without jobs. The Democratic plan adds 26 weeks of emergency unemployment benefits for individuals who exhaust their regular unemployment benefits and provides an additional 13 weeks for those workers who have already exhausted their emergency unemployment benefits. In addition, the Democratic plan modernizes the Unemployment Insurance program by lowering the rate of unemployment a state must have before it is designated a high unemployment State. This change would allow unemployed workers in 15 States get the additional 7 weeks of emergency unemployment benefits.

I will support this legislation today because it does help many unemployed Americans. But, Congress needs to do more to help all unemployed Americans survive this recession.

Mr. QUINN. Mr. Speaker, I thank the gentlelady from Washington Ms. DUNN for her work on this vital legislation.

Mr. Speaker, I rise today in strong support of H.R. 2185. I applaud the efforts of Chairman THOMAS and Majority Whip BLUNT for making good on their commitment to address this issue and ensure that unemployed Americans will be able to get through the Memorial Day holiday without having to worry about their benefits expiring on May 31.

H.R. 2185 would extend the Federal unemployment compensation program through the end of this year—relieving Congress of having to continue to revisit this issue while the economy begins to rebound.

This extension will provide relief for about 2.5 million unemployed workers.

It allows for 13 weeks of federally funded benefits—as well as an additional 13 weeks for residents of high unemployment States.

This relief will be a tremendous boost to Americans still actively seeking employment.

Again, I thank my colleagues for their hard work on this issue.

Mr. BACA. Mr. Speaker, since January 2001, 2.7 million people have been put out of work and my colleagues on the other side of the aisle are doing nothing to change it. H.R. 2185 is an unemployment package that will not help our Nation's economy or our Nation's unemployed.

In just the last 3 months, nearly one half million people have lost their jobs. Our unemployment rate is at an astounding 6 percent. That is the highest unemployment rate we have experienced in 10 years. And in response to this, all the Republicans can do is extend unemployment benefits for merely 13 weeks. 13 weeks. This is intolerable.

We need legislation that is going to stimulate growth and create jobs. We need to invest in research and technology to try to get this economy moving. We need to find realistic solutions that help the working and unemployed people of this Nation—not merely the wealthiest 5 percent.

We need to help the people that have been out of work for more than 6 months or more because this job market simply has nothing to offer. By the end of this month, it is estimated that well over 1 million people will have exhausted both State and Federal unemployment benefits without finding jobs.

As Democrats, we want to start passing legislation that creates jobs. We want to make sure that the unemployed have benefits. We want to make sure that people can feed their families and clothe their children. But the Republicans simply will not let us do it. Under our plan, we would strengthen unemployment benefits offering a permanent solution not merely temporary aid. Research shows that each dollar dedicated to strengthening unemployment benefits would boost the economy by one dollar and seventy-three cents. But the Republicans have closed their door on this plan and will never let it reach the House floor. This is a tragedy.

I am tired of temporary solutions. We need to fix this problem and make sure that the hard working people of this Nation get the help that they need.

Mrs. MCCARTHY of New York. Mr. Speaker, I rise is support of H.R. 2185, Extend Temporary Unemployment Benefits Act. This bill guarantees at least 13 weeks of unemployment benefits for jobless workers who are about to exhaust their original 26 weeks of benefits. Extending unemployment insurance is not only compassionate; it makes good economic sense because it stimulates the economy. For every dollar of unemployment insurance given to individuals, $1.73 is generated in the economy, the greatest of any spending initiative or tax cut.

Over the past 2½ years, more than 2.6 million Americans have lost their jobs, and the total number of unemployed, 8.8 million, is the highest in a decade. In New York State, we have seen 175,000 people lose their jobs over this same period of time. Without this extension, many of these workers would lose their insurance in the next few months.

Today's legislation is a step in the right direction. While it helps those who have not exhausted their benefits, it is my hope we continue to finds ways to help those whose benefits have completely expired and are facing difficult times. Families need real help, not empty promises.

I look forward to President Bush signing this legislation into law.

Mr. CASTLE. Mr. Speaker, I rise today in strong support of H.R. 2185, the ''Unemployment Compensation Amendments.'' I am proud to be an original cosponsor of this important measure and I thank Chairman THOMAS and the House leadership for bringing this to the floor.

Sadly, we have watched many Americans become unemployed and struggle to find wok in today's economy. Today, Congress is taking a much needed step in extending unemployment compensation for our Nation's workers. Figures show the U.S. unemployment rate is at 6 percent and nearly 9 million people are unemployed. This legislation provides a safety net for men and women who have lost their jobs through no fault of their own.

We must assist workers during these times of hardship so they can successfully make the transition back to the workforce. The legislation before us helps accomplish this goal and coupled with existing job training and networking programs we can return Americans to the workforce. I urge my colleagues to join me in supporting this important legislation.

Mr. LAHOOD. Mr. Speaker, I rise today in support of H.R. 2185, legislation that will allow unemployed workers to receive 13 weeks of additional Federal unemployment benefits. This legislation also provides an additional 13 weeks for workers who live in States with high unemployment rates. Congress previously passed an extension of benefits in December, and I urge my colleagues to once again support this important legislation.

Approximately 300,000 unemployed workers will exhaust their benefits each month without this extension. While I think we all agree that unemployment compensation should be a temporary benefit, I do not believe that our economy is currently strong enough to phase out the extension we passed in December. With the unemployment rate at 6 percent and an estimated 2 million unemployed workers predicted to exhaust their benefits between June and November, families need this benefit to simply make ends meet and keep their homes.

Many of my own constituents in central Illinois, despite their hard work and persistence, cannot find suitable work. In Illinois, over 100,000 unemployed workers are likely to exhaust their benefits over the next 6 months. This legislation will help to sustain these families until they can once again become self-sufficient. Additionally, it will provide even more benefits to unemployed workers in States in a worse position than Illinois, such as Washington and Oregon.

It is important that we pass this legislation today and avoid a possible disruption in benefits. While Congress is doing its part to ensure that our economy improves, we should not ignore those who are struggling. Once again, I urge my colleagues to support this important legislation.

Ms. MILLENDER-MCDONALD. Mr. Speaker, today I come before you to talk about how much unemployed Americans across the country will be affected when the Temporary Extended Unemployment Compensation Act of 2002, TEUC, runs out at the end of this month. We all know how severely the current economic downturn has impacted not only our districts, but our States overall. In my own State of California, the unemployment rate was 6.7 percent in 2002, while the Nation's unemployment rate for the same time period was 5.8 percent. California had 1.2 million unemployed residents in 2002, leaving it tied for 46th place with the worst unemployment ranking among the 50 States and the District of Columbia. As of March 2003, the State's unemployment rate had risen to 6.8 percent, which remains higher than the national average of 5.8 percent.

With our country's ongoing economic uncertainty, it is incumbent upon us to provide all methods of support to citizens who are searching for work nationwide.

With upward of 2.7 million private sector jobs lost during the past 2 years in contrast to 1.3 million private sector jobs disappearing in the early 1990s, we must clearly provide all available resources to unemployed Americans.

If we do not act quickly, some 80,000 Americans who are out of work will be unable to receive extended unemployment benefits each week unless we act and extend the current Temporary Extended Unemployment Compensation Program. If we delay further action, as of June 1 up to 2 million unemployed workers could be denied extended benefits over the next 6 months. This is on top of the 1 million out-of-work Americans who have already exhausted their Federal extended benefits.

Given that our economy was declared to be in recession as of March 2001, and with the additional decline caused by the events of September 11, more people are losing their jobs, and experience difficulty finding other work in order to sustain their families and themselves. We are facing new, unprecedented economic challenges, and the assistance we offer to those who are unemployed must meet their needs. An extended benefits program was made available to the unemployed for 27 months during the recession of the early 1990s, and unemployed workers received from 20 to 26 weeks' worth of benefits. Now, the extended benefits program is scheduled to expire after only 15 months, and it offers only 13 weeks of benefits in a select number of States. We spent $28.5 billion to help unemployed workers a decade ago, as opposed to spending $16 billion on extended benefits for the unemployed today.

The statistics we face regarding unemployment today are grim. The Department of Labor's Job Openings and Labor Turnover report indicates that there are now more than three unemployed workers for every job opening. Many individuals and families rely solely on unemployment benefits to support themselves. With the average length of unemployment now stretching out to 19.6 weeks, we are facing a 20-year high in terms of the numbers of Americans who are seeking employment. At this time, the percentage of people who have exhausted their standard unemployment benefits stands at 43 percent over the past several months, which is a record high. Compounding that fact, the number of long-term unemployed individuals out of work for more than 6 months has tripled over the last 3 years from 596,000 in 2000 to 1.9 million as of last month.

We are facing sobering statistics in a difficult economic climate, and tough choices must be made. As we move forward in making decisions, let us be mindful of the women, men and children who are in greatest need at this time.

Ms. DUNN. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. HASTINGS of Washington). All time for debate has expired.

The bill is considered read for amendment.

Pursuant to House Resolution 248, the previous question is ordered on the bill.

The question is on engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. CARDIN

Mr. CARDIN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. CARDIN. Yes, in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CARDIN moves to recommit the bill, H.R. 2185, to the Committee on Ways and Means with instructions that the Committee report the same back to the House forthwith with the following amendment:

At the end of the bill, add the following:

SEC. 3. ENTITLEMENT TO ADDITIONAL WEEKS OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) WEEKS OF TEUC AMOUNTS.—Paragraph (1) of section 203(b) of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 28) is amended to read as follows:

''(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to 26 times the individual's weekly benefit amount for the benefit year.''.

(b) WEEKS OF TEUC–X AMOUNTS.—Section 203(c)(1) of the Temporary Extended Unemployment Compensation Act of 2002 (Public Law 107–147; 116 Stat. 28) is amended by striking ''an amount equal to the amount originally established in such account (as determined under subsection (b)(1))'' and inserting ''7 times the individual's weekly benefit amount for the benefit year''.

(c) EFFECTIVE DATE.—The amendments made by this section—

(1) shall take effect as if included in the enactment of the Temporary Extended Unemployment Compensation Act of 2002; but

(2) shall apply only with respect to weeks of unemployment beginning on or after the date of enactment this Act.

Mr. CARDIN (during the reading). Mr. Speaker, I ask unanimous consent the motion be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

The SPEAKER pro tempore. The gentleman from Maryland (Mr. CARDIN) is recognized for 5 minutes.

Mr. CARDIN. Mr. Speaker, as I have indicated during the debate on the bill, the bill before us does extend unemployment insurance benefits for 7 months. I agree with the gentlewoman from Washington (Ms. DUNN) that a 7-month extension of the unemployment insurance benefits at this time is the appropriate length of time for us to extend unemployment insurance benefits.

We hope that during this period of time our economy will rebound; and if not, then we will have to revisit it again, but the length of time is the right period, and we have no objection to that.

Our objection is that we are not covering all the people who need to be helped. As I pointed out, in the recession in the 1990s when the loss of employment was less severe than the loss of employment in this recession, with the number of people who exhausted their Federal unemployment insurance benefits was less than under the current recession, we extended benefits for 26 weeks. We have the money in the unemployment insurance trust fund in order to do this. We have the money in the account, $21 billion. This will add a little over $3 billion.

Mr. Speaker, the distinguished chairman of the Committee on Ways and Means just filed the conference report on the Growth Tax Bill that I assume we will be taking up later this evening. That conference report will incur $350 billion of additional outlays. The amendment I have before you is less than 1 percent, less than 1 percent of the conference report on the tax bill. It affects 1 million people; 1 million people are affected by this motion. The adoption of this motion to recommit will not delay this bill 1 minute. We will still vote on it and pass it tonight. It is our opportunity to speak to what is the right policy, the right policy for those people who are unemployed; the right policy for what we have done in previous recessions; the right policy to help our economy, because we know these people need the money and will spend the money.

It is the right policy. I urge my colleagues to take advantage of this opportunity so that we cannot only take care of the 2 million people who are estimated to exhaust their State unemployment insurance benefits during the next 6 to 7 months, but we can help the 1 million people who are looking for jobs and cannot find jobs.

We have heard from these people in our communities. For every three people that are seeking a job, there is only one job available in the community, through no fault of their own. The least we can do is try to help them, and we can tonight by your vote on this motion to recommit. I urge my colleagues to support the motion.

Mr. Speaker, I yield back the balance of my time.

Mr. THOMAS. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, first of all, I want to compliment the gentlemen from Maryland (Mr. CARDIN). He has written a motion to recommit that is real.

We have seen many, many of these motions to recommit, and I am forced to point out the language that prefaces the specifics is not really genuine because they use the word ''promptly'' which kills the bill; and therefore, anything that they say they want simply is not so. And I rise to compliment him because in my usual examining of motions to recommit, he has got ''forthwith.'' That is real. That means if we decide to do this, it comes back immediately and the bill is changed. That is usually what the motion to recommit is about.

That is one of the reasons that Republicans, when we became the majority, decided to make sure that the minority would always have, would always have the right to recommit, not at the pleasure of the majority as was the case when we were in the minority, but guaranteed so that they could offer their alternative; and what we have seen all too often is a political stunt.

This is not a political stunt because it is clear with the language ''forthwith'' that they would like to have what this motion to recommit does. The gentleman said that we will soon be considering a growth plan, and I appreciate his use of that term because we hope that is exactly what it does. Of course, it is kind of a piker in terms of growth compared to what is offered in the motion to recommit.

It turns out that under the Democrat's plan, although it is not quite perpetual motion it comes darn close, someone can work for 20 weeks and then they can get 26 weeks of regular State unemployment. Then they can get another 26 weeks of temporary extended that will be provided to every State under the motion. Seven additional weeks in a high-unemployment State and then 13 additional permanents. That is 72 weeks. That is 17 months for 20 weeks' work.

If this motion to recommit passes, the growth plan that we will soon be considering, notwithstanding the fact that there may be a job, will create a real temptation for many people to take a look at this growth plan for unemployment that the Democrats offer and say 20 weeks of work for 17 months of unemployment is a really, really good deal.

We believe that we have to have a structure that deals with the underlying problem. We believe the bill that we have presented does. It is possible to create a structure which is, in fact, virtually self-defeating. I believe this motion to recommit comes awfully close. And I would ask my colleagues to oppose the motion to recommit. Vote for the underlying bill. Move that bill off the floor so that prior to this break everyone knows we wanted to make sure that we had a continuous, uninterrupted opportunity so that those who are seeking employment can have assistance to do so.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. CARDIN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

This is a 15-minute vote to be followed by a 5-minute vote on passage.

The vote was taken by electronic device, and there were—yeas 205, nays 222, not voting 7, as follows:

[Roll No. 222]

YEAS—205

Abercrombie	Allen	Baird
Ackerman	Andrews	Baldwin
Alexander	Baca	Ballance

Becerra
Bell
Berkley
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Goode
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NAYS—222

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Dreier
Duncan
Dunn
Ehlers
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOT VOTING—7

Berman
Bonilla
Combest
Doolittle
Emerson
Gephardt
Jones (NC)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. HASTINGS of Washington) (during the vote). There are two minutes remaining to vote.

□ 2113

Messrs. BEAUPREZ, HEFLEY, MCINNIS, and SMITH of Michigan changed their vote from ''yea'' to ''nay.''

Mr. BAIRD changed his vote from ''nay'' to ''yea.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. QUINN. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 409, noes 19, not voting 6, as follows:

[Roll No. 223]

AYES—409

Abercrombie
Ackerman
Aderholt
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldwin
Ballance
Ballenger
Barrett (SC)
Barton (TX)
Bass
Beauprez
Becerra
Bell
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonner
Bono
Boozman
Boswell
Boucher
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (OH)
Brown (SC)
Brown, Corrine
Brown-Waite, Ginny
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Case
Castle
Chabot
Chocola
Clay
Clyburn
Coble
Cole
Collins
Conyers
Cooper
Costello
Cox
Cramer
Crenshaw
Crowley
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Ferguson
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Frank (MA)
Frelinghuysen
Frost
Gallegly
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley (OR)
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Janklow
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (NY)
Kingston
Kirk
Kleczka
Kline
Knollenberg
Kolbe
Kucinich
LaHood
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Maloney
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCotter
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Myrick
Nadler
Napolitano
Neal (MA)
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Oberstar
Obey
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pearce
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reyes

Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Rush
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Saxton
Schakowsky
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spratt
Stark
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Tierney
Toomey
Towns
Turner (OH)
Turner (TX)
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velazquez
Visclosky
Vitter
Walden (OR)
Walsh
Wamp
Waters
Watson
Watt
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NOES—19

Bartlett (MD)
Burgess
Crane
Cubin
Culberson
Feeney
Flake
Franks (AZ)
Garrett (NJ)
Hensarling
Hostettler
Johnson, Sam
King (IA)
Miller (FL)
Musgrave
Paul
Shadegg
Smith (MI)
Tancredo

NOT VOTING—6

Bonilla
Combest
Doolittle
Emerson
Gephardt
Lewis (CA)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. HASTINGS of Washington) (during the vote). Members are advised that 2 minutes remain in this vote.

□ 2120

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

Mr. THOMAS (during consideration of H.R. 2185) submitted the following conference report and statement on the bill (H.R. 2), to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004:

CONFERENCE REPORT (H. REPT. 108–126)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2), to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

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

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Jobs and Growth Tax Relief Reconciliation Act of 2003''.

(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.—The table of contents of this Act is as follows:

Sec. 1. Short title; references; table of contents.

TITLE I—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

Sec. 101. Acceleration of increase in child tax credit.
Sec. 102. Acceleration of 15-percent individual income tax rate bracket expansion for married taxpayers filing joint returns.
Sec. 103. Acceleration of increase in standard deduction for married taxpayers filing joint returns.
Sec. 104. Acceleration of 10-percent individual income tax rate bracket expansion.
Sec. 105. Acceleration of reduction in individual income tax rates.
Sec. 106. Minimum tax relief to individuals.
Sec. 107. Application of EGTRRA sunset to this title.

TITLE II—GROWTH INCENTIVES FOR BUSINESS

Sec. 201. Increase and extension of bonus depreciation.
Sec. 202. Increased expensing for small business.

TITLE III—REDUCTION IN TAXES ON DIVIDENDS AND CAPITAL GAINS

Sec. 301. Reduction in capital gains rates for individuals; repeal of 5-year holding period requirement.
Sec. 302. Dividends of individuals taxed at capital gain rates.
Sec. 303. Sunset of title.

TITLE IV—TEMPORARY STATE FISCAL RELIEF

Sec. 401. Temporary State fiscal relief.

TITLE V—CORPORATE ESTIMATED TAX PAYMENTS FOR 2003

Sec. 501. Time for payment of corporate estimated taxes.

TITLE I—ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

SEC. 101. ACCELERATION OF INCREASE IN CHILD TAX CREDIT.

(a) IN GENERAL.—The item relating to calendar years 2001 through 2004 in the table contained in paragraph (2) of section 24(a) (relating to per child amount) is amended to read as follows:

''2003 or 2004 ..... $1,000''.

(b) ADVANCE PAYMENT OF PORTION OF INCREASED CREDIT IN 2003.—

(1) IN GENERAL.—Subchapter B of chapter 65 (relating to abatements, credits, and refunds) is amended by inserting after section 6428 the following new section:

''SEC. 6429. ADVANCE PAYMENT OF PORTION OF INCREASED CHILD CREDIT FOR 2003.

''(a) IN GENERAL.—Each taxpayer who was allowed a credit under section 24 on the return for the taxpayer's first taxable year beginning in 2002 shall be treated as having made a payment against the tax imposed by chapter 1 for such taxable year in an amount equal to the child tax credit refund amount (if any) for such taxable year.

''(b) CHILD TAX CREDIT REFUND AMOUNT.—For purposes of this section, the child tax credit refund amount is the amount by which the aggregate credits allowed under part IV of subchapter A of chapter 1 for such first taxable year would have been increased if—

''(1) the per child amount under section 24(a)(2) for such year were $1,000,

''(2) only qualifying children (as defined in section 24(c)) of the taxpayer for such year who had not attained age 17 as of December 31, 2003, were taken into account, and

''(3) section 24(d)(1)(B)(ii) did not apply.

''(c) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this section, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as rapidly as possible and, to the extent practicable, before October 1, 2003. No refund or credit shall be made or allowed under this section after December 31, 2003.

''(d) COORDINATION WITH CHILD TAX CREDIT.—

''(1) IN GENERAL.—The amount of credit which would (but for this subsection and section 26) be allowed under section 24 for the taxpayer's first taxable year beginning in 2003 shall be reduced (but not below zero) by the payments made to the taxpayer under this section. Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

''(2) JOINT RETURNS.—In the case of a payment under this section with respect to a joint return, half of such payment shall be treated as having been made to each individual filing such return.

''(e) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section.''.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

''Sec. 6429. Advance payment of portion of increased child credit for 2003.''.

(c) 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, 2002.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 102. ACCELERATION OF 15-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—The table contained in subparagraph (B) of section 1(f)(8) (relating to applicable percentage) is amended by inserting before the item relating to 2005 the following new item:

''2003 and 2004 ..... 200''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(f)(8)(A) is amended by striking ''2004'' and inserting ''2002''.

(2) Section 302(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 103. ACCELERATION OF INCREASE IN STANDARD DEDUCTION FOR MARRIED TAXPAYERS FILING JOINT RETURNS.

(a) IN GENERAL.—The table contained in paragraph (7) of section 63(c) (relating to applicable percentage) is amended by inserting before the item relating to 2005 the following new item:

''2003 and 2004 ..... 200''.

(b) CONFORMING AMENDMENT.—Section 301(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking ''2004'' and inserting ''2002''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 104. ACCELERATION OF 10-PERCENT INDIVIDUAL INCOME TAX RATE BRACKET EXPANSION.

(a) IN GENERAL.—Clause (i) of section 1(i)(1)(B) (relating to the initial bracket amount) is amended by striking ''($12,000 in the case of taxable years beginning before January 1, 2008)'' and inserting ''($12,000 in the case of taxable years beginning after December 31, 2004, and before January 1, 2008)''.

(b) INFLATION ADJUSTMENT.—Subparagraph (C) of section 1(i)(1) is amended to read as follows:

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2000—

''(i) except as provided in clause (ii), the Secretary shall make no adjustment to the initial bracket amounts for any taxable year beginning before January 1, 2009,

''(ii) there shall be an adjustment under subsection (f) of such amounts which shall apply only to taxable years beginning in 2004, and such adjustment shall be determined under subsection (f)(3) by substituting '2002' for '1992' in subparagraph (B) thereof,

''(iii) the cost-of-living adjustment used in making adjustments to the initial bracket amounts for any taxable year beginning after December 31, 2008, shall be determined under subsection (f)(3) by substituting '2007' for '1992' in subparagraph (B) thereof, and

''(iv) the adjustments under clauses (ii) and (iii) shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(c) EFFECTIVE DATE.—

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

(2) TABLES FOR 2003.—The Secretary of the Treasury shall modify each table which has been prescribed under section 1(f) of the Internal Revenue Code of 1986 for taxable years beginning in 2003 and which relates to the amendment made by subsection (a) to reflect such amendment.

SEC. 105. ACCELERATION OF REDUCTION IN INDIVIDUAL INCOME TAX RATES.

(a) IN GENERAL.—The table contained in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended to read as follows:

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002	27.0%	30.0%	35.0%	38.6%
2003 and thereafter	25.0%	28.0%	33.0%	35.0%''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 106. MINIMUM TAX RELIEF TO INDIVIDUALS.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking ''$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004'' and inserting ''$58,000 in the case of taxable years beginning in 2003 and 2004''.

(2) Subparagraph (B) of section 55(d)(1) is amended by striking ''$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004'' and inserting ''$40,250 in the case of taxable years beginning in 2003 and 2004''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2002.

SEC. 107. APPLICATION OF EGTRRA SUNSET TO THIS TITLE.

Each amendment made by this title shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

TITLE II—GROWTH INCENTIVES FOR BUSINESS

SEC. 201. INCREASE AND EXTENSION OF BONUS DEPRECIATION.

(a) IN GENERAL.—Section 168(k) (relating to special allowance for certain property acquired after September 10, 2001, and before September 11, 2004) is amended by adding at the end the following new paragraph:

''(4) 50-PERCENT BONUS DEPRECIATION FOR CERTAIN PROPERTY.—

''(A) IN GENERAL.—In the case of 50-percent bonus depreciation property—

''(i) paragraph (1)(A) shall be applied by substituting '50 percent' for '30 percent', and

''(ii) except as provided in paragraph (2)(C), such property shall be treated as qualified property for purposes of this subsection.

''(B) 50-PERCENT BONUS DEPRECIATION PROPERTY.—For purposes of this subsection, the term '50-percent bonus depreciation property' means property described in paragraph (2)(A)(i)—

''(i) the original use of which commences with the taxpayer after May 5, 2003,

''(ii) which is acquired by the taxpayer after May 5, 2003, and before January 1, 2005, but only if no written binding contract for the acquisition was in effect before May 6, 2003, and

''(iii) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in paragraph (2)(B) (as modified by subparagraph (C) of this paragraph), before January 1, 2006.

''(C) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of paragraph (2) shall apply for purposes of this paragraph; except that references to September 10, 2001, shall be treated as references to May 5, 2003.

''(D) AUTOMOBILES.—Paragraph (2)(E) shall be applied by substituting '$7,650' for '$4,600' in the case of 50-percent bonus depreciation property.

''(E) ELECTION OF 30-PERCENT BONUS.—If a taxpayer makes an election under this subparagraph with respect to any class of property for any taxable year, subparagraph (A)(i) shall not apply to all property in such class placed in service during such taxable year.''.

(b) EXTENSION OF CERTAIN DATES FOR 30-PERCENT BONUS DEPRECIATION PROPERTY.—

(1) PORTION OF BASIS TAKEN INTO ACCOUNT.—

(A) Subparagraphs (B)(ii) and (D)(i) of section 168(k)(2) are each amended by striking ''September 11, 2004'' each place it appears in the text and inserting ''January 1, 2005''.

(B) Clause (ii) of section 168(k)(2)(B) is amended by striking ''PRE-SEPTEMBER 11, 2004'' in the heading and inserting ''PRE-JANUARY 1, 2005''.

(2) ACQUISITION DATE.—Clause (iii) of section 168(k)(2)(A) is amended by striking ''September 11, 2004'' each place it appears and inserting ''January 1, 2005''.

(3) ELECTION.—Clause (iii) of section 168(k)(2)(C) is amended by adding at the end the following: ''The preceding sentence shall be applied separately with respect to property treated as qualified property by paragraph (4) and other qualified property.''.

(c) CONFORMING AMENDMENTS.—

(1) The subsection heading for section 168(k) is amended by striking ''SEPTEMBER 11, 2004'' and inserting ''JANUARY 1, 2005''.

(2) The heading for clause (i) of section 1400L(b)(2)(C) is amended by striking ''30-PERCENT ADDITIONAL ALLOWANCE PROPERTY'' and inserting ''BONUS DEPRECIATION PROPERTY UNDER SECTION 168(k)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after May 5, 2003.

SEC. 202. INCREASED EXPENSING FOR SMALL BUSINESS.

(a) IN GENERAL.—Paragraph (1) of section 179(b) (relating to dollar limitation) is amended to read as follows:

''(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000 ($100,000 in the case of taxable years beginning after 2002 and before 2006).''.

(b) INCREASE IN QUALIFYING INVESTMENT AT WHICH PHASEOUT BEGINS.—Paragraph (2) of section 179(b) (relating to reduction in limitation) is amended by inserting ''($400,000 in the case of taxable years beginning after 2002 and before 2006)'' after ''$200,000''.

(c) OFF-THE-SHELF COMPUTER SOFTWARE.—Paragraph (1) of section 179(d) (defining section 179 property) is amended to read as follows:

''(1) SECTION 179 PROPERTY.—For purposes of this section, the term 'section 179 property' means property—

''(A) which is—

''(i) tangible property (to which section 168 applies), or

''(ii) computer software (as defined in section 197(e)(3)(B)) which is described in section 197(e)(3)(A)(i), to which section 167 applies, and which is placed in service in a taxable year beginning after 2002 and before 2006,

''(B) which is section 1245 property (as defined in section 1245(a)(3)), and

''(C) which is acquired by purchase for use in the active conduct of a trade or business.

Such term shall not include any property described in section 50(b) and shall not include air conditioning or heating units.''.

(d) ADJUSTMENT OF DOLLAR LIMIT AND PHASEOUT THRESHOLD FOR INFLATION.—Subsection (b) of section 179 (relating to limitations) is amended by adding at the end the following new paragraph:

''(5) INFLATION ADJUSTMENTS.—

''(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003 and before 2006, the $100,000 and $400,000 amounts in paragraphs (1) and (2) shall each be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—

''(i) DOLLAR LIMITATION.—If the amount in paragraph (1) as increased under subparagraph (A) is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

''(ii) PHASEOUT AMOUNT.—If the amount in paragraph (2) as increased under subparagraph (A) is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''.

(e) REVOCATION OF ELECTION.—Paragraph (2) of section 179(c) (relating to election irrevocable) is amended by adding at the end the following new sentence: ''Any such election or specification with respect to any taxable year beginning after 2002 and before 2006 may be revoked by the taxpayer with respect to any property, and such revocation, once made, shall be irrevocable.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

TITLE III—REDUCTION IN TAXES ON DIVIDENDS AND CAPITAL GAINS

SEC. 301. REDUCTION IN CAPITAL GAINS RATES FOR INDIVIDUALS; REPEAL OF 5-YEAR HOLDING PERIOD REQUIREMENT.

(a) IN GENERAL.—

(1) Sections 1(h)(1)(B) and 55(b)(3)(B) are each amended by striking ''10 percent'' and inserting ''5 percent (0 percent in the case of taxable years beginning after 2007)''.

(2) The following sections are each amended by striking ''20 percent'' and inserting ''15 percent'':

(A) Section 1(h)(1)(C).

(B) Section 55(b)(3)(C).

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) The second sentence of section 607(h)(6)(A) of the Merchant Marine Act, 1936.

(b) CONFORMING AMENDMENTS.—

(1) Section 1(h) is amended—

(A) by striking paragraphs (2) and (9),

(B) by redesignating paragraphs (3) through (8) as paragraphs (2) through (7), respectively, and

(C) by redesignating paragraphs (10), (11), and (12) as paragraphs (8), (9), and (10), respectively.

(2) Paragraph (3) of section 55(b) is amended by striking ''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).''.

(3) Paragraph (7) of section 57(a) is amended—

(A) by striking ''42 percent'' the first place it appears and inserting ''7 percent'', and

(B) by striking the last sentence.

(c) TRANSITIONAL RULES FOR TAXABLE YEARS WHICH INCLUDE MAY 6, 2003.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 in the case of a taxable year which includes May 6, 2003—

(1) The amount of tax determined under subparagraph (B) of section 1(h)(1) of such Code shall be the sum of—

(A) 5 percent of the lesser of—

(i) the net capital gain determined by taking into account only gain or loss properly taken into account for the portion of the taxable year on or after May 6, 2003 (determined without regard to collectibles gain or loss, gain described in section 1(h)(6)(A)(i) of such Code, and section 1202 gain), or

(ii) the amount on which a tax is determined under such subparagraph (without regard to this subsection),

(B) 8 percent of the lesser of—

(i) the qualified 5-year gain (as defined in section 1(h)(9) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of this Act) properly taken into account for the portion of the taxable year before May 6, 2003, or

(ii) the excess (if any) of—

(I) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(II) the amount on which a tax is determined under subparagraph (A), plus

(C) 10 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (without regard to this subsection), over

(ii) the sum of the amounts on which a tax is determined under subparagraphs (A) and (B).

(2) The amount of tax determined under subparagraph (C) of section (1)(h)(1) of such Code shall be the sum of—

(A) 15 percent of the lesser of—

(i) the excess (if any) of the amount of net capital gain determined under subparagraph (A)(i) of paragraph (1) of this subsection over the amount on which a tax is determined under subparagraph (A) of paragraph (1) of this subsection, or

(ii) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), plus

(B) 20 percent of the excess (if any) of—

(i) the amount on which a tax is determined under such subparagraph (C) (without regard to this subsection), over

(ii) the amount on which a tax is determined under subparagraph (A) of this paragraph.

(3) For purposes of applying section 55(b)(3) of such Code, rules similar to the rules of paragraphs (1) and (2) of this subsection shall apply.

(4) In applying this subsection with respect to any pass-thru entity, the determination of when gains and losses are properly taken into account shall be made at the entity level.

(5) For purposes of applying section 1(h)(11) of such Code, as added by section 302 of this Act, to this subsection, dividends which are qualified dividend income shall be treated as gain properly taken into account for the portion of the taxable year on or after May 6, 2003.

(6) Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided by this subsection, the amendments made by this section shall apply to taxable years ending on or after May 6, 2003.

(2) WITHHOLDING.—The amendment made by subsection (a)(2)(C) shall apply to amounts paid after the date of the enactment of this Act.

(3) SMALL BUSINESS STOCK.—The amendments made by subsection (b)(3) shall apply to dispositions on or after May 6, 2003.

SEC. 302. DIVIDENDS OF INDIVIDUALS TAXED AT CAPITAL GAIN RATES.

(a) IN GENERAL.—Section 1(h) (relating to maximum capital gains rate), as amended by section 301, is amended by adding at the end the following new paragraph:

''(11) DIVIDENDS TAXED AS NET CAPITAL GAIN.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'net capital gain' means net capital gain (determined without regard to this paragraph) increased by qualified dividend income.

''(B) QUALIFIED DIVIDEND INCOME.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified dividend income' means dividends received during the taxable year from—

''(I) domestic corporations, and

''(II) qualified foreign corporations.

''(ii) CERTAIN DIVIDENDS EXCLUDED.—Such term shall not include—

''(I) any dividend from a corporation which for the taxable year of the corporation in which the distribution is made, or the preceding taxable year, is a corporation exempt from tax under section 501 or 521,

''(II) any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.), and

''(III) any dividend described in section 404(k).

''(iii) COORDINATION WITH SECTION 246(C).—Such term shall not include any dividend on any share of stock—

''(I) with respect to which the holding period requirements of section 246(c) are not met (determined by substituting in section 246(c)(1) '60 days' for '45 days' each place it appears and by substituting '120-day period' for '90-day period'), or

''(II) to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

''(C) QUALIFIED FOREIGN CORPORATIONS.—

''(i) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified foreign corporation' means any foreign corporation if—

''(I) such corporation is incorporated in a possession of the United States, or

''(II) such corporation is eligible for benefits of a comprehensive income tax treaty with the United States which the Secretary determines is satisfactory for purposes of this paragraph and which includes an exchange of information program.

''(ii) DIVIDENDS ON STOCK READILY TRADABLE ON UNITED STATES SECURITIES MARKET.—A foreign corporation not otherwise treated as a qualified foreign corporation under clause (i) shall be so treated with respect to any dividend paid by such corporation if the stock with respect to which such dividend is paid is readily tradable on an established securities market in the United States.

''(iii) EXCLUSION OF DIVIDENDS OF CERTAIN FOREIGN CORPORATIONS.—Such term shall not include any foreign corporation which for the taxable year of the corporation in which the dividend was paid, or the preceding taxable year, is a foreign personal holding company (as defined in section 552), a foreign investment company (as defined in section 1246(b)), or a passive foreign investment company (as defined in section 1297).

''(iv) COORDINATION WITH FOREIGN TAX CREDIT LIMITATION.—Rules similar to the rules of section 904(b)(2)(B) shall apply with respect to the dividend rate differential under this paragraph.

''(D) SPECIAL RULES.—

''(i) AMOUNTS TAKEN INTO ACCOUNT AS INVESTMENT INCOME.—Qualified dividend income shall not include any amount which the taxpayer takes into account as investment income under section 163(d)(4)(B).

''(ii) EXTRAORDINARY DIVIDENDS.—If an individual receives, with respect to any share of stock, qualified dividend income from 1 or more dividends which are extraordinary dividends (within the meaning of section 1059(c)), any loss on the sale or exchange of such share shall, to the extent of such dividends, be treated as long-term capital loss.

''(iii) TREATMENT OF DIVIDENDS FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—A dividend received from a regulated investment company or a real estate investment trust shall be subject to the limitations prescribed in sections 854 and 857.''.

(b) EXCLUSION OF DIVIDENDS FROM INVESTMENT INCOME.—Subparagraph (B) of section 163(d)(4) (defining net investment income) is amended by adding at the end the following flush sentence:

''Such term shall include qualified dividend income (as defined in section 1(h)(11)(B)) only to the extent the taxpayer elects to treat such income as investment income for purposes of this subsection.''.

(c) TREATMENT OF DIVIDENDS FROM REGULATED INVESTMENT COMPANIES.—

(1) Subsection (a) of section 854 (relating to dividends received from regulated investment companies) is amended by inserting ''section 1(h)(11) (relating to maximum rate of tax on dividends) and'' after ''For purposes of''.

(2) Paragraph (1) of section 854(b) (relating to other dividends) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

''(B) MAXIMUM RATE UNDER SECTION 1(h).—

''(i) IN GENERAL.—If the aggregate dividends received by a regulated investment company during any taxable year are less than 95 percent of its gross income, then, in computing the maximum rate under section 1(h)(11), rules similar to the rules of subparagraph (A) shall apply.

''(ii) GROSS INCOME.—For purposes of clause (i), in the case of 1 or more sales or other dispositions of stock or securities, the term 'gross income' includes only the excess of—

''(I) the net short-term capital gain from such sales or dispositions, over

''(II) the net long-term capital loss from such sales or dispositions.

''(iii) DIVIDENDS FROM REAL ESTATE INVESTMENT TRUSTS.—For purposes of clause (i)—

''(I) paragraph (3)(B)(ii) shall not apply, and

''(II) in the case of a distribution from a trust described in such paragraph, the amount of such distribution which is a dividend shall be subject to the limitations under section 857(c).

''(iv) DIVIDENDS FROM QUALIFIED FOREIGN CORPORATIONS.—For purposes of clause (i), dividends received from qualified foreign corporations (as defined in section 1(h)(11)) shall also be taken into account in computing aggregate dividends received.''.

(3) Subparagraph (C) of section 854(b)(1), as redesignated by paragraph (2), is amended by striking ''subparagraph (A)'' and inserting ''subparagraph (A) or (B)''.

(4) Paragraph (2) of section 854(b) is amended by inserting ''the maximum rate under section 1(h)(11) and'' after ''for purposes of''.

(5) Subsection (b) of section 854 is amended by adding at the end the following new paragraph:

''(5) COORDINATION WITH SECTION 1(h)(11).—For purposes of paragraph (1)(B), an amount shall be treated as a dividend only if the amount is qualified dividend income (within the meaning of section 1(h)(11)(B)).''.

(d) TREATMENT OF DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—Section 857(c) (relating to restrictions applicable to dividends received from real estate investment trusts) is amended to read as follows:

''(c) RESTRICTIONS APPLICABLE TO DIVIDENDS RECEIVED FROM REAL ESTATE INVESTMENT TRUSTS.—

''(1) SECTION 243.—For purposes of section 243 (relating to deductions for dividends received by corporations), a dividend received from a real estate investment trust which meets the requirements of this part shall not be considered a dividend.

''(2) SECTION 1(h)(11).—For purposes of section 1(h)(11) (relating to maximum rate of tax on dividends)—

''(A) rules similar to the rules of subparagraphs (B) and (C) of section 854(b)(1) shall apply to dividends received from a real estate investment trust which meets the requirements of this part, and

''(B) for purposes of such rules, such a trust shall be treated as receiving qualified dividend income during any taxable year in an amount equal to the sum of—

''(i) the excess of real estate investment trust taxable income computed under section 857(b)(2) for the preceding taxable year over the tax payable by the trust under section 857(b)(1) for such preceding taxable year, and

''(ii) the excess of the income subject to tax by reason of the application of the regulations under section 337(d) for the preceding taxable year over the tax payable by the trust on such income for such preceding taxable year.''.

(e) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 1(h), as redesignated by section 301, is amended to read as follows:

''(3) ADJUSTED NET CAPITAL GAIN.—For purposes of this subsection, the term 'adjusted net capital gain' means the sum of—

''(A) net capital gain (determined without regard to paragraph (11)) reduced (but not below zero) by the sum of—

''(i) unrecaptured section 1250 gain, and

''(ii) 28-percent rate gain, plus

''(B) qualified dividend income (as defined in paragraph (11)).''.

(2) Subsection (f) of section 301 is amended adding at the end the following new paragraph:

''(4) For taxation of dividends received by individuals at capital gain rates, see section 1(h)(11).''.

(3) Paragraph (1) of section 306(a) is amended by adding at the end the following new subparagraph:

''(D) TREATMENT AS DIVIDEND.—For purposes of section 1(h)(11) and such other provisions as the Secretary may specify, any amount treated as ordinary income under this paragraph shall be treated as a dividend received from the corporation.''.

(4)(A) Subpart C of part II of subchapter C of chapter 1 (relating to collapsible corporations) is repealed.

(B)(i) Section 338(h) is amended by striking paragraph (14).

(ii) Sections 467(c)(5)(C), 1255(b)(2), and 1257(d) are each amended by striking '', 341(e)(12),''.

(iii) The table of subparts for part II of subchapter C of chapter 1 is amended by striking the item related to subpart C.

(5) Section 531 is amended by striking ''equal to'' and all that follows and inserting ''equal to 15 percent of the accumulated taxable income.''.

(6) Section 541 is amended by striking ''equal to'' and all that follows and inserting ''equal to 15 percent of the undistributed personal holding company income.''.

(7) Section 584(c) is amended by adding at the end the following new flush sentence:

''The proportionate share of each participant in the amount of dividends received by the common trust fund and to which section 1(h)(11) applies shall be considered for purposes of such paragraph as having been received by such participant.''.

(8) Paragraph (5) of section 702(a) is amended to read as follows:

''(5) dividends with respect to which section 1(h)(11) or part VIII of subchapter B applies,''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—In the case of a regulated investment company or a real estate investment trust, the amendments made by this section shall apply to taxable years ending after December 31, 2002; except that dividends received by such a company or trust on or before such date shall not be treated as qualified dividend income (as defined in section 1(h)(11)(B) of the Internal Revenue Code of 1986, as added by this Act).

SEC. 303. SUNSET OF TITLE.

All provisions of, and amendments made by, this title shall not apply to taxable years beginning after December 31, 2008, and the Internal Revenue Code of 1986 shall be applied and administered to such years as if such provisions and amendments had never been enacted.

TITLE IV—TEMPORARY STATE FISCAL RELIEF

SEC. 401. TEMPORARY STATE FISCAL RELIEF.

(a) $10,000,000,000 FOR A TEMPORARY INCREASE OF THE MEDICAID FMAP.—

(1) PERMITTING MAINTENANCE OF FISCAL YEAR 2002 FMAP FOR LAST 2 CALENDAR QUARTERS OF FISCAL YEAR 2003.—Subject to paragraph (5), if the FMAP determined without regard to this subsection for a State for fiscal year 2003 is less than the FMAP as so determined for fiscal year 2002, the FMAP for the State for fiscal year 2002 shall be substituted for the State's FMAP for the third and fourth calendar quarters of fiscal year 2003, before the application of this subsection.

(2) PERMITTING MAINTENANCE OF FISCAL YEAR 2003 FMAP FOR FIRST 3 QUARTERS OF FISCAL YEAR 2004.—Subject to paragraph (5), if the FMAP determined without regard to this subsection for a State for fiscal year 2004 is less than the FMAP as so determined for fiscal year 2003, the FMAP for the State for fiscal year 2003 shall be substituted for the State's FMAP for the first, second, and third calendar quarters of fiscal year 2004, before the application of this subsection.

(3) GENERAL 2.95 PERCENTAGE POINTS INCREASE FOR LAST 2 CALENDAR QUARTERS OF FISCAL YEAR 2003 AND FIRST 3 CALENDAR QUARTERS OF FISCAL YEAR 2004.—Subject to paragraphs (5), (6), and (7), for each State for the third and fourth calendar quarters of fiscal year 2003 and for the first, second, and third calendar quarters of fiscal year 2004, the FMAP (taking into account the application of paragraphs (1) and (2)) shall be increased by 2.95 percentage points.

(4) INCREASE IN CAP ON MEDICAID PAYMENTS TO TERRITORIES.—Subject to paragraphs (6) and (7), with respect to the third and fourth calendar quarters of fiscal year 2003 and the first, second, and third calendar quarters of fiscal year 2004, the amounts otherwise determined for Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa under subsections (f) and (g) of section 1108 of the Social Security Act (42 U.S.C. 1308) shall each be increased by an amount equal to 5.90 percent of such amounts.

(5) SCOPE OF APPLICATION.—The increases in the FMAP for a State under this subsection shall apply only for purposes of title XIX of the Social Security Act and shall not apply with respect to—

(A) disproportionate share hospital payments described in section 1923 of such Act (42 U.S.C. 1396r–4);

(B) payments under title IV or XXI of such Act (42 U.S.C. 601 et seq. and 1397aa et seq.); or

(C) any payments under XIX of such Act that are based on the enhanced FMAP described in section 2105(b) of such Act (42 U.S.C. 1397ee(b)).

(6) STATE ELIGIBILITY.—

(A) IN GENERAL.—Subject to subparagraph (B), a State is eligible for an increase in its FMAP under paragraph (3) or an increase in a cap amount under paragraph (4) only if the eligibility under its State plan under title XIX of the Social Security Act (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)) is no more restrictive than the eligibility under such plan (or waiver) as in effect on September 2, 2003.

(B) STATE REINSTATEMENT OF ELIGIBILITY PERMITTED.—A State that has restricted eligibility under its State plan under title XIX of the Social Security Act (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)) after September 2, 2003, is eligible for an increase in its FMAP under paragraph (3) or an increase in a cap amount under paragraph (4) in the first calendar quarter (and subsequent calendar quarters) in which the State has reinstated eligibility that is no more restrictive than the eligibility under such plan (or waiver) as in effect on September 2, 2003.

(C) RULE OF CONSTRUCTION.—Nothing in subparagraph (A) or (B) shall be construed as affecting a State's flexibility with respect to benefits offered under the State medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) (including any waiver under such title or under section 1115 of such Act (42 U.S.C. 1315)).

(7) REQUIREMENT FOR CERTAIN STATES.—In the case of a State that requires political subdivisions within the State to contribute toward the non-Federal share of expenditures under the State medicaid plan required under section 1902(a)(2) of the Social Security Act (42 U.S.C. 1396a(a)(2)), the State shall not require that such political subdivisions pay a greater percentage of the non-Federal share of such expenditures for the third and fourth calendar quarters of fiscal year 2003 and the first, second and third calendar quarters of fiscal year 2004, than the percentage that was required by the State under such plan on April 1, 2003, prior to application of this subsection.

(8) DEFINITIONS.—In this subsection:

(A) FMAP.—The term ''FMAP'' means the Federal medical assistance percentage, as defined in section 1905(b) of the Social Security Act (42 U.S.C. 1396d(b)).

(B) STATE.—The term ''State'' has the meaning given such term for purposes of title XIX of the Social Security Act (42 U.S.C. 1396 et seq.).

(9) REPEAL.—Effective as of October 1, 2004, this subsection is repealed.

(b) $10,000,000,000 TO ASSIST STATES IN PROVIDING GOVERNMENT SERVICES.—The Social Security Act (42 U.S.C. 301 et seq.) is amended by inserting after title V the following:

''TITLE VI—TEMPORARY STATE FISCAL RELIEF

''SEC. 601. TEMPORARY STATE FISCAL RELIEF.

''(a) APPROPRIATION.—There is authorized to be appropriated and is appropriated for making payments to States under this section, $5,000,000,000 for each of fiscal years 2003 and 2004.

''(b) PAYMENTS.—

''(1) FISCAL YEAR 2003.—From the amount appropriated under subsection (a) for fiscal year

2003, the Secretary of the Treasury shall, not later than the later of the date that is 45 days after the date of enactment of this Act or the date that a State provides the certification required by subsection (e) for fiscal year 2003, pay each State the amount determined for the State for fiscal year 2003 under subsection (c).

''(2) FISCAL YEAR 2004.—From the amount appropriated under subsection (a) for fiscal year 2004, the Secretary of the Treasury shall, not later than the later of October 1, 2003, or the date that a State provides the certification required by subsection (e) for fiscal year 2004, pay each State the amount determined for the State for fiscal year 2004 under subsection (c).

''(c) PAYMENTS BASED ON POPULATION.—

''(1) IN GENERAL.—Subject to paragraph (2), the amount appropriated under subsection (a) for each of fiscal years 2003 and 2004 shall be used to pay each State an amount equal to the relative population proportion amount described in paragraph (3) for such fiscal year.

''(2) MINIMUM PAYMENT.—

''(A) IN GENERAL.—No State shall receive a payment under this section for a fiscal year that is less than—

''(i) in the case of 1 of the 50 States or the District of Columbia, ½ of 1 percent of the amount appropriated for such fiscal year under subsection (a); and

''(ii) in the case of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, or American Samoa, 1/10 of 1 percent of the amount appropriated for such fiscal year under subsection (a).

''(B) PRO RATA ADJUSTMENTS.—The Secretary of the Treasury shall adjust on a pro rata basis the amount of the payments to States determined under this section without regard to this subparagraph to the extent necessary to comply with the requirements of subparagraph (A).

''(3) RELATIVE POPULATION PROPORTION AMOUNT.—The relative population proportion amount described in this paragraph is the product of—

''(A) the amount described in subsection (a) for a fiscal year; and

''(B) the relative State population proportion (as defined in paragraph (4)).

''(4) RELATIVE STATE POPULATION PROPORTION DEFINED.—For purposes of paragraph (3)(B), the term ''relative State population proportion'' means, with respect to a State, the amount equal to the quotient of—

''(A) the population of the State (as reported in the most recent decennial census); and

''(B) the total population of all States (as reported in the most recent decennial census).

''(d) USE OF PAYMENT.—

''(1) IN GENERAL.—Subject to paragraph (2), a State shall use the funds provided under a payment made under this section for a fiscal year to—

''(A) provide essential government services; or

''(B) cover the costs to the State of complying with any Federal intergovernmental mandate (as defined in section 421(5) of the Congressional Budget Act of 1974) to the extent that the mandate applies to the State, and the Federal Government has not provided funds to cover the costs.

''(2) LIMITATION.—A State may only use funds provided under a payment made under this section for types of expenditures permitted under the most recently approved budget for the State.

''(e) CERTIFICATION.—In order to receive a payment under this section for a fiscal year, the State shall provide the Secretary of the Treasury with a certification that the State's proposed uses of the funds are consistent with subsection (d).

''(f) DEFINITION OF STATE.—In this section, the term 'State' means the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa.

''(g) REPEAL.—Effective as of October 1, 2004, this title is repealed.''.

TITLE V—CORPORATE ESTIMATED TAX PAYMENTS FOR 2003

SEC. 501. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

Notwithstanding section 6655 of the Internal Revenue Code of 1986, 25 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2003 shall not be due until October 1, 2003.

And the Senate agree to the same.

WILLIAM M. THOMAS,
TOM DELAY,
Managers on the Part of the House.

CHUCK GRASSLEY,
ORRIN HATCH,
DON NICKLES,
TRENT LOTT,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2), to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting an clarifying changes.

I. ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

A. Accelerate the Increase in the Child Tax Credit (Sec. 101 of the House Bill, Sec. 106 of the Senate Amendment, and Sec. 24 of the Code)

PRESENT LAW

In general

For 2003, an individual may claim a $600 tax credit for each qualifying child under the age of 17. In general, a qualifying child is an individual for whom the taxpayer can claim a dependency exemption and who is the taxpayer's son or daughter (or descendent of either), stepson or stepdaughter (or descendent of either), or eligible foster child.

The child tax credit is scheduled to increase to $1,000, phased-in over several years.

Table 1, below, shows the scheduled increases of the child tax credit as provided under the Economic Growth and Tax Relief Reconciliation Act of 2001 (''EGTRRA'').

TABLE 1.—SCHEDULED INCREASE OF THE CHILD TAX CREDIT

Taxable year	Credit amount per child
2003–2004	$600
2005–2008	700
2009	800
2010[1]	1,000

[1] The credit reverts to $500 in taxable years beginning after December 31, 2010, under the sunset provision of EGTRRA.

The child tax credit is phased-out for individuals with income over certain thresholds. Specifically, the otherwise allowable child tax credit is reduced by $50 for each $1,000 (or fraction thereof) of modified adjusted gross income over $75,000 for single individuals or heads of households, $110,000 for married individuals filing joint returns, and $55,000 for married individuals filing separate returns.[1] The length of the phase-out range depends on the number of qualifying children. For example, the phase-out range for a single individual with one qualifying child is between $75,000 and $87,000 of modified adjusted gross income. The phase-out range for a single individual with two qualifying children is between $75,000 and $99,000.

The amount of the tax credit and the phase-out ranges are not adjusted annually for inflation.

Refundability

For 2003, the child credit is refundable to the extent of 10 percent of the taxpayer's earned income in excess of $10,500.[2] The percentage is increased to 15 percent for taxable years 2005 and thereafter. Families with three or more children are allowed a refundable credit for the amount by which the taxpayer's social security taxes exceed the taxpayer's earned income credit, if that amount is greater than the refundable credit based on the taxpayer's earned income in excess of $10,500 (for 2003). The refundable portion of the child credit does not constitute income and is not treated as resources for purposes of determining eligibility or the amount or nature of benefits or assistance under any Federal program or any State or local program financed with Federal funds. For taxable years beginning after December 31, 2010, the sunset provision of EGTRRA applies to the rules allowing refundable child credits.

Alternative minimum tax liability

The child credit is allowed against the individual's regular income tax and alternative minimum tax. For taxable years beginning after December 31, 2010, the sunset provision of EGTRRA applies to the rules allowing the child credit against the alternative minimum tax.

HOUSE BILL

Under the House bill, the amount of the child credit is increased to $1,000 for 2003 through 2005.[3] After 2005, the child credit will revert to the levels provided under present law. For 2003, the increased amount of the child credit will be paid in advance beginning in July, 2003, on the basis of information on each taxpayer's 2002 return filed in 2003. Such payments will be made in a manner similar to the advance payment checks issued by the Treasury in 2001 to reflect the creation of the 10–percent regular income tax rate bracket.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2006.

SENATE AMENDMENT

The amount of the child credit is increased to $1,000 for 2003 and thereafter. For 2003, the increased amount of the child credit will be paid in advance beginning in July 2003 on the basis of information on each taxpayer's 2002 return filed in 2003. Advance payments will be made in a similar manner to the advance payment checks issued by the Treasury in

[1] Modified adjusted gross income is the taxpayer's total gross income plus certain amounts excluded from gross income (i.e., excluded income of: U.S. citizens or residents living abroad (sec. 911), residents of Guam, American Samoa, and the Northern Mariana Islands (sec. 931), and residents of Puerto Rico (sec. 933)).

[2] The $10,500 amount is indexed for inflation.

[3] The increase in refundability to 15 percent of the taxpayer's earned income, scheduled for calendar years 2005 and thereafter, is not accelerated under the provision.

2001 to reflect the creation of the 10–percent regular income tax rate bracket. The increase in the refundable portion of the credit from 10 percent to 15 percent of the taxpayer's earned income in excess of the threshold amount is accelerated to 2003 from 2005.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

Under the conference agreement, the amount of the child credit is increased to $1,000 for 2003 and 2004.[4] After 2004, the child credit will revert to the levels provided under present law. For 2003, the increased amount of the child credit will be paid in advance beginning in July, 2003, on the basis of information on each taxpayer's 2002 return filed in 2003. The IRS is not expected to issue advance payment checks to an individual who did not claim the child credit for 2002. Such payments will be made in a manner similar to the advance payment checks issued by the Treasury in 2001 to reflect the creation of the 10–percent regular income tax rate bracket.

Effective date.—The conference agreement provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

B. Accelerate Marriage Penalty Relief (Secs. 102 and 103 of the House Bill, Secs. 104 and 105 of the Senate Amendment and Secs. 1 and 63 of the Code)

1. Standard deduction marriage penalty relief

PRESENT LAW

Marriage penalty

A married couple generally is treated as one tax unit that must pay tax on the couple's total taxable income. Although married couples may elect to file separate returns, the rate schedules and other provisions are structured so that filing separate returns usually results in a higher tax than filing a joint return. Other rate schedules apply to single persons and to single heads of households.

A ''marriage penalty'' exists when the combined tax liability of a married couple filing a joint return is greater than the sum of the tax liabilities of each individual computed as if they were not married. A ''marriage bonus'' exists when the combined tax liability of a married couple filing a joint return is less than the sum of the tax liabilities of each individual computed as if they were not married.

Basic standard deduction

Taxpayers who do not itemize deductions may choose the basic standard deduction (and additional standard deductions, if applicable),[5] which is subtracted from adjusted gross income (''AGI'') in arriving at taxable income. The size of the basic standard deduction varies according to filing status and is adjusted annually for inflation.[6] For 2003, the basic standard deduction for married couples filing a joint return is 167 percent of the basic standard deduction for single filers. (Alternatively, the basic standard deduction amount for single filers is 60 percent of the basic standard deduction amount for married couples filing joint returns.) Thus, two unmarried individuals have standard deductions whose sum exceeds the standard deduction for a married couple filing a joint return.

EGTRRA increased the basic standard deduction for a married couple filing a joint return to twice the basic standard deduction for an unmarried individual filing a single return.[7] The increase in the standard deduction for married taxpayers filing a joint return is scheduled to be phased-in over five years beginning in 2005 and will be fully phased-in for 2009 and thereafter. Table 2, below, shows the standard deduction for married couples filing a joint return as a percentage of the standard deduction for single individuals during the phase-in period.

TABLE 2.—SCHEDULED PHASE-IN OF INCREASE OF THE BASIC STANDARD DEDUCTION FOR MARRIED COUPLES FILING JOINT RETURNS

Taxable year	Standard deduction for married couples filing joint returns as percentage of standard deduction for unmarried individual returns
2005	174
2006	184
2007	187
2008	190
2009 and 2010[1]	200

[1] The basic standard deduction increases are repealed for taxable years beginning after December 31, 2010, under the sunset provision of EGTRRA.

HOUSE BILL

The House bill accelerates the increase in the basic standard deduction amount for joint returns to twice the basic standard deduction amount for single returns effective for 2003, 2004, and 2005. For taxable years beginning after 2005, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2006.

SENATE AMENDMENT

The Senate amendment increases in the basic standard deduction amount for joint returns to 195 percent of the basic standard deduction amount for single returns effective for 2003. The Senate amendment also increases in the basic standard deduction amount for joint returns to twice the basic standard deduction amount for single returns effective for 2004. For taxable years beginning after 2004, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002 and before January 1, 2005.

CONFERENCE AGREEMENT

The conference agreement increases the basic standard deduction amount for joint returns to twice the basic standard deduction amount for single returns effective for 2003 and 2004. For taxable years beginning after 2004, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The conference agreement provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

2. Accelerate the expansion of the 15-percent rate bracket for married couples filing joint returns

PRESENT LAW

In general

Under the Federal individual income tax system, an individual who is a citizen or resident of the United States generally is subject to tax on worldwide taxable income. Taxable income is total gross income less certain exclusions, exemptions, and deductions. An individual may claim either a standard deduction or itemized deductions.

An individual's income tax liability is determined by computing his or her regular income tax liability and, if applicable, alternative minimum tax liability.

Regular income tax liability

Regular income tax liability is determined by applying the regular income tax rate schedules (or tax tables) to the individual's taxable income and then is reduced by any applicable tax credits. The regular income tax rate schedules are divided into several ranges of income, known as income brackets, and the marginal tax rate increases as the individual's income increases. The income bracket amounts are adjusted annually for inflation. Separate rate schedules apply based on filing status: single individuals (other than heads of households and surviving spouses), heads of households, married individuals filing joint returns (including surviving spouses), married individuals filing separate returns, and estates and trusts. Lower rates may apply to capital gains.

In general, the bracket breakpoints for single individuals are approximately 60 percent of the rate bracket breakpoints for married couples filing joint returns.[8] The rate bracket breakpoints for married individuals filing separate returns are exactly one-half of the rate brackets for married individuals filing joint returns. A separate, compressed rate schedule applies to estates and trusts.

15–percent regular income tax rate bracket

EGTRRA increased the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return to twice the size of the corresponding rate bracket for a single individual filing a single return. The increase is phased-in over four years, beginning in 2005. Therefore, this provision is fully effective (i.e., the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return is twice the size of the 15-percent regular income tax rate bracket for an unmarried individual filing a single return) for taxable years beginning after December 31, 2007. Table 3, below, shows the increase in the size of the 15-percent bracket during the phase-in period.

TABLE 3.—SCHEDULED INCREASE IN SIZE OF THE 15-PERCENT RATE BRACKET FOR MARRIED COUPLES FILING JOINT RETURNS

Taxable year	End point of 15-percent rate bracket for married couples filing joint returns as percentage of end point of 15-percent rate bracket for unmarried individuals
2005	180
2006	187
2007	193
2008 through 2010[1]	200

[1] The increases in the 15-percent rate bracket for married couples filing a joint return are repealed for taxable years beginning after December 31, 2010, under the sunset of EGTRRA.

HOUSE BILL

The House bill accelerates the increase of the size of the 15-percent regular income tax

[4] The increase in refundability to 15 percent of the taxpayer's earned income, scheduled for calendar years 2005 and thereafter, is not accelerated under the provision.

[5] Additional standard deductions are allowed with respect to any individual who is elderly (age 65 or over) or blind.

[6] For 2003, the basic standard deduction amounts are: (1) $4,750 for unmarried individuals; (2) $7,950 for married individuals filing a joint return; (3) $7,000 for heads of households; and (4) $3,975 for married individuals filing separately.

[7] The basic standard deduction for a married taxpayer filing separately will continue to equal one-half of the basic standard deduction for a married couple filing jointly; thus, the basic standard deduction for unmarried individuals filing a single return and for married couples filing separately will be the same after the phase-in period.

[8] Under present law, the rate bracket breakpoint for the 38.6 percent marginal tax rate is the same for single individuals and married couples filing joint returns.

rate bracket for joint returns to twice the width of the 15-percent regular income tax rate bracket for single returns for taxable years beginning in 2003, 2004, and 2005. For taxable years beginning after 2005, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The House bill provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2006.

SENATE AMENDMENT

The Senate amendment increases in the size of the 15-percent regular income tax rate bracket for joint returns to 195 percent of the size of the 15-percent regular income tax rate bracket for single returns effective for 2003. The Senate amendment also increases in the size of the 15-percent regular income tax rate bracket for joint returns to twice the size of the 15-percent regular income tax rate bracket for single returns effective for 2004. For taxable years beginning after 2004, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The provision is effective for taxable years beginning after December 31, 2002 and before January 1, 2005.

CONFERENCE AGREEMENT

The conference agreement increases the size of the 15-percent regular income tax rate bracket for joint returns to twice the width of the 15-percent regular income tax rate bracket for single returns for taxable years beginning in 2003 and 2004. For taxable years beginning after 2004, the applicable percentages will revert to those allowed under present law, as described above.

Effective date.—The conference agreement provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

C. Accelerate Reductions in Individual Income Tax Rates (Secs. 101, 102 and 103 of the House Bill, Secs. 101, 102 and 103 of the Senate Amendment, and Secs. 1 and 55 of the Code)

PRESENT LAW

In general

Under the Federal individual income tax system, an individual who is a citizen or a resident of the United States generally is subject to tax on worldwide taxable income. Taxable income is total gross income less certain exclusions, exemptions, and deductions. An individual may claim either a standard deduction or itemized deductions.

An individual's income tax liability is determined by computing his or her regular income tax liability and, if applicable, alternative minimum tax liability.

Regular income tax liability

Regular income tax liability is determined by applying the regular income tax rate schedules (or tax tables) to the individual's taxable income. This tax liability is then reduced by any applicable tax credits. The regular income tax rate schedules are divided into several ranges of income, known as income brackets, and the marginal tax rate increases as the individual's income increases. The income bracket amounts are adjusted annually for inflation. Separate rate schedules apply based on filing status: single individuals (other than heads of households and surviving spouses), heads of households, married individuals filing joint returns (including surviving spouses), married individuals filing separate returns, and estates and trusts. Lower rates may apply to capital gains.

For 2003, the regular income tax rate schedules for individuals are shown in Table 4, below. The rate bracket breakpoints for married individuals filing separate returns are exactly one-half of the rate brackets for married individuals filing joint returns. A separate, compressed rate schedule applies to estates and trusts.

TABLE 4.—INDIVIDUAL REGULAR INCOME TAX RATES FOR 2003

If taxable income is over:	But not over:	Then regular income tax equals:
Single Individuals		
$0	$6,000	10% of taxable income.
$6,000	$28,400	$600, plus 15% of the amount over $6,000.
$28,400	$68,800	$3,960.00, plus 27% of the amount over $28,400.
$68,800	$143,500	$14,868.00, plus 30% of the amount over $68,800.
$143,500	$311,950	$37,278.00, plus 35% of the amount over $143,500.
Over 311,950		$96,235.50, plus 38.6% of the amount over $311,950.
Head of Households		
$0	$10,000	10% of taxable income.
$10,000	$38,050	$1,000, plus 15% of the amount over $10,000.
$38,050	$98,250	$5,207.50, plus 27% of the amount over $38,050.
$98,250	$159,100	$21,461.50, plus 30% of the amount over $98,250.
$159,100	$311,950	$39,716.50, plus 35% of the amount over $159,100.
Over 311,950		$93,214, plus 38.6% of the amount over $311,950.
Married Individuals Filing Joint Returns		
$0	$12,000	10% of taxable income.
$12,000	$47,450	$1,200, plus 15% of the amount over $12,000.
$47,450	$114,650	$6,517.50, plus 27% of the amount over $47,450.
$114,650	$174,700	$24,661.50, plus 30% of the amount over $114,650.
$174,700	$311,950	$42,676.50, plus 35% of the amount over $174,700.
Over 311,950		$90,714, plus 38.6% of the amount over $311,950.

Ten-percent regular income tax rate

Under present law, the 10-percent rate applies to the first $6,000 of taxable income for single individuals, $10,000 of taxable income for heads of households, and $12,000 for married couples filing joint returns. Effective beginning in 2008, the $6,000 amount will increase to $7,000 and the $12,000 amount will increase to $14,000.

The taxable income levels for the 10-percent rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2008. The bracket for single individuals and married individuals filing separately is one-half for joint returns (after adjustment of that bracket for inflation).

The 10-percent rate bracket will expire for taxable years beginning after December 31, 2010, under the sunset provision of the Economic Growth and Tax Relief Reconciliation Act of 2001 (''EGTRRA'').

Reduction of other regular income tax rates

Prior to EGTRRA, the regular income tax rates were 15 percent, 28 percent, 31 percent, 36 percent, and 39.6 percent.[9] EGTRRA added the 10-percent regular income tax rate, described above, and retained the 15-percent regular income tax rate. Also, the 15-percent regular income tax bracket was modified to begin at the end of the 10-percent regular income tax bracket. EGTRRA also made other changes to the 15-percent regular income tax bracket.[10]

Also, under EGTRRA, the 28 percent, 31 percent, 36 percent, and 39.6 percent rates are phased down over six years to 25 percent, 28 percent, 33 percent, and 35 percent, effective after June 30, 2001. The taxable income levels for the rates above the 15-percent rate in all taxable years are the same as the taxable income levels that apply under the prior-law rates.

Table 5, below, shows the schedule of regular income tax rate reductions.

TABLE 5.—SCHEDULED REGULAR INCOME TAX RATE REDUCTIONS

Taxable year	28% rate reduced to:	31% rate reduced to:	36% rate reduced to:	39.6% rate reduced to:
2001[1]–2003	27%	30%	35%	38.6%
2004–2005	26%	29%	34%	37.6%
2006 thru 20102	25%	28%	33%	35.0%

[1] Effective July 1, 2001.

[2] The reduction in the regular income tax rates are repealed for taxable years beginning after December 31, 2010, under the sunset provision of EGTRRA.

Alternative minimum tax

The alternative minimum tax is the amount by which the tentative minimum tax exceeds the regular income tax. An individual's tentative minimum tax is an amount equal to (1) 26 percent of the first $175,000 ($87,500 in the case of a married individual filing a separate return) of alternative minimum taxable income (''AMTI'') in excess of a phased-out exemption amount and (2) 28 percent of the remaining AMTI. The maximum tax rates on net capital gain used in computing the tentative minimum tax are the same as under the regular tax. AMTI is

[9] The regular income tax rates will revert to these percentages for taxable years beginning after December 31, 2010, under the sunset of EGTRRA.

[10] See the discussion of the provision regarding marriage penalty relief in the 15–percent regular income tax bracket, above.

the individual's taxable income adjusted to take account of specified preferences and adjustments. The exemption amounts are: (1) $49,000 ($45,000 in taxable years beginning after 2004) in the case of married individuals filing a joint return and surviving spouses; (2) $35,750 ($33,750 in taxable years beginning after 2004) in the case of other unmarried individuals; (3) $24,500 ($22,500 in taxable years beginning after 2004) in the case of married individuals filing a separate return; and (4) $22,500 in the case of an estate or trust. The exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds (1) $150,000 in the case of married individuals filing a joint return and surviving spouses, (2) $112,500 in the case of other unmarried individuals, and (3) $75,000 in the case of married individuals filing separate returns or an estate or a trust. These amounts are not indexed for inflation.

HOUSE BILL

Ten-percent regular income tax rate

The House bill accelerates the increase in the taxable income levels for the 10-percent rate bracket now scheduled for 2008 to be effective in 2003, 2004, and 2005. Specifically, for 2003, 2004, and 2005, the proposal increases the taxable income level for the 10-percent regular income tax rate brackets for unmarried individuals from $6,000 to $7,000 and for married individuals filing jointly from $12,000 to $14,000. The taxable income levels for the 10-percent regular income tax rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2003.

For taxable years beginning after December 31, 2005, the taxable income levels for the 10-percent rate bracket will revert to the levels allowed under present law. Therefore, for 2006 and 2007, the levels will revert to $6,000 for unmarried individuals and $12,000 for married individuals filing jointly. In 2008, the taxable income levels for the 10-percent regular income tax rate brackets will be $7,000 for unmarried individuals and $14,000 for married individuals filing jointly. The taxable income levels for the 10-percent rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2008.

Reduction of other regular income tax rates

The House bill accelerates the reductions in the regular income tax rates in excess of the 15-percent regular income tax rate that are scheduled for 2004 and 2006. Therefore, for 2003 and thereafter, the regular income tax rates in excess of 15 percent under the bill are 25 percent, 28 percent, 33 percent, and 35 percent.

Alternative minimum tax exemption amounts

The House bill increases the AMT exemption amount for married taxpayers filing a joint return and surviving spouses to $64,000, and for unmarried taxpayers to $43,250, for taxable years beginning in 2003, 2004, and 2005.

Effective date

The House bill provision is effective for taxable years beginning after December 31, 2002 and before January 1, 2006.

SENATE AMENDMENT

Ten-percent regular income tax rate

The Senate amendment accelerates the scheduled increase in the taxable income levels for the 10-percent rate bracket. Specifically, beginning in 2003, the Senate amendment increases the taxable income level for the 10-percent regular income tax rate brackets for single individuals from $6,000 to $7,000 and for married individuals filing jointly from $12,000 to $14,000. The taxable income levels for the 10-percent regular income tax rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2003.

Reduction of other regular income tax rates

The Senate amendment accelerates the reductions in the regular income tax rates in excess of the 15-percent regular income tax rate that are scheduled for 2004 and 2006. Therefore, for 2003 and thereafter, the regular income tax rates in excess of 15 percent under the bill are 25 percent, 28 percent, 33 percent, and 35 percent.

Alternative minimum tax exemption amounts

The Senate amendment increases the AMT exemption amount for married taxpayers filing a joint return and surviving spouses to $60,500, and for unmarried taxpayers to $41,500, for taxable years beginning in 2003, 2004 and 2005.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002 and before January 1, 2006.

CONFERENCE AGREEMENT

Ten-percent regular income tax rate

The conference agreement accelerates the increase in the taxable income levels for the 10-percent rate bracket now scheduled for 2008 to be effective in 2003 and 2004. Specifically, for 2003 and 2004, the conference agreement increases the taxable income level for the 10-percent regular income tax rate brackets for unmarried individuals from $6,000 to $7,000 and for married individuals filing jointly from $12,000 to $14,000. The taxable income levels for the 10-percent regular income tax rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2003.

For taxable years beginning after December 31, 2004, the taxable income levels for the 10-percent rate bracket will revert to the levels allowed under present law. Therefore, for 2005, 2006, and 2007, the levels will revert to $6,000 for unmarried individuals and $12,000 for married individuals filing jointly. In 2008, the taxable income levels for the 10-percent regular income tax rate brackets will be $7,000 for unmarried individuals and $14,000 for married individuals filing jointly. The taxable income levels for the 10-percent rate bracket will be adjusted annually for inflation for taxable years beginning after December 31, 2008.

Reduction of other regular income tax rates

The conference agreement follows the House bill and the Senate amendment.

Alternative minimum tax exemption amounts

The conference agreement increases the AMT exemption amount for married taxpayers filing a joint return and surviving spouses to $58,000, and for unmarried taxpayers to $40,250 for taxable years beginning in 2003 and 2004.

Effective date

The conference agreement generally is effective for taxable years beginning after December 31, 2002. The conferees recognize that withholding at statutorily mandated rates (such as pursuant to backup withholding under section 3406) has already occurred. The conferees intend that taxpayers who have been overwithheld as a consequence of this obtain a refund of this overwithholding through the normal process of filing an income tax return, and not through the payor. In addition, the conferees anticipate that the Treasury will provide a brief, reasonable period of transition for payors to implement these changes in these statutorily mandated withholding rates.

II. DEPRECIATION AND EXPENSING PROVISIONS

A. Special Depreciation Allowance for Certain Property (Sec. 201 of the House Bill and Sec. 168 of the Code)

PRESENT LAW

In general

A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year is determined under the modified accelerated cost recovery system (''MACRS''). Under MACRS, different types of property generally are assigned applicable recovery periods and depreciation methods. The recovery periods applicable to most tangible personal property (generally tangible property other than residential rental property and nonresidential real property) range from 3 to 25 years. The depreciation methods generally applicable to tangible personal property are the 200-percent and 150-percent declining balance methods, switching to the straight-line method for the taxable year in which the depreciation deduction would be maximized.

Section 280F limits the annual depreciation deductions with respect to passenger automobiles to specified dollar amounts, indexed for inflation.

Section 167(f)(1) provides that capitalized computer software costs, other than computer software to which section 197 applies, are recovered ratably over 36 months.

In lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment generally may elect to deduct up to $25,000 of the cost of qualifying property placed in service for the taxable year (sec. 179). In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business.

Additional first year depreciation deduction

The Job Creation and Worker Assistance Act of 2002[11] (''JCWAA'') allows an additional first-year depreciation deduction equal to 30 percent of the adjusted basis of qualified property.[12] The amount of the additional first-year depreciation deduction is not affected by a short taxable year. The additional first-year depreciation deduction is allowed for both regular tax and alternative minimum tax purposes for the taxable year in which the property is placed in service.[13] The basis of the property and the depreciation allowances in the year of purchase and later years are appropriately adjusted to reflect the additional first-year depreciation deduction. In addition, there are no adjustments to the allowable amount of depreciation for purposes of computing a taxpayer's alternative minimum taxable income with respect to property to which the provision applies. A taxpayer is allowed to elect out of the additional first-year depreciation for any class of property for any taxable year.

In order for property to qualify for the additional first-year depreciation deduction it must meet all of the following requirements. First, the property must be property (1) to which MACRS applies with an applicable recovery period of 20 years or less, (2) water utility property (as defined in section 168(e)(5)), (3) computer software other than computer software covered by section 197, or

[11] Pub. Law No. 107–147, sec. 101 (2002).

[12] The additional first-year depreciation deduction is subject to the general rules regarding whether an item is deductible under section 162 or subject to capitalization under section 263 or section 263A.

[13] However, the additional first-year depreciation deduction is not allowed for purposes of computing earnings and profits.

(4) qualified leasehold improvement property (as defined in section 168(k)(3)).[14] Second, the original use[15] of the property must commence with the taxpayer on or after September 11, 2001.[16] Third, the taxpayer must purchase the property within the applicable time period. Finally, the property must be placed in service before January 1, 2005. An extension of the placed in service date of one year (i.e., to January 1, 2006) is provided for certain property with a recovery period of ten years or longer and certain transportation property.[17] Transportation property is defined as tangible personal property used in the trade or business of transporting persons or property.

The applicable time period for acquired property is (1) after September 10, 2001 and before September 11, 2004, but only if no binding written contract for the acquisition is in effect before September 11, 2001, or (2) pursuant to a binding written contract which was entered into after September 10, 2001, and before September 11, 2004.[18] With respect to property that is manufactured, constructed, or produced by the taxpayer for use by the taxpayer, the taxpayer must begin the manufacture, construction, or production of the property after September 10, 2001, and before September 11, 2004. Property that is manufactured, constructed, or produced for the taxpayer by another person under a contract that is entered into prior to the manufacture, construction, or production of the property is considered to be manufactured, constructed, or produced by the taxpayer. For property eligible for the extended placed in service date, a special rule limits the amount of costs eligible for the additional first year depreciation. With respect to such property, only the portion of the basis that is properly attributable to the costs incurred before September 11, 2004 (''progress expenditures'') is eligible for the additional first-year depreciation.[19]

Property does not qualify for the additional first-year depreciation deduction when the user of such property (or a related party) would not have been eligible for the additional first-year depreciation deduction if the user (or a related party) were treated as the owner.[20] For example, if a taxpayer sells to a related party property that was under construction prior to September 11, 2001, the property does not qualify for the additional first-year depreciation deduction. Similarly, if a taxpayer sells to a related party property that was subject to a binding written contract prior to September 11, 2001, the property does not qualify for the additional first-year depreciation deduction. As a further example, if a taxpayer (the lessee) sells property in a sale-leaseback arrangement, and the property otherwise would not have qualified for the additional first-year depreciation deduction if it were owned by the taxpayer-lessee, then the lessor is not entitled to the additional first-year depreciation deduction.

The limitation on the amount of depreciation deductions allowed with respect to certain passenger automobiles (sec. 280F) is increased in the first year by $4,600 for automobiles that qualify (and do not elect out of the increased first year deduction). The $4,600 increase is not indexed for inflation.

HOUSE BILL

The House bill provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property.[21] Qualified property is defined in the same manner as for purposes of the 30-percent additional first-year depreciation deduction provided by the JCWAA except that the applicable time period for acquisition (or self construction) of the property is modified. In addition, property must be placed in service before January 1, 2006 to qualify.[22] Property for which the 50-percent additional first year depreciation deduction is claimed is not eligible for the 30-percent additional first year depreciation deduction.

Under the House bill, in order to qualify the property must be acquired after May 5, 2003 and before January 1, 2006, and no binding written contract for the acquisition is in effect before May 6, 2003.[23] With respect to property that is manufactured, constructed, or produced by the taxpayer for use by the taxpayer, the taxpayer must begin the manufacture, construction, or production of the property after May 5, 2003. For property eligible for the extended placed in service date (i.e., certain property with a recovery period of ten years or longer and certain transportation property), a special rule limits the amount of costs eligible for the additional first year depreciation. With respect to such property, only progress expenditures properly attributable to the costs incurred before January 1, 2006 shall be eligible for the additional first year depreciation.[24]

The Committee wishes to clarify that the adjusted basis of qualified property acquired by a taxpayer in a like kind exchange or an involuntary conversion is eligible for the additional first year depreciation deduction.

The House bill also increases the limitation on the amount of depreciation deductions allowed with respect to certain passenger automobiles (sec. 280F of the Code) in the first year by $9,200 (in lieu of the $4,600 provided under the JCWAA) for automobiles that qualify (and do not elect out of the increased first year deduction). The $9,200 increase is not indexed for inflation.

For property eligible for the present law 30-percent additional first year depreciation, the House bill extends the date of the placed in service requirement to property placed in service prior to January 1, 2006 (from January 1, 2005). Thus, property otherwise qualifying for the 30-percent additional first year depreciation deduction will now qualify if placed in service prior to January 1, 2006. The House bill also extends the placed in service date requirement for certain property with a recovery period of ten years or longer and certain transportation property to property placed in service prior to January 1, 2007 (instead of January 1, 2006). In addition, progress expenditures eligible for the 30-percent additional first year depreciation is extended to include costs incurred prior to January 1, 2006 (instead of September 11, 2004).

Effective date.—The House bill applies to property placed in service after May 5, 2003.

SENATE AMENDMENT

No provision.

CONFERENCE AGREEMENT

The conference agreement follows the House bill provision with the following modifications. The conference agreement terminates the provision one year earlier than under the House bill provision. Thus, all references to January 1, 2007, and January 1, 2006, are modified to January 1, 2006, and January 1, 2005, respectively. In addition, the conference agreement provides that the increase on the amount of depreciation deductions allowed with respect to certain passenger automobiles (sec. 280F of the Code) in the first year is $7,650 for automobiles that qualify. The $7,650 increase is not indexed for inflation.

Effective date.—The conference agreement applies to taxable years ending after May 5, 2003.

B. Increase Section 179 Expensing (Sec. 202 of the House Bill, Sec. 107 of the Senate Amendment, and Sec. 179 of the Code)

PRESENT LAW

Present law provides that, in lieu of depreciation, a taxpayer with a sufficiently small amount of annual investment may elect to deduct up to $25,000 (for taxable years beginning in 2003 and thereafter) of the cost of qualifying property placed in service for the taxable year (sec. 179).[25] In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business. The $25,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds $200,000. An election to expense these items generally is made on the taxpayer's original return for

[14] A special rule precludes the additional first-year depreciation deduction for any property that is required to be depreciated under the alternative depreciation system of MACRS.

[15] The term ''original use'' means the first use to which the property is put, whether or not such use corresponds to the use of such property by the taxpayer.

If in the normal course of its business a taxpayer sells fractional interests in property to unrelated third parties, then the original use of such property begins with the first user of each fractional interest (i.e., each fractional owner is considered the original user of its proportionate share of the property).

[16] A special rule applies in the case of certain leased property. In the case of any property that is originally placed in service by a person and that is sold to the taxpayer and leased back to such person by the taxpayer within three months after the date that the property was placed in service, the property would be treated as originally placed in service by the taxpayer not earlier than the date that the property is used under the leaseback.

If property is originally placed in service by a lessor (including by operation of section 168(k)(2)(D)(i)), such property is sold within three months after the date that the property was placed in service, and the user of such property does not change, then the property is treated as originally placed in service by the taxpayer not earlier than the date of such sale. A technical correction may be needed so the statute reflects this intent.

[17] In order for property to qualify for the extended placed in service date, the property is required to have a production period exceeding two years or an estimated production period exceeding one year and a cost exceeding $1 million.

[18] Property does not fail to qualify for the additional first-year depreciation merely because a binding written contract to acquire a component of the property is in effect prior to September 11, 2001.

[19] For purposes of determining the amount of eligible progress expenditures, it is intended that rules similar to sec. 46(d)(3) as in effect prior to the Tax Reform Act of 1986 shall apply.

[20] A technical correction may be needed so that the statute reflects this intent.

[21] A taxpayer is permitted to elect out of the 50 percent additional first-year depreciation deduction for any class of property for any taxable year.

[22] An extension of the placed in service date of one year (i.e., January 1, 2007) is provided for certain property with a recovery period of ten years or longer and certain transportation property as defined for purposes of the JCWAA.

[23] Property does not fail to qualify for the additional first-year depreciation merely because a binding written contract to acquire a component of the property is in effect prior to May 6, 2003. However, no additional first-year depreciation is permitted on any such component. No inference is intended as to the proper treatment of components placed in service under the 30% additional first-year depreciation provided by the JCWAA.

[24] For purposes of determining the amount of eligible progress expenditures, it is intended that rules similar to sec. 46(d)(3) as in effect prior to the Tax Reform Act of 1986 shall apply.

[25] Additional section 179 incentives are provided with respect to a qualified property used by a business in the New York Liberty Zone (sec. 1400(f)) or an empowerment zone (sec. 1397A).

the taxable year to which the election relates, and may be revoked only with the consent of the Commissioner.[26] In general, taxpayers may not elect to expense off-the-shelf computer software.[27]

The amount eligible to be expensed for a taxable year may not exceed the taxable income for a taxable year that is derived from the active conduct of a trade or business (determined without regard to this provision). Any amount that is not allowed as a deduction because of the taxable income limitation may be carried forward to succeeding taxable years (subject to similar limitations). No general business credit under section 38 is allowed with respect to any amount for which a deduction is allowed under section 179.

HOUSE BILL

The House bill provision provides that the maximum dollar amount that may be deducted under section 179 is increased to $100,000 for property placed in service in taxable years beginning in 2003, 2004, 2005, 2006, and 2007. In addition, the $200,000 amount is increased to $400,000 for property placed in service in taxable years beginning in 2003, 2004, 2005, 2006 and 2007. The dollar limitations are indexed annually for inflation for taxable years beginning after 2003 and before 2008. The provision also includes off-the-shelf computer software placed in service in a taxable year beginning in 2003, 2004, 2005, 2006, or 2007, as qualifying property. With respect to a taxable year beginning after 2002 and before 2008, the provision permits taxpayers to make or revoke expensing elections on amended returns without the consent of the Commissioner.

Effective date.—The provision is effective for taxable years beginning after December 31, 2002.

SENATE AMENDMENT

The Senate amendment is the same as the House bill.

CONFERENCE AGREEMENT

The conference agreement follows the House bill and the Senate amendment, with modifications. The conference agreement provides that the increase in the dollar limitations, as well as the provision relating to off-the-shelf computer software, apply for property placed in service in taxable years beginning in 2003, 2004, and 2005. The conference agreement provides that the dollar limitations are indexed annually for inflation for taxable years beginning after 2003 and before 2006. With respect to a taxable year beginning after 2002 and before 2006, the conference agreement permits taxpayers to make or revoke expensing elections on amended returns without the consent of the Commissioner.

Effective date.—Same as the House bill and the Senate amendment.

C. Five-Year Carryback of Net Operating Losses (Sec. 203 of the House Bill and Secs. 172 and 56 of the Code)

PRESENT LAW

A net operating loss (''NOL'') is, generally, the amount by which a taxpayer's allowable deductions exceed the taxpayer's gross income. A carryback of an NOL generally results in the refund of Federal income tax for the carryback year. A carryforward of an NOL reduces Federal income tax for the carryforward year.

In general, an NOL may be carried back two years and carried forward 20 years to offset taxable income in such years.[28] Different rules apply with respect to NOLs arising in certain circumstances. For example, a three-year carryback applies with respect to NOLs (1) arising from casualty or theft losses of individuals, or (2) attributable to Presidentially declared disasters for taxpayers engaged in a farming business or a small business. A five-year carryback period applies to NOLs from a farming loss (regardless of whether the loss was incurred in a Presidentially declared disaster area). Special rules also apply to real estate investment trusts (no carryback), specified liability losses (10–year carryback), and excess interest losses (no carryback to any year preceding a corporate equity reduction transaction).

The alternative minimum tax rules provide that a taxpayer's NOL deduction cannot reduce the taxpayer's alternative minimum taxable income (''AMTI'') by more than 90 percent of the AMTI (determined without regard to the NOL deduction).

Section 202 of the Job Creation and Worker Assistance Act of 2002[29] (''JCWAA'') provided a temporary extension of the general NOL carryback period to five years (from two years) for NOLs arising in taxable years ending in 2001 and 2002. In addition, the five-year carryback period applies to NOLs from these years that qualify under present law for a three-year carryback period (i.e., NOLs arising from casualty or theft losses of individuals or attributable to certain Presidentially declared disaster areas).

A taxpayer can elect to forgo the five-year carryback period. The election to forgo the five-year carryback period is made in the manner prescribed by the Secretary of the Treasury and must be made by the due date of the return (including extensions) for the year of the loss. The election is irrevocable. If a taxpayer elects to forgo the five-year carryback period, then the losses are subject to the rules that otherwise would apply under section 172 absent the provision.[30]

JCWAA also provided that an NOL deduction attributable to NOL carrybacks arising in taxable years ending in 2001 and 2002, as well as NOL carryforwards to these taxable years, may offset 100 percent of a taxpayer's AMTI.[31]

HOUSE BILL

The provision extends the provisions of the five-year carryback of NOLs enacted in JCWAA to NOLs arising in taxable years ending in 2003, 2004, and 2005.[32]

The provision also allows an NOL deduction attributable to NOL carrybacks arising in taxable years ending in 2003, 2004, and 2005, as well as NOL carryforwards to these taxable years, to offset 100 percent of a taxpayer's AMTI.

Effective date.—The five-year carryback provision is effective for net operating losses generated in taxable years ending in 2003, 2004 and 2005. The provision relating to AMTI is effective for NOL carrybacks arising in, and NOL carryforwards to, taxable years ending in 2003, 2004 and 2005.

SENATE AMENDMENT

No provision.

CONFERENCE AGREEMENT

The conference agreement does not include the House bill provision.

III. CAPITAL GAINS AND DIVIDENDS PROVISIONS

A. REDUCE INDIVIDUAL CAPITAL GAINS RATES (SEC. 301 OF THE HOUSE BILL AND SEC. 1(H) OF THE CODE)

PRESENT LAW

In general, gain or loss reflected in the value of an asset is not recognized for income tax purposes until a taxpayer disposes of the asset. On the sale or exchange of a capital asset, any gain generally is included in income. Any net capital gain of an individual is taxed at maximum rates lower than the rates applicable to ordinary income. Net capital gain is the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for the year. Gain or loss is treated as long-term if the asset is held for more than one year.

Capital losses generally are deductible in full against capital gains. In addition, individual taxpayers may deduct capital losses against up to $3,000 of ordinary income in each year. Any remaining unused capital losses may be carried forward indefinitely to another taxable year.

A capital asset generally means any property except (1) inventory, stock in trade, or property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business, (2) depreciable or real property used in the taxpayer's trade or business, (3) specified literary or artistic property, (4) business accounts or notes receivable, (5) certain U.S. publications, (6) certain commodity derivative financial instruments, (7) hedging transactions, and (8) business supplies. In addition, the net gain from the disposition of certain property used in the taxpayer's trade or business is treated as long-term capital gain. Gain from the disposition of depreciable personal property is not treated as capital gain to the extent of all previous depreciation allowances. Gain from the disposition of depreciable real property is generally not treated as capital gain to the extent of the depreciation allowances in excess of the allowances that would have been available under the straight-line method of depreciation.

The maximum rate of tax on the adjusted net capital gain of an individual is 20 percent. In addition, any adjusted net capital gain which otherwise would be taxed at a 15-percent rate is taxed at a 10-percent rate. These rates apply for purposes of both the regular tax and the alternative minimum tax.

The ''adjusted net capital gain'' of an individual is the net capital gain reduced (but not below zero) by the sum of the 28-percent rate gain and the unrecaptured section 1250 gain. The net capital gain is reduced by the amount of gain that the individual treats as investment income for purposes of determining the investment interest limitation under section 163(d).

[26] Section 179(c)(2). A taxpayer may make the election on the original return (whether or not the return is timely), or on an amended return filed by the due date (including extensions) for filing the return for the tax year the property was placed in service. If the taxpayer timely filed an original return without making the election, the taxpayer may still make the election by filing an amended return within six months of the due date of the return (excluding extensions). Treas. Reg. sec. 1.179–5.

[27] Section 179(d)(1) requires that property be tangible to be eligible for expensing; in general, computer software is intangible property.

[28] Sec. 172.

[29] Pub. L. No. 107–147.

[30] Because JCWAA was enacted after some taxpayers had filed tax returns for years affected by the provision, a technical correction is needed to provide for a period of time in which prior decisions regarding the NOL carryback may be reviewed. Similarly, a technical correction is needed to modify the carryback adjustment procedures of sec. 6411 for NOLs arising in 2001 and 2002. These issues were addressed in a letter dated April 15, 2002, sent by the Chairmen and Ranking Members of the House Ways and Means Committee and Senate Finance Committee, as well as in guidance issued by the IRS pursuant to the Congressional letter (Rev. Proc. 2002–40, 2002–23 I.R.B. 1096, June 10, 2002).

[31] Section 172(b)(2) should be appropriately applied in computing AMTI to take proper account of the order that the NOL carryovers and carrybacks are used as a result of this provision. See section 56(d)(1)(B)(ii).

[32] Because certain taxpayers may have already filed tax returns (or be in the process of filing tax returns) for taxable years ending in 2003, the proposal contains special rules to provide until November 1, 2003 in which prior decisions regarding the NOL carryback may be reviewed by taxpayers.

The term ''28-percent rate gain'' means the amount of net gain attributable to long-term capital gains and losses from the sale or exchange of collectibles (as defined in section 408(m) without regard to paragraph (3) thereof), an amount of gain equal to the amount of gain excluded from gross income under section 1202 (relating to certain small business stock),[33] the net short-term capital loss for the taxable year, and any long-term capital loss carryover to the taxable year.

''Unrecaptured section 1250 gain'' means any long-term capital gain from the sale or exchange of section 1250 property (i.e., depreciable real estate) held more than one year to the extent of the gain that would have been treated as ordinary income if section 1250 applied to all depreciation, reduced by the net loss (if any) attributable to the items taken into account in computing 28-percent rate gain. The amount of unrecaptured section 1250 gain (before the reduction for the net loss) attributable to the disposition of property to which section 1231 applies shall not exceed the net section 1231 gain for the year.

The unrecaptured section 1250 gain is taxed at a maximum rate of 25 percent, and the 28-percent rate gain is taxed at a maximum rate of 28 percent. Any amount of unrecaptured section 1250 gain or 28-percent rate gain otherwise taxed at a 15-percent rate is taxed at the 15-percent rate.

Any gain from the sale or exchange of property held more than five years that would otherwise be taxed at the 10-percent rate is taxed at an 8-percent rate. Any gain from the sale or exchange of property held more than five years and the holding period for which begins after December 31, 2000, which would otherwise be taxed at a 20-percent rate is taxed at an 18-percent rate.

HOUSE BILL

The House bill reduces the 10- and 20 percent rates on the adjusted net capital gain to five and 15 percent, respectively. These lower rates apply to both the regular tax and the alternative minimum tax. The lower rates apply to assets held more than one year.

Effective date.—The provision applies to taxable years ending on or after May 6, 2003, and beginning before January 1, 2013. For taxable years that include May 6, 2003, the lower rates apply to amounts properly taken into account for the portion of the year on or after that date. This generally has the effect of applying the lower rates to capital assets sold or exchanged (and installment payments received) on or after May 6, 2003. In the case of gain and loss taken into account by a pass-through entity, the date taken into account by the entity is the appropriate date for applying this rule.

SENATE AMENDMENT

No provision.

CONFERENCE AGREEMENT

The conference agreement follows the House bill, except that the 5-percent tax rate is reduced to zero percent for taxable years beginning after December 31, 2007.

Effective date.—The effective date is the same as the House bill, except that the provision does not apply to taxable years beginning after December 31, 2008.

B. Treatment of Dividend Income of Individuals (Sec. 302 of the House Bill, Sec. 201 of the Senate Amendment, and Sec. 1(h) of the Code)

PRESENT LAW

Under present law, dividends received by an individual are included in gross income and taxed as ordinary income at rates up to 38.6 percent.[34]

The rate of tax on the net capital gain of an individual generally is 20 percent (10 percent[35] with respect to income which would otherwise be taxed at the 10- or 15-percent rate).[36] Net capital gain means net gain from the sale or exchange of capital assets held for more than one year in excess of net loss from the sale or exchange of capital assets held not more than one year.

HOUSE BILL

Under the House bill, dividends received by an individual shareholder from domestic corporations are taxed at the same rates that apply to net capital gain. This treatment applies for purposes of both the regular tax and the alternative minimum tax. Thus, under the provision, dividends will be taxed at rates of five and 15 percent.[37]

If a shareholder does not hold a share of stock for more than 45 days during the 90-day period beginning 45 days before the ex-dividend date (as measured under section 246(c)),[38] dividends received on the stock are not eligible for the reduced rates. Also, the reduced rates are not available for dividends to the extent that the taxpayer is obligated to make related payments with respect to positions in substantially similar or related property.

If an individual receives an extraordinary dividend (within the meaning of section 1059(c)) eligible for the reduced rates with respect to any share of stock, any loss on the sale of the stock is treated as a long-term capital loss to the extent of the dividend.

A dividend is treated as investment income for purposes of determining the amount of deductible investment interest only if the taxpayer elects to treat the dividend as not eligible for the reduced rates.

The amount of dividends qualifying for reduced rates that may be paid by a regulated investment company (''RIC'') or real estate investment trust (''REIT''), for any taxable year that the aggregate qualifying dividends received by the RIC or REIT are less than 95 percent of its gross income (as specially computed), may not exceed the amount of the aggregate qualifying dividends received by the company or trust.

The reduced rates do not apply to dividends received from an organization that was exempt from tax under section 501 or was a tax-exempt farmers' cooperative in either the taxable year of the distribution or the preceding taxable year; dividends received from a mutual savings bank that received a deduction under section 591; or deductible dividends paid on employer securities.

The tax rate for the accumulated earnings tax (sec. 531) and the personal holding company tax (sec. 541) is reduced to 15 percent.

Amounts treated as ordinary income on the disposition of certain preferred stock (sec. 306) are treated as dividends for purposes of applying the reduced rates.

The collapsible corporation rules (sec. 341) are repealed.

Effective date.—The provision is effective for taxable years beginning after December 31, 2002, and beginning before January 1, 2013.

SENATE AMENDMENT

Under the Senate amendment, an individual may exclude from gross income dividends received with respect to stock of a domestic corporation, and stock of a foreign corporation that is regularly tradable on an established securities market.

For taxable years beginning in 2003, 50 percent of the dividend may be excluded from income. For taxable years beginning after 2006, the exclusion no longer applies.

If a shareholder does not hold a share of stock for more than 45 days during the 90-day period beginning 45 days before the ex-dividend date (as measured under section 246(c)),[39] dividends received on the stock are not eligible for the exclusion. Also, the exclusion is not available for dividends to the extent that the taxpayer is obligated to make related payments with respect to positions in substantially similar or related property.

If an individual receives an extraordinary dividend (within the meaning of section 1059(c)) eligible for the exclusion with respect to any share of stock, the basis of the share is reduced by the amount of the dividend excludable from income.

A dividend is treated as investment income for purposes of determining the amount of deductible investment interest only if the taxpayer elects to treat the dividend as not eligible for the exclusion.

The amount of dividends qualifying for the exclusion that may be paid by a RIC or REIT, for any taxable year that the aggregate qualifying dividends received by the company or trust are less than 95 percent of its gross income (as specially computed), may not exceed the amount of such aggregate dividends received by the company or trust.

The exclusion does not apply to dividends received from an organization that was exempt from tax under section 501 or was a tax-exempt farmers' cooperative in either the taxable year of the distribution or the preceding taxable year; dividends received from a mutual savings bank that received a deduction under section 591; deductible dividends paid on employer securities; or dividends received from a foreign corporation that was a foreign investment company (a defined in section 1246(b)), a passive foreign investment company (as defined in section 1297), or a foreign personal holding company (as defined in section 552) in either the taxable year of the distribution or the preceding taxable year.

In the case of a nonresident alien, the exclusion applies only for purposes of determining the taxes imposed pursuant to sections 871(b) and 877.

No foreign tax credit, or deduction with respect to taxes paid, is allowable with respect to dividends excluded under this provision.

Dividends excluded under the proposal are included in modified adjusted gross income for purposes of the provisions of the Code determining the amount of any income inclusion, exclusion, deduction or credit based on the amount of that income.[40] Also in determining eligibility for the earned income credit, any dividends excluded from gross income under this provision are included in disqualified income for purposes of the determining whether the individual has excessive investment income.

The tax rate for the accumulated earnings tax (sec. 531) and the personal holding company tax (sec. 541) is the taxable percent (i.e., 100 percent less the excludable percentage applicable to dividends received in the

[33] This results in a maximum effective regular tax rate on qualified gain from small business stock of 14 percent.

[34] Section 105 of the bill reduces the maximum rate to 35 percent.

[35] An eight percent rate applies to property held more than five years.

[36] Section 301 of the bill reduces the capital gain rates to five percent (zero percent for taxable years beginning after 2007) and 15 percent, respectively.

[37] Payments in lieu of dividends are not eligible for the exclusion. See sections 6042(a) and 6045(d) relating to statements required to be furnished by brokers regarding these payments.

[38] In the case of preferred stock, the periods are doubled.

[39] In the case of preferred stock, the periods are doubled.

[40] These provisions include sections 86, 135, 137, 219, 221, 222, 408A, 469, 530, and the nonrefundable personal credits.

taxable year) of the highest individual tax rate.

Amounts treated as ordinary income on the disposition of certain preferred stock (sec. 306) are treated as dividends for purposes of the exclusion.

The collapsible corporation rules (sec. 341) are repealed.

Effective date.—The provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement follows the House bill taxing dividends at the same rates as net capital gain with the following modifications:

The 45–day holding period requirement is increased to 60 days during the 120–day period beginning 60 days before the ex-dividend date.

Qualified dividend income includes otherwise qualified dividends received from qualified foreign corporations. The term ''qualified foreign corporation'' includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the Treasury Department determines to be satisfactory for purposes of this provision, and which includes an exchange of information program. The conferees do not believe that the current income tax treaty between the United States and Barbados is satisfactory for this purpose because that treaty may operate to provide benefits that are intended for the purpose of mitigating or eliminating double taxation to corporations that are not at risk of double taxation. The conferees intend that, until the Treasury Department issues guidance regarding the determination of treaties as satisfactory for this purpose, a foreign corporation will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program other than the current U.S.-Barbados income tax treaty. The conferees further intend that a company will be eligible for benefits of a comprehensive income tax treaty within the meaning of this provision if it would qualify for the benefits of the treaty with respect to substantially all of its income in the taxable year in which the dividend is paid.

In addition, a foreign corporation is treated as a qualified foreign corporation with respect to any dividend paid by the corporation with respect to stock that is readily tradable on an established securities market in the United States.[41]

Dividends received from a foreign corporation that was a foreign investment company (as defined in section 1246(b)), a passive foreign investment company (as defined in section 1297), or a foreign personal holding company (as defined in section 552) in either the taxable year of the distribution or the preceding taxable year are not qualified dividends.

Special rules apply in determining a taxpayer's foreign tax credit limitation under section 904 in the case of qualified dividend income. For these purposes, rules similar to the rules of section 904(b)(2)(B) concerning adjustments to the foreign tax credit limitation to reflect any capital gain rate differential will apply to any qualified dividend income. Additionally, it is anticipated that regulations promulgated under this provision will coordinate the operation of the rules applicable to qualified dividend income and capital gain.

In the case of a REIT, an amount equal to the excess of the income subject to the taxes imposed by section 857(b)(1) and the regulations prescribed under section 337(d) for the preceding taxable year over the amount of these taxes for the preceding taxable year is treated as qualified dividend income.

In the case of brokers and dealers who engage in securities lending transactions, short sales, or other similar transactions on behalf of their customers in the normal course of their trade or business, the conferees intend that the IRS will exercise its authority under section 6724(a) to waive penalties where dealers and brokers attempt in good faith to comply with the information reporting requirements under sections 6042 and 6045, but are unable to reasonably comply because of the period necessary to conform their information reporting systems to the retroactive rate reductions on qualified dividends provided by the conference agreement. In addition, the conferees expect that individual taxpayers who receive payments in lieu of dividends from these transactions may treat the payments as dividend income to the extent that the payments are reported to them as dividend income on their Forms 1099–DIV received for calendar year 2003, unless they know or have reason to know that the payments are in fact payments in lieu of dividends rather than actual dividends. The conferees expect that the Treasury Department will issue guidance as rapidly as possible on information reporting with respect to payments in lieu of dividends made to individuals.

The conference agreement provides that the amendment to section 306 treating certain ordinary income as a dividend for purposes of the rate computation under section 1(h) may also apply to such other provisions as the Secretary may provide, including provisions at the corporate level.

Effective date.—The conference agreement applies to taxable years beginning after December 31, 2002, and beginning before January 1, 2009.

IV. CORPORATE ESTIMATED TAXES

A. Modification to Corporate Estimated Tax Requirements (Sec. 401 of the House Bill)

PRESENT LAW

In general, corporations are required to make quarterly estimated tax payments of their income tax liability (section 6655). For a corporation whose taxable year is a calendar year, these estimated tax payments must be made by April 15, June 15, September 15, and December 15.

HOUSE BILL

With respect to corporate estimated tax payments due on September 15, 2003, 52 percent is required to be paid by October 1, 2003.

Effective date.—The provision is effective on the date of enactment.

SENATE AMENDMENT

No provision.

CONFERENCE AGREEMENT

With respect to corporate estimated tax payments due on September 15, 2003, 25 percent is required to be paid by October 1, 2003.

Effective date.—The provision is effective on the date of enactment.

V. REVENUE PROVISIONS

A. Provisions Designed To Curtail Tax Shelters

1. Clarification of the economic substance doctrine (sec. 301 of the Senate amendment and sec. 7701 of the Code)

PRESENT LAW

In general

The Code provides specific rules regarding the computation of taxable income, including the amount, timing, source, and character of items of income, gain, loss and deduction. These rules are designed to provide for the computation of taxable income in a manner that provides for a degree of specificity to both taxpayers and the government. Taxpayers generally may plan their transactions in reliance on these rules to determine the federal income tax consequences arising from the transactions.

In addition to the statutory provisions, courts have developed several doctrines that can be applied to deny the tax benefits of tax motivated transactions, notwithstanding that the transaction may satisfy the literal requirements of a specific tax provision. The common-law doctrines are not entirely distinguishable, and their application to a given set of facts is often blurred by the courts and the IRS. Although these doctrines serve an important role in the administration of the tax system, invocation of these doctrines can be seen as at odds with an objective, ''rule-based'' system of taxation. Nonetheless, courts have applied the doctrines to deny tax benefits arising from certain transactions.[42]

A common-law doctrine applied with increasing frequency is the ''economic substance'' doctrine. In general, this doctrine denies tax benefits arising from transactions that do not result in a meaningful change to the taxpayer's economic position other than a purported reduction in federal income tax.[43]

Economic substance doctrine

Courts generally deny claimed tax benefits if the transaction that gives rise to those benefits lacks economic substance independent of tax considerations—notwithstanding that the purported activity actually occurred. The tax court has described the doctrine as follows:

> The tax law * * * requires that the intended transactions have economic substance separate and distinct from economic benefit achieved solely by tax reduction. The doctrine of economic substance becomes applicable, and a judicial remedy is warranted, where a taxpayer seeks to claim tax benefits, unintended by Congress, by means of transactions that serve no economic purpose other than tax savings.[44]

Business purpose doctrine

Another common law doctrine that overlays and is often considered together with (if not part and parcel of) the economic substance doctrine is the business purpose doctrine. The business purpose test is a subjective inquiry into the motives of the taxpayer—that is, whether the taxpayer intended the transaction to serve some useful non-tax purpose. In making this determination, some courts have bifurcated a transaction in which independent activities with non-tax objectives have been combined with an unrelated item having only tax-avoidance objectives in order to disallow the tax benefits of the overall transaction.[45]

Application by the courts

Elements of the doctrine

There is a lack of uniformity regarding the proper application of the economic substance doctrine. Some courts apply a conjunctive test that requires a taxpayer to establish the

[41] For this purpose, a share shall be treated as so traded if an American Depository Receipt (ADR) backed by such share is so traded.

[42] See, e.g., ACM Partnership v. Commissioner, 157 F.3d 231 (3d Cir. 1998), aff'g 73 T.C.M. (CCH) 2189 (1997), cert. denied 526 U.S. 1017 (1999).

[43] Closely related doctrines also applied by the courts (sometimes interchangeable with the economic substance doctrine) include the ''sham transaction doctrine'' and the ''business purpose doctrine''. See, e.g., Knetsch v. United States, 364 U.S. 361 (1960) (denying interest deductions on a ''sham transaction'' whose only purpose was to create the deductions).

[44] ACM Partnership v. Commissioner, 73 T.C.M. at 2215.

[45] ACM Partnership v. Commissioner, 157 F.3d at 256 n.48.

presence of both economic substance (i.e., the objective component) and business purpose (i.e., the subjective component) in order for the transaction to sustain court scrutiny.[46] A narrower approach used by some courts is to invoke the economic substance doctrine only after a determination that the transaction lacks both a business purpose and economic substance (i.e., the existence of either a business purpose or economic substance would be sufficient to respect the transaction).[47] A third approach regards economic substance and business purpose as ''simply more precise factors to consider'' in determining whether a transaction has any practical economic effects other than the creation of tax benefits.[48]

Profit potential

There also is a lack of uniformity regarding the necessity and level of profit potential necessary to establish economic substance. Since the time of Gregory, several courts have denied tax benefits on the grounds that the subject transactions lacked profit potential.[49] In addition, some courts have applied the economic substance doctrine to disallow tax benefits in transactions in which a taxpayer was exposed to risk and the transaction had a profit potential, but the court concluded that the economic risks and profit potential were insignificant when compared to the tax benefits.[50] Under this analysis, the taxpayer's profit potential must be more than nominal. Conversely, other courts view the application of the economic substance doctrine as requiring an objective determination of whether a ''reasonable possibility of profit'' from the transaction existed apart from the tax benefits.[51] In these cases, in assessing whether a reasonable possibility of profit exists, it is sufficient if there is a nominal amount of pre-tax profit as measured against expected net tax benefits.

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment clarifies and enhances the application of the economic substance doctrine. The Senate amendment provides that a transaction has economic substance (and thus satisfies the economic substance doctrine) only if the taxpayer establishes that (1) the transaction changes in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and (2) the taxpayer has a substantial non-tax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.[52]

The Senate amendment does not change current law standards used by courts in determining when to utilize an economic substance analysis. Also, the Senate amendment does not alter the court's ability to aggregate or disaggregate a transaction when applying the doctrine. The Senate amendment provides a uniform definition of economic substance, but does not alter court flexibility in other respects.

Conjunctive analysis

The Senate amendment clarifies that the economic substance doctrine involves a conjunctive analysis—there must be an objective inquiry regarding the effects of the transaction on the taxpayer's economic position, as well as a subjective inquiry regarding the taxpayer's motives for engaging in the transaction. Under the Senate amendment, a transaction must satisfy both tests—i.e., it must change in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and the taxpayer must have a substantial non-tax purpose for entering into such transaction (and the transaction is a reasonable means of accomplishing such purpose)—in order to satisfy the economic substance doctrine. This clarification eliminates the disparity that exists among the circuits regarding the application of the doctrine, and modifies its application in those circuits in which either a change in economic position or a non-tax business purpose (without having both) is sufficient to satisfy the economic substance doctrine.

Non-tax business purpose

The Senate amendment provides that a taxpayer's non-tax purpose for entering into a transaction (the second prong in the analysis) must be ''substantial,'' and that the transaction must be ''a reasonable means'' of accomplishing such purpose. Under this formulation, the non-tax purpose for the transaction must bear a reasonable relationship to the taxpayer's normal business operations or investment activities.[53]

In determining whether a taxpayer has a substantial non-tax business purpose, an objective of achieving a favorable accounting treatment for financial reporting purposes will not be treated as having a substantial non-tax purpose if the origin of such financial accounting benefit is a reduction of income tax. Furthermore, a transaction that is expected to increase financial accounting income as a result of generating tax deductions or losses without a corresponding financial accounting charge (i.e., a permanent book-tax difference)[54] should not be considered to have a substantial non-tax purpose unless a substantial non-tax purpose exists apart from the financial accounting benefits.[55]

By requiring that a transaction be a ''reasonable means'' of accomplishing its non-tax purpose, the Senate amendment broadens the ability of the courts to bifurcate a transaction in which independent activities with non-tax objectives are combined with an unrelated item having only tax-avoidance objectives in order to disallow the tax benefits of the overall transaction.

Profit potential

Under the Senate amendment, a taxpayer may rely on factors other than profit potential to demonstrate that a transaction results in a meaningful change in the taxpayer's economic position; the Senate amendment merely sets forth a minimum threshold of profit potential if that test is relied on to demonstrate a meaningful change in economic position. If a taxpayer relies on a profit potential, however, the present value of the reasonably expected pre-tax profit must be substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected.[56] Moreover, the profit potential must exceed a risk-free rate of return. In addition, in determining pre-tax profit, fees and other transaction expenses and foreign taxes are treated as expenses.

A lessor of tangible property subject to a qualified lease shall be considered to have

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[46] See, e.g., *Pasternak* v. *Commissioner*, 990 F.2d 893, 898 (6th Cir. 1993) (''The threshold question is whether the transaction has economic substance. If the answer is yes, the question becomes whether the taxpayer was motivated by profit to participate in the transaction.'')

[47] See, e.g., *Rice's Toyota World* v. *Commissioner*, 752 F.2d 89, 91–92 (4th Cir. 1985) (''To treat a transaction as a sham, the court must find that the taxpayer was motivated by no business purposes other than obtaining tax benefits in entering the transaction, and, second, that the transaction has no economic substance because no reasonable possibility of a profit exists.''); *IES Industries* v. *United States*, 253 F.3d 350, 358 (8th Cir. 2001) (''In determining whether a transaction is a sham for tax purposes [under the Eighth Circuit test], a transaction will be characterized as a sham if it is not motivated by any economic purpose out of tax considerations (the business purpose test), and if it is without economic substance because no real potential for profit exists'' (the economic substance test).'') As noted earlier, the economic substance doctrine and the sham transaction doctrine are similar and sometimes are applied interchangeably. For a more detailed discussion of the sham transaction doctrine, see, e.g., Joint Committee on Taxation, Study of Present-Law Penalty and Interest Provisions as Required by Section 3801 of the Internal Revenue Service Restructuring and Reform Act of 1998 (including Provisions Relating to Corporate Tax Shelters) (JCS–3–99) at 182.

[48] See, e.g., *ACM Partnership* v. *Commissioner*, 157 F.3d at 247; *James* v. *Commissioner*, 899 F.2d 905, 908 (10th Cir. 1995); *Sacks* v. *Commissioner*, 69 F.3d 982, 985 (9th Cir. 1995) (''Instead, the consideration of business purpose and economic substance are simply more precise factors to consider . . . .We have repeatedly and carefully noted that this formulation cannot be used as a 'rigid two-step analysis'.'').

[49] See, e.g., *Knetsch*, 364 U.S. at 361; *Goldstein* v. *Commissioner*, 364 F.2d 734 (2d Cir. 1966) (holding that an unprofitable, leveraged acquisition of Treasury bills, and accompanying prepaid interest deduction, lacked economic substance); *Ginsburg* v. *Commissioner*, 35 T.C.M. (CCH) 860 (1976) (holding that a leveraged cattle-breeding program lacked economic substance).

[50] See, e.g., *Goldstein* v. *Commissioner*, 364 F.2d at 739–40 (disallowing deduction even though taxpayer had a possibility of small gain or loss by owning Treasury bills); *Sheldon* v. *Commissioner*, 94 T.C. 738, 768 (1990) (stating, ''potential for gain . . . is infinitesimally nominal and vastly insignificant when considered in comparison with the claimed deductions'').

[51] See, e.g., *Rice's Toyota World* v. *Commissioner*, 752 F.2d at 94 (the economic substance inquiry requires an objective determination of whether a reasonable possibility of profit from the transaction existed apart from tax benefits); *Compaq Computer Corp.* v. *Commissioner*, 277 F.3d at 781 (applied the same test, citing *Rice's Toyota World*); *IES Industries* v. *United States*, 253 F.3d at 354 (the application of the objective economic substance test involves determining whether there was a ''reasonable possibility of profit . . . apart from tax benefits.'').

[52] If the tax benefits are clearly contemplated and expected by the language and purpose of the relevant authority, it is not intended that such tax benefits be disallowed if the only reason for such disallowance is that the transaction fails the economic substance doctrine as defined in this provision.

[53] See, Martin McMahon Jr., Economic Substance, Purposive Activity, and Corporate Tax Shelters, 94 Tax Notes 1017, 1023 (Feb. 25, 2002) (advocates ''confining the most rigorous application of business purpose, economic substance, and purposive activity tests to transactions outside the ordinary course of the taxpayer's business—those transactions that do not appear to contribute to any business activity or objective that the taxpayer may have had apart from tax planning but are merely loss generators.''); Mark P. Gergen, The Common Knowledge of Tax Abuse, 54 SMU L. Rev. 131, 140 (Winter 2001) (''The message is that you can pick up tax gold if you find it in the street while going about your business, but you cannot go hunting for it.'').

[54] This includes tax deductions or losses that are anticipated to be recognized in a period subsequent to the period the financial accounting benefit is recognized. For example, FAS 109 in some cases permits the recognition of financial accounting benefits prior to the period in which the tax benefits are recognized for income tax purposes.

[55] Claiming that a financial accounting benefit constitutes a substantial non-tax purpose fails to consider the origin of the accounting benefit (i.e., reduction of taxes) and significantly diminishes the purpose for having a substantial non-tax purpose requirement. See, e.g., *American Electric Power, Inc.* v. *U.S.*, 136 F. Supp. 2d 762, 791–92 (S.D. Ohio, 2001), aff'd by 2003 Fed. App. para. 0125 (CCH) (6th Cir. 2003) (''AEP's intended use of the cash flows generated by the [corporate-owned life insurance] plan is irrelevant to the subjective prong of the economic substance analysis. If a legitimate business purpose for the use of the tax savings ''were sufficient to breathe substance into a transaction whose only purpose was to reduce taxes, [then] every sham tax-shelter device might succeed,'' citing *Winn-Dixie* v. *Commissioner*, 113 T.C. 254, 287 (1999)).

[56] Thus, a ''reasonable possibility of profit'' will not be sufficient to establish that a transaction has economic substance.

satisfied the profit test with respect to the leased property. For this purpose, a ''qualified lease'' is a lease that satisfies the factors for advance ruling purposes as provided by the Treasury Department.[57] In applying the profit test to the lessor of tangible property, certain deductions and other applicable tax credits (such as the rehabilitation tax credit and the low income housing tax credit) are not taken into account in measuring tax benefits. Thus, a traditional leveraged lease is not affected by the Senate amendment to the extent it meets the present law standards.

Transactions with tax-indifferent parties

The Senate amendment also provides special rules for transactions with tax-indifferent parties. For this purpose, a tax-indifferent party means any person or entity not subject to Federal income tax, or any person to whom an item would have no substantial impact on its income tax liability. Under these rules, the form of a financing transaction will not be respected if the present value of the tax deductions to be claimed is substantially in excess of the present value of the anticipated economic returns to the lender. Also, the form of a transaction with a tax-indifferent party will not be respected if it results in an allocation of income or gain to the tax-indifferent party in excess of the tax-indifferent party's economic gain or income or if the transaction results in the shifting of basis on account of overstating the income or gain of the tax-indifferent party.

Other rules

The Secretary may prescribe regulations which provide (1) exemptions from the application of the Senate amendment, and (2) other rules as may be necessary or appropriate to carry out the purposes of the Senate amendment.

No inference is intended as to the proper application of the economic substance doctrine under present law. In addition, except with respect to the economic substance doctrine, the Senate amendment shall not be construed as altering or supplanting any other common law doctrine (including the sham transaction doctrine), and the Senate amendment shall be construed as being additive to any such other doctrine.

Effective date

The provision applies to transactions entered into on or after May 8, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Penalty for failure to disclose reportable transactions (sec. 302 of the Senate amendment and sec. 6707A of the Code)

PRESENT LAW

Regulations under section 6011 require a taxpayer to disclose with its tax return certain information with respect to each ''reportable transaction'' in which the taxpayer participates.[58]

There are six categories of reportable transactions. The first category is any transaction that is the same as (or substantially similar to)[59] a transaction that is specified by the Treasury Department as a tax avoidance transaction whose tax benefits are subject to disallowance under present law (referred to as a ''listed transaction'').[60]

The second category is any transaction that is offered under conditions of confidentiality. In general, if a taxpayer's disclosure of the structure or tax aspects of the transaction is limited in any way by an express or implied understanding or agreement with or for the benefit of any person who makes or provides a statement, oral or written, as to the potential tax consequences that may result from the transaction, it is considered offered under conditions of confidentiality (whether or not the understanding is legally binding).[61]

The third category of reportable transactions is any transaction for which (1) the taxpayer has the right to a full or partial refund of fees if the intended tax consequences from the transaction are not sustained or, (2) the fees are contingent on the intended tax consequences from the transaction being sustained.[62]

The fourth category of reportable transactions relates to any transaction resulting in a taxpayer claiming a loss (under section 165) of at least (1) $10 million in any single year or $20 million in any combination of years by a corporate taxpayer or a partnership with only corporate partners; (2) $2 million in any single year or $4 million in any combination of years by all other partnerships, S corporations, trusts, and individuals; or (3) $50,000 in any single year for individuals or trusts if the loss arises with respect to foreign currency translation losses.[63]

The fifth category of reportable transactions refers to any transaction done by certain taxpayers[64] in which the tax treatment of the transaction differs (or is expected to differ) by more than $10 million from its treatment for book purposes (using generally accepted accounting principles) in any year.[65]

The final category of reportable transactions is any transaction that results in a tax credit exceeding $250,000 (including a foreign tax credit) if the taxpayer holds the underlying asset for less than 45 days.[66]

Under present law, there is no specific penalty for failing to disclose a reportable transaction; however, such a failure may jeopardize a taxpayer's ability to claim that any income tax understatement attributable to such undisclosed transaction is due to reasonable cause, and that the taxpayer acted in good faith.[67]

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment creates a new penalty for any person who fails to include with any return or statement any required information with respect to a reportable transaction. The new penalty applies without regard to whether the transaction ultimately results in an understatement of tax, and applies in addition to any accuracy-related penalty that may be imposed.

Transactions to be disclosed

The Senate amendment does not define the terms ''listed transaction''[68] or ''reportable transaction,'' nor does the Senate amendment explain the type of information that must be disclosed in order to avoid the imposition of a penalty. Rather, the Senate amendment authorizes the Treasury Department to define a ''listed transaction'' and a ''reportable transaction'' under section 6011.

Penalty rate

The penalty for failing to disclose a reportable transaction is $50,000. The amount is increased to $100,000 if the failure is with respect to a listed transaction. For large entities and high net worth individuals, the penalty amount is doubled (i.e., $100,000 for a reportable transaction and $200,000 for a listed transaction). The penalty cannot be waived with respect to a listed transaction. As to reportable transactions, the penalty can be rescinded (or abated) only if: (1) the taxpayer on whom the penalty is imposed has a history of complying with the Federal tax laws, (2) it is shown that the violation is due to an unintentional mistake of fact, (3) imposing the penalty would be against equity and good conscience, and (4) rescinding the penalty would promote compliance with the tax laws and effective tax administration. The authority to rescind the penalty can only be exercised by the IRS Commissioner personally or the head of the Office of Tax Shelter Analysis. Thus, the penalty cannot be rescinded by a revenue agent, an Appeals officer, or any other IRS personnel. The decision to rescind a penalty must be accompanied by a record describing the facts and reasons for the action and the amount rescinded. There will be no taxpayer right to appeal a refusal to rescind a penalty. The IRS also is required to submit an annual report to Congress summarizing the application of the disclosure penalties and providing a description of each penalty rescinded under this provision and the reasons for the rescission.

A ''large entity'' is defined as any entity with gross receipts in excess of $10 million in the year of the transaction or in the preceding year. A ''high net worth individual'' is defined as any individual whose net worth exceeds $2 million, based on the fair market value of the individual's assets and liabilities immediately before entering into the transaction.

A public entity that is required to pay a penalty for failing to disclose a listed transaction (or is subject to an understatement

[57] See Rev. Proc. 2001–28, 2001–19 I.R.B. 1156 which provides guidelines that must be present for a lease to be eligible for advance ruling purposes. It is intended that a lease that satisfies Treasury Department guidelines for advance ruling purposes would be treated as a qualified lease.

[58] On February 27, 2003, the Treasury Department and the IRS released final regulations regarding the disclosure of reportable transactions. In general, the regulations are effective for transactions entered into on or after February 28, 2003.

The discussion of present law refers to the new regulations. The rules that apply with respect to transactions entered into on or before February 28, 2003, are contained in Treas. Reg. sec. 1.6011–4T in effect on the date the transaction was entered into.

[59] The regulations clarify that the term ''substantially similar'' includes any transaction that is expected to obtain the same or similar types of tax consequences and that is either factually similar or based on the same or similar tax strategy. Further, the term must be broadly construed in favor of disclosure. Treas. Reg. sec. 1–6011–4(c)(4).

[60] Treas. Reg. sec. 1.6011–4(b)(2).

[61] Treas. Reg. sec. 1.6011–4(b)(3).

[62] Treas. Reg. sec. 1.6011–4(b)(4).

[63] Treas. Reg. sec. 1.6011–4(b)(5). IRS Rev. Proc. 2003–24, 2003–11 I.R.B. 599, exempts certain types of losses from this reportable transaction category.

[64] The significant book-tax category applies only to taxpayers that are reporting companies under the Securities Exchange Act of 1934 or business entities that have $250 million or more in gross assets.

[65] Treas. Reg. sec. 1.6011–4(b)(6). IRS Rev. Proc. 2003–25, 2003–11 I.R.B. 601, exempts certain types of transactions from this reportable transaction category.

[66] Treas. Reg. sec. 1.6011–4(b)(7).

[67] Section 6664(c) provides that a taxpayer can avoid the imposition of a section 6662 accuracy-related penalty in cases where the taxpayer can demonstrate that there was reasonable cause for the underpayment and that the taxpayer acted in good faith. On December 31, 2002, the Treasury Department and IRS issued proposed regulations under sections 6662 and 6664 (REG–126016–01) that limit the defenses available to the imposition of an accuracy-related penalty in connection with a reportable transaction when the transaction is not disclosed.

[68] The provision states that, except as provided in regulations, a listed transaction means a reportable transaction, which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011. For this purpose, it is expected that the definition of ''substantially similar'' will be the definition used in Treas. Reg. sec. 1.6011–4(c)(4). However, the Secretary may modify this definition (as well as the definitions of ''listed transaction'' and ''reportable transactions'') as appropriate.

penalty attributable to a non-disclosed listed transaction, a non-disclosed reportable avoidance transaction,[69] or a transaction that lacks economic substance) must disclose the imposition of the penalty in reports to the Securities and Exchange Commission for such period as the Secretary shall specify. The provision applies without regard to whether the taxpayer determines the amount of the penalty to be material to the reports in which the penalty must appear, and treats any failure to disclose a transaction in such reports as a failure to disclose a listed transaction. A taxpayer must disclose a penalty in reports to the Securities and Exchange Commission once the taxpayer has exhausted its administrative and judicial remedies with respect to the penalty (or if earlier, when paid).

Effective date

The provision is effective for returns and statements the due date for which is after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Modifications to the accuracy-related penalties for listed transactions and reportable transactions having a significant tax avoidance purpose (sec. 303 of the Senate amendment and sec. 6662A of the Code)

PRESENT LAW

The accuracy-related penalty applies to the portion of any underpayment that is attributable to (1) negligence, (2) any substantial understatement of income tax, (3) any substantial valuation misstatement, (4) any substantial overstatement of pension liabilities, or (5) any substantial estate or gift tax valuation understatement. If the correct income tax liability exceeds that reported by the taxpayer by the greater of 10 percent of the correct tax or $5,000 ($10,000 in the case of corporations), then a substantial understatement exists and a penalty may be imposed equal to 20 percent of the underpayment of tax attributable to the understatement.[70] The amount of any understatement generally is reduced by any portion attributable to an item if (1) the treatment of the item is supported by substantial authority, or (2) facts relevant to the tax treatment of the item were adequately disclosed and there was a reasonable basis for its tax treatment.[71]

Special rules apply with respect to tax shelters.[72] For understatements by non-corporate taxpayers attributable to tax shelters, the penalty may be avoided only if the taxpayer establishes that, in addition to having substantial authority for the position, the taxpayer reasonably believed that the treatment claimed was more likely than not the proper treatment of the item. This reduction in the penalty is unavailable to corporate tax shelters.

The understatement penalty generally is abated (even with respect to tax shelters) in cases in which the taxpayer can demonstrate that there was ''reasonable cause'' for the underpayment and that the taxpayer acted in good faith.[73] The relevant regulations provide that reasonable cause exists where the taxpayer ''reasonably relies in good faith on an opinion based on a professional tax advisor's analysis of the pertinent facts and authorities [that] * * * unambiguously concludes that there is a greater than 50-percent likelihood that the tax treatment of the item will be upheld if challenged'' by the IRS.[74]

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment modifies the present-law accuracy related penalty by replacing the rules applicable to tax shelters with a new accuracy-related penalty that applies to listed transactions and reportable transactions with a significant tax avoidance purpose (hereinafter referred to as a ''reportable avoidance transaction'').[75] The penalty rate and defenses available to avoid the penalty vary depending on whether the transaction was adequately disclosed.

Disclosed transactions

In general, a 20-percent accuracy-related penalty is imposed on any understatement attributable to an adequately disclosed listed transaction or reportable avoidance transaction. The only exception to the penalty is if the taxpayer satisfies a more stringent reasonable cause and good faith exception (hereinafter referred to as the ''strengthened reasonable cause exception''), which is described below. The strengthened reasonable cause exception is available only if the relevant facts affecting the tax treatment are adequately disclosed, there is or was substantial authority for the claimed tax treatment, and the taxpayer reasonably believed that the claimed tax treatment was more likely than not the proper treatment.

Undisclosed transactions

If the taxpayer does not adequately disclose the transaction, the strengthened reasonable cause exception is not available (i.e., a strict-liability penalty applies), and the taxpayer is subject to an increased penalty rate equal to 30 percent of the understatement.

In addition, a public entity that is required to pay the 30 percent penalty must disclose the imposition of the penalty in reports to the SEC for such periods as the Secretary shall specify. The disclosure to the SEC applies without regard to whether the taxpayer determines the amount of the penalty to be material to the reports in which the penalty must appear, and any failure to disclose such penalty in the reports is treated as a failure to disclose a listed transaction. A taxpayer must disclose a penalty in reports to the SEC once the taxpayer has exhausted its administrative and judicial remedies with respect to the penalty (or if earlier, when paid).

Once the 30 percent penalty has been included in the Revenue Agent Report, the penalty cannot be compromised for purposes of a settlement without approval of the Commissioner personally or the head of the Office of Tax Shelter Analysis. Furthermore, the IRS is required to submit an annual report to Congress summarizing the application of this penalty and providing a description of each penalty compromised under this provision and the reasons for the compromise.

Determination of the understatement amount

The penalty is applied to the amount of any understatement attributable to the listed or reportable avoidance transaction without regard to other items on the tax return. For purposes of the Senate amendment, the amount of the understatement is determined as the sum of (1) the product of the highest corporate or individual tax rate (as appropriate) and the increase in taxable income resulting from the difference between the taxpayer's treatment of the item and the proper treatment of the item (without regard to other items on the tax return),[76] and (2) the amount of any decrease in the aggregate amount of credits which results from a difference between the taxpayer's treatment of an item and the proper tax treatment of such item.

Except as provided in regulations, a taxpayer's treatment of an item shall not take into account any amendment or supplement to a return if the amendment or supplement is filed after the earlier of when the taxpayer is first contacted regarding an examination of the return or such other date as specified by the Secretary.

Strengthened reasonable cause exception

A penalty is not imposed under the Senate amendment with respect to any portion of an understatement if it show that there was reasonable cause for such portion and the taxpayer acted in good faith. Such a showing requires (1) adequate disclosure of the facts affecting the transaction in accordance with the regulations under section 6011,[77] (2) that there is or was substantial authority for such treatment, and (3) that the taxpayer reasonably believed that such treatment was more likely than not the proper treatment. For this purpose, a taxpayer will be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief (1) is based on the facts and law that exist at the time the tax return (that includes the item) is filed, and (2) relates solely to the taxpayer's chances of success on the merits and does not take into account the possibility that (a) a return will not be audited, (b) the treatment will not be raised on audit, or (c) the treatment will be resolved through settlement if raised.

A taxpayer may (but is not required to) rely on an opinion of a tax advisor in establishing its reasonable belief with respect to the tax treatment of the item. However, a taxpayer may not rely on an opinion of a tax advisor for this purpose if the opinion (1) is provided by a ''disqualified tax advisor,'' or (2) is a ''disqualified opinion.''

Disqualified tax advisor

A disqualified tax advisor is any advisor who (1) is a material advisor[78] and who participates in the organization, management, promotion or sale of the transaction or is related (within the meaning of section 267 or 707) to any person who so participates, (2) is compensated directly or indirectly[79] by a

[69] A reportable avoidance transaction is a reportable transaction with a significant tax avoidance purpose.

[70] Sec. 6662.

[71] Sec. 6662(d)(2)(B).

[72] Sec. 6662(d)(2)(C).

[73] Sec. 6664(c).

[74] Treas. Reg. sec. 1.6662–4(g)(4)(i)(B); Treas. Reg. sec. 1.6664–4(c).

[75] The terms ''reportable transaction'' and ''listed transaction'' have the same meanings as used for purposes of the penalty for failing to disclose reportable transactions.

[76] For this purpose, any reduction in the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

[77] See the previous discussion regarding the penalty for failing to disclose a reportable transaction.

[78] The term ''material advisor'' (defined below in connection with the new information filing requirements for material advisors) means any person who provides any material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and who derives gross income in excess of $50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons ($250,000 in any other case).

[79] This situation could arise, for example, when an advisor has an arrangement or understanding (oral or written) with an organizer, manager, or promoter of a reportable transaction that such party will recommend or refer potential participants to the advisor for an opinion regarding the tax treatment of the transaction.

material advisor with respect to the transaction, (3) has a fee arrangement with respect to the transaction that is contingent on all or part of the intended tax benefits from the transaction being sustained, or (4) as determined under regulations prescribed by the Secretary, has a continuing financial interest with respect to the transaction.

A material advisor is considered as participating in the ''organization'' of a transaction if the advisor performs acts relating to the development of the transaction. This may include, for example, preparing documents (1) establishing a structure used in connection with the transaction (such as a partnership agreement), (2) describing the transaction (such as an offering memorandum or other statement describing the transaction), or (3) relating to the registration of the transaction with any federal, state or local government body.[80] Participation in the ''management'' of a transaction means involvement in the decision-making process regarding any business activity with respect to the transaction. Participation in the ''promotion or sale'' of a transaction means involvement in the marketing or solicitation of the transaction to others. Thus, an advisor who provides information about the transaction to a potential participant is involved in the promotion or sale of a transaction, as is any advisor who recommends the transaction to a potential participant.

Disqualified opinion

An opinion may not be relied upon if the opinion (1) is based on unreasonable factual or legal assumptions (including assumptions as to future events), (2) unreasonably relies upon representations, statements, finding or agreements of the taxpayer or any other person, (3) does not identify and consider all relevant facts, or (4) fails to meet any other requirement prescribed by the Secretary.

Coordination with other penalties

Any understatement upon which a penalty is imposed under this provision is not subject to the accuracy-related penalty under section 6662. However, such understatement is included for purposes of determining whether any understatement (as defined in sec. 6662(d)(2)) is a substantial understatement as defined under section 6662(d)(1).

The penalty imposed under this provision shall not apply to any portion of an understatement to which a fraud penalty is applied under section 6663.

Effective date

The provision is effective for taxable years ending after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Penalty for understatements from transactions lacking economic substance (sec. 304 of the Senate amendment and sec. 6662B of the Code)

PRESENT LAW

An accuracy-related penalty applies to the portion of any underpayment that is attributable to (1) negligence, (2) any substantial understatement of income tax, (3) any substantial valuation misstatement, (4) any substantial overstatement of pension liabilities, or (5) any substantial estate or gift tax valuation understatement. If the correct income tax liability exceeds that reported by the taxpayer by the greater of 10 percent of the correct tax or $5,000 ($10,000 in the case of corporations), then a substantial understatement exists and a penalty may be imposed equal to 20 percent of the underpayment of tax attributable to the understatement.[81] The amount of any understatement is reduced by any portion attributable to an item if (1) the treatment of the item is supported by substantial authority, or (2) facts relevant to the tax treatment of the item were adequately disclosed and there was a reasonable basis for its tax treatment.

Special rules apply with respect to tax shelters.[82] For understatements by non-corporate taxpayers attributable to tax shelters, the penalty may be avoided only if the taxpayer establishes that, in addition to having substantial authority for the position, the taxpayer reasonably believed that the treatment claimed was more likely than not the proper treatment of the item. This reduction in the penalty is unavailable to corporate tax shelters.

The penalty generally is abated (even with respect to tax shelters) in cases in which the taxpayer can demonstrate that there was ''reasonable cause'' for the underpayment and that the taxpayer acted in good faith.[83] The relevant regulations provide that reasonable cause exists where the taxpayer ''reasonably relies in good faith on an opinion based on a professional tax advisor's analysis of the pertinent facts and authorities [that] . . . unambiguously concludes that there is a greater than 50–percent likelihood that the tax treatment of the item will be upheld if challenged'' by the IRS.[84]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment imposes a penalty for an understatement attributable to any transaction that lacks economic substance (referred to in the statute as a ''non-economic substance transaction understatement'').[85] The penalty rate is 40 percent (reduced to 20 percent if the taxpayer adequately discloses the relevant facts in accordance with regulations prescribed under section 6011). No exceptions (including the reasonable cause or rescission rules) to the penalty would be available under the Senate amendment (i.e., the penalty is a strict-liability penalty).

A ''non-economic substance transaction'' means any transaction if (1) the transaction lacks economic substance (as defined in the earlier Senate amendment provision regarding the economic substance doctrine),[86] (2) the transaction was not respected under the rules relating to transactions with tax-indifferent parties (as described in the earlier Senate amendment provision regarding the economic substance doctrine),[87] or (3) any similar rule of law. For this purpose, a similar rule of law would include, for example, an understatement attributable to a transaction that is determined to be a sham transaction.

For purposes of the Senate amendment, the calculation of an ''understatement'' is made in the same manner as in the separate Senate amendment provision relating to accuracy-related penalties for listed and reportable avoidance transactions (new sec. 6662A). Thus, the amount of the understatement under the Senate amendment would be determined as the sum of (1) the product of the highest corporate or individual tax rate (as appropriate) and the increase in taxable income resulting from the difference between the taxpayer's treatment of the item and the proper treatment of the item (without regard to other items on the tax return),[88] and (2) the amount of any decrease in the aggregate amount of credits which results from a difference between the taxpayer's treatment of an item and the proper tax treatment of such item. In essence, the penalty will apply to the amount of any understatement attributable solely to a non-economic substance transaction.

Except as provided in regulations, the taxpayer's treatment of an item will not take into account any amendment or supplement to a return if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted regarding an examination of the return or such other date as specified by the Secretary.

A public entity that is required to pay a penalty under the Senate amendment (regardless of whether the transaction was disclosed) must disclose the imposition of the penalty in reports to the SEC for such periods as the Secretary shall specify. The disclosure to the SEC applies without regard to whether the taxpayer determines the amount of the penalty to be material to the reports in which the penalty must appear, and any failure to disclose such penalty in the reports is treated as a failure to disclose a listed transaction. A taxpayer must disclose a penalty in reports to the SEC once the taxpayer has exhausted its administrative and judicial remedies with respect to the penalty (or if earlier, when paid).

Once a penalty (regardless of whether the transaction was disclosed) has been included in the Revenue Agent Report, the penalty cannot be compromised for purposes of a settlement without approval of the Commissioner personally or the head of the Office of Tax Shelter Analysis. Furthermore, the IRS is required to submit an annual report to Congress summarizing the application of this penalty and providing a description of each penalty compromised under this provision and the reasons for the compromise.

Any understatement to which a penalty is imposed under the Senate amendment will not be subject to the accuracy-related penalty under section 6662 or under new 6662A (accuracy-related penalties for listed and reportable avoidance transactions). However, an understatement under this provision would be taken into account for purposes of determining whether any understatement (as defined in sec. 6662(d)(2)) is a substantial understatement as defined under section 6662(d)(1). The penalty imposed under this

[80] An advisor should not be treated as participating in the organization of a transaction if the advisor's only involvement with respect to the organization of the transaction is the rendering of an opinion regarding the tax consequences of such transaction. However, such an advisor may be a ''disqualified tax advisor'' with respect to the transaction if the advisor participates in the management, promotion or sale of the transaction (or if the advisor is compensated by a material advisor, has a fee arrangement that is contingent on the tax benefits of the transaction, or as determined by the Secretary, has a continuing financial interest with respect to the transaction).

[81] Sec. 6662.

[82] Sec. 6662(d)(2)(C).

[83] Sec. 6664(c).

[84] Treas. Reg. sec. 1.6662–4(g)(4)(i)(B); Treas. Reg. sec. 1.6664–4(c).

[85] Thus, unlike the new accuracy-related penalty under section 6662A (which applies only to listed and reportable avoidance transactions), the new penalty under this provision applies to any transaction that lacks economic substance.

[86] The provision provides that a transaction has economic substance only if: (1) the transaction changes in a meaningful way (apart from Federal income tax effects) the taxpayer's economic position, and (2) the transaction has a substantial non-tax purpose for entering into such transaction and is a reasonable means of accomplishing such purpose.

[87] The provision provides that the form of a transaction that involves a tax-indifferent party will not be respected in certain circumstances.

[88] For this purpose, any reduction in the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses that would (without regard to section 1211) be allowed for such year, would be treated as an increase in taxable income.

provision will not apply to any portion of an understatement to which a fraud penalty is applied under section 6663.

Effective date.—The provision applies to transactions entered into on or after May 8, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Modifications to the substantial understatement penalty (sec. 305 of the Senate amendment and sec. 6662 of the Code)

PRESENT LAW

Definition of substantial understatement

An accuracy-related penalty equal to 20 percent applies to any substantial understatement of tax. A ''substantial understatement'' exists if the correct income tax liability for a taxable year exceeds that reported by the taxpayer by the greater of 10 percent of the correct tax or $5,000 ($10,000 in the case of most corporations).[89]

Reduction of understatement for certain positions

For purposes of determining whether a substantial understatement penalty applies, the amount of any understatement generally is reduced by any portion attributable to an item if (1) the treatment of the item is supported by substantial authority, or (2) facts relevant to the tax treatment of the item were adequately disclosed and there was a reasonable basis for its tax treatment.[90]

The Secretary is required to publish annually in the Federal Register a list of positions for which the Secretary believes there is not substantial authority and which affect a significant number of taxpayers.[91]

HOUSE BILL

No provision.

SENATE AMENDMENT

Definition of substantial understatement

The Senate amendment modifies the definition of ''substantial'' for corporate taxpayers. Under the Senate amendment, a corporate taxpayer has a substantial understatement if the amount of the understatement for the taxable year exceeds the lesser of (1) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, $10,000), or (2) $10 million.

Reduction of understatement for certain positions

The Senate amendment elevates the standard that a taxpayer must satisfy in order to reduce the amount of an understatement for undisclosed items. With respect to the treatment of an item whose facts are not adequately disclosed, a resulting understatement is reduced only if the taxpayer had a reasonable belief that the tax treatment was more likely than not the proper treatment. The Senate amendment also authorizes (but does not require) the Secretary to publish a list of positions for which it believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper treatment (without regard to whether such positions affect a significant number of taxpayers). The list shall be published in the Federal Register or the Internal Revenue Bulletin.

Effective date

The provision is effective for taxable years beginning after date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Tax shelter exception to confidentiality privileges relating to taxpayer communications (sec. 306 of the Senate amendment and sec. 7525 of the Code)

PRESENT LAW

In general, a common law privilege of confidentiality exists for communications between an attorney and client with respect to the legal advice the attorney gives the client. The Code provides that, with respect to tax advice, the same common law protections of confidentiality that apply to a communication between a taxpayer and an attorney also apply to a communication between a taxpayer and a federally authorized tax practitioner to the extent the communication would be considered a privileged communication if it were between a taxpayer and an attorney. This rule is inapplicable to communications regarding corporate tax shelters.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment modifies the rule relating to corporate tax shelters by making it applicable to all tax shelters, whether entered into by corporations, individuals, partnerships, tax-exempt entities, or any other entity. Accordingly, communications with respect to tax shelters are not subject to the confidentiality provision of the Code that otherwise applies to a communication between a taxpayer and a federally authorized tax practitioner.

Effective date.—The provision is effective with respect to communications made on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

7. Disclosure of reportable transactions by material advisors (secs. 307 and 308 of the Senate amendment and secs. 6111 and 6707 of the Code)

PRESENT LAW

Registration of tax shelter arrangements

An organizer of a tax shelter is required to register the shelter with the Secretary not later than the day on which the shelter is first offered for sale.[92] A ''tax shelter'' means any investment with respect to which the tax shelter ratio[93] for any investor as of the close of any of the first five years ending after the investment is offered for sale may be greater than two to one and which is: (1) required to be registered under Federal or State securities laws, (2) sold pursuant to an exemption from registration requiring the filing of a notice with a Federal or State securities agency, or (3) a substantial investment (greater than $250,000 and at least five investors).[94]

Other promoted arrangements are treated as tax shelters for purposes of the registration requirement if: (1) a significant purpose of the arrangement is the avoidance or evasion of Federal income tax by a corporate participant; (2) the arrangement is offered under conditions of confidentiality; and (3) the promoter may receive fees in excess of $100,000 in the aggregate.[95]

In general, a transaction has a ''significant purpose of avoiding or evading Federal income tax'' if the transaction: (1) is the same as or substantially similar to a ''listed transaction,''[96] or (2) is structured to produce tax benefits that constitute an important part of the intended results of the arrangement and the promoter reasonably expects to present the arrangement to more than one taxpayer.[97] Certain exceptions are provided with respect to the second category of transactions.[98]

An arrangement is offered under conditions of confidentiality if: (1) an offeree has an understanding or agreement to limit the disclosure of the transaction or any significant tax features of the transaction; or (2) the promoter knows, or has reason to know that the offeree's use or disclosure of information relating to the transaction is limited in any other manner.[99]

Failure to register tax shelter

The penalty for failing to timely register a tax shelter (or for filing false or incomplete information with respect to the tax shelter registration) generally is the greater of one percent of the aggregate amount invested in the shelter or $500.[100] However, if the tax shelter involves an arrangement offered to a corporation under conditions of confidentiality, the penalty is the greater of $10,000 or 50 percent of the fees payable to any promoter with respect to offerings prior to the date of late registration. Intentional disregard of the requirement to register increases the penalty to 75 percent of the applicable fees.

Section 6707 also imposes (1) a $100 penalty on the promoter for each failure to furnish the investor with the required tax shelter identification number, and (2) a $250 penalty on the investor for each failure to include the tax shelter identification number on a return.

HOUSE BILL

No provision.

SENATE AMENDMENT

Disclosure of reportable transactions by material advisors

The Senate amendment repeals the present law rules with respect to registration of tax shelters. Instead, the Senate amendment requires each material advisor with respect to any reportable transaction (including any listed transaction)[101] to timely file an information return with the Secretary (in such form and manner as the Secretary may prescribe). The return must be filed on such date as specified by the Secretary.

The information return will include (1) information identifying and describing the transaction, (2) information describing any potential tax benefits expected to result from the transaction, and (3) such other information as the Secretary may prescribe. It is expected that the Secretary may seek from the material advisor the same type of information that the Secretary may request from a taxpayer in connection with a reportable transaction.[102]

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[89] Sec. 6662(a) and (d)(1)(A).

[90] Sec. 6662(d)(2)(B).

[91] Sec. 6662(d)(2)(D).

[92] Sec. 6111(a).

[93] The tax shelter ratio is, with respect to any year, the ratio that the aggregate amount of the deductions and 350 percent of the credits, which are represented to be potentially allowable to any investor, bears to the investment base (money plus basis of assets contributed) as of the close of the tax year.

[94] Sec. 6111(c).

[95] Sec. 6111(d).

[96] Treas. Reg. sec. 301.6111–2(b)(2).

[97] Treas. Reg. sec. 301.6111–2(b)(3).

[98] Treas. Reg. sec. 301.6111–2(b)(4).

[99] The regulations provide that the determination of whether an arrangement is offered under conditions of confidentiality is based on all the facts and circumstances surrounding the offer. If an offeree's disclosure of the structure or tax aspects of the transaction are limited in any way by an express or implied understanding or agreement with or for the benefit of a tax shelter promoter, an offer is considered made under conditions of confidentiality, whether or not such understanding or agreement is legally binding. Treas. Reg. sec. 301.6111–2(c)(1).

[100] Sec. 6707.

[101] The terms ''reportable transaction'' and ''listed transaction'' have the same meaning as previously described in connection with the taxpayer-related provisions.

[102] See the previous discussion regarding the disclosure requirements under new section 6707A.

A ''material advisor'' means any person (1) who provides material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and (2) who directly or indirectly derives gross income in excess of $250,000 ($50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons) for such advice or assistance.

The Secretary may prescribe regulations which provide (1) that only one material advisor has to file an information return in cases in which two or more material advisors would otherwise be required to file information returns with respect to a particular reportable transaction, (2) exemptions from the requirements of this section, and (3) other rules as may be necessary or appropriate to carry out the purposes of this section (including, for example, rules regarding the aggregation of fees in appropriate circumstances).

Penalty for failing to furnish information regarding reportable transactions

The Senate amendment repeals the present law penalty for failure to register tax shelters. Instead, the Senate amendment imposes a penalty on any material advisor who fails to file an information return, or who files a false or incomplete information return, with respect to a reportable transaction (including a listed transaction).[103] The amount of the penalty is $50,000. If the penalty is with respect to a listed transaction, the amount of the penalty is increased to the greater of (1) $200,000, or (2) 50 percent of the gross income of such person with respect to aid, assistance, or advice which is provided with respect to the transaction before the date the information return that includes the transaction is filed. Intentional disregard by a material advisor of the requirement to disclose a listed transaction increases the penalty to 75 percent of the gross income.

The penalty cannot be waived with respect to a listed transaction. As to reportable transactions, the penalty can be rescinded (or abated) only in exceptional circumstances.[104] All or part of the penalty may be rescinded only if: (1) the material advisor on whom the penalty is imposed has a history of complying with the Federal tax laws, (2) it is shown that the violation is due to an unintentional mistake of fact, (3) imposing the penalty would be against equity and good conscience, and (4) rescinding the penalty would promote compliance with the tax laws and effective tax administration. The authority to rescind the penalty can only be exercised by the Commissioner personally or the head of the Office of Tax Shelter Analysis; this authority to rescind cannot otherwise be delegated by the Commissioner. Thus, the penalty cannot be rescinded by a revenue agent, an Appeals officer, or other IRS personnel. The decision to rescind a penalty must be accompanied by a record describing the facts and reasons for the action and the amount rescinded. There will be no right to appeal a refusal to rescind a penalty. The IRS also is required to submit an annual report to Congress summarizing the application of the disclosure penalties and providing a description of each penalty rescinded under this provision and the reasons for the rescission.

Effective date

The Senate amendment requiring disclosure of reportable transactions by material advisors applies to transactions with respect to which material aid, assistance or advice is provided after the date of enactment. The Senate amendment imposing a penalty for failing to disclose reportable transactions applies to returns the due date for which is after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

8. Investor lists and modification of penalty for failure to maintain investor lists (secs. 307 and 309 of the Senate amendment and secs. 6112 and 6708 of the Code)

PRESENT LAW

Investor lists

Any organizer or seller of a potentially abusive tax shelter must maintain a list identifying each person who was sold an interest in any such tax shelter with respect to which registration was required under section 6111 (even though the particular party may not have been subject to confidentiality restrictions).[105] Recently issued regulations under section 6112 contain rules regarding the list maintenance requirements.[106] In general, the regulations apply to transactions that are potentially abusive tax shelters entered into, or acquired after, February 28, 2003.[107]

The regulations provide that a person is an organizer or seller of a potentially abusive tax shelter if the person is a material advisor with respect to that transaction.[108] A material advisor is defined any person who is required to register the transaction under section 6111, or expects to receive a minimum fee of (1) $250,000 for a transaction that is a potentially abusive tax shelter if all participants are corporations, or (2) $50,000 for any other transaction that is a potentially abusive tax shelter.[109] For listed transactions (as defined in the regulations under section 6011), the minimum fees are reduced to $25,000 and $10,000, respectively.

A potentially abusive tax shelter is any transaction that (1) is required to be registered under section 6111, (2) is a listed transaction (as defined under the regulations under section 6011), or (3) any transaction that a potential material advisor, at the time the transaction is entered into, knows is or reasonably expects will become a reportable transaction (as defined under the new regulations under section 6011).[110]

The Secretary is required to prescribe regulations which provide that, in cases in which two or more persons are required to maintain the same list, only one person would be required to maintain the list.[111]

Penalty for failing to maintain investor lists

Under section 6708, the penalty for failing to maintain the list required under section 6112 is $50 for each name omitted from the list (with a maximum penalty of $100,000 per year).

HOUSE BILL

No provision.

SENATE AMENDMENT

Investor lists

Each material advisor[112] with respect to a reportable transaction (including a listed transaction)[113] is required to maintain a list that (1) identifies each person with respect to whom the advisor acted as a material advisor with respect to the reportable transaction, and (2) contains other information as may be required by the Secretary. In addition, the Senate amendment authorizes (but does not require) the Secretary to prescribe regulations which provide that, in cases in which 2 or more persons are required to maintain the same list, only one person would be required to maintain the list.

Penalty for failing to maintain investor lists

The Senate amendment modifies the penalty for failing to maintain the required list by making it a time-sensitive penalty. Thus, a material advisor who is required to maintain an investor list and who fails to make the list available upon written request by the Secretary within 20 business days after the request will be subject to a $10,000 per day penalty. The penalty applies to a person who fails to maintain a list, maintains an incomplete list, or has in fact maintained a list but does not make the list available to the Secretary. The penalty can be waived if the failure to make the list available is due to reasonable cause.[114]

Effective date

The Senate amendment requiring a material advisor to maintain an investor list applies to transactions with respect to which material aid, assistance or advice is provided after the date of enactment. The Senate amendment imposing a penalty for failing to maintain investor lists applies to requests made after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

9. Actions to enjoin conduct with respect to tax shelters and reportable transactions (sec. 310 of the Senate amendment and sec. 7408 of the Code)

PRESENT LAW

The Code authorizes civil action to enjoin any person from promoting abusive tax shelters or aiding or abetting the understatement of tax liability.[115]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment expands this rule so that injunctions may also be sought with respect to the requirements relating to the reporting of reportable transactions[116] and the keeping of lists of investors by material advisors.[117] Thus, under the Senate amendment, an injunction may be sought against a material advisor to enjoin the advisor from (1) failing to file an information return with respect to a reportable transaction, or (2) failing to maintain, or to timely furnish upon written request by the Secretary, a list

[103] The terms ''reportable transaction'' and ''listed transaction'' have the same meaning as previously described in connection with the taxpayer-related provisions.

[104] The Secretary's present-law authority to postpone certain tax-related deadlines because of Presidentially-declared disasters (sec. 7508A) will also encompass the authority to postpone the reporting deadlines established by the provision.

[105] Sec. 6112.

[106] Treas. Reg. sec. 301–6112–1.

[107] A special rule applies the list maintenance requirements to transactions entered into after February 28, 2000 if the transaction becomes a listed transaction (as defined in Treas. Reg. 1.6011–4) after February 28, 2003.

[108] Treas. Reg. sec. 301.6112–1(c)(1).

[109] Treas. Reg. sec. 301.6112–1(c)(2) and (3).

[110] Treas. Reg. sec. 301.6112–1(b).

[111] Sec. 6112(c)(2).

[112] The term ''material advisor'' has the same meaning as when used in connection with the requirement to file an information return under section 6111.

[113] The terms ''reportable transaction'' and ''listed transaction'' have the same meaning as previously described in connection with the taxpayer-related provisions.

[114] In no event will failure to maintain a list be considered reasonable cause for failing to make a list available to the Secretary.

[115] Sec. 7408.

[116] Sec. 6707, as amended by other provisions of this bill.

[117] Sec. 6708, as amended by other provisions of this bill.

of investors with respect to each reportable transaction.

Effective date.—The provision is effective on the day after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

10. Understatement of taxpayer's liability by income tax return preparer (sec. 311 of the Senate amendment and sec. 6694 of the Code)

PRESENT LAW

An income tax return preparer who prepares a return with respect to which there is an understatement of tax that is due to a position for which there was not a realistic possibility of being sustained on its merits and the position was not disclosed (or was frivolous) is liable for a penalty of $250, provided that the preparer knew or reasonably should have known of the position. An income tax return preparer who prepares a return and engages in specified willful or reckless conduct with respect to preparing such a return is liable for a penalty of $1,000.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment alters the standards of conduct that must be met to avoid imposition of the first penalty. The Senate amendment replaces the realistic possibility standard with a requirement that there be a reasonable belief that the tax treatment of the position was more likely than not the proper treatment. The Senate amendment also replaces the not frivolous standard with the requirement that there be a reasonable basis for the tax treatment of the position.

In addition, the Senate amendment increases the amount of these penalties. The penalty relating to not having a reasonable belief that the tax treatment was more likely than not the proper tax treatment is increased from $250 to $1,000. The penalty relating to willful or reckless conduct is increased from $1,000 to $5,000.

Effective date.—The provision is effective for documents prepared after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

11. Penalty for failure to report interests in foreign financial accounts (sec. 312 of the Senate amendment and sec. 5321 of Title 31, United States Code)

PRESENT LAW

The Secretary of the Treasury must require citizens, residents, or persons doing business in the United States to keep records and file reports when that person makes a transaction or maintains an account with a foreign financial entity.[118] In general, individuals must fulfill this requirement by answering questions regarding foreign accounts or foreign trusts that are contained in Part III of Schedule B of the IRS Form 1040. Taxpayers who answer ''yes'' in response to the question regarding foreign accounts must then file Treasury Department Form TD F 90–22.1. This form must be filed with the Department of the Treasury, and not as part of the tax return that is filed with the IRS.

The Secretary of the Treasury may impose a civil penalty on any person who willfully violates this reporting requirement. The civil penalty is the amount of the transaction or the value of the account, up to a maximum of $100,000; the minimum amount of the penalty is $25,000.[119] In addition, any person who willfully violates this reporting requirement is subject to a criminal penalty. The criminal penalty is a fine of not more than $250,000 or imprisonment for not more than five years (or both); if the violation is part of a pattern of illegal activity, the maximum amount of the fine is increased to $500,000 and the maximum length of imprisonment is increased to 10 years.[120]

On April 26, 2002, the Secretary of the Treasury submitted to the Congress a report on these reporting requirements.[121] This report, which was statutorily required,[122] studies methods for improving compliance with these reporting requirements. It makes several administrative recommendations, but no legislative recommendations. A further report was required to be submitted by the Secretary of the Treasury to the Congress by October 26, 2002.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment adds an additional civil penalty that may be imposed on any person who violates this reporting requirement (without regard to willfulness). This new civil penalty is up to $5,000. The penalty may be waived if any income from the account was properly reported on the income tax return and there was reasonable cause for the failure to report.

Effective date.—The provision is effective with respect to failures to report occurring on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

12. Frivolous tax returns and submissions (sec. 313 of the Senate amendment and sec. 6702 of the Code)

PRESENT LAW

The Code provides that an individual who files a frivolous income tax return is subject to a penalty of $500 imposed by the IRS (sec. 6702). The Code also permits the Tax Court[123] to impose a penalty of up to $25,000 if a taxpayer has instituted or maintained proceedings primarily for delay or if the taxpayer's position in the proceeding is frivolous or groundless (sec. 6673(a)).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment modifies the IRS-imposed penalty by increasing the amount of the penalty to up to $5,000 and by applying it to all taxpayers and to all types of Federal taxes.

The Senate amendment also modifies present law with respect to certain submissions that raise frivolous arguments or that are intended to delay or impede tax administration. The submissions to which the Senate amendment applies are requests for a collection due process hearing, installment agreements, offers-in-compromise, and taxpayer assistance orders. First, the Senate amendment permits the IRS to dismiss such requests. Second, the Senate amendment permits the IRS to impose a penalty of up to $5,000 for such requests, unless the taxpayer withdraws the request after being given an opportunity to do so.

The Senate amendment requires the IRS to publish a list of positions, arguments, requests, and submissions determined to be frivolous for purposes of these provisions.

Effective date.—The provision is effective for submissions made and issues raised after the date on which the Secretary first prescribes the required list.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

13. Penalties on promoters of tax shelters (sec. 314 of the Senate amendment and sec. 6700 of the Code)

PRESENT LAW

A penalty is imposed on any person who organizes, assists in the organization of, or participates in the sale of any interest in, a partnership or other entity, any investment plan or arrangement, or any other plan or arrangement, if in connection with such activity the person makes or furnishes a qualifying false or fraudulent statement or a gross valuation overstatement.[124] A qualified false or fraudulent statement is any statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by reason of holding an interest in the entity or participating in the plan or arrangement which the person knows or has reason to know is false or fraudulent as to any material matter. A ''gross valuation overstatement'' means any statement as to the value of any property or services if the stated value exceeds 200 percent of the correct valuation, and the value is directly related to the amount of any allowable income tax deduction or credit.

The amount of the penalty is $1,000 (or, if the person establishes that it is less, 100 percent of the gross income derived or to be derived by the person from such activity). A penalty attributable to a gross valuation misstatement can be waived on a showing that there was a reasonable basis for the valuation and it was made in good faith.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment modifies the penalty amount to equal 50 percent of the gross income derived by the person from the activity for which the penalty is imposed. The new penalty rate applies to any activity that involves a statement regarding the tax benefits of participating in a plan or arrangement if the person knows or has reason to know that such statement is false or fraudulent as to any material matter. The enhanced penalty does not apply to a gross valuation overstatement.

Effective date.—The provision is effective for activities after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

14. Extend statute of limitations for certain undisclosed transactions (sec. 315 of the Senate amendment and sec. 6501 of the Code)

PRESENT LAW

In general, the Code requires that taxes be assessed within three years[125] after the date a return is filed.[126] If there has been a substantial omission of items of gross income that total more than 25 percent of the amount of gross income shown on the return,

[118] 31 U.S.C. 5314.

[119] 31 U.S.C. 5321(a)(5).

[120] 31 U.S.C. 5322.

[121] A Report to Congress in Accordance with Sec. 361(b) of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, April 26, 2002.

[122] Sec. 361(b) of the USA PATRIOT Act of 2001 (Pub. L. 107–56).

[123] Because in general the Tax Court is the only pre-payment forum available to taxpayers, it deals with most of the frivolous, groundless, or dilatory arguments raised in tax cases.

[124] Sec. 6700.

[125] Sec. 6501(a).

[126] For this purpose, a return that is filed before the date on which it is due is considered to be filed on the required due date (sec. 6501(b)(1)).

the period during which an assessment must be made is extended to six years.[127] If an assessment is not made within the required time periods, the tax generally cannot be assessed or collected at any future time. Tax may be assessed at any time if the taxpayer files a false or fraudulent return with the intent to evade tax or if the taxpayer does not file a tax return at all.[128]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the statute of limitations to six years with respect to the entire tax return[129] if a taxpayer required to disclose a listed transaction[130] fails to do so in the manner required. For example, if a taxpayer entered into a transaction in 2005 that becomes a listed transaction in 2006 and the taxpayer fails to disclose such transaction in the manner required by Treasury regulations, the 2005 tax return will be subject to a six-year statute of limitations.[131]

Effective date.—The provision is effective for transactions entered into in taxable years beginning after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

15. Deny deduction for interest paid to IRS on underpayments involving certain tax-motivated transactions (sec. 316 of the Senate amendment and sec. 163 of the Code)

PRESENT LAW

In general, corporations may deduct interest paid or accrued within a taxable year on indebtedness.[132] Interest on indebtedness to the Federal government attributable to an underpayment of tax generally may be deducted pursuant to this provision.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment disallows any deduction for interest paid or accrued within a taxable year on any portion of an underpayment of tax that is attributable to an understatement arising from (1) an undisclosed reportable avoidance transaction, (2) an undisclosed listed transaction, or (3) a transaction that lacks economic substance.[133]

Effective date.—The provision is effective for underpayments attributable to transactions entered into in taxable years beginning after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[127] Sec. 6501(e).

[128] Sec. 6501(c).

[129] The tax year extended is the tax year the transaction is entered into.

[130] The term ''listed transaction'' has the same meaning as described in a previous provision regarding the penalty for failure to disclose reportable transactions.

[131] However, if the Treasury Department lists a transaction in a year subsequent to the year a taxpayer entered into such transaction, and the taxpayer's tax return for the year the transaction was entered into is closed by the statute of limitations prior to the transaction becoming a listed transaction, this provision does not re-open the statute of limitations for such year.

[132] Sec. 163(a).

[133] The definitions of these transactions are the same as those previously described in connection with the provision to modify the accuracy-related penalty for listed and certain reportable transactions and the provision to impose a penalty on understatements attributable to transactions that lack economic substance.

B. Enron-Related Tax Shelter Related Provisions

1. Limitation on transfer and importation of built-in losses (sec. 321 of the Senate amendment and secs. 362 and 334 of the Code)

PRESENT LAW

Generally, no gain or loss is recognized when one or more persons transfer property to a corporation in exchange for stock and immediately after the exchange such person or persons control the corporation.[134] The transferor's basis in the stock of the controlled corporation is the same as the basis of the property contributed to the controlled corporation, increased by the amount of any gain (or dividend) recognized by the transferor on the exchange, and reduced by the amount of any money or property received, and by the amount of any loss recognized by the transferor.[135]

The basis of property received by a corporation, whether from domestic or foreign transferors, in a tax-free incorporation, reorganization, or liquidation of a subsidiary corporation is the same as the adjusted basis in the hands of the transferor, adjusted for gain or loss recognized by the transferor.[136]

HOUSE BILL

No provision.

SENATE AMENDMENT

Importation of built-in losses

The Senate amendment provides that if a net built-in loss is imported into the U.S in a tax-free organization or reorganization from persons not subject to U.S. tax, the basis of each property so transferred is its fair market value.[137] A similar rule applies in the case of the tax-free liquidation by a domestic corporation of its foreign subsidiary.

Under the Senate amendment, a net built-in loss is treated as imported into the U.S. if the aggregate adjusted bases of property received by a transferee corporation exceeds the fair market value of the properties transferred. Thus, for example, if in a tax-free incorporation, some properties are received by a corporation from U. S. persons subject to tax, and some properties are received from foreign persons not subject to U.S. tax, this provision applies to limit the adjusted basis of each property received from the foreign persons to the fair market value of the property. In the case of a transfer by a partnership (either domestic or foreign), this provision applies as if the properties had been transferred by each of the partners in proportion to their interests in the partnership.

Limitation on transfer of built-in-losses in section 351 transactions

The Senate amendment provides that if the aggregate adjusted bases of property contributed by a transferor (or by a control group of which the transferor is a member) to a corporation exceed the aggregate fair market value of the property transferred in a tax-free incorporation, the transferee's aggregate basis of the properties is limited to the aggregate fair market value of the transferred property. Under the Senate amendment, any required basis reduction is allocated among the transferred properties in proportion to their built-in-loss immediately before the transaction. In the case of a transfer in which the transferor owns at least 80 percent of the vote and value of the stock of the transferee corporation, any basis reduction required by the provision is made to the stock received by the transferor and not to the assets transferred.

Effective date

The provision applies to transactions after February 13, 2003.

CONFERENCE REPORT

The conference agreement does not include the Senate amendment provision.

2. No reduction of basis under section 734 in stock held by partnership in corporate partner (sec. 322 of the Senate amendment and sec. 755 of the Code)

PRESENT LAW

In general

Generally, a partner and the partnership do not recognize gain or loss on a contribution of property to a partnership.[138] Similarly, a partner and the partnership generally do not recognize gain or loss on the distribution of partnership property.[139] This includes current distributions and distributions in liquidation of a partner's interest.

Basis of property distributed in liquidation

The basis of property distributed in liquidation of a partner's interest is equal to the partner's tax basis in its partnership interest (reduced by any money distributed in the same transaction).[140] Thus, the partnership's tax basis in the distributed property is adjusted (increased or decreased) to reflect the partner's tax basis in the partnership interest.

ELECTION TO ADJUST BASIS OF PARTNERSHIP PROPERTY

When a partnership distributes partnership property, generally, the basis of partnership property is not adjusted to reflect the effects of the distribution or transfer. The partnership is permitted, however, to make an election (referred to as a 754 election) to adjust the basis of partnership property in the case of a distribution of partnership property.[141] The effect of the 754 election is that the partnership adjusts the basis of its remaining property to reflect any change in basis of the distributed property in the hands of the distributee partner resulting from the distribution transaction. Such a change could be a basis increase due to gain recognition, or a basis decrease due to the partner's adjusted basis in its partnership interest exceeding the adjusted basis of the property received. If the 754 election is made, it applies to the taxable year with respect to which such election was filed and all subsequent taxable years.

In the case of a distribution of partnership property to a partner with respect to which the 754 election is in effect, the partnership increases the basis of partnership property by (1) any gain recognized by the distributee partner (2) the excess of the adjusted basis of the distributed property to the partnership immediately before its distribution over the basis of the property to the distributee partner, and decreases the basis of partnership property by (1) any loss recognized by the distributee partner and (2) the excess of the basis of the property to the distributee partner over the adjusted basis of the distributed property to the partnership immediately before the distribution.

The allocation of the increase or decrease in basis of partnership property is made in a manner which has the effect of reducing the difference between the fair market value and the adjusted basis of partnership properties.[142] In addition, the allocation rules require that any increase or decrease in basis

[134] Sec. 351.

[135] Sec. 358.

[136] Secs. 334(b) and 362(a) and (b).

[137] The Senate Amendment also applies to transfers from a tax-exempt organization where gain or loss would not be subject to tax if the property were sold by the organization.

[138] Sec. 721(a).

[139] Sec. 731(a) and (b).

[140] Sec. 732(b).

[141] Sec. 754.

[142] Sec. 755(a).

be allocated to partnership property of a like character to the property distributed. For this purpose, the two categories of assets are (1) capital assets and depreciable and real property used in the trade or business held for more than one year, and (2) any other property.[143]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides that in applying the basis allocation rules to a distribution in liquidation of a partner's interest, a partnership is precluded from decreasing the basis of corporate stock of a partner or a related person. Any decrease in basis that, absent the proposal, would have been allocated to the stock is allocated to other partnership assets. If the decrease in basis exceeds the basis of the other partnership assets, then gain is recognized by the partnership in the amount of the excess.

Effective date.—The provision applies to distributions after February 13, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Repeal of special rules for FASITs (sec. 323 of the Senate amendment and secs. 860H through 860L of the Code)

PRESENT LAW

Financial asset securitization investment trusts

In 1996, Congress created a new type of statutory entity called a ''financial asset securitization trust'' (''FASIT'') that facilitates the securitization of debt obligations such as credit card receivables, home equity loans, and auto loans.[144] A FASIT generally is not taxable; the FASIT's taxable income or net loss flows through to the owner of the FASIT.

The ownership interest of a FASIT generally is required to be entirely held by a single domestic C corporation. In addition, a FASIT generally may hold only qualified debt obligations, and certain other specified assets, and is subject to certain restrictions on its activities. An entity that qualifies as a FASIT can issue one or more classes of instruments that meet certain specified requirements and treat those instruments as debt for Federal income tax purposes. Instruments issued by a FASIT bearing yields to maturity over five percentage points above the yield to maturity on specified United States government obligations (i.e., ''high-yield interests'') must be held, directly or indirectly, only by domestic C corporations that are not exempt from income tax.

Qualification as a FASIT

To qualify as a FASIT, an entity must: (1) make an election to be treated as a FASIT for the year of the election and all subsequent years;[145] (2) have assets substantially all of which (including assets that the FASIT is treated as owning because they support regular interests) are specified types called ''permitted assets;'' (3) have non-ownership interests be certain specified types of debt instruments called ''regular interests''; (4) have a single ownership interest which is held by an ''eligible holder''; and (5) not qualify as a regulated investment company (''RIC''). Any entity, including a corporation, partnership, or trust may be treated as a FASIT. In addition, a segregated pool of assets may qualify as a FASIT.

An entity ceases qualifying as a FASIT if the entity's owner ceases being an eligible corporation. Loss of FASIT status is treated as if all of the regular interests of the FASIT were retired and then reissued without the application of the rule that deems regular interests of a FASIT to be debt.

Permitted assets

For an entity or arrangement to qualify as a FASIT, substantially all of its assets must consist of the following ''permitted assets'': (1) cash and cash equivalents; (2) certain permitted debt instruments; (3) certain foreclosure property; (4) certain instruments or contracts that represent a hedge or guarantee of debt held or issued by the FASIT; (5) contract rights to acquire permitted debt instruments or hedges; and (6) a regular interest in another FASIT. Permitted assets may be acquired at any time by a FASIT, including any time after its formation.

''Regular interests'' of a FASIT

''Regular interests'' of a FASIT are treated as debt for Federal income tax purposes, regardless of whether instruments with similar terms issued by non-FASITs might be characterized as equity under general tax principles. To be treated as a ''regular interest'', an instrument must have fixed terms and must: (1) unconditionally entitle the holder to receive a specified principal amount; (2) pay interest that is based on (a) fixed rates, or (b) except as provided by regulations issued by the Treasury Secretary, variable rates permitted with respect to REMIC interests under section 860G(a)(1)(B)(i); (3) have a term to maturity of no more than 30 years, except as permitted by Treasury regulations; (4) be issued to the public with a premium of not more than 25 percent of its stated principal amount; and (5) have a yield to maturity determined on the date of issue of less than five percentage points above the applicable Federal rate (''AFR'') for the calendar month in which the instrument is issued.

Permitted ownership holder

A permitted holder of the ownership interest in a FASIT generally is a non-exempt (i.e., taxable) domestic C corporation, other than a corporation that qualifies as a RIC, REIT, REMIC, or cooperative.

Transfers to FASITs

In general, gain (but not loss) is recognized immediately by the owner of the FASIT upon the transfer of assets to a FASIT. Where property is acquired by a FASIT from someone other than the FASIT's owner (or a person related to the FASIT's owner), the property is treated as being first acquired by the FASIT's owner for the FASIT's cost in acquiring the asset from the non-owner and then transferred by the owner to the FASIT.

Valuation rules.—In general, except in the case of debt instruments, the value of FASIT assets is their fair market value. Similarly, in the case of debt instruments that are traded on an established securities market, the market price is used for purposes of determining the amount of gain realized upon contribution of such assets to a FASIT. However, in the case of debt instruments that are not traded on an established securities market, special valuation rules apply for purposes of computing gain on the transfer of such debt instruments to a FASIT. Under these rules, the value of such debt instruments is the sum of the present values of the reasonably expected cash flows from such obligations discounted over the weighted average life of such assets. The discount rate is 120 percent of the AFR, compounded semiannually, or such other rate that the Treasury Secretary shall prescribe by regulations.

Taxation of a FASIT

A FASIT generally is not subject to tax. Instead, all of the FASIT's assets and liabilities are treated as assets and liabilities of the FASIT's owner and any income, gain, deduction or loss of the FASIT is allocable directly to its owner. Accordingly, income tax rules applicable to a FASIT (e.g., related party rules, sec. 871(h), sec. 165(g)(2)) are to be applied in the same manner as they apply to the FASIT's owner. The taxable income of a FASIT is calculated using an accrual method of accounting. The constant yield method and principles that apply for purposes of determining original issue discount (''OID'') accrual on debt obligations whose principal is subject to acceleration apply to all debt obligations held by a FASIT to calculate the FASIT's interest and discount income and premium deductions or adjustments.

Taxation of holders of FASIT regular interests

In general, a holder of a regular interest is taxed in the same manner as a holder of any other debt instrument, except that the regular interest holder is required to account for income relating to the interest on an accrual method of accounting, regardless of the method of accounting otherwise used by the holder.

Taxation of holders of FASIT ownership interests

Because all of the assets and liabilities of a FASIT are treated as assets and liabilities of the holder of a FASIT ownership interest, the ownership interest holder takes into account all of the FASIT's income, gain, deduction, or loss in computing its taxable income or net loss for the taxable year. The character of the income to the holder of an ownership interest is the same as its character to the FASIT, except tax-exempt interest is included in the income of the holder as ordinary income.

Although the recognition of losses on assets contributed to the FASIT is not allowed upon contribution of the assets, such losses may be allowed to the FASIT owner upon their disposition by the FASIT. Furthermore, the holder of a FASIT ownership interest is not permitted to offset taxable income from the FASIT ownership interest (including gain or loss from the sale of the ownership interest in the FASIT) with other losses of the holder. In addition, any net operating loss carryover of the FASIT owner shall be computed by disregarding any income arising by reason of a disallowed loss. Where the holder of a FASIT ownership interest is a member of a consolidated group, this rule applies to the consolidated group of corporations of which the holder is a member as if the group were a single taxpayer.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment repeals the special rules for FASITs. The Senate amendment provides a transition period for existing FASITs, pursuant to which the repeal of the FASIT rules would not apply to any FASIT in existence on the date of enactment to the extent that regular interests issued by the FASIT prior to such date continue to remain outstanding in accordance with their original terms.

Effective date.—Except as provided by the transition period for existing FASITs, the Senate amendment provision is effective after February 13, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[143] Sec. 755(b).

[144] Sections 860H through 860L.

[145] Once an election to be a FASIT is made, the election applies from the date specified in the election and all subsequent years until the entity ceases to be a FASIT. If an election to be a FASIT is made after the initial year of an entity, all of the assets in the entity at the time of the FASIT election are deemed contributed to the FASIT at that time and, accordingly, any gain (but not loss) on such assets will be recognized at that time.

4. Expanded disallowance of deduction for interest on convertible debt (sec. 324 of the Senate amendment and sec. 163 of the Code)

PRESENT LAW

Whether an instrument qualifies for tax purposes as debt or equity is determined under all the facts and circumstances based on principles developed in case law. If an instrument qualifies as equity, the issuer generally does not receive a deduction for dividends paid and the holder generally includes such dividends in income (although corporate holders generally may obtain a dividends-received deduction of at least 70 percent of the amount of the dividend). If an instrument qualifies as debt, the issuer may receive a deduction for accrued interest and the holder generally includes interest in income, subject to certain limitations.

Original issue discount (''OID'') on a debt instrument is the excess of the stated redemption price at maturity over the issue price of the instrument. An issuer of a debt instrument with OID generally accrues and deducts the discount as interest over the life of the instrument even though interest may not be paid until the instrument matures. The holder of such a debt instrument also generally includes the OID in income on an accrual basis.

Under present law, no deduction is allowed for interest or OID on a debt instrument issued by a corporation (or issued by a partnership to the extent of its corporate partners) that is payable in equity of the issuer or a related party (within the meaning of sections 267(b) and 707(b)), including a debt instrument a substantial portion of which is mandatorily convertible or convertible at the issuer's option into equity of the issuer or a related party.[146] In addition, a debt instrument is treated as payable in equity if a substantial portion of the principal or interest is required to be determined, or may be determined at the option of the issuer or related party, by reference to the value of equity of the issuer or related party.[147] A debt instrument also is treated as payable in equity if it is part of an arrangement that is designed to result in the payment of the debt instrument with or by reference to such equity, such as in the case of certain issuances of a forward contract in connection with the issuance of debt, nonrecourse debt that is secured principally by such equity, or certain debt instruments that are paid in, converted to, or determined with reference to the value of equity if it may be so required at the option of the holder or a related party and there is a substantial certainty that option will be exercised.[148]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment expands the present-law disallowance of interest deductions on certain convertible or equity-linked corporate debt that is payable in, or by reference to the value of, equity. Under the Senate amendment, the disallowance is expanded to include interest on corporate debt that is payable in, or by reference to the value of, any equity held by the issuer (or by any related party) in any other person, without regard to whether such equity represents more than a 50-percent ownership interest in such person. However, the Senate amendment does not apply to debt that is issued by an active dealer in securities (or by a related party) if the debt is payable in, or by reference to the value of, equity that is held by the securities dealer in its capacity as a dealer in securities.

Effective date.—The Senate amendment provision applies to debt instruments that are issued after February 13, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Expanded authority to disallow tax benefits under section 269 (sec. 325 of the Senate amendment and sec. 269 of the Code)

PRESENT LAW

Section 269 provides that if a taxpayer acquires, directly or indirectly, control (defined as at least 50 percent of vote or value) of a corporation, and the principal purpose of the acquisition is the evasion or avoidance of Federal income tax by securing the benefit of a deduction, credit, or other allowance that would not otherwise have been available, the Secretary may disallow such tax benefits.[149] Similarly, if a corporation acquires, directly or indirectly, property of another corporation (not controlled, directly or indirectly, by the acquiring corporation or its stockholders immediately before the acquisition), the basis of such property is determined by reference to the basis in the hands of the transferor corporation, and the principal purpose of the acquisition is the evasion or avoidance of Federal income tax by securing a tax benefit that would not otherwise have been available, the Secretary may disallow such tax benefits.[150]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment expands section 269 by repealing (1) the requirement that the acquisition of stock be sufficient to obtain control of the corporation, and (2) the requirement that the acquisition of property be from a corporation not controlled by the acquirer. Thus, under the provision, section 269 disallows the tax benefits of (1) any acquisition of stock in a corporation,[151] and (2) any acquisition by a corporation of property from a corporation in which the basis of such property is determined by reference to the basis in the hands of the transferor corporation, if the principal purpose of such acquisition is the of evasion or avoidance of Federal income tax.

Effective date.—The provision applies to stock and property acquired after February 13, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Modification of controlled foreign corporation—passive foreign investment company coordination rules (sec. 326 of the Senate amendment and sec. 1297 of the Code)

PRESENT LAW

The United States employs a ''worldwide'' tax system, under which domestic corporations generally are taxed on all income, whether derived in the United States or abroad. Income earned by a domestic parent corporation from foreign operations conducted by foreign corporate subsidiaries generally is subject to U.S. tax when the income is distributed as a dividend to the domestic corporation. Until such repatriation, the U.S. tax on such income generally is deferred. However, certain anti-deferral regimes may cause the domestic parent corporation to be taxed on a current basis in the United States with respect to certain categories of passive or highly mobile income earned by its foreign subsidiaries, regardless of whether the income has been distributed as a dividend to the domestic parent corporation. The main anti-deferral regimes in this context are the controlled foreign corporation rules of subpart F[152] and the passive foreign investment company rules.[153] A foreign tax credit generally is available to offset, in whole or in part, the U.S. tax owed on foreign-source income, whether earned directly by the domestic corporation, repatriated as an actual dividend, or included under one of the anti-deferral regimes.[154]

Generally, income earned indirectly by a domestic corporation through a foreign corporation is subject to U.S. tax only when the income is distributed to the domestic corporation, because corporations generally are treated as separate taxable persons for Federal tax purposes. However, this deferral of U.S. tax is limited by anti-deferral regimes that impose current U.S. tax on certain types of income earned by certain corporations, in order to prevent taxpayers from avoiding U.S. tax by shifting passive or other highly mobile income into low-tax jurisdictions. Deferral of U.S. tax is considered appropriate, on the other hand, with respect to most types of active business income earned abroad.

Subpart F,[155] applicable to controlled foreign corporations and their shareholders, is the main anti-deferral regime of relevance to a U.S.-based multinational corporate group. A controlled foreign corporation generally is defined as any foreign corporation if U.S. persons own (directly, indirectly, or constructively) more than 50 percent of the corporation's stock (measured by vote or value), taking into account only those U.S. persons that own at least 10 percent of the stock (measured by vote only).[156] Under the subpart F rules, the United States generally taxes the U.S. 10–percent shareholders of a controlled foreign corporation on their pro rata shares of certain income of the controlled foreign corporation (referred to as ''subpart F income''), without regard to whether the income is distributed to the shareholders.[157]

Subpart F income generally includes passive income and other income that is readily movable from one taxing jurisdiction to another. Subpart F income consists of foreign base company income,[158] insurance income,[159] and certain income relating to international boycotts and other violations of public policy.[160] Foreign base company income consists of foreign personal holding company income, which includes passive income (e.g., dividends, interest, rents, and royalties), as well as a number of categories of non-passive income, including foreign base company sales income, foreign base company services income, foreign base company shipping income and foreign base company oil-related income.[161]

In effect, the United States treats the U.S. 10–percent shareholders of a controlled foreign corporation as having received a current distribution out of the corporation's subpart F income. In addition, the U.S. 10-percent shareholders of a controlled foreign

[146] Sec. 163(l), enacted in the Taxpayer Relief Act of 1997, Pub. L. No. 105–34, sec. 1005(a).
[147] Sec. 163(l)(3)(B).
[148] Sec. 163(l)(3)(C).
[149] Sec. 269(a)(1).
[149] Sec. 269(a)(2).
[151] In this regard, the provision applies regardless of whether an acquisition results in an increase in the acquiror's ownership percentage in a corportion or involves the issuance of actual stock certificates or shares by a corporation to the acquiror.
[152] Secs. 951–964.
[153] Secs. 1291–1298.
[154] Secs. 901, 902, 960, 1291(g).
[155] Secs. 951–964.
[156] Secs. 951(b), 957, 958.
[157] Sec. 951(a).
[158] Sec. 954.
[159] Sec. 953.
[160] Sec. 952(a)(3)–(5).
[161] Sec. 954.

corporation are required to include currently in income for U.S. tax purposes their pro rata shares of the corporation's earnings invested in U.S. property.[162]

The Tax Reform Act of 1986 established an additional anti-deferral regime, for passive foreign investment companies. A passive foreign investment company generally is defined as any foreign corporation if 75 percent or more of its gross income for the taxable year consists of passive income, or 50 percent or more of its assets consists of assets that produce, or are held for the production of, passive income.[163] Alternative sets of income inclusion rules apply to U.S. persons that are shareholders in a passive foreign investment company, regardless of their percentage ownership in the company. One set of rules applies to passive foreign investment companies that are ''qualified electing funds,'' under which electing U.S. shareholders currently include in gross income their respective shares of the company's earnings, with a separate election to defer payment of tax, subject to an interest charge, on income not currently received.[164] A second set of rules applies to passive foreign investment companies that are not qualified electing funds, under which U.S. shareholders pay tax on certain income or gain realized through the company, plus an interest charge that is attributable to the value of deferral.[165] A third set of rules applies to passive foreign investment company stock that is marketable, under which electing U.S. shareholders currently take into account as income (or loss) the difference between the fair market value of the stock as of the close of the taxable year and their adjusted basis in such stock (subject to certain limitations), often referred to as ''marking to market.''[166]

Under section 1297(e), which was enacted in 1997 to address the overlap of the passive foreign investment company rules and subpart F, a controlled foreign corporation generally is not also treated as a passive foreign investment company with respect to a U.S. shareholder of the corporation. This exception applies regardless of the likelihood that the U.S. shareholder would actually be taxed under subpart F in the event that the controlled foreign corporation earns subpart F income. Thus, even in a case in which a controlled foreign corporation's subpart F income would be allocated to a different shareholder under the subpart F allocation rules, a U.S. shareholder would still qualify for the exception from the passive foreign investment company rules under section 1297(e).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment adds an exception to section 1297(e) for U.S. shareholders that face only a remote likelihood of incurring a subpart F inclusion in the event that a controlled foreign corporation earns subpart F income, thus preserving the potential application of the passive foreign investment company rules in such cases.

Effective date.—The provision is effective for taxable years of controlled foreign corporations beginning after February 13, 2003, and for taxable years of U.S. shareholders in which or with which such taxable years of controlled foreign corporations end.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[162] Secs. 951(a)(1)(B), 956.
[163] Sec. 1297.
[164] Sec. 1293–1295.
[165] Sec. 1291.
[166] Sec. 1296.

7. Modify treatment of closely-held REITs (sec. 327 of the Senate amendment and sec. 856 of the Code)

PRESENT LAW

In general, a real estate investment trust (''REIT'') is an entity that receives most of its income from passive real estate related investments and that receives pass-through treatment for income that is distributed to shareholders. If an entity meets the qualifications for REIT status and elects to be taxed as a REIT, the portion of its income that is distributed to the investors each year generally is taxed to the investors without being subjected to tax at the REIT level.

A REIT must satisfy a number of tests on a year-by-year basis that relate to the entity's (1) organizational structure; (2) source of income; (3) nature of assets; and (4) distribution of income.

Under the organizational structure test, except for the first taxable year for which an entity elects to be a REIT, the beneficial ownership of the entity must be held by 100 or more persons. Generally, no more than 50 percent of the value of the REIT stock can be owned by five or fewer individuals during the last half of the taxable year. Certain attribution rules apply in making this determination.

HOUSE BILL

No provision.

SENATE AMENDMENT

The bill imposes as an additional requirement for REIT qualification that, except for the first taxable year for which an entity elects to be a REIT, no person can own stock of a REIT possessing 50 percent or more of the combined voting power of all classes of voting stock or 50 percent or more of the total value of all classes of stock of the REIT. For purposes of determining a person's stock ownership, rules similar to attribution rules for REIT qualification under present law apply (secs. 856(d)(5) and 856(h)(3)). A special rule prevents reattribution in certain circumstances.

The provision does not apply to ownership by a REIT of 50 percent or more of the stock (vote or value) of another REIT.

An exception applies for a limited period of time to certain ''incubator REITs'' that meet specified qualifications. A penalty is imposed on a corporation's directors if an ''incubator REIT'' election is made for a principal purpose other than as part of a reasonable plan to undertake a going public transaction (as defined in the bill).

Effective date.—The bill is effective for entities electing REIT status for taxable years ending after May 8, 2003. Any entity that elects (or has elected) REIT status for a taxable year including May 8, 2003 and which is both a controlled entity and has significant business assets or activities on such date, will not be subject to the bill. Under this rule, a controlled entity with significant business assets or activities on May 8, 2003, can be grandfathered even if it makes its first REIT election after that date with its return for the taxable year including that date.

For purposes of the transition rules, the significant business assets or activities in place on May 8, 2003 must be real estate assets and activities of a type that would be qualified real estate assets and would produce qualified real estate related income for a REIT.

CONFERENCE AGREEMENT

The conference agreement does not contain the Senate amendment provision.

C. Other Corporate Governance Provisions

1. Affirmation of consolidated return regulation authority (sec. 331 of the Senate amendment and sec. 1502 of the Code)

PRESENT LAW

An affiliated group of corporations may elect to file a consolidated return in lieu of separate returns. A condition of electing to file a consolidated return is that all corporations that are members of the consolidated group must consent to all the consolidated return regulations prescribed under section 1502 prior to the last day prescribed by law for filing such return.[167]

Section 1502 states:

> The Secretary shall prescribe such regulations as he may deem necessary in order that the tax liability of any affiliated group of corporations making a consolidated return and of each corporation in the group, both during and after the period of affiliation, may be returned, determined, computed, assessed, collected, and adjusted, in such manner as clearly to reflect the income-tax liability and the various factors necessary for the determination of such liability, and in order to prevent the avoidance of such tax liability.[168]

Under this authority, the Treasury Department has issued extensive consolidated return regulations.[169]

In the recent case of *Rite Aid Corp.* v. *United States*,[170] the Federal Circuit Court of Appeals addressed the application of a particular provision of certain consolidated return loss disallowance regulations, and concluded that the provision was invalid.[171] The

[167] Sec. 1501.
[168] Sec. 1502.
[169] Regulations issued under the authority of section 1502 are considered to be ''legislative'' regulations rather than ''interpretative'' regulations, and as such are usually given greater deference by courts in case of a taxpayer challenge to such a regulation. See, S. Rep. No. 960, 70th Cong., 1st Sess. at 15, describing the consolidated return regulations as ''legislative in character''. The Supreme Court has stated that ''* * * legislative regulations are given controlling weight unless they are arbitrary, capricious, or manifestly contrary to the statute.'' *Chevron, U.S.A., Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837, 844 (1984) (involving an environmental protection regulation). For examples involving consolidated return regulations, *see, e.g., Wolter Construction Company* v. *Commissioner*, 634 F.2d 1029 (6th Cir. 1980); *Garvey, Inc.* v. *United States*, 1 Ct. Cl. 108 (1983), aff'd 726 F.2d 1569 (Fed. Cir. 1984), cert. denied 469 U.S. 823 (1984). *Compare, e.g., Audrey J. Walton* v. *Commissioner*, 115 T.C. 589 (2000), describing different standards of review. The case did not involve a consolidated return regulation.
[170] 255 F.3d 1357 (Fed. Cir. 2001), reh'g denied, 2001 U.S. App. LEXIS 23207 (Fed. Cir. Oct. 3, 2001).
[171] Prior to this decision, there had been a few instances involving prior laws in which certain consolidated return regulations were held to be invalid. See, e.g., American Standard, Inc. v. *United States*, 602 F.2d 256 (Ct. Cl. 1979), discussed in the text *infra*. *See also Union Carbide Corp.* v. *United States*, 612 F.2d 558 (Ct. Cl. 1979), and *Allied Corporation* v. *United States*, 685 F. 2d 396 (Ct. Cl. 1982), all three cases involving the allocation of income and loss within a consolidated group for purposes of computation of a deduction allowed under prior law by the Code for Western Hemisphere Trading Corporations. See also Joseph Weidenhoff v. *Commissioner*, 32 T.C. 1222, 1242–1244 (1959), involving the application of certain regulations to the excess profits tax credit allowed under prior law, and concluding that the Commissioner had applied a particular regulation in an arbitrary manner inconsistent with the wording of the regulation and inconsistent with even a consolidated group computation. *Cf. Kanawha Gas & Utilities Co.* v. *Commissioner*, 214 F.2d 685 (1954), concluding that the substance of a transaction was an acquisition of assets rather than stock. Thus, a regulation governing basis of the assets of consolidated subsidiaries did not apply to the case. See also General Machinery Corporation v. *Commissioner*, 33 B.T.A. 1215 (1936); *Lefcourt Realty Corporation*, 31 B.T.A. 978 (1935); *Helvering* v. *Morgans, Inc.*, 293 U.S. 121 (1934), interpreting the term ''taxable year.''

particular provision, known as the ''duplicated loss'' provision,[172] would have denied a loss on the sale of stock of a subsidiary by a parent corporation that had filed a consolidated return with the subsidiary, to the extent the subsidiary corporation had assets that had a built-in loss, or had a net operating loss, that could be recognized or used later.[173]

The Federal Circuit Court opinion contained language discussing the fact that the regulation produced a result different than the result that would have obtained if the corporations had filed separate returns rather than consolidated returns.[174]

The Federal Circuit Court opinion cited a 1928 Senate Finance Committee Report to legislation that authorized consolidated return regulations, which stated that ''many difficult and complicated problems, * * * have arisen in the administration of the provisions permitting the filing of consolidated returns'' and that the committee ''found it necessary to delegate power to the commissioner to prescribe regulations legislative in character covering them.''[175] The Court's opinion also cited a previous decision of the Court of Claims for the proposition, interpreting this legislative history, that section 1502 grants the Secretary ''the power to conform the applicable income tax law of the Code to the special, myriad problems resulting from the filing of consolidated income tax returns;'' but that section 1502 ''does not authorize the Secretary to choose a method that imposes a tax on income that would not otherwise be taxed.''[176]

The Federal Circuit Court construed these authorities and applied them to invalidate Treas. Reg. Sec. 1.1502–20(c)(1)(iii), stating that:

> The loss realized on the sale of a former subsidiary's assets after the consolidated group sells the subsidiary's stock is not a problem resulting from the filing of consolidated income tax returns. The scenario also arises where a corporate shareholder sells the stock of a non-consolidated subsidiary. The corporate shareholder could realize a loss under I.R.C. sec. 1001, and deduct the loss under I.R.C. sec. 165. The subsidiary could then deduct any losses from a later sale of assets. The duplicated loss factor, therefore, addresses a situation that arises from the sale of stock regardless of whether corporations file separate or consolidated returns. With I.R.C. secs. 382 and 383, Congress has addressed this situation by limiting the subsidiary's potential future deduction, not the parent's loss on the sale of stock under I.R.C. sec. 165.[177]

The Treasury Department has announced that it will not continue to litigate the validity of the duplicated loss provision of the regulations, and has issued interim regulations that permit taxpayers for all years to elect a different treatment, though they may apply the provision for the past if they wish.[178]

HOUSE BILL

No provision.

SENATE AMENDMENT

The bill confirms that, in exercising its authority under section 1502 to issue consolidated return regulations, the Treasury Department may provide rules treating corporations filing consolidated returns differently from corporations filing separate returns.

Thus, under the statutory authority of section 1502, the Treasury Department is authorized to issue consolidated return regulations utilizing either a single taxpayer or separate taxpayer approach or a combination of the two approaches, as Treasury deems necessary in order that the tax liability of any affiliated group of corporations making a consolidated return, and of each corporation in the group, both during and after the period of affiliation, may be determined and adjusted in such manner as clearly to reflect the income-tax liability and the various factors necessary for the determination of such liability, and in order to prevent avoidance of such liability.

Rite Aid is thus overruled to the extent it suggests that there is not a problem that can be addressed in consolidated return regulations if application of a particular Code provision on a separate taxpayer basis would produce a result different from single taxpayer principles that may be used for consolidation.

The bill nevertheless allows the result of the *Rite Aid* case to stand with respect to the type of factual situation presented in the case. That is, the legislation provides for the override of the regulatory provision that took the approach of denying a loss on a deconsolidating disposition of stock of a consolidated subsidiary[179] to the extent the subsidiary had net operating losses or built in losses that could be used later outside the group.[180]

Retaining the result in the *Rite Aid* case with respect to the particular regulation section 1.1502–20(c)(1)(iii) as applied to the factual situation of the case does not in any way prevent or invalidate the various approaches Treasury has announced it will apply or that it intends to consider in lieu of the approach of that regulation, including, for example, the denial of a loss on a stock sale if inside losses of a subsidiary may also be used by the consolidated group, and the possible requirement that inside attributes be adjusted when a subsidiary leaves a group.[181]

Effective date.—The provision is effective for all years, whether beginning before, on, or after the date of enactment of the provision. No inference is intended that the results following from this provision are not the same as the results under present law.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Chief Executive Officer required to sign corporate income tax returns (sec. 332 of the Senate amendment and sec. 6062 of the Code)

PRESENT LAW

The Code requires[182] that the income tax return of a corporation must be signed by either the president, the vice-president, the treasurer, the assistant treasurer, the chief accounting officer, or any other officer of the corporation authorized by the corporation to sign the return.

The Code also imposes[183] a criminal penalty on any person who willfully signs any

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[172] Treas. Reg. Sec. 1.1502–20(c)(1)(iii).

[173] Treasury Regulation section 1.1502–20, generally imposing certain ''loss disallowance'' rules on the disposition of subsidiary stock, contained other limitations besides the ''duplicated loss'' rule that could limit the loss available to the group on a disposition of a subsidiary's stock. Treasury Regulation section 1.1502–20 as a whole was promulgated in connection with regulations issued under section 337(d), principally in connection with the so-called *General Utilities* repeal of 1986 (referring to the case of *General Utilities & Operating Company* v. *Helvering*, 296 U.S. 200 (1935)). Such repeal generally required a liquidating corporation, or a corporation acquired in a stock acquisition treated as a sale of assets, to pay corporate level tax on the excess of the value of its assets over the basis. Treasury regulation section 1.1502–20 principally reflected an attempt to prevent corporations filing consolidated returns from offsetting income with a loss on the sale of subsidiary stock. Such a loss could result from the unique upward adjustment of a subsidiary's stock basis required under the consolidated return regulations for subsidiary income earned in consolidation, an adjustment intended to prevent taxation of both the subsidiary and the parent on the same income or gain. As one example, absent a denial of certain losses on a sale of subsidiary stock, a consolidated group could obtain a loss deduction with respect to subsidiary stock, the basis of which originally reflected the subsidiary's value at the time of the purchase of the stock, and that had then been adjusted upward on recognition of any built-in income or gain of the subsidiary reflected in that value. The regulations also contained the duplicated loss factor addressed by the court in *Rite Aid*. The preamble to the regulations stated: ''it is not administratively feasible to differentiate between loss attributable to built-in gain and duplicated loss.'' T.D. 8364, 1991–2 C.B. 43, 46 (Sept. 13, 1991). The government also argued in the *Rite Aid* case that duplicated loss was a separate concern of the regulations. 255 F.3d at 1360.

[174] For example, the court stated: ''The duplicated loss factor * * * addresses a situation that arises from the sale of stock regardless of whether corporations file separate or consolidated returns. With I.R.C. secs. 382 and 383, Congress has addressed this situation by limiting the subsidiary's potential future deduction, not the parent's loss on the sale of stock under I.R.C. sec. 165.'' 255 F.3d 1357, 1360 (Fed. Cir. 2001).

[175] S. Rep. No. 960, 70th Cong., 1st Sess. 15 (1928). Though not quoted by the court in *Rite Aid*, the same Senate report also indicated that one purpose of the consolidated return authority was to permit treatment of the separate corporations as if they were a single unit, stating ''The mere fact that by legal fiction several corporations owned by the same shareholders are separate entities should not obscure the fact that they are in reality one and the same business owned by the same individuals and operated as a unit.'' S. Rep. No. 960, 70th Cong., 1st Sess. 29 (1928).

[176] *American Standard, Inc.* v. *United States*, 602 F.2d 256, 261 (Ct. Cl. 1979). That case did not involve the question of separate returns as compared to a single return approach. It involved the computation of a Western Hemisphere Trade Corporation (''WHTC'') deduction under prior law (which deduction would have been computed as a percentage of each WHTC's taxable income if the corporations had filed separate returns), in a case where a consolidated group included several WHTCs as well as other corporations. The question was how to apportion income and losses of the admittedly consolidated WHTCs and how to combine that computation with the rest of the group's consolidated income or losses. The court noted that the new, changed regulations approach varied from the approach taken to a similar problem involving public utilities within a group and previously allowed for WHTCs. The court objected that the allocation method adopted by the regulation allowed non-WHTC losses to reduce WHTC income. However, the court did not disallow a method that would net WHTC income of one WHTC with losses of another WHTC, a result that would not have occurred under separate returns. Nor did the court expressly disallow a different fractional method that would net both income and losses of the WHTCs with those of other corporations in the consolidated group. The court also found that the regulation had been adopted without proper notice.

[177] *Rite Aid*, 255 F.3d at 1360.

[178] See Temp. Reg. 1.1502–20T(i)(2). The Treasury Department has also indicated its intention to continue to study all the issues that the original loss disallowance regulations addressed (including issues of furthering single entity principles) and possibly issue different regulations (not including the particular approach of Treas. Reg. Sec. 1.1502–20(c)(1)(iii)) on the issues in the future. See Notice 2002–11, 2002–7 I.R.B. 526 (Feb. 19, 2002); T.D. 8984, 67 F.R. 11034 (March 12, 2002); REG–102740–02, 67 F.R. 11070 (March 12, 2002); see also Notice 2002–18, 2002–12 I.R.B. 644 (March 25, 2002).

[179] Treas. Reg. Sec. 1.1502–20(c)(1)(iii).

[180] The provision is not intended to overrule the current Treasury Department regulations, which allow taxpayers for the past to follow Treasury Regulations Section 1.1502–20(c)(1)(iii), if they choose to do so. Temp. Reg. Sec. 1.1502–20T(i)(2).

[181] *See, e.g.*, Notice 2002–11, 2002–7 I.R.B. 526 (Feb. 19, 2002); T.D. 8984, 67 F.R. 11034 (Mar.12, 2002); REG–102740–02, 67 F.R. 11070 (Mar.12, 2002); see also Notice 2002–18, 2002–12 I.R.B. 644 (Mar. 25, 2002). In exercising its authority under section 1502, the Secretary is also authorized to prescribe rules that protect the purpose of *General Utilities* repeal using presumptions and other simplifying conventions.

[182] Sec. 6062.

[183] Sec. 7206.

tax return under penalties of perjury that that person does not believe to be true and correct with respect to every material matter at the time of filing. If convicted, the person is guilty of a felony; the Code imposes a fine of not more than $100,000[184] ($500,000 in the case of a corporation) or imprisonment of not more than three years, or both, together with the costs of prosecution.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment requires that the chief executive officer of a corporation sign that corporation's income tax returns.[185] If the corporation does not have a chief executive officer, the IRS may designate another officer of the corporation; otherwise, no other person is permitted to sign the income tax return of a corporation. It is intended that the IRS issue general guidance, such as a revenue procedure, to (1) address situations when a corporation does not have a chief executive officer, and (2) define who the chief executive officer is, in situations (for example) when the primary official bears a different title or when a corporation has multiple chief executive officers. It is intended that, in every instance, the highest ranking corporate officer (regardless of title) sign the tax return.

The provision does not apply to the income tax returns of mutual funds;[186] they are required to be signed as under present law.

Effective date.—The provision is effective for returns filed after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment.

3. Denial of deduction for certain fines, penalties, and other amounts (sec. 333 of the Senate amendment and sec. 162 of the Code)

PRESENT LAW

Under present law, no deduction is allowed as a trade or business expense under section 162(a) for the payment of a fine or similar penalty to a government for the violation of any law (sec. 162(f)). The enactment of section 162(f) in 1969 codified existing case law that denied the deductibility of fines as ordinary and necessary business expenses on the grounds that ''allowance of the deduction would frustrate sharply defined national or State policies proscribing the particular types of conduct evidenced by some governmental declaration thereof.''[187]

Treasury regulation section 1.162–21(b)(1) provides that a fine or similar penalty includes an amount: (1) paid pursuant to conviction or a plea of guilty or nolo contendere for a crime (felony or misdemeanor) in a criminal proceeding; (2) paid as a civil penalty imposed by Federal, State, or local law, including additions to tax and additional amounts and assessable penalties imposed by chapter 68 of the Code; (3) paid in settlement of the taxpayer's actual or potential liability for a fine or penalty (civil or criminal); or (4) forfeited as collateral posted in connection with a proceeding which could result in imposition of such a fine or penalty. Treasury regulation section 1.162–21(b)(2) provides, among other things, that compensatory damages (including damages under section 4A of the Clayton Act (15 U.S.C. 15a), as amended) paid to a government do not constitute a fine or penalty.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment modifies the rules regarding the determination whether payments are nondeductible payments of fines or penalties under section 162(f). In particular, the bill generally provides that amounts paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government in relation to the violation of any law or the investigation or inquiry into the potential violation of any law[188] are nondeductible under any provision of the income tax provisions.[189] The bill applies to deny a deduction for any such payments, including those where there is no admission of guilt or liability and those made for the purpose of avoiding further investigation or litigation. An exception applies to payments that the taxpayer establishes are restitution.[190]

It is intended that a payment will be treated as restitution only if the payment is required to be paid to the specific persons, or in relation to the specific property, actually harmed by the conduct of the taxpayer that resulted in the payment. Thus, a payment to or with respect to a class broader than the specific persons or property that were actually harmed (e.g., to a class including similarly situated persons or property) does not qualify as restitution.[191] Restitution is limited to the amount that bears a substantial quantitative relationship to the harm caused by the past conduct or actions of the taxpayer that resulted in the payment in question. If the party harmed is a government or other entity, then restitution includes payment to such harmed government or entity, provided the payment bears a substantial quantitative relationship to the harm. However, restitution does not include reimbursement of government investigative or litigation costs, or payments to whistleblowers.

Amounts paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, any self-regulatory entity that regulates a financial market or other market that is a qualified board or exchange under section 1256(g)(7), and that is authorized to impose sanctions (e.g., the National Association of Securities Dealers) are likewise subject to the provision if paid in relation to a violation, or investigation or inquiry into a potential violation, of any law (or any rule or other requirement of such entity). To the extent provided in regulations, amounts paid or incurred to, or at the direction of, any other nongovernmental entity that exercises self-regulatory powers as part of performing an essential governmental function are similarly subject to the provision. The exception for payments that the taxpayer establishes are restitution likewise applies in these cases.

No inference is intended as to the treatment of payments as nondeductible fines or penalties under present law. In particular, the Senate amendment is not intended to limit the scope of present-law section 162(f) or the regulations thereunder.

Effective date.—The Senate amendment is effective for amounts paid or incurred on or after April 28, 2003; however the proposal does not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Any order or agreement requiring court approval is not a binding order or agreement for this purpose unless such approval was obtained on or before April 27, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Denial of deduction for punitive damages (sec. 334 of the Senate amendment and sec. 162 of the Code)

PRESENT LAW

In general, a deduction is allowed for all ordinary and necessary expenses that are paid or incurred by the taxpayer during the taxable year in carrying on any trade or business.[192] However, no deduction is allowed for any payment that is made to an official of any governmental agency if the payment constitutes an illegal bribe or kickback or if the payment is to an official or employee of a foreign government and is illegal under Federal law.[193] In addition, no deduction is allowed under present law for any fine or similar payment made to a government for violation of any law.[194] Furthermore, no deduction is permitted for two-thirds of any damage payments made by a taxpayer who is convicted of a violation of the Clayton antitrust law or any related antitrust law.[195]

In general, gross income does not include amounts received on account of personal physical injuries and physical sickness.[196] However, this exclusion does not apply to punitive damages.[197]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment denies any deduction for punitive damages that are paid or incurred by the taxpayer as a result of a judgment or in settlement of a claim. If the liability for punitive damages is covered by insurance, any such punitive damages paid by the insurer are included in gross income of the insured person and the insurer is required to report such amounts to both the insured person and the IRS.

Effective date.—The Senate amendment provision is effective for punitive damages that are paid or incurred on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Criminal tax fraud (sec. 335 of the Senate amendment and secs. 7201, 7203, and 7206 of the Code)

PRESENT LAW

Attempt to evade or defeat tax

In general, section 7201 imposes a criminal penalty on persons who willfully attempt to

[184] Pursuant to 18 U.S.C. 3571, the maximum fine for an individual convicted of a felony is $250,000.

[185] Because the provision amends section 6062, it applies only to the Form 1120 itself (or its equivalent) and any disclosures required under section 6662 or related provisions. It does not apply to any other schedules or attachments.

[186] The provision does, however, apply to the income tax returns of mutual fund management companies and advisors.

[187] S. Rep. 91–552, 91st Cong, 1st Sess., 273–74 (1969), referring to *Tank Truck Rentals, Inc.* v. *Commissioner,* 356 U.S. 30 (1958).

[188] The bill does not affect amounts paid or incurred in performing routine audits or reviews such as annual audits that are required of all organizations or individuals in a similar business sector, or profession, as a requirement for being allowed to conduct business. However, if the government or regulator raised an issue of compliance and a payment is required in settlement of such issue, the bill would affect that payment.

[189] The bill provides that such amounts are nondeductible under chapter 1 of the Internal Revenue Code.

[190] The bill does not affect the treatment of antitrust payments made under section 4 of the Clayton Act, which will continue to be governed by the provisions of section 162(g).

[191] Similarly, a payment to a charitable organization benefitting a broader class than the persons or property actually harmed, or to be paid out without a substantial quantitative relationship to the harm caused, would not qualify as restitution. Under the provision, such a payment not deductible under section 162 would also not be deductible under section 170.

[192] Sec. 162(a).

[193] Sec. 162(c).

[194] Sec. 162(f).

[195] Sec. 162(g).

[196] Sec. 104(a).

[197] Sec. 104(a)(2).

evade or defeat any tax imposed by the Code. Upon conviction, the Code provides that the penalty is up to $100,000 or imprisonment of not more than five years (or both). In the case of a corporation, the Code increases the monetary penalty to a maximum of $500,000.

Willful failure to file return, supply information, or pay tax

In general, section 7203 imposes a criminal penalty on persons required to make estimated tax payments, pay taxes, keep records, or supply information under the Code who willfully fail to do so. Upon conviction, the Code provides that the penalty is up to $25,000 or imprisonment of not more than one year (or both). In the case of a corporation, the Code increases the monetary penalty to a maximum of $100,000.

Fraud and false statements

In general, section 7206 imposes a criminal penalty on persons who make fraudulent or false statements under the Code. Upon conviction, the Code provides that the penalty is up to $100,000 or imprisonment of not more than three years (or both). In the case of a corporation, the Code increases the monetary penalty to a maximum of $500,000.

Uniform sentencing guidelines

Under the uniform sentencing guidelines established by 18 U.S.C. 3571, a defendant found guilty of a criminal offense is subject to a maximum fine that is the greatest of: (a) the amount specified in the underlying provision, (b) for a felony [198] $250,000 for an individual or $500,000 for an organization, or (c) twice the gross gain if a person derives pecuniary gain from the offense. This Title 18 provision applies to all criminal provisions in the United States Code, including those in the Internal Revenue Code. For example, for an individual, the maximum fine under present law upon conviction of violating section 7206 is $250,000 or, if greater, twice the amount of gross gain from the offense.

HOUSE BILL

No provision.

SENATE AMENDMENT

Attempt to evade or defeat tax

The Senate amendment increases the criminal penalty under section 7201 of the Code for individuals to $250,000 and for corporations to $1,000,000. The Senate amendment increases the maximum prison sentence to ten years.

Willful failure to file return, supply information, or pay tax

The Senate amendment increases the criminal penalty under section 7203 of the Code from a misdemeanor to a felony and increases the maximum prison sentence to ten years.

Fraud and false statements

The Senate amendment increases the criminal penalty under section 7206 of the Code for individuals to $250,000 and for corporations to $1,000,000. The Senate amendment increases the maximum prison sentence to five years. The Senate amendment also provides that in no event shall the amount of the monetary penalty under this provision be less than the amount of the underpayment or overpayment attributable to fraud.

Effective date

The provision is effective for offenses committed after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[198] Section 7206 states that making fraudulent or false statements under the Code is a felony. In addition, this offense is a felony pursuant to the classification guidelines of 18 U.S.C. 3559(a)(5).

6. Executive compensation reforms (sec. 336, 337 and 338 of the Senate amendment and sec. 83 and new sec. 409A of the Code)

PRESENT LAW

Property transferred in connection with the performance of services

Section 83 applies to transfers of property in connection with the performance of services. Under section 83, if, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of the fair market value of such property over the amount (if any) paid for the property is includible in income at the first time that the property is transferable or not subject to substantial risk of forfeiture.

Stock granted to an employee (or other service provider) is subject to the rules that apply under section 83. When stock is vested and transferred to an employee, the excess of the fair market value of the stock over the amount, if any, the employee pays for the stock is includible in the employee's income for the year in which the transfer occurs.

The income taxation of a nonqualified stock option is determined under section 83 and depends on whether the option has a readily ascertainable fair market value. If the nonqualified option does not have a readily ascertainable fair market value at the time of grant, no amount is includible in the gross income of the recipient with respect to the option until the recipient exercises the option. The transfer of stock on exercise of the option is subject to the general rules of section 83. That is, if vested stock is received on exercise of the option, the excess of the fair market value of the stock over the option price is includible in the recipient's gross income as ordinary income in the taxable year in which the option is exercised. If the stock received on exercise of the option is not vested, the excess of the fair market value of the stock at the time of vesting over the option price is includible in the recipient's income for the year in which vesting occurs unless the recipient elects to apply section 83 at the time of exercise.

Other forms of stock-based compensation are also subject to the rules of section 83.

Nonqualified deferred compensation

The determination of when amounts deferred under a nonqualified deferred compensation arrangement are includible in the gross income of the individual earning the compensation depends on the facts and circumstances of the arrangement. A variety of tax principles and Code provisions may be relevant in making this determination, including the doctrine of constructive receipt, the economic benefit doctrine,[199] the provisions of section 83 relating generally to transfers of property in connection with the performance of services, and provisions relating specifically to nonexempt employee trusts (sec. 402(b)) and nonqualified annuities (sec. 403(c)).

In general, the time for income inclusion of nonqualified deferred compensation depends on whether the arrangement is unfunded or funded. If the arrangement is unfunded, then the compensation is generally includible in income when it is actually or constructively received. If the arrangement is funded, then income is includible for the year in which the individual's rights are transferable or not subject to a substantial risk of forfeiture.

Nonqualified deferred compensation is generally subject to social security and Medicare tax when it is earned (i.e., when services are performed), unless the nonqualified deferred compensation is subject to a substantial risk of forfeiture. If nonqualified deferred compensation is subject to a substantial risk of forfeiture, it is subject to social security and Medicare tax when the risk of forfeiture is removed (i.e., when the right to the nonqualified deferred compensation vests). This treatment is not affected by whether the arrangement is funded or unfunded, which is relevant in determining when amounts are includible in income (and subject to income tax withholding).

In general, an arrangement is considered funded if there has been a transfer of property under section 83. Under that section, a transfer of property occurs when a person acquires a beneficial ownership interest in such property. The term ''property'' is defined very broadly for purposes of section 83.[200] Property includes real and personal property other than money or an unfunded and unsecured promise to pay money in the future. Property also includes a beneficial interest in assets (including money) that are transferred or set aside from claims of the creditors of the transferor, for example, in a trust or escrow account. Accordingly, if, in connection with the performance of services, vested contributions are made to a trust on an individual's behalf and the trust assets may be used solely to provide future payments to the individual, the payment of the contributions to the trust constitutes a transfer of property to the individual that is taxable under section 83. On the other hand, deferred amounts are generally not includible in income in situations where nonqualified deferred compensation is payable from general corporate funds that are subject to the claims of general creditors, as such amounts are treated as unfunded and unsecured promises to pay money or property in the future.

As discussed above, if the arrangement is unfunded, then the compensation is generally includible in income when it is actually or constructively received under section 451. Income is constructively received when it is credited to an individual's account, set apart, or otherwise made available so that it can be drawn on at any time. Income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions. A requirement to relinquish a valuable right in order to make withdrawals is generally treated as a substantial limitation or restriction.

Rabbi trusts

Arrangements have developed in an effort to provide employees with security for nonqualified deferred compensation, while still allowing deferral of income inclusion. A ''rabbi trust'' is a trust or other fund established by the employer to hold assets from which nonqualified deferred compensation payments will be made. The trust or fund is generally irrevocable and does not permit the employer to use the assets for purposes other than to provide nonqualified deferred compensation, except that the terms of the trust or fund provide that the assets are subject to the claims of the employer's creditors in the case of insolvency or bankruptcy.

As discussed above, for purposes of section 83, property includes a beneficial interest in assets set aside from the claims of creditors, such as in a trust or fund, but does not include an unfunded and unsecured promise to pay money in the future. In the case of a rabbi trust, terms providing that the assets are subject to the claims of creditors of the

[199] *See, e.g., Sproull* v. *Commissioner*, 16 T.C. 244 (1951), aff'd per curiam, 194 F.2d 541 (6th Cir. 1952); Rev. Rul. 60–31, 1960–1 C.B. 174.

[200] Treas. Reg. sec. 1.83–3(e). This definition in part reflects previous IRS rulings on nonqualified deferred compensation.

employer in the case of insolvency or bankruptcy have been the basis for the conclusion that the creation of a rabbi trust does not cause the related nonqualified deferred compensation arrangement to be funded for income tax purposes.[201] As a result, no amount is included in income by reason of the rabbi trust; generally income inclusion occurs as payments are made from the trust.

The IRS has issued guidance setting forth model rabbi trust provisions.[202] Revenue Procedure 92–64 provides a safe harbor for taxpayers who adopt and maintain grantor trusts in connection with unfunded deferred compensation arrangements. The model trust language requires that the trust provide that all assets of the trust are subject to the claims of the general creditors of the company in the event of the company's insolvency or bankruptcy.

Since the concept of rabbi trusts was developed, arrangements have developed which attempt to protect the assets from creditors despite the terms of the trust. Arrangements also have developed which effectively allow deferred amounts to be available to individuals, while still meeting the safe harbor requirements set forth by the IRS.

HOUSE BILL

No provision.

SENATE AMENDMENT

Taxation of nonqualified deferred compensation funded with assets located outside of the United States

The Senate amendment provides that assets that are designated or otherwise available for the use of providing nonqualified deferred compensation and are located outside the United States (e.g., in a foreign trust, arrangement or account) are not treated as subject to the claims of general creditors. Therefore, to the extent of such assets, nonqualified deferred compensation amounts are not treated as unfunded and unsecured promises to pay, but are treated as property under section 83 and includible in income when the right to the compensation is no longer subject to a substantial risk of forfeiture, regardless of when the compensation is paid. No inference is intended that nonqualified deferred compensation assets located outside of the U.S. would be treated as subject to the claims of creditors under present law.

The Senate amendment does not apply to assets located in a foreign jurisdiction if substantially all of the services to which the nonqualified deferred compensation relates are performed in such foreign jurisdiction.

The Senate amendment is specifically intended to apply to foreign trusts and arrangements that effectively shield from the claims of general creditors any assets intended to satisfy nonqualified deferred compensation obligations. The Senate amendment provides the Secretary of the Treasury authority to prescribe regulations as are necessary to carry out the provision and to provide additional exceptions for specific arrangements which do not result in improper deferral of U.S. tax if the assets involved in the arrangement are readily accessible in any insolvency or bankruptcy proceeding.

Inclusion in gross income of funded deferred compensation of corporate insiders

Under the Senate amendment, if an employer maintains a funded deferred compensation plan,[203] compensation of any disqualified individual which is deferred under the plan is includible in the gross income of the individual or beneficiary for the first taxable year in which there is no substantial risk of forfeiture.[204]

Under the Senate amendment, a plan is treated as a funded deferred compensation plan unless (1) the employee's rights to the compensation deferred under the plan, and all income attributable to such amounts, are no greater than the rights of a general creditor of the employer; (2) until made available to the participant or beneficiary, all amounts set aside (directly or indirectly) for the purposes of paying the deferred compensation, and all income attributable to such amounts, remain solely the property of the employer and are not restricted to the provision of benefits under the plan; (3) at all times (not merely after bankruptcy or insolvency), all amounts set aside are available to satisfy the claims of the employer's general creditors; and (4) investment options under which a participant may elect under the nonqualified deferred compensation plan are the same as those which may be elected by participants of the qualified employer plan that has the fewest investment options. Under the Senate amendment, if amounts are set aside for the exclusive purpose of paying deferred compensation benefits, the plan is treated as a funded plan. Amounts set aside in an employer's general assets, even if such assets are segregated for bookkeeping or accounting purposes, which are not restricted to the payment of deferred compensation, and are subject to the claims of general creditors, are not treated as funded if the other requirements under the provision are satisfied.

An employee's right to deferred compensation is treated as greater than the rights of general creditors unless (1) the deferred compensation, and all income attributable to such amounts, is payable only upon separation from service, disability, death, or at a specified time (or pursuant to a fixed schedule) and (2) the plan does not permit the acceleration of the time of such payments by reason of any event. Amounts payable upon a specified event are not treated as amounts payable at a specified time. For example, amounts payable when an individual attains age 65 are payable at a specified time, while amounts payable when an individual's child begins college are payable by reason of an event. Disability is defined as under the Social Security Act. Under such definition, an individual is considered to be disabled if he is unable to engage in any substantial gainful activity by reason of any 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 twelve months. A plan which allows payment of deferred compensation or earnings other than upon separation from service, disability, death, or specified time, or allows for any acceleration of payments, is treated as funded and compensation deferred under such plan is includible in income when the rights to such compensation are not subject to a substantial risk of forfeiture.

Even if an employee's rights are treated as no greater than the rights of general creditors in compliance with the previously discussed criteria, if the employer and employee agree to a modification of the plan that accelerates the time for payment of deferred compensation, then all compensation previously deferred is includible in gross income for the taxable year in which the modification takes effect. In addition, upon such a modification, the taxpayer is required to pay interest at the underpayment rate on the underpayments that would have occurred had the deferred compensation been includible in gross income on the earliest date that there is no substantial risk of forfeiture of the right to the compensation. Such interest is treated as interest on an underpayment of tax.

With respect to amounts set aside in a trust, a plan is treated as failing to meet the requirement that amounts set aside remain solely the property of the employer and are not restricted to the payment of benefits under the plan unless certain specified criteria are met: (1) the employee must have no beneficial interest in the trust; (2) assets in the trust must be available to satisfy the claims of general creditors at all times (not merely after bankruptcy or insolvency); and (3) no factor can exist which would make it more difficult for general creditors to reach the assets in the trust than it would be if the trust assets were held directly by the employer in the United States. The location of the trust outside of the United States is such a prohibited factor, unless substantially all of the services to which the nonqualified deferred compensation relates are performed in such foreign jurisdiction. The Senate amendment provides the Secretary of the Treasury authority to provide additional exceptions from the requirement for specific arrangements which do not result in improper deferral of U.S. tax if the assets involved in the arrangement are readily accessible to general creditors. If any of the criteria are not satisfied, the trust is treated as a funded arrangement and compensation deferred is includible in gross income when such compensation is not subject to a substantial risk of forfeiture.

A disqualified individual is any individual who, with respect to a corporation, is subject to the requirements of section 16(a) of the Securities Act of 1934, or would be subject to such requirements if such corporation were an issuer of equity securities referred to in that section. Generally, disqualified individuals include officers (as defined by section 16(a)),[205] directors, or 10–percent owners of both private and publicly-held corporations.

A funded deferred compensation plan does not include a qualified retirement plan or annuity, a tax-sheltered annuity, a simplified employee pension, a simple retirement account, certain plans funded solely by employee contributions, a governmental plan, or a plan of a tax-exempt organization. Present law rules continue to apply to plans or arrangements not subject to the Senate amendment (*e.g.*, secs. 401(a), 403(b), and 457).

It is not intended that the Senate amendment change the tax treatment of trusts under section 402(b) or of any arrangements under which amounts are otherwise includible in income. It is not intended that the Senate amendment change the rules applicable to an employer's deduction for nonqualified deferred compensation.

The Senate amendment provides the Secretary of the Treasury authority to prescribe regulations as are necessary to carry out the provision.

[201] This conclusion was first provided in a 1980 private ruling issued by the IRS with respect to an arrangement covering a rabbi; hence the popular name ''rabbi trust.'' Priv. Ltr. Rul. 8113107 (Dec. 31, 1980).

[202] Rev. Proc. 92–64, 1992–2 C.B. 422, modified in part by Notice 2000–56, 2000–2 C.B. 393.

[203] A plan includes an agreement or arrangement.

[204] Compensation is treated as subject to a substantial risk of forfeiture if the rights to such compensation are conditioned upon the future performance of substantial services by any individual. If an arrangement is treated as a funded deferred compensation plan under the provision, amounts may be includible in gross income before they are paid or made available. In determining the tax treatment of amounts available under the plan, the rules applicable to the taxation of annuities apply.

[205] An officer is defined as the president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policymaking function, or any other person who performs similar policymaking functions.

Denial of deferral of certain stock option and restricted stock gains

Under the Senate amendment, gains attributable to stock options (including exercises of stock options), vesting of restricted stock, and other employer security based compensation cannot be deferred by electing to receive a future payment in lieu of such amounts. The Senate amendment applies even if the future right to payment is treated as an unfunded to promise to pay.

The Senate amendment is not intended to imply that such practices result in permissive deferral of income under present law.

Effective date

The Senate amendment relating to nonqualified deferred compensation assets located outside of the United States is effective for amounts deferred in taxable years beginning after December 31, 2003.

The Senate amendment requiring inclusion in income of funded nonqualified deferred compensation of corporate insiders is effective for amounts deferred in taxable years beginning after December 31, 2003.

The Senate amendment denying deferral of certain stock option and restricted stock gains is effective for exchanges after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provisions.

7. Increase in withholding from supplemental wage payments in excess of $1 million (sec. 339 of the Senate amendment and sec. 13273 of the Revenue Reconciliation Act of 1993)

PRESENT LAW

An employer must withhold income taxes from wages paid to employees; there are several possible methods for determining the amount of income tax to be withheld. The IRS publishes tables (Publication 15, ''Circular E'') to be used in determining the amount of income tax to be withheld. The tables generally reflect the income tax rates under the Code so that withholding approximates the ultimate tax liability with respect to the wage payments. In some cases, ''supplemental'' wage payments (e.g., bonuses or commissions) may be subject to withholding at a flat rate,[206] based on the third lowest income tax rate under the Code (27 percent for 2003).[207]

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, once annual supplemental wage payments to an employee exceed $1 million, any additional supplemental wage payments to the employee in that year are subject to withholding at the highest income tax rate (38.6 percent for 2003), regardless of any other withholding rules and regardless of the employee's Form W–4.

This rule applies only for purposes of wage withholding; other types of withholding (such as pension withholding and backup withholding) are not affected.

Effective date.—The provision is effective with respect to payments made after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[206] Sec. 13273 of the Revenue Reconciliation Act of 1993.

[207] Sec. 101(c)(11) of the Economic Growth and Tax Relief Reconciliation Act of 2001.

D. International Provisions

1. Impose mark-to-market on individuals who expatriate (sec. 340 of the Senate amendment and secs. 102, 877, 2107, 2501, 7701 and 6039G of the Code)

PRESENT LAW

In general

U.S. citizens and residents generally are subject to U.S. income taxation on their worldwide income. The U.S. tax may be reduced or offset by a credit allowed for foreign income taxes paid with respect to foreign-source income. Nonresidents who are not U.S. citizens are taxed at a flat rate of 30 percent (or a lower treaty rate) on certain types of passive income derived from U.S. sources, and at regular graduated rates on net profits derived from a U.S. business.

Income tax rules with respect to expatriates

An individual who relinquishes his or her U.S. citizenship or terminates his or her U.S. residency with a principal purpose of avoiding U.S. taxes is subject to an alternative method of income taxation for the 10 taxable years ending after the expatriation or residency termination under section 877. The alternative method of taxation for expatriates modifies the rules generally applicable to the taxation of nonresident noncitizens in several ways. First, the individual is subject to tax on his or her U.S.-source income at the rates applicable to U.S. citizens rather than the rates applicable to other nonresident noncitizens. Unlike U.S. citizens, however, individuals subject to section 877 are not taxed on foreign-source income. Second, the scope of items treated as U.S.-source income for section 877 purposes is broader than those items generally considered to be U.S.-source income under the Code.[208] Third, individuals subject to section 877 are taxed on exchanges of certain types of property that give rise to U.S.-source income for property that gives rise to foreign-source income.[209] Fourth, an individual subject to section 877 who contributes property to a controlled foreign corporation is treated as receiving income or gain from such property directly and is taxable on such income or gain. The alternative method of taxation for expatriates applies only if it results in a higher U.S. tax liability than would otherwise be determined if the individual were taxed as a nonresident noncitizen.

The expatriation tax provisions apply to long-term residents of the United States whose U.S. residency is terminated. For this purpose, a long-term resident is any individual who was a lawful permanent resident of the United States for at least 8 out of the 15 taxable years ending with the year in which such termination occurs. In applying the 8–year test, an individual is not considered to be a lawful permanent resident for any year in which the individual is treated as a resident of another country under a treaty tie-breaker rule (and the individual does not elect to waive the benefits of such treaty).

Subject to the exceptions described below, an individual is treated as having expatriated or terminated residency with a principal purpose of avoiding U.S. taxes if either: (1) the individual's average annual U.S. Federal income tax liability for the 5 taxable years ending before the date of the individual's loss of U.S. citizenship or termination of U.S. residency is greater than $100,000 (the ''tax liability test''), or (2) the individual's net worth as of the date of such loss or termination is $500,000 or more (the ''net worth test''). The dollar amount thresholds contained in the tax liability test and the net worth test are indexed for inflation in the case of a loss of citizenship or termination of residency occurring in any calendar year after 1996. An individual who falls below these thresholds is not automatically treated as having a principal purpose of tax avoidance, but nevertheless is subject to the expatriation tax provisions if the individual's loss of citizenship or termination of residency in fact did have as one of its principal purposes the avoidance of tax.

Certain exceptions from the treatment that an individual relinquished his or her U.S. citizenship or terminated his or her U.S. residency for tax avoidance purposes may also apply. For example, a U.S. citizen who loses his or her citizenship and who satisfies either the tax liability test or the net worth test (described above) can avoid being deemed to have a principal purpose of tax avoidance if the individual falls within certain categories (such as being a dual citizen) and the individual, within one year from the date of loss of citizenship, submits a ruling request for a determination by the Secretary of the Treasury as to whether such loss had as one of its principal purposes the avoidance of taxes.

Estate tax rules with respect to expatriates

Nonresident noncitizens generally are subject to estate tax on certain transfers of U.S.-situated property at death.[210] Such property includes real estate and tangible property located within the United States. Moreover, for estate tax purposes, stock held by nonresident noncitizens is treated as U.S.-situated if issued by a U.S. corporation.

Special rules apply to U.S. citizens who relinquish their citizenship and long-term residents who terminate their U.S. residency within the 10 years prior to the date of death, unless the loss of status did not have as one its principal purposes the avoidance of tax (sec. 2107). Under these rules, the decedent's estate includes the proportion of the decedent's stock in a foreign corporation that the fair market value of the U.S.-situs assets owned by the corporation bears to the total assets of the corporation. This rule applies only if (1) the decedent owned, directly, at death 10 percent or more of the combined voting power of all voting stock of the corporation and (2) the decedent owned, directly or indirectly, at death more than 50 percent of the total voting stock of the corporation or more than 50 percent of the total value of all stock of the corporation.

Taxpayers are deemed to have a principal purpose of tax avoidance if they meet the five-year tax liability test or the net worth test, discussed above. Exceptions from this tax avoidance treatment apply in the same circumstances as those described above (relating to certain dual citizens and other individuals who submit a timely and complete

[208] For example, gains on the sale or exchange of personal property located in the United States, and gains on the sale or exchange of stocks and securities issued by U.S. persons, generally are not considered to be U.S.-source income under the Code. Thus, such gains would not be taxable to a nonresident noncitizen. However, if an individual is subject to the alternative regime under sec. 877, such gains are treated as U.S.-source income with respect to that individual.

[209] For example, a former citizen who is subject to the alternative tax regime and who removes appreciated artwork that he or she owns from the United States could be subject to immediate U.S. tax on the appreciation. In this regard, the removal from the United States of appreciated tangible personal property having an aggregate fair market value in excess of $250,000 within the 15–year period beginning five years prior to the expatriation will be treated as an ''exchange'' subject to these rules.

[210] The Economic Growth and Tax Relief Reconciliation Act of 2001 (the ''Act'') repealed the estate tax for estates of decedents dying after December 31, 2009. However, the Act included a ''sunset'' provision, pursuant to which the Act's provisions (including estate tax repeal) do not apply to estates of decedents dying after December 31, 2010.

ruling request with the IRS as to whether their expatriation or residency termination had a principal purpose of tax avoidance).

Gift tax rules with respect to expatriates

Nonresident noncitizens generally are subject to gift tax on certain transfers by gift of U.S.-situated property. Such property includes real estate and tangible property located within the United States. Unlike the estate tax rules for U.S. stock held by nonresidents, however, nonresident noncitizens generally are not subject to U.S. gift tax on the transfer of intangibles, such as stock or securities, regardless of where such property is situated.

Special rules apply to U.S. citizens who relinquish their U.S. citizenship or long-term residents of the United States who terminate their U.S. residency within the 10 years prior to the date of transfer, unless such loss did not have as one of its principal purposes the avoidance of tax (sec. 2501(a)(3)). Under these rules, nonresident noncitizens are subject to gift tax on transfers of intangibles, such as stock or securities. Taxpayers are deemed to have a principal purpose of tax avoidance if they meet the five-year tax liability test or the net worth test, discussed above. Exceptions from this tax avoidance treatment apply in the same circumstances as those described above (relating to certain dual citizens and other individuals who submit a timely and complete ruling request with the IRS as to whether their expatriation or residency termination had a principal purpose of tax avoidance).

Other tax rules with respect to expatriates

The expatriation tax provisions permit a credit against the U.S. tax imposed under such provisions for any foreign income, gift, estate, or similar taxes paid with respect to the items subject to such taxation. This credit is available only against the tax imposed solely as a result of the expatriation tax provisions, and is not available to be used to offset any other U.S. tax liability.

In addition, certain information reporting requirements apply. Under these rules, a U.S. citizen who loses his or her citizenship is required to provide a statement to the State Department (or other designated government entity) that includes the individual's social security number, forwarding foreign address, new country of residence and citizenship, a balance sheet in the case of individuals with a net worth of at least $500,000, and such other information as the Secretary may prescribe. The information statement must be provided no later than the earliest day on which the individual (1) renounces the individual's U.S. nationality before a diplomatic or consular officer of the United States, (2) furnishes to the U.S. Department of State a statement of voluntary relinquishment of U.S. nationality confirming an act of expatriation, (3) is issued a certificate of loss of U.S. nationality by the U.S. Department of State, or (4) loses U.S. nationality because the individual's certificate of naturalization is canceled by a U.S. court. The entity to which such statement is to be provided is required to provide to the Secretary of the Treasury copies of all statements received and the names of individuals who refuse to provide such statements. A long-term resident whose U.S. residency is terminated is required to attach a similar statement to his or her U.S. income tax return for the year of such termination. An individual's failure to provide the required statement results in the imposition of a penalty for each year the failure continues equal to the greater of (1) 5 percent of the individual's expatriation tax liability for such year, or (2) $1,000.

The State Department is required to provide the Secretary of the Treasury with a copy of each certificate of loss of nationality approved by the State Department. Similarly, the agency administering the immigration laws is required to provide the Secretary of the Treasury with the name of each individual whose status as a lawful permanent resident has been revoked or has been determined to have been abandoned. Further, the Secretary of the Treasury is required to publish in the Federal Register the names of all former U.S. citizens with respect to whom it receives the required statements or whose names or certificates of loss of nationality it receives under the foregoing information-sharing provisions.

Immigration rules with respect to expatriates

Under U.S. immigration laws, any former U.S. citizen who officially renounces his or her U.S. citizenship and who is determined by the Attorney General to have renounced for the purpose of U.S. tax avoidance is ineligible to receive a U.S. visa and will be denied entry into the United States. This provision was included as an amendment (the ''Reed amendment'') to immigration legislation that was enacted in 1996.

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment generally subjects certain U.S. citizens who relinquish their U.S. citizenship and certain long-term U.S. residents who terminate their U.S. residence to tax on the net unrealized gain in their property as if such property were sold for fair market value on the day before the expatriation or residency termination. Gain from the deemed sale is taken into account at that time without regard to other Code provisions; any loss from the deemed sale generally would be taken into account to the extent otherwise provided in the Code. Any net gain on the deemed sale is recognized to the extent it exceeds $600,000 ($1.2 million in the case of married individuals filing a joint return, both of whom relinquish citizenship or terminate residency). The $600,000 amount is increased by a cost of living adjustment factor for calendar years after 2003.

Individuals covered

Under the Senate amendment, the mark-to-market tax applies to U.S. citizens who relinquish citizenship and long-term residents who terminate U.S. residency. An individual is a long-term resident if he or she was a lawful permanent resident for at least eight out of the 15 taxable years ending with the year in which the termination of residency occurs. An individual is considered to terminate long-term residency when either the individual ceases to be a lawful permanent resident (i.e., loses his or her green card status), or the individual is treated as a resident of another country under a tax treaty and the individual does not waive the benefits of the treaty.

Exceptions from the mark-to-market tax are provided in two situations. The first exception applies to an individual who was born with citizenship both in the United States and in another country; provided that (1) as of the expatriation date the individual continues to be a citizen of, and is taxed as a resident of, such other country, and (2) the individual was not a resident of the United States for the five taxable years ending with the year of expatriation. The second exception applies to a U.S. citizen who relinquishes U.S. citizenship before reaching age 18 and a half, provided that the individual was a resident of the United States for no more than five taxable years before such relinquishment.

Election to be treated as a U.S. citizen

Under the Senate amendment, an individual is permitted to make an irrevocable election to continue to be taxed as a U.S. citizen with respect to all property that otherwise is covered by the expatriation tax. This election is an ''all or nothing'' election; an individual is not permitted to elect this treatment for some property but not for other property. The election, if made, would apply to all property that would be subject to the expatriation tax and to any property the basis of which is determined by reference to such property. Under this election, the individual would continue to pay U.S. income taxes at the rates applicable to U.S. citizens following expatriation on any income generated by the property and on any gain realized on the disposition of the property. In addition, the property would continue to be subject to U.S. gift, estate, and generation-skipping transfer taxes. In order to make this election, the taxpayer would be required to waive any treaty rights that would preclude the collection of the tax.

The individual also would be required to provide security to ensure payment of the tax under this election in such form, manner, and amount as the Secretary of the Treasury requires. The amount of mark-to-market tax that would have been owed but for this election (including any interest, penalties, and certain other items) shall be a lien in favor of the United States on all U.S.-situs property owned by the individual. This lien shall arise on the expatriation date and shall continue until the tax liability is satisfied, the tax liability has become unenforceable by reason of lapse of time, or the Secretary is satisfied that no further tax liability may arise by reason of this provision. The rules of section 6324A(d)(1), (3), and (4) (relating to liens arising in connection with the deferral of estate tax under section 6166) apply to liens arising under this provision.

Date of relinquishment of citizenship

Under the Senate amendment, an individual is treated as having relinquished U.S. citizenship on the earliest of four possible dates: (1) the date that the individual renounces U.S. nationality before a diplomatic or consular officer of the United States (provided that the voluntary relinquishment is later confirmed by the issuance of a certificate of loss of nationality); (2) the date that the individual furnishes to the State Department a signed statement of voluntary relinquishment of U.S. nationality confirming the performance of an expatriating act (again, provided that the voluntary relinquishment is later confirmed by the issuance of a certificate of loss of nationality); (3) the date that the State Department issues a certificate of loss of nationality; or (4) the date that a U.S. court cancels a naturalized citizen's certificate of naturalization.

Deemed sale of property upon expatriation or residency termination

The deemed sale rule of the Senate amendment generally applies to all property interests held by the individual on the date of relinquishment of citizenship or termination of residency. Special rules apply in the case of trust interests, as described below. U.S. real property interests, which remain subject to U.S. tax in the hands of nonresident noncitizens, generally are excepted from the provision. Regulatory authority is granted to the Treasury to except other types of property from the provision.

Under the Senate amendment, an individual who is subject to the mark-to-market tax is required to pay a tentative tax equal to the amount of tax that would be due for a hypothetical short tax year ending on the date the individual relinquished citizenship or terminated residency. Thus, the tentative tax is based on all income, gain, deductions, loss, and credits of the individual for the year through such date, including amounts

realized from the deemed sale of property. The tentative tax is due on the 90th day after the date of relinquishment of citizenship or termination of residency.

Retirement plans and similar arrangements

Subject to certain exceptions, the Senate amendment applies to all property interests held by the individual at the time of relinquishment of citizenship or termination of residency. Accordingly, such property includes an interest in an employer-sponsored retirement plan or deferred compensation arrangement as well as an interest in an individual retirement account or annuity (i.e., an IRA).[211] However, the Senate amendment contains a special rule for an interest in a ''qualified retirement plan.'' For purposes of the provision, a ''qualified retirement plan'' includes an employer-sponsored qualified plan (sec. 401(a)), a qualified annuity (sec. 403(a)), a tax-sheltered annuity (sec. 403(b)), an eligible deferred compensation plan of a governmental employer (sec. 457(b)), or an IRA (sec. 408). The special retirement plan rule applies also, to the extent provided in regulations, to any foreign plan or similar retirement arrangement or program. An interest in a trust that is part of a qualified retirement plan or other arrangement that is subject to the special retirement plan rule is not subject to the rules for interests in trusts (discussed below).

Under the special rule, an amount equal to the present value of the individual's vested, accrued benefit under a qualified retirement plan is treated as having been received by the individual as a distribution under the plan on the day before the individual's relinquishment of citizenship or termination of residency. It is not intended that the plan would be deemed to have made a distribution for purposes of the tax-favored status of the plan, such as whether a plan may permit distributions before a participant has severed employment. In the case of any later distribution to the individual from the plan, the amount otherwise includible in the individual's income as a result of the distribution is reduced to reflect the amount previously included in income under the special retirement plan rule. The amount of the reduction applied to a distribution is the excess of: (1) the amount included in income under the special retirement plan rule over (2) the total reductions applied to any prior distributions. However, under the provision, the retirement plan, and any person acting on the plan's behalf, will treat any later distribution in the same manner as the distribution would be treated without regard to the special retirement plan rule.

It is expected that the Treasury Department will provide guidance for determining the present value of an individual's vested, accrued benefit under a qualified retirement plan, such as the individual's account balance in the case of a defined contribution plan or an IRA, or present value determined under the qualified joint and survivor annuity rules applicable to a defined benefit plan (sec. 417(e)).

Deferral of payment of tax

Under the Senate amendment, an individual is permitted to elect to defer payment of the mark-to-market tax imposed on the deemed sale of the property. Interest is charged for the period the tax is deferred at a rate two percentage points higher than the rate normally applicable to individual underpayments. Under this election, the mark-to-market tax attributable to a particular property is due when the property is disposed of (or, if the property is disposed of in whole or in part in a nonrecognition transaction, at such other time as the Secretary may prescribe). The mark-to-market tax attributable to a particular property is an amount that bears the same ratio to the total mark-to-market tax for the year as the gain taken into account with respect to such property bears to the total gain taken into account under these rules for the year. The deferral of the mark-to-market tax may not be extended beyond the individual's death.

In order to elect deferral of the mark-to-market tax, the individual is required to provide adequate security to the Treasury to ensure that the deferred tax and interest will be paid. Other security mechanisms are permitted provided that the individual establishes to the satisfaction of the Secretary that the security is adequate. In the event that the security provided with respect to a particular property subsequently becomes inadequate and the individual fails to correct the situation, the deferred tax and the interest with respect to such property will become due. As a further condition to making the election, the individual is required to consent to the waiver of any treaty rights that would preclude the collection of the tax.

The deferred amount (including any interest, penalties, and certain other items) shall be a lien in favor of the United States on all U.S.-situs property owned by the individual. This lien shall arise on the expatriation date and shall continue until the tax liability is satisfied, the tax liability has become unenforceable by reason of lapse of time, or the Secretary is satisfied that no further tax liability may arise by reason of this provision. The rules of section 6324A(d)(1), (3), and (4) (relating to liens arising in connection with the deferral of estate tax under section 6166) apply to liens arising under this provision.

Interests in trusts

Under the Senate amendment, detailed rules apply to trust interests held by an individual at the time of relinquishment of citizenship or termination of residency. The treatment of trust interests depends on whether the trust is a qualified trust. A trust is a qualified trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

Constructive ownership rules apply to a trust beneficiary that is a corporation, partnership, trust, or estate. In such cases, the shareholders, partners, or beneficiaries of the entity are deemed to be the direct beneficiaries of the trust for purposes of applying these provisions. In addition, an individual who holds (or who is treated as holding) a trust instrument at the time of relinquishment of citizenship or termination of residency is required to disclose on his or her tax return the methodology used to determine his or her interest in the trust, and whether such individual knows (or has reason to know) that any other beneficiary of the trust uses a different method.

Nonqualified trusts.—If an individual holds an interest in a trust that is not a qualified trust, a special rule applies for purposes of determining the amount of the mark-to-market tax due with respect to such trust interest. The individual's interest in the trust is treated as a separate trust consisting of the trust assets allocable to such interest. Such separate trust is treated as having sold its net assets as of the date of relinquishment of citizenship or termination of residency and having distributed the assets to the individual, who then is treated as having recontributed the assets to the trust. The individual is subject to the mark-to-market tax with respect to any net income or gain arising from the deemed distribution from the trust.

The election to defer payment is available for the mark-to-market tax attributable to a nonqualified trust interest. Interest is charged for the period the tax is deferred at a rate two percentage points higher than the rate normally applicable to individual underpayments. A beneficiary's interest in a nonqualified trust is determined under all the facts and circumstances, including the trust instrument, letters of wishes, and historical patterns of trust distributions.

Qualified trusts.—If an individual has an interest in a qualified trust, the amount of unrealized gain allocable to the individual's trust interest is calculated at the time of expatriation or residency termination. In determining this amount, all contingencies and discretionary interests are assumed to be resolved in the individual's favor (i.e., the individual is allocated the maximum amount that he or she could receive). The mark-to-market tax imposed on such gains is collected when the individual receives distributions from the trust, or if earlier, upon the individual's death. Interest is charged for the period the tax is deferred at a rate two percentage points higher than the rate normally applicable to individual underpayments.

If an individual has an interest in a qualified trust, the individual is subject to the mark-to-market tax upon the receipt of distributions from the trust. These distributions also may be subject to other U.S. income taxes. If a distribution from a qualified trust is made after the individual relinquishes citizenship or terminates residency, the mark-to-market tax is imposed in an amount equal to the amount of the distribution multiplied by the highest tax rate generally applicable to trusts and estates, but in no event will the tax imposed exceed the deferred tax amount with respect to the trust interest. For this purpose, the deferred tax amount is equal to (1) the tax calculated with respect to the unrealized gain allocable to the trust interest at the time of expatriation or residency termination, (2) increased by interest thereon, and (3) reduced by any mark-to-market tax imposed on prior trust distributions to the individual.

If any individual's interest in a trust is vested as of the expatriation date (e.g., if the individual's interest in the trust is non-contingent and non-discretionary), the gain allocable to the individual's trust interest is determined based on the trust assets allocable to his or her trust interest. If the individual's interest in the trust is not vested as of the expatriation date (e.g., if the individual's trust interest is a contingent or discretionary interest), the gain allocable to his or her trust interest is determined based on all of the trust assets that could be allocable to his or her trust interest, determined by resolving all contingencies and discretionary powers in the individual's favor. In the case where more than one trust beneficiary is subject to the expatriation tax with respect to trust interests that are not vested, the rules are intended to apply so that the same unrealized gain with respect to assets in the trust is not taxed to both individuals.

Mark-to-market taxes become due if the trust ceases to be a qualified trust, the individual disposes of his or her qualified trust interest, or the individual dies. In such cases, the amount of mark-to-market tax equals the lesser of (1) the tax calculated under the rules for nonqualified trust interests as of the date of the triggering event, or (2) the deferred tax amount with respect to the trust interest as of that date.

The tax that is imposed on distributions from a qualified trust generally is deducted and withheld by the trustees. If the individual does not agree to waive treaty rights

[211] Application of the provision is not limited to an interest that meets the definition of property under section 83 (relating to property transferred in connection with the performance of services).

that would preclude collection of the tax, the tax with respect to such distributions is imposed on the trust, the trustee is personally liable for the tax, and any other beneficiary has a right of contribution against such individual with respect to the tax. Similar rules apply when the qualified trust interest is disposed of, the trust ceases to be a qualified trust, or the individual dies.

Coordination with present-law alternative tax regime

The Senate amendment provides a coordination rule with the present-law alternative tax regime. Under the provision, the expatriation income tax rules under section 877, and the expatriation estate and gift tax rules under sections 2107 and 2501(a)(3) (described above), do not apply to a former citizen or former long-term resident whose expatriation or residency termination occurs on or after February 5, 2003.

Treatment of gifts and inheritances from a former citizen or former long-term resident

Under the Senate amendment, the exclusion from income provided in section 102 (relating to exclusions from income for the value of property acquired by gift or inheritance) does not apply to the value of any property received by gift or inheritance from a former citizen or former long-term resident (i.e., an individual who relinquished U.S. citizenship or terminated U.S. residency), subject to the exceptions described above relating to certain dual citizens and minors. Accordingly, a U.S. taxpayer who receives a gift or inheritance from such an individual is required to include the value of such gift or inheritance in gross income and is subject to U.S. tax on such amount. Having included the value of the property in income, the recipient would then take a basis in the property equal to that value. The tax does not apply to property that is shown on a timely filed gift tax return and that is a taxable gift by the former citizen or former long-term resident, or property that is shown on a timely filed estate tax return and included in the gross U.S. estate of the former citizen or former long-term resident (regardless of whether the tax liability shown on such a return is reduced by credits, deductions, or exclusions available under the estate and gift tax rules). In addition, the tax does not apply to property in cases in which no estate or gift tax return is required to be filed, where no such return would have been required to be filed if the former citizen or former long-term resident had not relinquished citizenship or terminated residency, as the case may be. Applicable gifts or bequests that are made in trust are treated as made to the beneficiaries of the trust in proportion to their respective interests in the trust.

Information reporting

The Senate amendment provides that certain information reporting requirements under present law (sec. 6039G) applicable to former citizens and former long-term residents also apply for purposes of the provision.

Immigration rules

The Senate amendment amends the immigration rules that deny tax-motivated expatriates reentry into the United States by removing the requirement that the expatriation be tax-motivated, and instead denies former citizens reentry into the United States if the individual is determined not to be in compliance with his or her tax obligations under the provision's expatriation tax provisions (regardless of the subjective motive for expatriating). For this purpose, the provision permits the IRS to disclose certain items of return information of an individual, upon written request of the Attorney General or his delegate, as is necessary for making a determination under section 212(a)(10)(E) of the Immigration and Nationality Act. Specifically, the provision would permit the IRS to disclose to the agency administering section 212(a)(10)(E) whether such taxpayer is in compliance with section 877A and identify the items of noncompliance. Recordkeeping requirements, safeguards, and civil and criminal penalties for unauthorized disclosure or inspection would apply to return information disclosed under this provision.

Effective date

The Senate amendment generally is effective for U.S. citizens who relinquish citizenship or long-term residents who terminate their residency on or after February 5, 2003. The provisions relating to gifts and inheritances are effective for gifts and inheritances received from former citizens and former long-term residents on or after February 5, 2003, whose expatriation or residency termination occurs on or after such date. The provisions relating to former citizens under U.S. immigration laws are effective on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Provisions to discourage corporate expatriation (secs. 341–343 of the Senate amendment and secs. 845(a) and 275(a) and new secs. 7874 and 5000A of the Code)

(a) Tax treatment of inverted corporate entities

PRESENT LAW

Determination of corporate residence

The U.S. tax treatment of a multinational corporate group depends significantly on whether the top-tier ''parent'' corporation of the group is domestic or foreign. For purposes of U.S. tax law, a corporation is treated as domestic if it is incorporated under the law of the United States or of any State. All other corporations (i.e., those incorporated under the laws of foreign countries) are treated as foreign. Thus, place of incorporation determines whether a corporation is treated as domestic or foreign for purposes of U.S. tax law, irrespective of other factors that might be thought to bear on a corporation's ''nationality,'' such as the location of the corporation's management activities, employees, business assets, operations, or revenue sources, the exchanges on which the corporation's stock is traded, or the residence of the corporation's managers and shareholders.

U.S. taxation of domestic corporations

The United States employs a ''worldwide'' tax system, under which domestic corporations generally are taxed on all income, whether derived in the United States or abroad. In order to mitigate the double taxation that may arise from taxing the foreign-source income of a domestic corporation, a foreign tax credit for income taxes paid to foreign countries is provided to reduce or eliminate the U.S. tax owed on such income, subject to certain limitations.

Income earned by a domestic parent corporation from foreign operations conducted by foreign corporate subsidiaries generally is subject to U.S. tax when the income is distributed as a dividend to the domestic corporation. Until such repatriation, the U.S. tax on such income is generally deferred. However, certain anti-deferral regimes may cause the domestic parent corporation to be taxed on a current basis in the United States with respect to certain categories of passive or highly mobile income earned by its foreign subsidiaries, regardless of whether the income has been distributed as a dividend to the domestic parent corporation. The main anti-deferral regimes in this context are the controlled foreign corporation rules of subpart F[212] and the passive foreign investment company rules.[213] A foreign tax credit is generally available to offset, in whole or in part, the U.S. tax owed on this foreign-source income, whether repatriated as an actual dividend or included under one of the anti-deferral regimes.

U.S. taxation of foreign corporations

The United States taxes foreign corporations only on income that has a sufficient nexus to the United States. Thus, a foreign corporation is generally subject to U.S. tax only on income that is ''effectively connected'' with the conduct of a trade or business in the United States. Such ''effectively connected income'' generally is taxed in the same manner and at the same rates as the income of a U.S. corporation. An applicable tax treaty may limit the imposition of U.S. tax on business operations of a foreign corporation to cases in which the business is conducted through a ''permanent establishment'' in the United States.

In addition, foreign corporations generally are subject to a gross-basis U.S. tax at a flat 30-percent rate on the receipt of interest, dividends, rents, royalties, and certain similar types of income derived from U.S. sources, subject to certain exceptions. The tax generally is collected by means of withholding by the person making the payment. This tax may be reduced or eliminated under an applicable tax treaty.

U.S. tax treatment of inversion transactions

Under present law, U.S. corporations may reincorporate in foreign jurisdictions and thereby replace the U.S. parent corporation of a multinational corporate group with a foreign parent corporation. These transactions are commonly referred to as ''inversion'' transactions. Inversion transactions may take many different forms, including stock inversions, asset inversions, and various combinations of and variations on the two. Most of the known transactions to date have been stock inversions. In one example of a stock inversion, a U.S. corporation forms a foreign corporation, which in turn forms a domestic merger subsidiary. The domestic merger subsidiary then merges into the U.S. corporation, with the U.S. corporation surviving, now as a subsidiary of the new foreign corporation. The U.S. corporation's shareholders receive shares of the foreign corporation and are treated as having exchanged their U.S. corporation shares for the foreign corporation shares. An asset inversion reaches a similar result, but through a direct merger of the top-tier U.S. corporation into a new foreign corporation, among other possible forms. An inversion transaction may be accompanied or followed by further restructuring of the corporate group. For example, in the case of a stock inversion, in order to remove income from foreign operations from the U.S. taxing jurisdiction, the U.S. corporation may transfer some or all of its foreign subsidiaries directly to the new foreign parent corporation or other related foreign corporations.

In addition to removing foreign operations from the U.S. taxing jurisdiction, the corporate group may derive further advantage from the inverted structure by reducing U.S. tax on U.S.-source income through various ''earnings stripping'' or other transactions. This may include earnings stripping through payment by a U.S. corporation of deductible amounts such as interest, royalties, rents, or management service fees to the new foreign parent or other foreign affiliates. In this respect, the post-inversion structure enables

[212] Secs. 951–964.

[213] Secs. 1291–1298.

the group to employ the same tax-reduction strategies that are available to other multinational corporate groups with foreign parents and U.S. subsidiaries, subject to the same limitations. These limitations under present law include section 163(j), which limits the deductibility of certain interest paid to related parties, if the payor's debt-equity ratio exceeds 1.5 to 1 and the payor's net interest expense exceeds 50 percent of its ''adjusted taxable income.'' More generally, section 482 and the regulations thereunder require that all transactions between related parties be conducted on terms consistent with an ''arm's length'' standard, and permit the Secretary of the Treasury to reallocate income and deductions among such parties if that standard is not met.

Inversion transactions may give rise to immediate U.S. tax consequences at the shareholder and/or the corporate level, depending on the type of inversion. In stock inversions, the U.S. shareholders generally recognize gain (but not loss) under section 367(a), based on the difference between the fair market value of the foreign corporation shares received and the adjusted basis of the domestic corporation stock exchanged. To the extent that a corporation's share value has declined, and/or it has many foreign or tax-exempt shareholders, the impact of this section 367(a) ''toll charge'' is reduced. The transfer of foreign subsidiaries or other assets to the foreign parent corporation also may give rise to U.S. tax consequences at the corporate level (e.g., gain recognition and earnings and profits inclusions under sections 1001, 311(b), 304, 367, 1248 or other provisions). The tax on any income recognized as a result of these restructurings may be reduced or eliminated through the use of net operating losses, foreign tax credits, and other tax attributes.

In asset inversions, the U.S. corporation generally recognizes gain (but not loss) under section 367(a) as though it had sold all of its assets, but the shareholders generally do not recognize gain or loss, assuming the transaction meets the requirements of a reorganization under section 368.

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment defines two different types of corporate inversion transactions and establishes a different set of consequences for each type. Certain partnership transactions also are covered.

Transactions involving at least 80 percent identity of stock ownership

The first type of inversion is a transaction in which, pursuant to a plan or a series of related transactions: (1) a U.S. corporation becomes a subsidiary of a foreign-incorporated entity or otherwise transfers substantially all of its properties to such an entity;[214] (2) the former shareholders of the U.S. corporation hold (by reason of holding stock in the U.S. corporation) 80 percent or more (by vote or value) of the stock of the foreign-incorporated entity after the transaction; and (3) the foreign-incorporated entity, considered together with all companies connected to it by a chain of greater than 50 percent ownership (i.e., the ''expanded affiliated group''), does not have substantial business activities in the entity's country of incorporation, compared to the total worldwide business activities of the expanded affiliated group. The provision denies the intended tax benefits of this type of inversion by deeming the top-tier foreign corporation to be a domestic corporation for all purposes of the Code.[215]

Except as otherwise provided in regulations, the provision does not apply to a direct or indirect acquisition of the properties of a U.S. corporation no class of the stock of which was traded on an established securities market at any time within the four-year period preceding the acquisition. In determining whether a transaction would meet the definition of an inversion under the provision, stock held by members of the expanded affiliated group that includes the foreign incorporated entity is disregarded. For example, if the former top-tier U.S. corporation receives stock of the foreign incorporated entity (e.g., so-called ''hook'' stock), the stock would not be considered in determining whether the transaction meets the definition. Stock sold in a public offering (whether initial or secondary) or private placement related to the transaction also is disregarded for these purposes. Acquisitions with respect to a domestic corporation or partnership are deemed to be ''pursuant to a plan'' if they occur within the four-year period beginning on the date which is two years before the ownership threshold under the provision is met with respect to such corporation or partnership.

Transfers of properties or liabilities as part of a plan a principal purpose of which is to avoid the purposes of the provision are disregarded. In addition, the Treasury Secretary is granted authority to prevent the avoidance of the purposes of the provision, including avoidance through the use of related persons, pass-through or other noncorporate entities, or other intermediaries, and through transactions designed to qualify or disqualify a person as a related person, a member of an expanded affiliated group, or a publicly traded corporation. Similarly, the Treasury Secretary is granted authority to treat certain non-stock instruments as stock, and certain stock as not stock, where necessary to carry out the purposes of the provision.

Transactions involving greater than 50 percent but less than 80 percent identity of stock ownership

The second type of inversion is a transaction that would meet the definition of an inversion transaction described above, except that the 80-percent ownership threshold is not met. In such a case, if a greater-than-50-percent ownership threshold is met, then a second set of rules applies to the inversion. Under these rules, the inversion transaction is respected (i.e., the foreign corporation is treated as foreign), but: (1) any applicable corporate-level ''toll charges'' for establishing the inverted structure may not be offset by tax attributes such as net operating losses or foreign tax credits; (2) the IRS is given expanded authority to monitor related-party transactions that may be used to reduce U.S. tax on U.S.-source income going forward; and (3) section 163(j), relating to ''earnings stripping'' through related-party debt, is strengthened. These measures generally apply for a 10-year period following the inversion transaction. In addition, inverting entities are required to provide information to shareholders or partners and the IRS with respect to the inversion transaction.

With respect to ''toll charges,'' any applicable corporate-level income or gain required to be recognized under sections 304, 311(b), 367, 1001, 1248, or any other provision with respect to the transfer of controlled foreign corporation stock or other assets by a U.S. corporation as part of the inversion transaction or after such transaction to a related foreign person is taxable, without offset by any tax attributes (e.g., net operating losses or foreign tax credits). To the extent provided in regulations, this rule will not apply to certain transfers of inventory and similar transactions conducted in the ordinary course of the taxpayer's business.

In order to enhance IRS monitoring of related-party transactions, the provision establishes a new pre-filing procedure. Under this procedure, the taxpayer will be required annually to submit an application to the IRS for an agreement that all return positions to be taken by the taxpayer with respect to related-party transactions comply with all relevant provisions of the Code, including sections 163(j), 267(a)(3), 482, and 845. The Treasury Secretary is given the authority to specify the form, content, and supporting information required for this application, as well as the timing for its submission.

The IRS will be required to take one of the following three actions within 90 days of receiving a complete application from a taxpayer: (1) conclude an agreement with the taxpayer that the return positions to be taken with respect to related-party transactions comply with all relevant provisions of the Code; (2) advise the taxpayer that the IRS is satisfied that the application was made in good faith and substantially complies with the requirements set forth by the Treasury Secretary for such an application, but that the IRS reserves substantive judgment as to the tax treatment of the relevant transactions pending the normal audit process; or (3) advise the taxpayer that the IRS has concluded that the application was not made in good faith or does not substantially comply with the requirements set forth by the Treasury Secretary.

In the case of a compliance failure described in (3) above (and in cases in which the taxpayer fails to submit an application), the following sanctions will apply for the taxable year for which the application was required: (1) no deductions or additions to basis or cost of goods sold for payments to foreign related parties will be permitted; (2) any transfers or licenses of intangible property to related foreign parties will be disregarded; and (3) any cost-sharing arrangements will not be respected. In such a case, the taxpayer may seek direct review by the U.S. Tax Court of the IRS's determination of compliance failure.

If the IRS fails to act on the taxpayer's application within 90 days of receipt, then the taxpayer will be treated as having submitted in good faith an application that substantially complies with the above-referenced requirements. Thus, the deduction disallowance and other sanctions described above will not apply, but the IRS will be able to examine the transactions at issue under the normal audit process. The IRS is authorized to request that the taxpayer extend this 90-day deadline in cases in which the IRS believes that such an extension might help the parties to reach an agreement.

The ''earnings stripping'' rules of section 163(j), which deny or defer deductions for certain interest paid to foreign related parties, are strengthened for inverted corporations. With respect to such corporations, the provision eliminates the debt-equity threshold generally applicable under section 163(j) and reduces the 50-percent thresholds for ''excess interest expense'' and ''excess limitation'' to 25 percent.

In cases in which a U.S. corporate group acquires subsidiaries or other assets from an

[214] It is expected that the Treasury Secretary will issue regulations applying the term ''substantially all'' in this context and will not be bound in this regard by interpretations of the term in other contexts under the Code.

[215] Since the top-tier foreign corporation is treated for all purposes of the Code as domestic, the shareholder-level ''toll charge'' of sec. 367(a) does not apply to these inversion transactions. However, with respect to inversion transactions completed before 2004, regulated investment companies and certain similar entities are allowed to elect to recognize gain as if sec. 367(a) did apply.

unrelated inverted corporate group, the provisions described above generally do not apply to the acquiring U.S. corporate group or its related parties (including the newly acquired subsidiaries or assets) by reason of acquiring the subsidiaries or assets that were connected with the inversion transaction. The Treasury Secretary is given authority to issue regulations appropriate to carry out the purposes of this provision and to prevent its abuse.

Partnership transactions

Under the proposal, both types of inversion transactions include certain partnership transactions. Specifically, both parts of the provision apply to transactions in which a foreign-incorporated entity acquires substantially all of the properties constituting a trade or business of a domestic partnership (whether or not publicly traded), if after the acquisition at least 80 percent (or more than 50 percent but less than 80 percent, as the case may be) of the stock of the entity is held by former partners of the partnership (by reason of holding their partnership interests), and the ''substantial business activities'' test is not met. For purposes of determining whether these tests are met, all partnerships that are under common control within the meaning of section 482 are treated as one partnership, except as provided otherwise in regulations. In addition, the modified ''toll charge'' provisions apply at the partner level.

Effective date

The regime applicable to transactions involving at least 80 percent identity of ownership applies to inversion transactions completed after March 20, 2002. The rules for inversion transactions involving greater-than-50-percent identity of ownership apply to inversion transactions completed after 1996 that meet the 50-percent test and to inversion transactions completed after 1996 that would have met the 80-percent test but for the March 20, 2002 date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(b) Excise tax on stock compensation of insiders in inverted corporations

PRESENT LAW

The income taxation of a nonstatutory[216] compensatory stock option is determined under the rules that apply to property transferred in connection with the performance of services (sec. 83). If a nonstatutory stock option does not have a readily ascertainable fair market value at the time of grant, which is generally the case unless the option is actively traded on an established market, no amount is included in the gross income of the recipient with respect to the option until the recipient exercises the option.[217] Upon exercise of such an option, the excess of the fair market value of the stock purchased over the option price is included in the recipient's gross income as ordinary income in such taxable year.

The tax treatment of other forms of stock-based compensation (e.g., restricted stock and stock appreciation rights) is also determined under section 83. The excess of the fair market value over the amount paid (if any) for such property is generally includable in gross income in the first taxable year in which the rights to the property are transferable or are not subject to substantial risk of forfeiture.

Shareholders are generally required to recognize gain upon stock inversion transactions. An inversion transaction is generally not a taxable event for holders of stock options and other stock-based compensation.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, specified holders of stock options and other stock-based compensation are subject to an excise tax upon certain inversion transactions. The provision imposes a 20 percent excise tax on the value of specified stock compensation held (directly or indirectly) by or for the benefit of a disqualified individual, or a member of such individual's family, at any time during the 12–month period beginning six months before the corporation's inversion date. Specified stock compensation is treated as held for the benefit of a disqualified individual if such compensation is held by an entity, e.g., a partnership or trust, in which the individual, or a member of the individual's family, has an ownership interest.

A disqualified individual is any individual who, with respect to a corporation, is, at any time during the 12–month period beginning on the date which is six months before the inversion date, subject to the requirements of section 16(a) of the Securities and Exchange Act of 1934 with respect to the corporation, or any member of the corporation's expanded affiliated group,[218] or would be subject to such requirements if the corporation (or member) were an issuer of equity securities referred to in section 16(a). Disqualified individuals generally include officers (as defined by section 16(a)),[219] directors, and 10–percent owners of private and publicly-held corporations.

The excise tax is imposed on a disqualified individual of an inverted corporation only if gain (if any) is recognized in whole or part by any shareholder by reason of either the 80 percent or 50 percent identity of stock ownership corporate inversion transactions previously described in the provision.

Specified stock compensation subject to the excise tax includes any payment[220] (or right to payment) granted by the inverted corporation (or any member of the corporation's expanded affiliated group) to any person in connection with the performance of services by a disqualified individual for such corporation (or member of the corporation's expanded affiliated group) if the value of the payment or right is based on, or determined by reference to, the value or change in value of stock of such corporation (or any member of the corporation's expanded affiliated group). In determining whether such compensation exists and valuing such compensation, all restrictions, other than non-lapse restrictions, are ignored. Thus, the excise tax applies, and the value subject to the tax is determined, without regard to whether such specified stock compensation is subject to a substantial risk of forfeiture or is exercisable at the time of the inversion transaction. Specified stock compensation includes compensatory stock and restricted stock grants, compensatory stock options, and other forms of stock-based compensation, including stock appreciation rights, phantom stock, and phantom stock options. Specified stock compensation also includes nonqualified deferred compensation that is treated as though it were invested in stock or stock options of the inverting corporation (or member). For example, the provision applies to a disqualified individual's deferred compensation if company stock is one of the actual or deemed investment options under the nonqualified deferred compensation plan.

Specified stock compensation includes a compensation arrangement that gives the disqualified individual an economic stake substantially similar to that of a corporate shareholder. Thus, the excise tax does not apply where a payment is simply triggered by a target value of the corporation's stock or where a payment depends on a performance measure other than the value of the corporation's stock. Similarly, the tax does not apply if the amount of the payment is not directly measured by the value of the stock or an increase in the value of the stock. For example, an arrangement under which a disqualified individual is paid a cash bonus of $500,000 if the corporation's stock increased in value by 25 percent over two years or $1,000,000 if the stock increased by 33 percent over two years is not specified stock compensation, even though the amount of the bonus generally is keyed to an increase in the value of the stock. By contrast, an arrangement under which a disqualified individual is paid a cash bonus equal to $10,000 for every $1 increase in the share price of the corporation's stock is subject to the provision because the direct connection between the compensation amount and the value of the corporation's stock gives the disqualified individual an economic stake substantially similar to that of a shareholder.

The excise tax applies to any such specified stock compensation previously granted to a disqualified individual but cancelled or cashed-out within the six-month period ending with the inversion transaction, and to any specified stock compensation awarded in the six-month period beginning with the inversion transaction. As a result, for example, if a corporation were to cancel outstanding options three months before the transaction and then reissue comparable options three months after the transaction, the tax applies both to the cancelled options and the newly granted options. It is intended that the Treasury Secretary issue guidance to avoid double counting with respect to specified stock compensation that is cancelled and then regranted during the applicable twelve-month period.

Specified stock compensation subject to the tax does not include a statutory stock option or any payment or right from a qualified retirement plan or annuity, a tax-sheltered annuity, a simplified employee pension, or a simple retirement account. In addition, under the provision, the excise tax does not apply to any stock option that is exercised during the six-month period before the inversion or to any stock acquired pursuant to such exercise. The excise tax also does not apply to any specified stock compensation which is sold, exchanged, distributed or cashed-out during such period in a transaction in which gain or loss is recognized in full.

[216] Nonstatutory stock options refer to stock options other than incentive stock options and employee stock purchase plans, the taxation of which is determined under sections 421–424.

[217] If an individual receives a grant of a nonstatutory option that has a readily ascertainable fair market value at the time the option is granted, the excess of the fair market value of the option over the amount paid for the option is included in the recipient's gross income as ordinary income in the first taxable year in which the option is either transferable or not subject to a substantial risk of forfeiture.

[218] An expanded affiliated group is an affiliated group (under section 1504) except that such group is determined without regard to the exceptions for certain corporations and is determined applying a greater than 50 percent threshold, in lieu of the 80 percent test.

[219] An officer is defined as the president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions.

[220] Under the provision, any transfer of property is treated as a payment and any right to a transfer of property is treated as a right to a payment.

For specified stock compensation held on the inversion date, the amount of the tax is determined based on the value of the compensation on such date. The tax imposed on specified stock compensation cancelled during the six-month period before the inversion date is determined based on the value of the compensation on the day before such cancellation, while specified stock compensation granted after the inversion date is valued on the date granted. Under the provision, the cancellation of a non-lapse restriction is treated as a grant.

The value of the specified stock compensation on which the excise tax is imposed is the fair value in the case of stock options (including warrants and other similar rights to acquire stock) and stock appreciation rights and the fair market value for all other forms of compensation. For purposes of the tax, the fair value of an option (or a warrant or other similar right to acquire stock) or a stock appreciation right is determined using an appropriate option-pricing model, as specified or permitted by the Treasury Secretary, that takes into account the stock price at the valuation date; the exercise price under the option; the remaining term of the option; the volatility of the underlying stock and the expected dividends on it; and the risk-free interest rate over the remaining term of the option. Options that have no intrinsic value (or ''spread'') because the exercise price under the option equals or exceeds the fair market value of the stock at valuation nevertheless have a fair value and are subject to tax under the provision. The value of other forms of compensation, such as phantom stock or restricted stock, are the fair market value of the stock as of the date of the inversion transaction. The value of any deferred compensation that could be valued by reference to stock is the amount that the disqualified individual would receive if the plan were to distribute all such deferred compensation in a single sum on the date of the inversion transaction (or the date of cancellation or grant, if applicable). It is expected that the Treasury Secretary issue guidance on valuation of specified stock compensation, including guidance similar to the revenue procedures issued under section 280G, except that the guidance would not permit the use of a term other than the full remaining term. Pending the issuance of guidance, it is intended that taxpayers could rely on the revenue procedures issued under section 280G (except that the full remaining term must be used).

The excise tax also applies to any payment by the inverted corporation or any member of the expanded affiliated group made to an individual, directly or indirectly, in respect of the tax. Whether a payment is made in respect of the tax is determined under all of the facts and circumstances. Any payment made to keep the individual in the same after-tax position that the individual would have been in had the tax not applied is a payment made in respect of the tax. This includes direct payments of the tax and payments to reimburse the individual for payment of the tax. It is expected that the Treasury Secretary issue guidance on determining when a payment is made in respect of the tax and that such guidance would include certain factors that give rise to a rebuttable presumption that a payment is made in respect of the tax, including a rebuttable presumption that if the payment is contingent on the inversion transaction, it is made in respect to the tax. Any payment made in respect of the tax is includible in the income of the individual, but is not deductible by the corporation.

To the extent that a disqualified individual is also a covered employee under section 162(m), the $1,000,000 limit on the deduction allowed for employee remuneration for such employee is reduced by the amount of any payment (including reimbursements) made in respect of the tax under the provision. As discussed above, this includes direct payments of the tax and payments to reimburse the individual for payment of the tax.

The payment of the excise tax has no effect on the subsequent tax treatment of any specified stock compensation. Thus, the payment of the tax has no effect on the individual's basis in any specified stock compensation and no effect on the tax treatment for the individual at the time of exercise of an option or payment of any specified stock compensation, or at the time of any lapse or forfeiture of such specified stock compensation. The payment of the tax is not deductible and has no effect on any deduction that might be allowed at the time of any future exercise or payment.

Under the provision, the Treasury Secretary is authorized to issue regulations as may be necessary or appropriate to carry out the purposes of the section.

Effective date.—The provision is effective as of July 11, 2002, except that periods before July 11, 2002, are not taken into account in applying the tax to specified stock compensation held or cancelled during the six-month period before the inversion date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(c) Reinsurance of United States risks in foreign jurisdictions

PRESENT LAW

In the case of a reinsurance agreement between two or more related persons, present law provides the Treasury Secretary with authority to allocate among the parties or recharacterize income (whether investment income, premium or otherwise), deductions, assets, reserves, credits and any other items related to the reinsurance agreement, or make any other adjustment, in order to reflect the proper source and character of the items for each party.[221] For this purpose, related persons are defined as in section 482. Thus, persons are related if they are organizations, trades or businesses (whether or not incorporated, whether or not organized in the United States, and whether or not affiliated) that are owned or controlled directly or indirectly by the same interests. The provision may apply to a contract even if one of the related parties is not a domestic company.[222] In addition, the provision also permits such allocation, recharacterization, or other adjustments in a case in which one of the parties to a reinsurance agreement is, with respect to any contract covered by the agreement, in effect an agent of another party to the agreement, or a conduit between related persons.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies the rules of section 845, relating to authority for the Treasury Secretary to allocate items among the parties to a reinsurance agreement, recharacterize items, or make any other adjustment, in order to reflect the proper source and character of the items for each party. The proposal authorizes such allocation, recharacterization, or other adjustment, in order to reflect the proper source, character or amount of the item. It is intended that this authority[223] be exercised in a manner similar to the authority under section 482 for the Treasury Secretary to make adjustments between related parties. It is intended that this authority be applied in situations in which the related persons (or agents or conduits) are engaged in cross-border transactions that require allocation, recharacterization, or other adjustments in order to reflect the proper source, character or amount of the item or items. No inference is intended that present law does not provide this authority with respect to reinsurance agreements.

No regulations have been issued under section 845(a). It is expected that the Treasury Secretary will issue regulations under section 845(a) to address effectively the allocation of income (whether investment income, premium or otherwise) and other items, the recharacterization of such items, or any other adjustment necessary to reflect the proper amount, source or character of the item.

Effective date.—The provision is effective for any risk reinsured after April 11, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Doubling of certain penalties, fines, and interest on underpayments related to certain offshore financial arrangements (sec. 344 of the Senate amendment)

PRESENT LAW

In general

The Code contains numerous civil penalties, such as the delinquency, accuracy-related and fraud penalties. These civil penalties are in addition to any interest that may be due as a result of an underpayment of tax. If all or any part of a tax is not paid when due, the Code imposes interest on the underpayment, which is assessed and collected in the same manner as the underlying tax and is subject to the same statute of limitations.

Delinquency penalties

Failure to file.—Under present law, a taxpayer who fails to file a tax return on a timely basis is generally subject to a penalty equal to 5 percent of the net amount of tax due for each month that the return is not filed, up to a maximum of five months or 25 percent. An exception from the penalty applies if the failure is due to reasonable cause. The net amount of tax due is the excess of the amount of the tax required to be shown on the return over the amount of any tax paid on or before the due date prescribed for the payment of tax.

Failure to pay.—Taxpayers who fail to pay their taxes are subject to a penalty of 0.5 percent per month on the unpaid amount, up to a maximum of 25 percent. If a penalty for failure to file and a penalty for failure to pay tax shown on a return both apply for the same month, the amount of the penalty for failure to file for such month is reduced by the amount of the penalty for failure to pay tax shown on a return. If a return is filed more than 60 days after its due date, then the penalty for failure to file tax shown on a return may not reduce the penalty for failure to pay below the lesser of $100 or 100 percent of the amount required to be shown on the return. For any month in which an installment payment agreement with the IRS is in effect, the rate of the penalty is half the usual rate (0.25 percent instead of 0.5 percent), provided that the taxpayer filed the tax return in a timely manner (including extensions).

Failure to make timely deposits of tax.—The penalty for the failure to make timely deposits of tax consists of a four-tiered structure

[221] Sec. 845(a).

[222] See S. Rep. No. 97–494, ''Tax Equity and Fiscal Responsibility Act of 1982,'' July 12, 1982, 337 (describing provisions relating to the repeal of modified coinsurance provisions).

[223] The authority to allocate, recharacterize or make other adjustments was granted in connection with the repeal of provisions relating to modified coinsurance transactions.

in which the amount of the penalty varies with the length of time within which the taxpayer corrects the failure. A depositor is subject to a penalty equal to 2 percent of the amount of the underpayment if the failure is corrected on or before the date that is five days after the prescribed due date. A depositor is subject to a penalty equal to 5 percent of the amount of the underpayment if the failure is corrected after the date that is five days after the prescribed due date but on or before the date that is 15 days after the prescribed due date. A depositor is subject to a penalty equal to 10 percent of the amount of the underpayment if the failure is corrected after the date that is 15 days after the due date but on or before the date that is 10 days after the date of the first delinquency notice to the taxpayer (under sec. 6303). Finally, a depositor is subject to a penalty equal to 15 percent of the amount of the underpayment if the failure is not corrected on or before the date that is 10 days after the date of the day on which notice and demand for immediate payment of tax is given in cases of jeopardy.

An exception from the penalty applies if the failure is due to reasonable cause. In addition, the Secretary may waive the penalty for an inadvertent failure to deposit any tax by specified first-time depositors.

Accuracy-related penalties

The accuracy-related penalty is imposed at a rate of 20 percent of the portion of any underpayment that is attributable, in relevant, to (1) negligence, (2) any substantial understatement of income tax and (3) any substantial valuation misstatement. In addition, the penalty is doubled for certain gross valuation misstatements. These consolidated penalties are also coordinated with the fraud penalty. This statutory structure operates to eliminate any stacking of the penalties.

No penalty is to be imposed if it is shown that there was reasonable cause for an underpayment and the taxpayer acted in good faith. However, Treasury has issued proposed regulations that limit the defenses available to the imposition of an accuracy-related penalty in connection with a reportable transaction when the transaction is not disclosed.

Negligence or disregard for the rules or regulations.—If an underpayment of tax is attributable to negligence, the negligence penalty applies only to the portion of the underpayment that is attributable to negligence. Negligence is any failure to make a reasonable attempt to comply with the provisions of the Code. Disregard includes any careless, reckless or intentional disregard of the rules or regulations.

Substantial understatement of income tax.—Generally, an understatement is substantial if the understatement exceeds the greater of (1) 10 percent of the tax required to be shown on the return for the tax year or (2) $5,000. In determining whether a substantial understatement exists, the amount of the understatement is reduced by any portion attributable to an item if (1) the treatment of the item on the return is or was supported by substantial authority, or (2) facts relevant to the tax treatment of the item were adequately disclosed on the return or on a statement attached to the return.

Substantial valuation misstatement.—A penalty applies to the portion of an underpayment that is attributable to a substantial valuation misstatement. Generally, a substantial valuation misstatement exists if the value or adjusted basis of any property claimed on a return is 200 percent or more of the correct value or adjusted basis. The amount of the penalty for a substantial valuation misstatement is 20 percent of the amount of the underpayment if the value or adjusted basis claimed is 200 percent or more but less than 400 percent of the correct value or adjusted basis. If the value or adjusted basis claimed is 400 percent or more of the correct value or adjusted basis, then the overvaluation is a gross valuation misstatement.

Gross valuation misstatements.—The rate of the accuracy-related penalty is doubled (to 40 percent) in the case of gross valuation misstatements.

Fraud penalty

The fraud penalty is imposed at a rate of 75 percent of the portion of any underpayment that is attributable to fraud. The accuracy-related penalty does not to apply to any portion of an underpayment on which the fraud penalty is imposed.

Interest provisions

Taxpayers are required to pay interest to the IRS whenever there is an underpayment of tax. An underpayment of tax exists whenever the correct amount of tax is not paid by the last date prescribed for the payment of the tax. The last date prescribed for the payment of the income tax is the original due date of the return.

Different interest rates are provided for the payment of interest depending upon the type of taxpayer, whether the interest relates to an underpayment or overpayment, and the size of the underpayment or overpayment. Interest on underpayments is compounded daily.

Offshore Voluntary Compliance Initiative

In January 2003, Treasury announced the Offshore Voluntary Compliance Initiative (''OVCI'') to encourage the voluntary disclosure of previously unreported income placed by taxpayers in offshore accounts and accessed through credit card or other financial arrangements. A taxpayer had to comply with various requirements in order to participate in OVCI, including sending a written request to participate in the program by April 15, 2003. This request had to include information about the taxpayer, the taxpayer's introduction to the credit card or other financial arrangements and the names of parties that promoted the transaction. Taxpayers eligible under OVCI will not be liable for civil fraud, the fraudulent failure to file penalty or the civil information return penalties. The taxpayer will pay back taxes, interest and certain accuracy-related and delinquency penalties.

Voluntary disclosure initiative

A taxpayer's timely, voluntary disclosure of a substantial unreported tax liability has long been an important factor in deciding whether the taxpayer's case should ultimately be referred for criminal prosecution. The voluntary disclosure must be truthful, timely, and complete. The taxpayer must show a willingness to cooperate (as well as actual cooperation) with the IRS in determining the correct tax liability. The taxpayer must make good-faith arrangements with the IRS to pay in full the tax, interest, and any penalties determined by the IRS to be applicable. A voluntary disclosure does not guarantee immunity from prosecution. It creates no substantive or procedural rights for taxpayers.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment would increase the total amount of civil penalties, interest and fines applicable by a factor of two for taxpayers who would have been eligible to participate in either the OVCI or the Treasury Department's voluntary disclosure initiative, which applies to the taxpayer by reason of the taxpayer's underpayment of U.S. income tax liability through certain financing arrangement, but did not participate in either program.

Effective date.—The Senate amendment generally is effective with respect to a taxpayer's open tax years on or after May 8, 2000.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Effectively connected income to include certain foreign source income (sec. 345 of the Senate amendment and sec. 864 of the Code)

PRESENT LAW

Nonresident alien individuals and foreign corporations (collectively, foreign persons) are subject to U.S. tax on income that is effectively connected with the conduct of a U.S. trade or business; the U.S. tax on such income is calculated in the same manner and at the same graduated rates as the tax on U.S. persons.[224] Foreign persons also are subject to a 30-percent gross-basis tax, collected by withholding, on certain U.S.-source income, such as interest, dividends and other fixed or determinable annual or periodical (''FDAP'') income, that is not effectively connected with a U.S. trade or business. This 30-percent withholding tax may be reduced or eliminated pursuant to an applicable tax treaty. Foreign persons generally are not subject to U.S. tax on foreign-source income that is not effectively connected with a U.S. trade or business.

Detailed rules apply for purposes of determining whether income is treated as effectively connected with a U.S. trade or business (so-called ''U.S.-effectively connected income'').[225] The rules differ depending on whether the income at issue is U.S-source or foreign-source income. Under these rules, U.S.-source FDAP income, such as U.S.-source interest and dividends, and U.S.-source capital gains are treated as U.S.-effectively connected income if such income is derived from assets used in or held for use in the active conduct of a U.S. trade or business, or from business activities conducted in the United States. All other types of U.S.-source income are treated as U.S.-effectively connected income (sometimes referred to as the ''force of attraction rule'').

In general, foreign-source income is not treated as U.S.-effectively connected income.[226] However, foreign-source income, gain, deduction, or loss generally is considered to be effectively connected with a U.S. business only if the person has an office or other fixed place of business within the United States to which such income, gain, deduction, or loss is attributable and such income falls into one of three categories described below.[227] For these purposes, income generally is not considered attributable to an office or other fixed place of business within the United States unless such office or fixed place of business is a material factor in the production of the income, and such office or fixed place of business regularly carries on activities of the type that generate such income.[228]

The first category consists of rents or royalties for the use of patents, copyrights, secret processes, or formulas, good will, trademarks, trade brands, franchises, or other like intangible properties derived in the active conduct of the U.S. trade or business.[229] The second category consists of interest or dividends derived in the active conduct of a banking, financing, or similar business within the United States, or received by a corporation whose principal business is trading

[224] Sections 871(b) and 882.
[225] Section 864(c).
[226] Section 864(c)(4).
[227] Section 864(c)(4)(B).
[228] Section 864(c)(5).
[229] Section 864(c)(4)(B)(i).

in stocks or securities for its own account.[230] Notwithstanding the foregoing, foreign-source income consisting of dividends, interest, or royalties is not treated as effectively connected if the items are paid by a foreign corporation in which the recipient owns, directly, indirectly, or constructively, more than 50 percent of the total combined voting power of the stock.[231] The third category consists of income, gain, deduction, or loss derived from the sale or exchange of inventory or property held by the taxpayer primarily for sale to customers in the ordinary course of the trade or business where the property is sold or exchanged outside the United States through the foreign person's U.S. office or other fixed place of business.[232] Such amounts are not treated as effectively connected if the property is sold or exchanged for use, consumption, or disposition outside the United States and an office or other fixed place of business of the taxpayer in a foreign country materially participated in the sale or exchange.

The Code provides sourcing rules for enumerated types of income, including interest, dividends, rents, royalties, and personal services income.[233] For example, interest income generally is sourced based on the residence of the obligor. Dividend income generally is sourced based on the residence of the corporation paying the dividend. Thus, interest paid on obligations of foreign persons and dividends paid by foreign corporations generally are treated as foreign-source income.

Other types of income are not specifically covered by the Code's sourcing rules. For example, fees for accepting or confirming letters of credit have been sourced under principles analogous to the interest sourcing rules.[234] In addition, under regulations, payments in lieu of dividends and interest derived from securities lending transactions are sourced in the same manner as interest and dividends, including for purposes of determining whether such income is effectively connected with a U.S. trade or business.[235] Moreover, income from notional principal contracts (such as interest rate swaps) generally is sourced based on the residence of the recipient of the income.[236]

HOUSE BILL

No provision.

SENATE AMENDMENT

Each category of foreign-source income that is treated as effectively connected with a U.S. trade or business is expanded to include economic equivalents of such income (i.e., economic equivalents of certain foreign-source (1) rents and royalties, (2) dividends and interest, and (3) income on sales or exchanges of goods in the ordinary course of business). Thus, such economic equivalents are treated as U.S.-effectively connected income in the same circumstances that foreign-source rents, royalties, dividends, interest, or certain inventory sales are treated as U.S.-effectively connected income. For example, foreign-source interest and dividend equivalents are treated as U.S.-effectively connected income if the income is attributable to a U.S. office of the foreign person, and such income is derived by such foreign person in the active conduct of a banking, financing, or similar business within the United States, or the foreign person is a corporation whose principal business is trading in stocks or securities for its own account.

Effective date.—The Senate amendment provision is effective for taxable years beginning after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Determination of basis amounts paid from foreign pension plans (sec. 346 of the Senate amendment and sec. 72 of the Code)

PRESENT LAW

Distributions from retirement plans are includible in gross income under the rules relating to annuities[237] and, thus, are generally includible in income, except to the extent the amount received represents investment in the contract (i.e., the participant's basis). The participant's basis includes amounts contributed by the participant, together with certain amounts contributed by the employer, minus the aggregate amount (if any) previously distributed to the extent that such amount was excludable from gross income. Amounts contributed by the employer are included in the calculation of the participant's basis to the extent that such amounts were includible in the gross income of the participant, or to the extent that such amounts would have been excludable from the participant's gross income if they had been paid directly to the participant at the time they were contributed.

Distributions received by nonresidents from U.S. qualified plans and similar arrangements are generally subject to tax to the extent that the amount received is otherwise includible in gross income (i.e., is in excess of the basis) and is from a U.S. source. Employer contributions to qualified plans and other payments for services performed outside the United States generally are not treated as income from a U.S. source, and therefore generally are not subject to U.S. tax.

Under the 1996 U.S. model income tax treaty and many U.S. income tax treaties in force, pension distributions beneficially owned by a resident of a treaty country in consideration for past employment generally are taxable only by the individual recipient's country of residence.[238] Under the 1996 U.S. model income tax treaty and some U.S. income tax treaties, this exclusive residence-based taxation rule is limited to the taxation of amounts that were not previously included in taxable income in the other country. For example, if a treaty country had imposed tax on a resident individual with respect to some portion of a pension plan's earnings, subsequent distributions to a resident of the other country would not be taxable in that country to the extent the distributions were attributable to such amounts.

HOUSE BILL

No provision.

SENATE AMENDMENT

An amount distributed from a foreign pension plan is included in the calculation of the recipient's basis only to the extent that the recipient previously has been subject to taxation, either in the United States or the foreign jurisdiction, on such amount.

Effective date.—The Senate amendment provision is effective for distributions occurring on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Recapture of overall foreign losses on sale of controlled foreign corporation stock (sec. 347 of the Senate amendment and sec. 904 of the Code)

PRESENT LAW

U.S. persons may credit foreign taxes against U.S. tax on foreign-source income. The amount of foreign tax credits that may be claimed in a year is subject to a limitation that prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income. The amount of foreign tax credits generally is limited to the portion of the taxpayer's U.S. tax which the taxpayer's foreign-source taxable income (i.e., foreign-source gross income less allocable expenses or deductions) bears to the taxpayer's worldwide taxable income for the year.[239] Separate limitations are applied to specific categories of income.

Special recapture rules apply in the case of foreign losses for purposes of applying the foreign tax credit limitation.[240] Under these rules, losses for any taxable year in a limitation category which exceed the aggregate amount of foreign income earned in other limitation categories (a so-called ''overall foreign loss'') are recaptured by resourcing foreign-source income earned in a subsequent year as U.S.-source income.[241] The amount resourced as U.S.-source income generally is limited to the lesser of the amount of the overall foreign losses not previously recaptured, or 50 percent of the taxpayer's foreign-source income in a given year (the ''50–percent limit''). Taxpayers may elect to recapture a larger percentage of such losses.

A special recapture rule applies to ensure the recapture of an overall foreign loss where property which was used in a trade or business predominantly outside the United States is disposed of prior to the time the loss has been recaptured.[242] In this regard, dispositions of trade or business property used predominantly outside the United States are treated as having been recognized as foreign-source income (regardless of whether gain would otherwise be recognized upon disposition of the assets), in an amount equal to the lesser of the excess of the fair market value of such property over its adjusted basis, or the amount of unrecaptured overall foreign losses. Such foreign-source income is resourced as U.S.-source income without regard to the 50–percent limit. For example, if a U.S. corporation transfers its foreign branch business assets to a foreign corporation in a nontaxable section 351 transaction, the taxpayer would be treated for purposes of the recapture rules as having recognized foreign-source income in the year of the transfer in an amount equal to the excess of the fair market value of the property disposed over its adjusted basis (or the amount of unrecaptured foreign losses, if smaller). Such income would be recaptured as U.S.-source income to the extent of any prior unrecaptured overall foreign losses.[243]

Detailed rules apply in allocating and apportioning deductions and losses for foreign tax credit limitation purposes. In the case of interest expense, such amounts generally are apportioned to all gross income under an asset method, under which the taxpayer's assets are characterized as producing income in statutory or residual groupings (i.e., foreign-source income in the various limitation categories or U.S.-source income).[244] Interest

[230] Section 864(c)(4)(B)(ii).
[231] Section 864(c)(4)(D)(i).
[232] Section 864(c)(4)(B)(iii).
[233] Sections 861 through 865.
[234] See *Bank of America* v. *United States*, 680 F.2d 142 (Ct. Cl. 1982).
[235] Treas. Reg. sec. 1.864–5(b)(2)(ii).
[236] Treas. Reg. sec. 1.863–7.
[237] Sections 72 and 402.
[238] Some treaties permit source-country taxation but merely reduce the rate of tax imposed on pension benefits.
[239] Section 904(a).
[240] Section 904(f).
[241] Section 904(f)(1).
[242] Section 904(f)(3).
[243] Coordination rules apply in the case of losses recaptured under the branch loss recapture rules. Section 367(a)(3)(C).
[244] Section 864(e) and Temp. Treas. Reg. sec. 1.861–9T.

expense is apportioned among these groupings based on the relative asset values in each. Taxpayers may elect to value assets based on either tax book value or fair market value.

Each corporation that is a member of an affiliated group is required to apportion its interest expense using apportionment fractions determined by reference to all assets of the affiliated group. For this purpose, an affiliated group generally is defined to include only domestic corporations. Stock in a foreign subsidiary, however, is treated as a foreign asset that may attract the allocation of U.S. interest expense for these purposes. If tax basis is used to value assets, the adjusted basis of the stock of certain 10–percent or greater owned foreign corporations or other non-affiliated corporations must be increased by the amount of earnings and profits of such corporation accumulated during the period the U.S. shareholder held the stock.

HOUSE BILL

No provision.

SENATE AMENDMENT

The special recapture rule for overall foreign losses that currently applies to dispositions of foreign trade or business assets is to apply to the disposition of controlled foreign corporation stock. Thus, dispositions of controlled foreign corporation stock are recognized as foreign-source income in an amount equal to the lesser of the fair market value of the stock over its adjusted basis, or the amount of prior unrecaptured overall foreign losses. Such income is resourced as U.S.-source income for foreign tax credit limitation purposes without regard to the 50–percent limit.

Effective date.—The Senate amendment provision is effective as of the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

7. Prevention of mismatching of interest and original issue discount deductions and income inclusions in transactions with related foreign persons (sec. 348 of the Senate amendment and secs. 163 and 267 of the Code)

PRESENT LAW

Income earned by a foreign corporation from its foreign operations generally is subject to U.S. tax only when such income is distributed to any U.S. person that holds stock in such corporation. Accordingly, a U.S. person that conducts foreign operations through a foreign corporation generally is subject to U.S. tax on the income from such operations when the income is repatriated to the United States through a dividend distribution to the U.S. person. The income is reported on the U.S. person's tax return for the year the distribution is received, and the United States imposes tax on such income at that time. However, certain anti-deferral regimes may cause the U.S. person to be taxed on a current basis in the United States with respect to certain categories of passive or highly mobile income earned by the foreign corporations in which the U.S. person holds stock. The main anti-deferral regimes are the controlled foreign corporation rules of subpart F (sections 951–964), the passive foreign investment company rules (sections 1291–1298), and the foreign personal holding company rules (sections 551–558).

As a general rule, there is allowed as a deduction all interest paid or accrued within the taxable year with respect to indebtedness, including the aggregate daily portions of original issue discount (''OID'') of the issuer for the days during such taxable year. However, if a debt instrument is held by a related foreign person, any portion of such OID is not allowable as a deduction to the payor of such instrument until paid (''related-foreign-person rule''). This related-foreign-person rule does not apply to the extent that the OID is effectively connected with the conduct by such foreign related person of a trade or business within the United States (unless such OID is exempt from taxation or is subject to a reduced rate of taxation under a treaty obligation). Treasury regulations further modify the related-foreign-person rule by providing that in the case of a debt owed to a foreign personal holding company (''FPHC''), controlled foreign corporation (''CFC'') or passive foreign investment company (''PFIC''), a deduction is allowed for OID as of the day on which the amount is includible in the income of the FPHC, CFC or PFIC, respectively.

In the case of unpaid stated interest and expenses of related persons, where, by reason of a payee's method of accounting, an amount is not includible in the payee's gross income until it is paid but the unpaid amounts are deductible currently by the payor, the amount generally is allowable as a deduction when such amount is includible in the gross income of the payee. With respect to stated interest and other expenses owed to related foreign corporations, Treasury regulations provide a general rule that requires a taxpayer to use the cash method of accounting with respect to the deduction of amounts owed to such related foreign persons (with an exception for income of a related foreign person that is effectively connected with the conduct of a U.S. trade or business and that is not exempt from taxation or subject to a reduced rate of taxation under a treaty obligation). As in the case of OID, the Treasury regulations additionally provide that in the case of states interest owed to a FPHC, CFC, or PFIC, a deduction is allowed as of the day on which the amount is includible in the income of the FPHC, CFC or PFIC.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment generally provides that deductions for amounts accrued but unpaid (whether by U.S. or foreign persons) to related FPHCs, CFCs, or PFICs are allowable only to the extent that the amounts accrued by the payor are, for U.S. tax purposes, currently included in the income of the direct or indirect U.S. owners of the related foreign person. Deductions that have accrued but are not allowable under this provision are allowed when the amounts are paid.

Effective date.—The Senate amendment provision is effective for payments accrued on or after May 8, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

8. Sale of gasoline and diesel fuel at duty-free sales enterprises (Sec. 349 of the Senate amendment)

PRESENT LAW

A duty-free sales enterprise that meets certain conditions may sell and deliver for export from the customs territory of the United States duty-free merchandise. Duty-free merchandise is merchandise sold by a duty-free sales enterprise on which neither federal duty nor federal tax has been assessed pending exportation from the customs territory of the United States. The duty-free statute does not contain any limitation on what goods may qualify for duty-free treatment.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment amends Section 555(b) of the Tariff Act of 1930 (19 U.S.C. 1555(b)) to provide that gasoline or diesel fuel sold at duty-free enterprises shall be considered to entered for consumption into the United States and thus ineligible for classification as duty-free merchandise.

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

9. Repeal of earned income exclusion for citizens or residents living abroad (sec. 350 of the Senate amendment and sec. 911 of the Code)

PRESENT LAW

U.S. citizens generally are subject to U.S. income tax on all their income, whether derived in the United States or elsewhere. A U.S. citizen who earns income in a foreign country also may be taxed on such income by that foreign country. However, the United States generally cedes the primary right to tax income derived by a U.S. citizen from sources outside the United States to the foreign country where such income is derived. Accordingly, a credit against the U.S. income tax imposed on foreign source taxable income is provided for foreign taxes paid on that income.

U.S. citizens living abroad may be eligible to exclude from their income for U.S. tax purposes certain foreign earned income and foreign housing costs. In order to qualify for these exclusions, a U.S. citizen must be either: (1) a bona fide resident of a foreign country for an uninterrupted period that includes an entire taxable year; or (2) present overseas for 330 days out of any 12-consecutive-month period. In addition, the taxpayer must have his or her tax home in a foreign country.

The exclusion for foreign earned income generally applies to income earned from sources outside the United States as compensation for personal services actually rendered by the taxpayer. The maximum exclusion for foreign earned income for a taxable year is $80,000 (for 2002 and thereafter). For taxable years beginning after 2007, the maximum exclusion amount is indexed for inflation.

The exclusion for housing costs applies to reasonable expenses, other than deductible interest and taxes, paid or incurred by or on behalf of the taxpayer for housing for the taxpayer and his or her spouse and dependents in a foreign country. The exclusion amount for housing costs for a taxable year is equal to the excess of such housing costs for the taxable year over an amount computed pursuant to a specified formula. In the case of housing costs that are not paid or reimbursed by the taxpayer's employer, the amount that would be excludible is treated instead as a deduction.

The combined earned income exclusion and housing cost exclusion may not exceed the taxpayer's total foreign earned income. The taxpayer's foreign tax credit is reduced by the amount of such credit that is attributable to excluded income.

Special exclusions apply in the case of taxpayers who reside in one of the U.S. possessions.

HOUSE BILL

No provision.

SENATE AMENDMENT

The exclusion for foreign earned income and the exclusion or deduction for housing expenses is repealed.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

E. Other Revenue Provisions

1. Extension of IRS user fees (sec. 351 of the Senate amendment and new sec. 7529 of the Code)

PRESENT LAW

The IRS provides written responses to questions of individuals, corporations, and organizations relating to their tax status or the effects of particular transactions for tax purposes. The IRS generally charges a fee for requests for a letter ruling, determination letter, opinion letter, or other similar ruling or determination. Public Law 104–117[245] extended the statutory authorization for these user fees[246] through September 30, 2003.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the statutory authorization for these user fees through September 30, 2013. The Senate amendment also moves the statutory authorization for these fees into the Code.[247]

Effective date.—The Senate amendment provision, including moving the statutory authorization for these fees into the Code and repealing the off-Code statutory authorization for these fees, is effective for requests made after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Add vaccines against hepatitis A to the list of taxable vaccines (sec. 352 of the Senate amendment and sec. 4132 of the Code)

PRESENT LAW

A manufacturer's excise tax is imposed at the rate of 75 cents per dose[248] on the following vaccines routinely recommended for administration to children: diphtheria, pertussis, tetanus, measles, mumps, rubella, polio, HIB (haemophilus influenza type B), hepatitis B, varicella (chicken pox), rotavirus gastroenteritis, and streptococcus pneumoniae. The tax applied to any vaccine that is a combination of vaccine components equals 75 cents times the number of components in the combined vaccine.

Amounts equal to net revenues from this excise tax are deposited in the Vaccine Injury Compensation Trust Fund to finance compensation awards under the Federal Vaccine Injury Compensation Program for individuals who suffer certain injuries following administration of the taxable vaccines.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment adds any vaccine against hepatitis A to the list of taxable vaccines. The Senate amendment also makes a conforming amendment to the trust fund expenditure purposes.

Effective date.—The Senate amendment provision is effective for vaccines sold beginning on the first day of the first month beginning more than four weeks after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Disallowance of certain partnership loss transfers (sec. 353 of the Senate Amendment and secs. 704, 734, and 743 of the Code)

PRESENT LAW

Contributions of property

Under present law, if a partner contributes property to a partnership, no gain or loss generally is recognized to the contributing partner at the time of contribution.[249] The partnership takes the property at an adjusted basis equal to the contributing partner's adjusted basis in the property.[250] The contributing partner increases its basis in its partnership interest by the adjusted basis of the contributed property.[251] Any items of partnership income, gain, loss, and deduction with respect to the contributed property is allocated among the partners to take into account any built-in gain or loss at the time of the contribution.[252] This rule is intended to prevent the transfer of built-in gain or loss from the contributing partner to the other partners by generally allocating items to the noncontributing partners based on the value of their contributions and by allocating to the contributing partner the remainder of each item.[253]

If the contributing partner transfers its partnership interest, the built-in gain or loss will be allocated to the transferee partner as it would have been allocated to the contributing partner.[254] If the contributing partner's interest is liquidated, there is no specific guidance preventing the allocation of the built-in loss to the remaining partners. Thus, it appears that losses can be ''transferred'' to other partners where the contributing partner no longer remains a partner.

Transfers of partnership interests

Under present law, a partnership does not adjust the basis of partnership property following the transfer of a partnership interest unless the partnership has made a one-time election under section 754 to make basis adjustments.[255] If an election is in effect, adjustments are made with respect to the transferee partner in order to account for the difference between the transferee partner's proportionate share of the adjusted basis of the partnership property and the transferee's basis in its partnership interest.[256] These adjustments are intended to adjust the basis of partnership property to approximate the result of a direct purchase of the property by the transferee partner. Under these rules, if a partner purchases an interest in a partnership with an existing built-in loss and no election under section 754 in effect, the transferee partner may be allocated a share of the loss when the partnership disposes of the property (or depreciates the property).

Distributions of partnership property

With certain exceptions, partners may receive distributions of certain partnership property without recognition of gain or loss by either the partner or the partnership.[257] In the case of a distribution in liquidation of a partner's interest, the basis of the property distributed in the liquidation is equal to the partner's adjusted basis in its partnership interest (reduced by any money distributed in the transaction).[258] In a distribution other than in liquidation of a partner's interest, the distributee partner's basis in the distributed property is equal to the partnership's adjusted basis in the property immediately before the distribution, but not to exceed the partner's adjusted basis in the partnership interest (reduced by any money distributed in the same transaction).[259]

Adjustments to the basis of the partnership's undistributed properties are not required unless the partnership has made the election under section 754 to make basis adjustments.[260] If an election is in effect under section 754, adjustments are made by a partnership to increase or decrease the remaining partnership assets to reflect any increase or decrease in the adjusted basis of the distributed properties in the hands of the distributee partner (or gain or loss recognized by the disributee partner).[261] To the extent the adjusted basis of the distributed properties increases (or loss is recognized), the partnership's adjusted basis in its properties is decreased by a like amount; likewise, to the extent the adjusted basis of the distributed properties decrease (or gain is recognized), the partnership's adjusted basis in its properties is increased by a like amount. Under these rules, a partnership with no election in effect under section 754 may distribute property with an adjusted basis lower than the distributee partner's proportionate share of the adjusted basis of all partnership property and leave the remaining partners with a smaller net built-in gain or a larger net built-in loss than before the distribution.

HOUSE BILL

No provision.

SENATE AMENDMENT

Contributions of property

Under the Senate amendment, a built-in loss may be taken into account only by the contributing partner and not by other partners. Except as provided in regulations, in determining the amount of items allocated to partners other than the contributing partner, the basis of the contributed property is treated as the fair market value on the date of contribution. Thus, if the contributing partner's partnership interest is transferred or liquidated, the partnership's adjusted basis in the property is based on its fair market value at the date of contribution, and the built-in loss will be eliminated.[262]

Transfers of partnership interests

The Senate amendment provides that the basis adjustment rules under section 743 are mandatory in the case of the transfer of a partnership interest with respect to which there is a substantial built-in loss (rather than being elective as under present law). For this purpose, a substantial built-in loss exists if the transferee partner's proportionate share of the adjusted basis of the partnership property exceeds by more than $250,000 the transferee partner's basis in the partnership interest.

Thus, for example, assume that partner A sells his partnership interest to B for its fair market value of $1 million. Also assume that

[245] An Act to provide that members of the Armed Forces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone, and for other purposes (March 20, 1996).

[246] These user fees were originally enacted in section 10511 of the Revenue Act of 1987 (Pub. Law No. 100–203, December 22, 1987).

[247] The provision also moves into the Code the user fee provision relating to pension plans that was enacted in section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Pub. L. 107–16, June 7, 2001).

[248] Sec. 4131.

[249] Sec. 721.

[250] Sec. 723.

[251] Sec. 722.

[252] Sec. 704(c)(1)(A).

[253] Where there is an insufficient amount of an item to allocate to the noncontributing partners, Treasury regulations allow for reasonable allocations to remedy this insufficiency. Treas. Reg. sec. 1–704(c) and (d).

[254] Treas. Reg. 1.704–3(a)(7).

[255] Sec. 743(a).

[256] 256 Sec. 743(b).

[257] Sec. 731(a) and (b).

[258] Sec. 732(b).

[259] Sec. 732(a).

[260] Sec. 734(a).

[261] Sec. 734(b).

[262] It is intended that a corporation succeeding to attributes of the contributing corporate partner under section 381 shall be treated in the same manner as the contributing partner.

B's proportionate share of the adjusted basis of the partnership assets is $1.3 million. Under the bill, section 743(b) applies, so that a $300,000 decrease is required to the adjusted basis of the partnership assets with respect to B. As a result, B would recognize no gain or loss if the partnership immediately sold all its assets for their fair market values.

Distribution of partnership property

The Senate amendment provides that a basis adjustment under section 734(b) is required in the case of a distribution with respect to which there is a substantial basis reduction. A substantial basis reduction means a downward adjustment of more than $250,000 that would be made to the basis of partnership assets if a section 754 election were in effect.

Thus, for example, assume that A and B each contributed $2.5 million to a newly formed partnership and C contributed $5 million, and that the partnership purchased LMN stock for $3 million and XYZ stock for $7 million. Assume that the value of each stock declined to $1 million. Assume LMN stock is distributed to C in liquidation of its partnership interest. Under present law, the basis of LMN stock in C's hands is $5 million. Under present law, C would recognize a loss of $4 million if the LMN stock were sold for $1 million.

Under the Senate amendment, however, there is a substantial basis adjustment because the $2 million increase in the adjusted basis of LMN stock (sec. 734(b)(2)(B)) is greater than $250,000. Thus, the partnership is required to decrease the basis of XYZ stock (under section 734(b)(2)) by $2 million (the amount by which the basis LMN stock was increased), leaving a basis of $5 million. If the XYZ stock were then sold by the partnership for $1 million, A and B would each recognize a loss of $2 million.

Effective date.—The provision applies to contributions, transfers, and distributions (as the case may be) after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not contain the provision in the Senate amendment.

4. Treatment of stripped bonds to apply to stripped interests in bond and preferred stock funds (sec. 354 of the Senate amendment and secs. 305 and 1286 of the Code)

PRESENT LAW

Assignment of income in general

In general, an ''income stripping'' transaction involves a transaction in which the right to receive future income from income-producing property is separated from the property itself. In such transactions, it may be possible to generate artificial losses from the disposition of certain property or to defer the recognition of taxable income associated with such property.

Common law has developed a rule (referred to as the ''assignment of income'' doctrine) that income may not be transferred without also transferring the underlying property. A leading judicial decision relating to the assignment of income doctrine involved a case in which a taxpayer made a gift of detachable interest coupons before their due date while retaining the bearer bond. The U.S. Supreme Court ruled that the donor was taxable on the entire amount of interest when paid to the donee on the grounds that the transferor had ''assigned'' to the donee the right to receive the income.[263]

In addition to general common law assignment of income principles, specific statutory rules have been enacted to address certain specific types of stripping transactions, such as transactions involving stripped bonds and stripped preferred stock (which are discussed below).[264] However, there are no specific statutory rules that address stripping transactions with respect to common stock or other equity interests (other than preferred stock).[265]

Stripped bonds

Special rules are provided with respect to the purchaser and ''stripper'' of stripped bonds.[266] A ''stripped bond'' is defined as a debt instrument in which there has been a separation in ownership between the underlying debt instrument and any interest coupon that has not yet become payable.[267] In general, upon the disposition of either the stripped bond or the detached interest coupons, the retained portion and the portion that is disposed of each is treated as a new bond that is purchased at a discount and is payable at a fixed amount on a future date. Accordingly, section 1286 treats both the stripped bond and the detached interest coupons as individual bonds that are newly issued with original issue discount (''OID'') on the date of disposition. Consequently, section 1286 effectively subjects the stripped bond and the detached interest coupons to the general OID periodic income inclusion rules.

A taxpayer who purchases a stripped bond or one or more stripped coupons is treated as holding a new bond that is issued on the purchase date with OID in an amount that is equal to the excess of the stated redemption price at maturity (or in the case of a coupon, the amount payable on the due date) over the ratable share of the purchase price of the stripped bond or coupon, determined on the basis of the respective fair market values of the stripped bond and coupons on the purchase date.[268] The OID on the stripped bond or coupon is includible in gross income under the general OID periodic income inclusion rules.

A taxpayer who strips a bond and disposes of either the stripped bond or one or more stripped coupons must allocate his basis, immediately before the disposition, in the bond (with the coupons attached) between the retained and disposed items.[269] Special rules apply to require that interest or market discount accrued on the bond prior to such disposition must be included in the taxpayer's gross income (to the extent that it had not been previously included in income) at the time the stripping occurs, and the taxpayer increases his basis in the bond by the amount of such accrued interest or market discount. The adjusted basis (as increased by any accrued interest or market discount) is then allocated between the stripped bond and the stripped interest coupons in relation to their respective fair market values. Amounts realized from the sale of stripped coupons or bonds constitute income to the taxpayer only to the extent such amounts exceed the basis allocated to the stripped coupons or bond. With respect to retained items (either the detached coupons or stripped bond), to the extent that the price payable on maturity, or on the due date of the coupons, exceeds the portion of the taxpayer's basis allocable to such retained items, the difference is treated as OID that is required to be included under the general OID periodic income inclusion rules.[270]

Stripped preferred stock

''Stripped preferred stock'' is defined as preferred stock in which there has been a separation in ownership between such stock and any dividend on such stock that has not become payable.[271] A taxpayer who purchases stripped preferred stock is required to include in gross income, as ordinary income, the amounts that would have been includible if the stripped preferred stock was a bond issued on the purchase date with OID equal to the excess of the redemption price of the stock over the purchase price.[272] This treatment is extended to any taxpayer whose basis in the stock is determined by reference to the basis in the hands of the purchaser. A taxpayer who strips and disposes the future dividends is treated as having purchased the stripped preferred stock on the date of such disposition for a purchase price equal to the taxpayer's adjusted basis in the stripped preferred stock.[273]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment authorizes the Treasury Department to promulgate regulations that, in appropriate cases, apply rules that are similar to the present-law rules for stripped bonds and stripped preferred stock to direct or indirect interests in an entity or account substantially all of the assets of which consist of bonds (as defined in section 1286(e)(1)), preferred stock (as defined in section 305(e)(5)(B)), or any combination thereof. The Senate amendment applies only to cases in which the present-law rules for stripped bonds and stripped preferred stock do not already apply to such interests.

For example, such Treasury regulations could apply to a transaction in which a person effectively strips future dividends from shares in a money market mutual fund (and disposes either the stripped shares or stripped future dividends) by contributing the shares (with the future dividends) to a custodial account through which another person purchases rights to either the stripped shares or the stripped future dividends. However, it is intended that Treasury regulations issued under the Senate amendment would not apply to certain transactions involving direct or indirect interests in an entity or account substantially all the assets of which consist of tax-exempt obligations (as defined in section 1275(a)(3)), such as a tax-exempt bond partnership described in Rev. Proc. 2002–68,[274] modifying and superceding Rev. Proc. 2002–16.[275]

[263] *Helvering* v. *Horst*, 311 U.S. 112 (1940).

[264] Depending on the facts, the IRS also could determine that a variety of other Code-based and common law-based authorities could apply to income stripping transactions, including: (1) sections 269, 382, 446(b), 482, 701, or 704 and the regulations thereunder; (2) authorities that recharacterize certain assignments or accelerations of future payments as financings; (3) business purpose, economic substance, and sham transaction doctrines; (4) the step transaction doctrine; and (5) the substance-over-form doctrine. See Notice 95–53, 1995–2 C.B. 334 (accounting for lease strips and other stripping transactions).

[265] However, in *Estate of Stranahan* v. *Commissioner*, 472 F.2d 867 (6th Cir. 1973), the court held that where a taxpayer sold an interest in stock dividends, with no personal obligation to produce the income supporting the dividends, the transaction was treated as a sale of an income interest.

[266] Sec. 1286.

[267] Sec. 1286(e).

[268] Sec. 1286(a).

[269] Sec. 1286(b). Similar rules apply in the case of any person whose basis in any bond or coupon is determined by reference to the basis in the hands of a person who strips the bond.

[270] Special rules are provided with respect to stripping transactions involving tax-exempt obligations that treat OID (computed under the stripping rules) in excess of OID computed on the basis of the bond's coupon rate (or higher rate if originally issued at a discount) as income from a non-tax-exempt debt instrument (sec. 1286(d)).

[271] Sec. 305(e)(5).

[272] Sec. 305(e)(1).

[273] Sec. 305(e)(3).

[274] 2002–43 I.R.B. 753.

[275] 2002–9 I.R.B. 572.

No inference is intended as to the treatment under the present-law rules for stripped bonds and stripped preferred stock, or under any other provisions or doctrines of present law, of interests in an entity or account substantially all of the assets of which consist of bonds, preferred stock, or any combination thereof. The Treasury regulations, when issued, would be applied prospectively, except in cases to prevent abuse.

Effective date.—The Senate amendment provision is effective for purchases and dispositions occurring after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Reporting of taxable mergers and acquisitions (sec. 355 of the Senate amendment and new sec. 6043A of the Code)

PRESENT LAW

Under section 6045 and the regulations thereunder, brokers (defined to include stock transfer agents) are required to make information returns and to provide corresponding payee statements as to sales made on behalf of their customers, subject to the penalty provisions of sections 6721–6724. Under the regulations issued under section 6045, this requirement generally does not apply with respect to taxable transactions other than exchanges for cash (e.g., stock inversion transactions taxable to shareholders by reason of section 367(a)).

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, if gain or loss is recognized in whole or in part by shareholders of a corporation by reason of a second corporation's acquisition of the stock or assets of the first corporation, then the acquiring corporation (or the acquired corporation, if so prescribed by the Treasury Secretary) is required to make a return containing:

(1) A description of the transaction;

(2) The name and address of each shareholder of the acquired corporation that recognizes gain as a result of the transaction (or would recognize gain, if there was a built-in gain on the shareholder's shares);

(3) The amount of money and the value of stock or other consideration paid to each shareholder described above; and

(4) Such other information as the Treasury Secretary may prescribe.

Alternatively, a stock transfer agent who records transfers of stock in such transaction may make the return described above in lieu of the second corporation.

In addition, every person required to make a return described above is required to furnish to each shareholder whose name is required to be set forth in such return a written statement showing:

(1) The name, address, and phone number of the information contact of the person required to make such return;

(2) The information required to be shown on that return; and

(3) Such other information as the Treasury Secretary may prescribe.

This written statement is required to be furnished to the shareholder on or before January 31 of the year following the calendar year during which the transaction occurred.

The present-law penalties for failure to comply with information reporting requirements are extended to failures to comply with the requirements set forth under this proposal.

Effective date.—The Senate amendment provision is effective for acquisitions after the date of enactment of the proposal.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Minimum holding period for foreign tax credit with respect to withholding taxes on income other than dividends (sec. 356 of the Senate amendment and sec. 901 of the Code)

PRESENT LAW

In general, U.S. persons may credit foreign taxes against U.S. tax on foreign-source income. The amount of foreign tax credits that may be claimed in a year is subject to a limitation that prevents taxpayers from using foreign tax credits to offset U.S. tax on U.S.-source income. Separate limitations are applied to specific categories of income.

Present law denies a U.S. shareholder the foreign tax credits normally available with respect to a dividend from a corporation or a regulated investment company (''RIC'') if the shareholder has not held the stock for more than 15 days (within a 30-day testing period) in the case of common stock or more than 45 days (within a 90-day testing period) in the case of preferred stock.[276] The disallowance applies both to foreign tax credits for foreign withholding taxes that are paid on the dividend where the dividend-paying stock is held for less than these holding periods, and to indirect foreign tax credits for taxes paid by a lower-tier foreign corporation or a RIC where any of the required stock in the chain of ownership is held for less than these holding periods. Periods during which a taxpayer is protected from risk of loss (e.g., by purchasing a put option or entering into a short sale with respect to the stock) generally are not counted toward the holding period requirement. In the case of a bona fide contract to sell stock, a special rule applies for purposes of indirect foreign tax credits. The disallowance does not apply to foreign tax credits with respect to certain dividends received by active dealers in securities. If a taxpayer is denied foreign tax credits because the applicable holding period is not satisfied, the taxpayer is entitled to a deduction for the foreign taxes for which the credit is disallowed.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment expands the present-law disallowance of foreign tax credits to include credits for gross-basis foreign withholding taxes with respect to any item of income or gain from property if the taxpayer who receives the income or gain has not held the property for more than 15 days (within a 30-day testing period), exclusive of periods during which the taxpayer is protected from risk of loss. The Senate amendment does not apply to foreign tax credits that are subject to the present-law disallowance with respect to dividends. The Senate amendment also does not apply to certain income or gain that is received with respect to property held by active dealers. Rules similar to the present-law disallowance for foreign tax credits with respect to dividends apply to foreign tax credits that are subject to the Senate amendment. In addition, the Senate amendment authorizes the Treasury Department to issue regulations providing that the Senate amendment does not apply in appropriate cases.

Effective date.—The Senate amendment provision is effective for amounts that are paid or accrued more than 30 days after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[276] Sec. 901(k).

7. Qualified tax collection contracts (sec. 357 of the Senate amendment and new sec. 6306 of the Code)

PRESENT LAW

In fiscal years 1996 and 1997, the Congress earmarked $13 million for IRS to test the use of private debt collection companies. There were several constraints on this pilot project. First, because both IRS and OMB considered the collection of taxes to be an inherently governmental function, only government employees were permitted to collect the taxes.[277] The private debt collection companies were utilized to assist the IRS in locating and contacting taxpayers, reminding them of their outstanding tax liability, and suggesting payment options. If the taxpayer agreed at that point to make a payment, the taxpayer was transferred from the private debt collection company to the IRS. Second, the private debt collection companies were paid a flat fee for services rendered; the amount that was ultimately collected by the IRS was not taken into account in the payment mechanism.

The pilot program was discontinued because of disappointing results. GAO reported[278] that IRS collected $3.1 million attributable to the private debt collection company efforts; expenses were also $3.1 million. In addition, there were lost opportunity costs of $17 million to the IRS because collection personnel were diverted from their usual collection responsibilities to work on the pilot.

The IRS has in the last several years expressed renewed interest in the possible use of private debt collection companies; for example, IRS recently revised its extensive Request for Information concerning its possible use of private debt collection companies.[279]

In general, Federal agencies are permitted to enter into contracts with private debt collection companies for collection services to recover indebtedness owed to the United States.[280] That provision does not apply to the collection of debts under the Internal Revenue Code.[281]

On February 3, 2003, the President submitted to the Congress his fiscal year 2004 budget proposal,[282] which proposed the use of private debt collection companies to collect Federal tax debts.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment permits the IRS to use private debt collection companies to locate and contact taxpayers owing outstanding tax liabilities[283] of any type[284] and to arrange payment of those taxes by the taxpayers. Several steps are involved. First,

[277] Sec. 7801(a).

[278] GAO/GGD–97–129R Issues Affecting IRS' Collection Pilot (July 18, 1997).

[279] TIRNO–03–H–0001 (February 14, 2003), at www.procurement.irs.treas.gov. The basic request for information is 104 pages, and there are 16 additional attachments.

[280] 31 U.S.C. sec. 3718.

[281] 31 U.S.C. sec. 3718(f).

[282] See Office of Management and Budget, Budget of the United States Government, Fiscal Year 2004 (H. Doc. 108–3, Vol. I), p. 274.

[283] There must be an assessment pursuant to section 6201 in order for there to be an outstanding tax liability.

[284] The Senate amendment generally applies to any type of tax imposed under the Internal Revenue Code. It is anticipated that the focus in implementing the provision will be: (a) taxpayers who have filed a return showing a balance due but who have failed to pay that balance in full; and (b) taxpayers who have been assessed additional tax by the IRS and who have made several voluntary payments toward satisfying their obligation but have not paid in full.

the private debt collection company contacts the taxpayer by letter.[285] If the taxpayer's last known address is incorrect, the private debt collection company searches for the correct address. The private debt collection company is not permitted to contact either individuals or employers to locate a taxpayer. Second, the private debt collection company telephones the taxpayer to request full payment.[286] If the taxpayer cannot pay in full immediately, the private debt collection company offers the taxpayer an installment agreement providing for full payment of the taxes over a period of as long as three years. If the taxpayer is unable to pay the outstanding tax liability in full over a three-year period, the private debt collection company obtains financial information from the taxpayer and will provide this information to the IRS for further processing and action by the IRS.

The Senate amendment specifies several procedural conditions under which the provision would operate. First, provisions of the Fair Debt Collection Practices Act apply to the private debt collection company. Second, taxpayer protections that are statutorily applicable to the IRS are also made statutorily applicable to the private sector debt collection companies. Third, the private sector debt collection companies are required to inform taxpayers of the availability of assistance from the Taxpayer Advocate.

The Senate amendment provides that the United States shall not be liable for any act or omission of any person performing services under a qualified debt collection contract. This is designed to encourage these persons to protect taxpayers' rights to the maximum extent possible, since they and their employers will be liable for violations; they will not be able to transfer liability for violations to the United States, which might cause them to be more lax in preventing violations.

The Senate amendment creates a revolving fund from the amounts collected by the private debt collection companies. The private debt collection companies would be paid out of this fund. The provision prohibits the payment of fees for all services in excess of 25 percent of the amount collected under a tax collection contract.[287]

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

8. Extension of customs user fees (sec. 358 of the Senate amendment)

PRESENT LAW

Section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) (P.L. 99–272), authorized the Secretary of the Treasury to collect certain service fees. Section 412 (P.L 107–296) of the Homeland Security Act of 2002 authorized the Secretary of the Treasury to delegate such authority to the Secretary of Homeland Security. Provided for under 19 U.S.C. 58c, these fees include: processing fees for air and sea passengers, commercial trucks, rail cars, private aircraft and vessels, commercial vessels, dutiable mail packages, barges and bulk carriers, merchandise, and Customs broker permits. COBRA was amended on several occasions but most recently by P.L. 103–182 which extended authorization for the collection of these fees through fiscal year 2003.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the fees authorized under the Consolidated Omnibus Budget Reconciliation Act of 1985 through December 31, 2013.

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

9. Modify qualification rules for tax-exempt property and casualty insurance companies (sec. 359 of the Senate amendment and secs. 501 and 831 of the Code)

PRESENT LAW

A property and casualty insurance company is eligible to be exempt from Federal income tax if its net written premiums or direct written premiums (whichever is greater) for the taxable year do not exceed $350,000 (sec. 501(c)(15)).

A property and casualty insurance company may elect to be taxed only on taxable investment income if its net written premiums or direct written premiums (whichever is greater) for the taxable year exceed $350,000, but do not exceed $1.2 million (sec. 831(b)).

For purposes of determining the amount of a company's net written premiums or direct written premiums under these rules, premiums received by all members of a controlled group of corporations of which the company is a part are taken into account. For this purpose, a more-than–50–percent threshhold applies under the vote and value requirements with respect to stock ownership for determining a controlled group, and rules treating a life insurance company as part of a separate controlled group or as an excluded member of a group do not apply (secs. 501(c)(15), 831(b)(2)(B) and 1563).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision modifies the requirements for a property and casualty insurance company to be eligible for tax-exempt status, and to elect to be taxed only on taxable investment income.

Under the Senate amendment provision, a property and casualty insurance company is eligible to be exempt from Federal income tax if (a) its gross receipts for the taxable year do not exceed $600,000, and (b) the premiums received for the taxable year are greater than 50 percent of the gross receipts. For purposes of determining gross receipts, the gross receipts of all members of a controlled group of corporations of which the company is a part are taken into account. The provision expands the present-law controlled group rule so that it also takes into account gross receipts of foreign and tax-exempt corporations.

The Senate amendment provision also provides that a property and casualty insurance company may elect to be taxed only on taxable investment income if its net written premiums or direct written premiums (whichever is greater) do not exceed $1.2 million (without regard to whether such premiums exceed $350,000) (sec. 831(b)). The provision retains the present-law rule that, for purposes of determining the amount of a company's net written premiums or direct written premiums under this rule, premiums received by all members of a controlled group of corporations of which the company is a part are taken into account.

No inference is intended that any company that is not an insurance company (i.e., any company that is not a company whose primary and predominant business activity during the taxable year is the issuing of insurance or annuity contracts or the reinsuring of risks underwritten by insurance companies) can be eligible for tax-exempt status under present-law section 501(c)(15), or under the provision. It is intended that IRS enforcement activities address the misuse of present-law section 501(c)(15).

Further, it is not intended that the provision permitting a property and casualty insurance company to elect to be taxed only on taxable investment income become an area of abuse. While the bill retains the eligibility test based on premiums (rather than gross receipts), it is intended that regulations or other Treasury guidance provide for anti-abuse rules so as to prevent improper use of the provision, including by characterizing as premiums income that is other than premium income.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

10. Authorize IRS to enter into installment agreements that provide for partial payment (sec. 360 of the Senate amendment and sec. 6159 of the Code)

PRESENT LAW

The Code authorizes the IRS to enter into written agreements with any taxpayer under which the taxpayer is allowed to pay taxes owed, as well as interest and penalties, in installment payments if the IRS determines that doing so will facilitate collection of the amounts owed (sec. 6159). An installment agreement does not reduce the amount of taxes, interest, or penalties owed. Generally, during the period installment payments are being made, other IRS enforcement actions (such as levies or seizures) with respect to the taxes included in that agreement are held in abeyance.

Prior to 1998, the IRS administratively entered into installment agreements that provided for partial payment (rather than full payment) of the total amount owed over the period of the agreement. In that year, the IRS Chief Counsel issued a memorandum concluding that partial payment installment agreements were not permitted.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision clarifies that the IRS is authorized to enter into installment agreements with taxpayers that do not provide for full payment of the taxpayer's liability over the life of the agreement. The Senate amendment provision also requires the IRS to review partial payment installment agreements at least every two years. The primary purpose of this review is to determine whether the financial condition of the taxpayer has significantly changed so as to warrant an increase in the value of the payments being made.

Effective date.—The Senate amendment provision is effective for installment agreements entered into on or after the date of enactment.

[285] Several portions of the provision require that the IRS disclose confidential taxpayer information to the private debt collection company. Section 6103(n) permits disclosure for ''the providing of other services * * * for purposes of tax administration.'' Accordingly, no amendment to 6103 is necessary to implement the provision. It is intended, however, that the IRS vigorously protect the privacy of confidential taxpayer information by disclosing the least amount of information possible to contractors consistent with the effective operation of the provision.

[286] The private debt collection company is not permitted to accept payment directly. Payments are required to be processed by IRS employees.

[287] It is assumed that there will be competitive bidding for these contracts by private sector tax collection agencies and that vigorous bidding will drive the overhead costs down.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

11. Extend intangible amortization provisions to sports franchises (sec. 361 of the Senate amendment and sec. 197 of the Code)

PRESENT LAW

The purchase price allocated to intangible assets (including franchise rights) acquired in connection with the acquisition of a trade or business generally must be capitalized and amortized over a 15–year period.[288] These rules were enacted in 1993 to minimize disputes regarding the proper treatment of acquired intangible assets. The rules do not apply to a franchise to engage in professional sports and any intangible asset acquired in connection with such a franchise.[289] However, other special rules apply to certain of these intangible assets.

Under section 1056, when a franchise to conduct a sports enterprise is sold or exchanged, the basis of a player contract acquired as part of the transaction is generally limited to the adjusted basis of such contract in the hands of the transferor, increased by the amount of gain, if any, recognized by the transferor on the transfer of the contract. Moreover, not more than 50 percent of the consideration from the transaction may be allocated to player contracts unless the transferee establishes to the satisfaction of the Commissioner that a specific allocation in excess of 50 percent is proper. However, these basis rules may not apply if a sale or exchange of a franchise to conduct a sports enterprise is effected through a partnership.[290] Basis allocated to the franchise or to other valuable intangible assets acquired with the franchise may not be amortizable if these assets lack a determinable useful life.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the 15–year recovery period for intangible assets to franchises to engage in professional sports and any intangible asset acquired in connection with such a franchise acquisitions of sports franchises (including player contracts). Thus, the same rules for amortization of intangibles that apply to other acquisitions under present law will apply to acquisitions of sports franchises.

Effective date.—The Senate amendment provision is effective for acquisitions occurring after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

12. Deposits made to suspend the running of interest on potential underpayments (sec. 362 of the Senate amendment and new sec. 6603 of the Code)

PRESENT LAW

Generally, interest on underpayments and overpayments continues to accrue during the period that a taxpayer and the IRS dispute a liability. The accrual of interest on an underpayment is suspended if the IRS fails to notify an individual taxpayer in a timely manner, but interest will begin to accrue once the taxpayer is properly notified. No similar suspension is available for other taxpayers.

A taxpayer that wants to limit its exposure to underpayment interest has a limited number of options. The taxpayer can continue to dispute the amount owed and risk paying a significant amount of interest. If the taxpayer continues to dispute the amount and ultimately loses, the taxpayer will be required to pay interest on the underpayment from the original due date of the return until the date of payment.

In order to avoid the accrual of underpayment interest, the taxpayer may choose to pay the disputed amount and immediately file a claim for refund. Payment of the disputed amount will prevent further interest from accruing if the taxpayer loses (since there is no longer any underpayment) and the taxpayer will earn interest on the resultant overpayment if the taxpayer wins. However, the taxpayer will generally lose access to the Tax Court if it follows this alternative. Amounts paid generally cannot be recovered by the taxpayer on demand, but must await final determination of the taxpayer's liability. Even if an overpayment is ultimately determined, overpaid amounts may not be refunded if they are eligible to be offset against other liabilities of the taxpayer.

The taxpayer may also make a deposit in the nature of a cash bond. The procedures for making a deposit in the nature of a cash bond are provided in Rev. Proc. 84–58.

A deposit in the nature of a cash bond will stop the running of interest on an amount of underpayment equal to the deposit, but the deposit does not itself earn interest. A deposit in the nature of a cash bond is not a payment of tax and is not subject to a claim for credit or refund. A deposit in the nature of a cash bond may be made for all or part of the disputed liability and generally may be recovered by the taxpayer prior to a final determination. However, a deposit in the nature of a cash bond need not be refunded to the extent the Secretary determines that the assessment or collection of the tax determined would be in jeopardy, or that the deposit should be applied against another liability of the taxpayer in the same manner as an overpayment of tax. If the taxpayer recovers the deposit prior to final determination and a deficiency is later determined, the taxpayer will not receive credit for the period in which the funds were held as a deposit. The taxable year to which the deposit in the nature of a cash bond relates must be designated, but the taxpayer may request that the deposit be applied to a different year under certain circumstances.

HOUSE BILL

No provision.

SENATE AMENDMENT

In general

The Senate amendment allows a taxpayer to deposit cash with the IRS that the may subsequently be used to pay an underpayment of income, gift, estate, generation-skipping, or certain excise taxes. Interest will not be charged on the portion of the underpayment that is paid by the deposited amount for the period the amount is on deposit. Generally, deposited amounts that have not been used to pay a tax may be withdrawn at any time if the taxpayer so requests in writing. The withdrawn amounts will earn interest at the applicable Federal rate to the extent they are attributable to a disputable tax.

The Secretary may issue rules relating to the making, use, and return of the deposits.

Use of a deposit to offset underpayments of tax

Any amount on deposit may be used to pay an underpayment of tax that is ultimately assessed. If an underpayment is paid in this manner, the taxpayer will not be charged underpayment interest on the portion of the underpayment that is so paid for the period the funds were on deposit.

For example, assume a calendar year individual taxpayer deposits $20,000 on May 15, 2005, with respect to a disputable item on its 2004 income tax return. On April 15, 2007, an examination of the taxpayer's year 2004 income tax return is completed, and the taxpayer and the IRS agree that the taxable year 2004 taxes were underpaid by $25,000. The $20,000 on deposit is used to pay $20,000 of the underpayment, and the taxpayer also pays the remaining $5,000. In this case, the taxpayer will owe underpayment interest from April 15, 2005 (the original due date of the return) to the date of payment (April 15, 2007) only with respect to the $5,000 of the underpayment that is not paid by the deposit. The taxpayer will owe underpayment interest on the remaining $20,000 of the underpayment only from April 15, 2005, to May 15, 2005, the date the $20,000 was deposited.

Withdrawal of amounts

A taxpayer may request the withdrawal of any amount of deposit at any time. The Secretary must comply with the withdrawal request unless the amount has already been used to pay tax or the Secretary properly determines that collection of tax is in jeopardy. Interest will be paid on deposited amounts that are withdrawn at a rate equal to the short-term applicable Federal rate for the period from the date of deposit to a date not more than 30 days preceding the date of the check paying the withdrawal. Interest is not payable to the extent the deposit was not attributable to a disputable tax.

For example, assume a calendar year individual taxpayer receives a 30-day letter showing a deficiency of $20,000 for taxable year 2004 and deposits $20,000 on May 15, 2006. On April 15, 2007, an administrative appeal is completed, and the taxpayer and the IRS agree that the 2004 taxes were underpaid by $15,000. $15,000 of the deposit is used to pay the underpayment. In this case, the taxpayer will owe underpayment interest from April 15, 2005 (the original due date of the return) to May 15, 2006, the date the $20,000 was deposited. Simultaneously with the use of the $15,000 to offset the underpayment, the taxpayer requests the return of the remaining amount of the deposit (after reduction for the underpayment interest owed by the taxpayer from April 15, 2005, to May 15, 2006). This amount must be returned to the taxpayer with interest determined at the short-term applicable Federal rate from the May 15, 2006, to a date not more than 30 days preceding the date of the check repaying the deposit to the taxpayer.

Limitation on amounts for which interest may be allowed

Interest on a deposit that is returned to a taxpayer shall be allowed for any period only to the extent attributable to a disputable item for that period. A disputable item is any item for which the taxpayer 1) has a reasonable basis for the treatment used on its return and 2) reasonably believes that the Secretary also has a reasonable basis for disallowing the taxpayer's treatment of such item.

All items included in a 30-day letter to a taxpayer are deemed disputable for this purpose. Thus, once a 30-day letter has been issued, the disputable amount cannot be less than the amount of the deficiency shown in the 30-day letter. A 30-day letter is the first letter of proposed deficiency that allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

Deposits are not payments of tax

A deposit is not a payment of tax prior to the time the deposited amount is used to pay a tax. Thus, the interest received on withdrawn deposits will not be eligible for the

[288] Sec. 197.

[289] Sec. 197(e)(6).

[290] *P.D.B. Sports, Ltd.* v. *Comm.*, 109 T.C. 423 (1997).

proposed exclusion from income of an individual. Similarly, withdrawal of a deposit will not establish a period for which interest was allowable at the short-term applicable Federal rate for the purpose of establishing a net zero interest rate on a similar amount of underpayment for the same period.

Effective date

The Senate amendment provision applies to deposits made after the date of enactment. Amounts already on deposit as of the date of enactment are treated as deposited (for purposes of applying this provision) on the date the taxpayer identifies the amount as a deposit made pursuant to this provision.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

13. Clarification of rules for payment of estimated tax for certain deemed asset sales (sec. 363 of the Senate amendment and sec. 338 of the Code)

PRESENT LAW

In certain circumstances, taxpayers can make an election under section 338(h)(10) to treat a qualifying purchase of 80 percent of the stock of a target corporation by a corporation from a corporation that is a member of an affiliated group (or a qualifying purchase of 80 percent of the stock of an S corporation by a corporation from S corporation shareholders) as a sale of the assets of the target corporation, rather than as a stock sale. The election must be made jointly by the buyer and seller of the stock and is due by the 15th day of the ninth month beginning after the month in which the acquisition date occurs. An agreement for the purchase and sale of stock often may contain an agreement of the parties to make a section 338(h)(10) election.

Section 338(a) also permits a unilateral election by a buyer corporation to treat a qualified stock purchase of a corporation as a deemed asset acquisition, whether or not the seller of the stock is a corporation (or an S corporation is the target). In such a case, the seller or sellers recognize gain or loss on the stock sale (including any estimated taxes with respect to the stock sale), and the target corporation recognizes gain or loss on the deemed asset sale.

Section 338(h)(13) provides that, for purposes of section 6655 (relating to additions to tax for failure by a corporation to pay estimated income tax), tax attributable to a deemed asset sale under section 338(a)(1) shall not be taken into account.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies section 338(h)(13) to provide that the exception for estimated tax purposes with respect to tax attributable to a deemed asset sale does not apply with respect to a qualified stock purchase for which an election is made under section 338(h)(10).

Under the Senate amendment, if a transaction eligible for the election under section 338(h)(10) occurs, estimated tax would be determined based on the stock sale unless and until there is an agreement of the parties to make a section 338(h)(10) election.

If at the time of the sale there is an agreement of the parties to make a section 338(h)(10) election, then estimated tax is computed based on an asset sale. If the agreement to make a section 338(h)(10) election is concluded after the stock sale, such that the original computation was based on a stock sale, estimated tax is recomputed based on the asset sale election.

No inference is intended as to present law.

Effective date.—The Senate amendment is effective for transactions that occur after the date of enactment of the provision.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

14. Limit deduction for charitable contributions of patents and similar property (sec. 364 of the Senate amendment and sec. 170 of the Code)

PRESENT LAW

In general, a deduction is permitted for charitable contributions, subject to certain limitations that depend on the type of taxpayer, the property contributed, and the donee organization.[291] The amount of deduction generally equals the fair market value of the contributed cash or property on the date of the contribution.

For certain contributions of property, the taxpayer is required to reduce the deduction amount by any gain, generally resulting in a deduction equal to the taxpayer's basis. This rule applies to contributions of: (1) property that, at the time of contribution, would have resulted in short-term capital gain if the property was sold by the taxpayer on the contribution date; (2) tangible personal property that is used by the donee in a manner unrelated to the donee's exempt (or governmental) purpose; and (3) property to or for the use of a private foundation (other than a foundation defined in section 170(b)(1)(E)).

Charitable contributions of capital gain property generally are deductible at fair market value. Capital gain property means any capital asset or property used in the taxpayer's trade or business the sale of which at its fair market value, at the time of contribution, would have resulted in gain that would have been long-term capital gain. Contributions of capital gain property are subject to different percentage limitations than other contributions of property.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision provides that the amount of the deduction for charitable contributions of patents, copyrights, trademarks, trade names, trade secrets, know-how, software, similar property, or applications or registrations of such property may not exceed the taxpayer's basis in the contributed property.

The Senate amendment provision provides the Secretary of the Treasury with the authority to issue regulations or other guidance to prevent avoidance of the purposes of the provision. In general, the provision is intended to prevent taxpayers from claiming a deduction in excess of basis with respect to charitable contributions of patents or similar property. A taxpayer would contravene the purposes of the provision, for example, by engaging in transactions or other activity that manipulated the basis of the contributed property or changed the form of the contributed property in order to increase the amount of the deduction. This might occur, for instance, if a taxpayer, for the purpose of claiming a larger deduction, engaged in activity that increased the basis of the contributed property by using related parties, passthru entities, or other intermediaries or means. The purpose of the provision also would be abused if a taxpayer changed the form of the property by, for example, embedding the property into a product, contributing the product, and claiming a fair market value deduction based in part on the fair market value of the embedded property. In such a case, any guidance issued by the Secretary of the Treasury may provide that the taxpayer is required to separate the embedded property from the related product and treat the charitable contribution as contributions of distinct properties, with each property subject to the applicable deduction rules.

Effective date.—The Senate amendment provision is effective for contributions made after May 7, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

15. Extension of provision permitting qualified transfers of excess pension assets to retiree health accounts (sec. 365 of the Senate amendment, sec. 420 of the Code, and secs. 101, 403, and 408 of ERISA)

PRESENT LAW

Defined benefit plan assets generally may not revert to an employer prior to termination of the plan and satisfaction of all plan liabilities. In addition, a reversion may occur only if the plan so provides. A reversion prior to plan termination may constitute a prohibited transaction and may result in plan disqualification. Any assets that revert to the employer upon plan termination are includible in the gross income of the employer and subject to an excise tax. The excise tax rate is 20 percent if the employer maintains a replacement plan or makes certain benefit increases in connection with the termination; if not, the excise tax rate is 50 percent. Upon plan termination, the accrued benefits of all plan participants are required to be 100-percent vested.

A pension plan may provide medical benefits to retired employees through a separate account that is part of such plan. A qualified transfer of excess assets of a defined benefit plan to such a separate account within the plan may be made in order to fund retiree health benefits.[292] A qualified transfer does not result in plan disqualification, is not a prohibited transaction, and is not treated as a reversion. Thus, transferred assets are not includible in the gross income of the employer and are not subject to the excise tax on reversions. No more than one qualified transfer may be made in any taxable year.

Excess assets generally means the excess, if any, of the value of the plan's assets[293] over the greater of (1) the plan's full funding limit[294] or (2) 125 percent of the plan's current liability. In addition, excess assets transferred in a qualified transfer may not exceed the amount reasonably estimated to be the amount that the employer will pay out of such account during the taxable year of the transfer for qualified current retiree health liabilities. No deduction is allowed to the employer for (1) a qualified transfer or (2) the payment of qualified current retiree health liabilities out of transferred funds (and any income thereon).

Transferred assets (and any income thereon) must be used to pay qualified current retiree health liabilities for the taxable year of the transfer. Transferred amounts generally must benefit pension plan participants, other than key employees, who are entitled upon retirement to receive retiree medical benefits through the separate account. Retiree health benefits of key employees may not be paid out of transferred assets.

[291] Charitable deductions are provided for income, estate, and gift tax purposes. Secs. 170, 2055, and 2522, respectively.

[292] Sec. 420.

[293] The value of plan assets for this purpose is the lesser of fair market value or actuarial value.

[294] A plan's full funding limit is the lesser of (1) for years beginning before January 1, 2004, the applicable percentage of current liability and (2) the plan's accrued liability. The applicable percentage of current liability is 170 percent for 2003. The current liability full funding limit is repealed for years beginning after 2003. Under the general sunset provision of EGTRRA, the limit is reinstated for years after 2010.

Amounts not used to pay qualified current retiree health liabilities for the taxable year of the transfer are to be returned to the general assets of the plan. These amounts are not includible in the gross income of the employer, but are treated as an employer reversion and are subject to the 20-percent reversion tax.

In order for the transfer to be qualified, accrued retirement benefits under the pension plan generally must be 100-percent vested as if the plan terminated immediately before the transfer (or in the case of a participant who separated in the one-year period ending on the date of the transfer, immediately before the separation).

In order for a transfer to be qualified, the employer generally must maintain retiree health benefit costs at the same level for the taxable year of the transfer and the following four years.

In addition, the Employee Retirement Income Security Act of 1974 (''ERISA'') provides that, at least 60 days before the date of a qualified transfer, the employer must notify the Secretary of Labor, the Secretary of the Treasury, employee representatives, and the plan administrator of the transfer, and the plan administrator must notify each plan participant and beneficiary of the transfer.[295]

No qualified transfer may be made after December 31, 2005.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment allows qualified transfers of excess defined benefit plan assets through December 31, 2013.

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

16. Proration rules for life insurance business of property and casualty insurance companies (sec. 366 of the Senate amendment and sec. 832 of the Code)

PRESENT LAW

Life insurance company proration rules

A life insurance company is subject to tax on its life insurance company taxable income (LICTI) (sec. 801). LICTI is life insurance gross income reduced by life insurance deductions. For this purpose, a life insurance company includes in gross income any net decrease in reserves, and deducts a net increase in reserves. Because deductible reserve increases might be viewed as being funded proportionately out of taxable and tax-exempt income, the net increase and net decrease in reserves are computed by reducing the ending balance of the reserve items by the policyholders' share of tax-exempt interest (secs. 807(b)(2)(B) and (b)(1)(B)). Similarly, a life insurance company is allowed a dividends-received deduction for intercorporate dividends from nonaffiliates only in proportion to the company's share of such dividends (secs. 805(a)(4), 812). Fully deductible dividends from affiliates are excluded from the application of this proration formula, if such dividends are not themselves distributions from tax-exempt interest or from dividend income that would not be fully deductible if received directly by the taxpayer. In addition, the proration rule includes in prorated amounts the increase for the taxable year in policy cash values of life insurance policies and annuity and endowment contracts.

Property and casualty insurance company proration rules

The taxable income of a property and casualty insurance company is determined as the sum of its underwriting income and investment income (as well as gains and other income items), reduced by allowable deductions (sec. 832). Underwriting income means premiums earned during the taxable year less losses incurred and expenses incurred. In calculating its reserve for losses incurred, a property and casualty insurance company must reduce the amount of losses incurred by 15 percent of (1) the insurer's tax-exempt interest, (2) the deductible portion of dividends received (with special rules for dividends from affiliates), and (3) the increase for the taxable year in the cash value of life insurance, endowment or annuity contract (sec. 832(b)(5)(B)).

This 15-percent proration requirement was enacted in 1986. The reason the provision was adopted was Congress' belief that ''it is not appropriate to fund loss reserves on a fully deductible basis out of income which may be, in whole or in part, exempt from tax. The amount of the reserves that is deductible should be reduced by a portion of such tax-exempt income to reflect the fact that reserves are generally funded in part from tax-exempt interest or from wholly or partially deductible dividends.''[296]

Property and casualty insurance companies with life insurance reserves

Present law provides that a life insurance company means an insurance company engaged in the business of issuing life insurance, annuity, or noncancellable accident and health insurance, provided its reserves meet a 50–percent threshhold for its reserves (sec. 816). More than 50 percent of its reserves must constitute life insurance reserves or reserves for noncancellable accident and health policies. An insurance company that does not meet this 50–percent threshhold for reserves generally is subject to tax as a property and casualty insurance company. In determining the amount of premiums earned for purposes of calculating its taxable income, a property and casualty insurance company includes in unearned premiums the amount of life insurance reserves determined under the rules applicable to life insurance companies (secs. 832(b)(4), 807).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision provides that the life insurance company proration rules, rather than the property and casualty insurance proration rules, apply with respect to life insurance reserves of a property and casualty company.

Specifically, the Senate amendment provision provides that any deduction attributable to life insurance reserves included in unearned premiums of a property and casualty company under section 832(b)(4) is reduced in the same manner as dividends received deductions of a life insurance company are reduced under the proration rules of section 805(a)(4).[297] In applying the policyholder's share and the company's share under this reduction, section 812 applies with respect to the life insurance business of the property and casualty company. For purposes of applying section 812(d), only the gross investment income attributable to the life insurance reserves referred to in section 832(b)(4) are taken into account. It is expected that Treasury will provide guidance as to reasonable methods of attributing gross investment income to such life insurance reserves.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

17. Modify treatment of transfers to creditors in divisive reorganizations (sec. 367 of the Senate amendment and secs. 357 and 361 of the Code)

PRESENT LAW

Section 355 of the Code permits a corporation (''distributing'') to separate its businesses by distributing a subsidiary tax-free, if certain conditions are met. In cases where the distributing corporation contributes property to the corporation (''controlled') that is to be distributed, no gain or loss is recognized if the property is contributed solely in exchange for stock or securities of the controlled corporation (which are subsequently distributed to distributing's shareholders). The contribution of property to a controlled corporation that is followed by a distribution of its stock and securities may qualify as a reorganization described in section 368(a)(1)(D). That section also applies to certain transactions that do not involve a distribution under section 355 and that are considered 'acquisitive'' rather than ''divisive'' reorganizations.

The contribution in the course of a divisive section 368(a)(1)(D) reorganization is also subject to the rules of section 357(c). That section provides that the transferor corporation will recognize gain if the amount of liabilities assumed by controlled exceeds the basis of the property transferred to it.

Because the contribution transaction in connection with a section 355 distribution is a reorganization under section 368(a)(1)(D), it is also subject to certain rules applicable to both divisive and acquisitive reorganizations. One such rule, in section 361(b), states that a transferor corporation will not recognize gain if it receives money or other property and distributes that money or other property to its shareholders or creditors. The amount of property that may be distributed to creditors without gain recognition is unlimited under this provision.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment limits the amount of money or other property that a distributing corporation can distribute to its creditors without gain recognition under section 361(b) to the amount of the basis of the assets contributed to a controlled corporation in a divisive reorganization. In addition, the Senate amendment provides that acquisitive reorganizations under section 368(a)(1)(D) are no longer subject to the liabilities assumption rules of section 357(c).

Effective date.—The Senate amendment provision is effective for transactions on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

18. Taxation of minor children (sec. 368 of the Senate amendment and sec. 1 of the Code)

PRESENT LAW

Filing requirements for children

Single unmarried individuals eligible to be claimed as a dependent on another taxpayer's return generally must file an individual income tax return if he or she has (1)

[295] ERISA sec. 101(e). ERISA also provides that a qualified transfer is not a prohibited transaction under ERISA or a prohibited reversion.

[296] H. R. Rep. No. 99–426, Report of the Committee on Ways and Means on H.R. 3838, The Tax Reform Act of 1985 (99th Cong., 1st Sess.,), 670.

[297] As under present law, the reserve deduction determined under section 807 for life insurance reserves included in unearned premiums is reduced by the policyholder's share of tax-exempt interest and of the increase in policy cash values (sec. 807 (b)(1)(B)).

earned income only over $4,750 (for 2003), (2) unearned income only over the minimum standard deduction amount for dependents ($750 in 2003), or (3) both earned income and unearned income totaling more than the smaller of (a) $4,750 (for 2003) or (b) the larger of (i) $750 (for 2003), or (ii) earned income plus $250.[298] Thus, if a dependent child has less than $750 in gross income, the child does not have to file an individual income tax return for 2003.

A child who cannot be claimed as a dependent on another person's tax return (e.g., because the support test is not satisfied by any other person) is subject to the generally applicable filing requirements. That is, such an individual generally must file a return if the individual's gross income exceeds the sum of the standard deduction and the personal exemption amounts applicable to the individual.

Taxation of unearned income of minor children

Special rules apply to the unearned income of a child under age 14. These rules, generally referred to as the ''kiddie tax,'' tax certain unearned income of a child at the parent's rate, regardless of whether the child can be claimed as a dependent on the parent's return.[299] The kiddie tax applies if: (1) the child has not reached the age of 14 by the close of the taxable year, (2) the child's investment income was more than $1,500 (for 2003) and (3) the child is required to file a return for the year. The kiddie tax applies regardless of the source of the property generating the income or when the property giving rise to the income was transferred to or otherwise acquired by the child. Thus, for example, the kiddie tax may apply to income from property acquired by the child with compensation derived from the child's personal services or from property given to the child by someone other than the child's parent.

The kiddie tax is calculated by computing the ''allocable parental tax.'' This involves adding the net unearned income of the child to the parent's income and then applying the parent's tax rate. A child's ''net unearned income'' is the child's unearned income less the sum of (1) the minimum standard deduction allowed to dependents ($750 for 2003), and (2) the greater of (a) such minimum standard deduction amount or (b) the amount of allowable itemized deductions that are directly connected with the production of the unearned income.[300] A child's net unearned income cannot exceed the child's taxable income.

The allocable parental tax equals the hypothetical increase in tax to the parent that results from adding the child's net unearned income to the parent's taxable income. If a parent has more than one child subject to the kiddie tax, the net unearned income of all children is combined, and a single kiddie tax is calculated. Each child is then allocated a proportionate share of the hypothetical increase.

If the parents file a joint return, the allocable parental tax is calculated using the income reported on the joint return. In the case of parents who are married but file separate returns, the allocable parental tax is calculated using the income of the parent with the greater amount of taxable income. In the case of unmarried parents, the child's custodial parent is the parent whose taxable income is taken into account in determining the child's liability. If the custodial parent has remarried, the stepparent is treated as the child's other parent. Thus, if the custodial parent and stepparent file a joint return, the kiddie tax is calculated using that joint return. If the custodial parent and stepparent file separate returns, the return of the one with the greater taxable income is used. If the parents are unmarried but lived together all year, the return of the parent with the greater taxable income is used.[301]

Unless the parent elects to include the child's income on the parent's return (as described below) the child files a separate return. In this case, items on the parent's return are not affected by the child's income. The total tax due from a child is the greater of:

(1) the sum of (a) the tax payable by the child on the child's earned income plus (b) the allocable parental tax or;

(2) the tax on the child's income without regard to the kiddie tax provisions.

Parental election to include child's unearned income

Under certain circumstances, a parent may elect to report a child's unearned income on the parent's return. If the election is made, the child is treated as having no income for the year and the child does not have to file a return. The requirements for the election are that:

(1) the child has gross income only from interest and dividends (including capital gains distributions and Alaska Permanent Fund Dividends);[302]

(2) such income is more than the minimum standard deduction amount for dependents ($750 in 2003) and less than 10 times that amount;

(3) no estimated tax payments for the year were made in the child's name and taxpayer identification number;

(4) no backup withholding occurred; and

(5) the child is required to file a return if the parent does not make the election.

Only the parent whose return must be used when calculating the kiddie tax may make the election. The parent includes in income the child's gross income in excess of twice the minimum standard deduction amount for dependents (i.e., the child's gross income in excess of $1,500 for 2003). This amount is taxed at the parent's rate. The parent also must report an additional tax liability equal to the lesser of: (1) $75 (in 2003), or (2) 10 percent of the child's gross income exceeding the child's standard deduction ($750 in 2003).

Including the child's income on the parent's return can affect the parent's deductions and credits that are based on adjusted gross income, as well as income-based phase-outs, limitations, and floors.[303] In addition, certain deductions that the child would have been entitled to take on his or her own return are lost.[304] Further, if the child received tax-exempt interest from a private activity bond, that item is considered a tax preference of the parent for alternative minimum tax purposes.[305]

Taxation of child's compensation for services

Compensation for a child's services, even though not retained by the child, is considered the gross income of the child, not the parent, even if the compensation is not received by the child (e.g. is the parent's income under local law).[306] If the child's income tax is not paid, however, an assessment against the child will be considered as also made against the parent to the extent the assessment is attributable to amounts received for the child's services.[307]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision increases the age of minors to which the kiddie tax provisions apply from under 14 to under 18.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

19. Provide consistent amortization period for intangibles (sec. 369 of the Senate amendment and secs. 195, 248, and 709 of the Code)

PRESENT LAW

At the election of the taxpayer, start-up expenditures[308] and organizational expenditures[309] may be amortized over a period of not less than 60 months, beginning with the month in which the trade or business begins. Start-up expenditures are amounts that would have been deductible as trade or business expenses, had they not been paid or incurred before business began. Organizational expenditures are expenditures that are incident to the creation of a corporation (sec. 248) or the organization of a partnership (sec. 709), are chargeable to capital, and that would be eligible for amortization had they been paid or incurred in connection with the organization of a corporation or partnership with a limited or ascertainable life.

Treasury regulations[310] require that a taxpayer file an election to amortize start-up expenditures no later than the due date for the taxable year in which the trade or business begins. The election must describe the trade or business, indicate the period of amortization (not less than 60 months), describe each start-up expenditure incurred, and indicate the month in which the trade or business began. Similar requirements apply to the election to amortize organizational expenditures. A revised statement may be filed to include start-up and organizational expenditures that were not included on the original statement, but a taxpayer may not include as a start-up expenditure any amount that was previously claimed as a deduction.

Section 197 requires most acquired intangible assets (such as goodwill, trademarks, franchises, and patents) that are held in connection with the conduct of a trade or business or an activity for the production of income to be amortized over 15 years beginning with the month in which the intangible was acquired.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment modifies the treatment of start-up and organizational expeditures. A taxpayer would be allowed to elect to deduct up to $5,000 each of start-up and organizational expenditures in the taxable year in which the trade or business begins. However, each $5,000 amount is reduced (but not below zero) by the amount by which the cumulative cost of start-up or organizational expenditures exceeds $50,000, respectively. Start-up and organizational expenditures that are not deductible in the year in

[298] Sec. 6012(a)(1)(C). Other filing requirements apply to dependents who are married, elderly, or blind. See, Internal Revenue Service, Publication 929, Tax Rules for Children and Dependents, at 3, Table 1 (2002).

[299] Sec. 1(g).

[300] Sec. 1(g)(4).

[301] Sec. 1(g)(5); Internal Revenue Service, Publication 929, Tax Rules for Children and Dependents, at 6 (2002).

[302] Internal Revenue Service, Publication 929, Tax Rules for children andDependents, at 7 (2002).

[303] Internal Revenue Service, Publication 929, Tax Rules for Children and Dependents, at 8 (2002).

[304] Internal Revenue Service, Publication 929, Tax Rules for Children and Dependents, at 7 (2002).

[305] Sec. 1(g)(7)(B).

[306] Sec. 73(a).

[307] Sec. 6201(c).

[308] Sec. 195

[309] Secs. 248 and 709.

[310] Treas. Reg. sec. 1.195–1.

which the trade or business begins would be amortized over a 15–year period consistent with the amortization period for section 197 intangibles.

Effective date.—The Senate amendment provision is effective for start-up and organizational expenditures incurred after the date of enactment. Start-up and organizational expenditures that are incurred on or before the date of enactment would continue to be eligible to be amortized over a period not to exceed 60 months. However, all start-up and organizational expenditures related to a particular trade or business, whether incurred before or after the date of enactment, would be considered in determining whether the cumulative cost of start-up or organizational expenditures exceeds $50,000.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

20. Clarify definition of nonqualified preferred stock (sec. 370 of the Senate amendment and sec. 351 of the Code)

PRESENT LAW

The Taxpayer Relief Act of 1997 amended sections 351, 354, 355, 356, and 1036 to treat ''nonqualified preferred stock'' as boot in corporate transactions, subject to certain exceptions. For this purpose, preferred stock is defined as stock that is ''limited and preferred as to dividends and does not participate in corporate growth to any significant extent.'' Nonqualified preferred stock is defined as any preferred stock if (1) the holder has the right to require the issuer or a related person to redeem or purchase the stock, (2) the issuer or a related person is required to redeem or purchase, (3) the issuer or a related person has the right to redeem or repurchase, and, as of the issue date, it is more likely than nor that such right will be exercised, or (4) the dividend rate varies in whole or in part (directly or indirectly) with reference to interest rates, commodity prices, or similar indices, regardless of whether such varying rate is provided as an express term of the stock (as in the case of an adjustable rate stock) or as a practical result of other aspects of the stock (as in the case of auction stock). For this purpose, clauses (1), (2), and (3) apply if the right or obligation may be exercised within 20 years of the issue date and is not subject to a contingency which, as of the issue date, makes remote the likelihood of the redemption or purchase.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision clarifies the definition of nonqualified preferred stock to ensure that stock for which there is not a real and meaningful likelihood of actually participating in the earnings and profits of the corporation is not considered to be outside the definition of stock that is limited and preferred as to dividends and does not participate in corporate growth to any significant extent.

As one example, instruments that are preferred on liquidation and that are entitled to the same dividends as may be declared on common stock do not escape being nonqualified preferred stock by reason of that right if the corporation does not in fact pay dividends either to its common or preferred stockholders. As another example, stock that entitles the holder to a dividend that is the greater of 7 percent or the dividends common shareholders receive does not avoid being preferred stock if the common shareholders are not expected to receive dividends greater than 7 percent.

No inference is intended as to the characterization of stock under present law that has terms providing for unlimited dividends or participation rights but, based on all the facts and circumstances, is limited and preferred as to dividends and does not participate in corporate growth to any significant extent.

Effective date.—The Senate amendment provision is effective for transactions after May 14, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

21. Establish specific class lives for utility grading costs (sec. 371 of the Senate amendment and sec. 168 of the Code)

PRESENT LAW

A taxpayer is allowed a depreciation deduction for the exhaustion, wear and tear, and obsolescence of property that is used in a trade or business or held for the production of income. For most tangible property placed in service after 1986, the amount of the depreciation deduction is determined under the modified accelerated cost recovery system (MACRS) using a statutorily prescribed depreciation method, recovery period, and placed in service convention. For some assets, the recovery period for the asset is provided in section 168. In other cases, the recovery period of an asset is determined by reference to its class life. The class lives of assets placed in service after 1986 are generally set forth in Revenue Procedure 87–56.[311] If no class life is provided, the asset is allowed a 7–year recovery period under MACRS.

Assets that are used in the transmission and distribution of electricity for sale are included in asset class 49.14, with a class life of 30 years and a MACRS recovery period of 20 years. The cost of initially clearing and grading land improvements are specifically excluded from asset class 49.14. Prior to adoption of the accelerated cost recovery system, the IRS ruled that an average useful life of 84 years for the initial clearing and grading relating to electric transmission lines and 46 years for the initial clearing and grading relating to electric distribution lines, would be accepted. However, the result in this ruling was not incorporated in the asset classes included in Rev. Proc. 87–56 or its predecessors. Accordingly such costs are depreciated over a 7–year recovery period under MACRS as assets for which no class life is provided.

A similar situation exists with regard to gas utility trunk pipelines and related storage facilities. Such assets are included in asset class 49.24, with a class life of 22 years and a MACRS recovery period of 15 years. Initial clearing and grade improvements are specifically excluded from the asset class, and no separate asset class is provided for such costs. Accordingly, such costs are depreciated over a 7–year recovery period under MACRS as assets for which no class life is provided.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment assigns a class life to depreciable electric and gas utility clearing and grading costs incurred to locate transmission and distribution lines and pipelines. The provision includes these assets in the asset classes of the property to which the clearing and grading costs relate (generally, asset class 49.14 for electric utilities and asset class 49.24 for gas utilities, giving these assets a recovery period of 20 years and 15 years, respectively).

Effective date.—The Senate amendment provision is effective for electric and gas utility clearing and grading costs incurred after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

22. Prohibition on nonrecognition of gain through complete liquidation of holding company (sec. 372 of the Senate amendment and secs. 331 and 332 of the Code)

PRESENT LAW

A U.S. corporation owned by foreign persons is subject to U.S. income tax on its net income. In addition, the earnings of the U.S. corporation are subject to a second tax, when dividends are paid to the corporation's shareholders.

In general, dividends paid by a U.S. corporation to nonresident alien individuals and foreign corporations that are not effectively connected with a U.S. trade or business are subject to a U.S. withholding tax on the gross amount of such income at a rate of 30 percent. The 30–percent withholding tax may be reduced pursuant to an income tax treaty between the United States and the foreign country where the foreign person is resident.

In addition, the United States imposes a branch profits tax on U.S. earnings of a foreign corporation that are shifted out of a U.S. branch of the foreign corporation. The branch profits tax is comparable to the second-level taxes imposed on dividends paid by a U.S. corporation to foreign shareholders. The branch profits tax is 30 percent (subject to possible income tax treaty reduction) of a foreign corporation's dividend equivalent amount. The ''dividend equivalent amount'' generally is the earnings and profits of a U.S. branch of a foreign corporation attributable to its income effectively connected with a U.S. trade or business.

In general, U.S. withholding tax is not imposed with respect to a distribution of a U.S. corporation's earnings to a foreign corporation in complete liquidation of the subsidiary, because the distribution is treated as made in exchange for stock and not as a dividend. In addition, detailed rules apply for purposes of exempting foreign corporations from the branch profits tax for the year in which it completely terminates its U.S. business conducted in branch form. The exemption from the branch profits tax generally applies if, among other things, for three years after the termination of the U.S. branch, the foreign corporation has no income effectively connected with a U.S. trade or business, and the U.S. assets of the terminated branch are not used by the foreign corporation or a related corporation in a U.S. trade or business.

Regulations under section 367(e) provide that the Commissioner may require a domestic liquidating corporation to recognize gain on distributions in liquidation made to a foreign corporation if a principal purpose of the liquidation is the avoidance of U.S. tax. Avoidance of U.S. tax for this purpose includes, but is not limited to, the distribution of a liquidating corporation's earnings and profits with a principal purpose of avoiding U.S. tax.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment generally would treat as a dividend any distribution of earnings by a U.S. holding company to a foreign corporation in a complete liquidation, if the U.S. holding company was in existence for less than five years

Effective date.—The Senate amendment would be effective for liquidations and terminations occurring on or after the date of enactment.

[311] 1987–2 C.B. 674 (as clarified and modified by Rev. Proc. 88–22, 1988–1 C.B. 785).

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

23. Lease term to include certain service contracts (sec. 373 of the Senate amendment and sec. 168 of the Code)

PRESENT LAW

Under present law, ''tax-exempt use property'' must be depreciated on a straight-line basis over a recovery period equal to the longer of the property's class life or 125 percent of the lease term.[312] For purposes of this rule, ''tax-exempt use property'' is property that is leased (other than under a short-term lease) to a tax-exempt entity.[313] For this purpose, the term ''tax-exempt entity'' includes Federal, state and local governmental units, charities, and, foreign entities or persons.[314]

In determining the length of the lease term for purposes of the 125 percent calculation, a number of special rules apply. In addition to the stated term of the lease, the lease term includes: (1) Any additional period of time in the realistic contemplation of the parties at the time the property is first put in service; (2) any additional period of time for which either the lessor or lessee has the option to renew the lease (whether or not it is expected that the option will be exercised); (3) any additional period of any successive leases which are part of the same transaction (or series of related transactions) with respect to the same or substantially similar property; and (4) any additional period of time (even if the lessee may not continue to be the lessee during that period), if the lessee (a) has agreed to make a payment in the nature of rent with respect to such period or (b) has assumed or retained any risk of loss with respect to such property for such period.

Tax-exempt use property does not include property that is used by a taxpayer to provide a service to a tax-exempt entity. So long as the relationship between the parties is a *bona fide* service contract, the taxpayer will be allowed to depreciate the property used in satisfying the contract under normal MACRS rules, rather than the rules applicable to tax-exempt use property.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment requires lessors of tax-exempt use property to include the term of optional service contracts and other similar arrangements in the lease term for purposes of determining the recovery period.

Effective date.—The Senate amendment provision is effective for leases and other similar arrangements entered into after the date of enactment. No inference is intended with respect to the tax treatment of leases and other similar arrangements entered into before such date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

24. Exclusion of like-kind exchange property from nonrecognition treatment on the sale or exchange of a principal residence (sec. 374 of the Senate amendment and sec. 121 of the Code)

PRESENT LAW

Under present law, a taxpayer may exclude up to $250,000 ($500,000 if married filing a joint return) of gain realized on the sale or exchange of a principal residence.[315] To be eligible for the exclusion, the taxpayer must have owned and used the residence as a principal residence for at least two of the five years prior to the sale or exchange. A taxpayer who fails to meet these requirements by reason of a change of place of employment, health, or, to the extent provided under regulations, unforeseen circumstances is able to exclude an amount equal to the fraction of the $250,000 ($500,000 if married filing a joint return) that is equal to the fraction of the two years that the ownership and use requirements are met. There are no special rules relating to the sale or exchange of a principal residence that was acquired in a like-kind exchange within the prior five years.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides that the exclusion for gain on the sale or exchange of a principal residence does not apply if the principal residence was acquired in a like-kind exchange in which any gain was not recognized within the prior five years.

Effective date.—The Senate amendment provision is effective for sales or exchanges of principal residences after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

F. Other Provisions

1. Temporary State and local fiscal relief (sec. 381 of the Senate amendment)

PRESENT LAW

No provision.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends relief to States by establishing a temporary fund to provide $10 billion, divided among State and local governments, to be used for health care, education or job training; transportation or infrastructure; law enforcement or public safety; and other essential governmental services, and $10 billion for Medicaid (FMAP).

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement provides relief to States by establishing a temporary fund to provide $10 billion divided among the States to be used for essential government services, and $10 billion for Medicaid (FMAP). Nothing in this subsection shall be construed to preclude consideration of reforms to improve the Medicaid program.

Effective date.—The Senate amendment provision is effective on the date of enactment.

2. Review of State agency blindness and disability determinations (sec. 382 of the Senate amendment)

PRESENT LAW

State agencies are required to conduct blindness and disability determinations to establish an individual's eligibility for: (1) Title II (Federal Old-Age, Survivors, and Disability Insurance (OASDI) benefits); and (2) Title XVI (Supplemental Security Income (SSI)). Disability determinations are made in accordance with disability criteria defined in statute as well as standards promulgated under regulations or other guidance.

Under present law, the Commissioner of Social Security is required to review the State agencies' Title II initial blindness and disability determinations in advance of awarding payment to individuals determined eligible. This requirement for review is met when: (1) at least 50 percent of all such determinations have been reviewed, or (2) other such determinations have been reviewed as necessary to ensure a high level of accuracy. Under present law, there is no similar review for Title XVI.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the initial review requirements for Title XVI SSI blindness and disability determinations with those currently required under Title II.

Effective date.-The Senate amendment provision is effective on effective on October 1, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Prohibition on use of SCHIP funds to provide coverage for childless adults (sec. 383 of the Senate amendment)

PRESENT LAW

Title XXI of the Social Security Act provides states with allocations to provide health insurance for children through State Children Health Insurance Program (SCHIP). In this statute, Congress specified that SCHIP allocations could only be used ''to enable [States] to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner.''[316]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies that SCHIP funds cannot be used for childless adults.

Effective date.-The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Increase Medicaid payments to states with extremely low disproportionate share hospitals (sec. 384 of the Senate amendment)

PRESENT LAW

Since 1981, States have been required to recognize, in establishing their Medicaid payment rates, the situation of hospitals that serve a disproportionate number of Medicaid beneficiaries and low-income patients. These hospitals are known as Disproportionate Share Hospitals (''DSH''). In State defined as extremely low DSH States, DSH payments are statutorily capped at one percent.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment increases the one percent cap on Medicaid payments to States defined as extremely low DSH States. The amendment increases that cap to three percent for fiscal year 2004. Twenty states benefit from this provision.

Effective date.-The Senate amendment provision is effective on the date of enactment for payments made in fiscal year 2004.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

[312] Sec. 168(g)(3)(A).
[313] Sec. 168(h)(1).
[314] Sec. 168(h)(2).
[315] Sec. 121.

[316] Social Security Act section 2101(a).

VI. SMALL BUSINESS AND AGRICULTURAL PROVISIONS

A. Small Business Provisions

1. Exclusion of certain indebtedness of small business investment companies from acquisition indebtedness (sec. 401 of the bill and sec. 514 of the Code)

PRESENT LAW

In general, an organization that is otherwise exempt from Federal income tax is taxed on income from a trade or business that is unrelated to the organization's exempt purposes. Certain types of income, such as rents, royalties, dividends, and interest, generally are excluded from unrelated business taxable income except when such income is derived from ''debt-financed property.'' Debt-financed property generally means any property that is held to produce income and with respect to which there is acquisition indebtedness at any time during the taxable year.

In general, income of a tax-exempt organization that is produced by debt-financed property is treated as unrelated business income in proportion to the acquisition indebtedness on the income-producing property. Acquisition indebtedness generally means the amount of unpaid indebtedness incurred by an organization to acquire or improve the property and indebtedness that would not have been incurred but for the acquisition or improvement of the property.[317] Acquisition indebtedness does not include, however, (1) certain indebtedness incurred in the performance or exercise of a purpose or function constituting the basis of the organization's exemption, (2) obligations to pay certain types of annuities, (3) an obligation, to the extent it is insured by the Federal Housing Administration, to finance the purchase, rehabilitation, or construction of housing for low and moderate income persons, or (4) indebtedness incurred by certain qualified organizations to acquire or improve real property. An extension, renewal, or refinancing of an obligation evidencing a pre-existing indebtedness is not treated as the creation of a new indebtedness.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision modifies the debt-financed property provisions by excluding from the definition of acquisition indebtedness any indebtedness incurred by a small business investment company licensed under the Small Business Investment Act of 1958 that is evidenced by a debenture (1) issued by such company under section 303(a) of said Act, or (2) held or guaranteed by the Small Business Administration.

Effective date.—The Senate amendment provision applies to debt incurred after December 31, 2002, by a small business investment company described in the provision, with respect to property acquired by such company after such date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Repeal of occupational taxes relating to distilled spirits, wine, and beer (sec. 402 of the Senate amendment and secs. 5081, 5091, 5111, 5121, 5131, and 5276 of the Code)

PRESENT LAW

Under present law, special occupational taxes are imposed on producers and others engaged in the marketing of distilled spirits, wine, and beer. These excise taxes are imposed as part of a broader Federal tax and regulatory engine governing the production and marketing of alcoholic beverages. The special occupational taxes are payable annually, on July 1 of each year. The present tax rates are as follows:

Producers[318]:

Distilled spirits and wines (sec. 5081)—$1,000 per year, per premise.

Brewers (sec. 5091)—$1,000 per year, per premise.

Wholesale dealers (sec. 5111): Liquors, wines, or beer—$500 per year.

Retail dealers (sec. 5121): Liquors, wines, or beer—$250 per year.

Nonbeverage use of distilled spirits (sec. 5131)—$500 per year.

Industrial use of distilled spirits (sec. 5276)—$250 per year.

HOUSE BILL

No provision.

SENATE AMENDMENT

The special occupational taxes on producers and marketers of alcoholic beverages are repealed. The recordkeeping and inspection authorities applicable to wholesalers and retailers are retained. For purposes of the recordkeeping requirements for wholesale and retail liquor dealers, the provision provides a rebuttable presumption that a person who sells, or offers for sale, distilled spirits, wine, or beer, in quantities of 20 wine gallons or more to the same person at the same time is engaged in the business of a wholesale dealer in liquors or a wholesale dealer in beer. In addition, the provision retains present-law in that it continues to make it unlawful for any liquor dealer to purchase distilled spirits for resale from any person other than a wholesale liquor dealer subject to the recordkeeping requirements. Existing general criminal penalties relating to records and reports apply to wholesalers and retailers who fail to comply with these requirements.

Effective date.—The Senate amendment provision is effective on July 1, 2003. The provision does not affect liability for taxes imposed with respect to periods before July 1, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Custom gunsmiths (sec. 403 of the Senate amendment and sec. 4182 of the Code)

PRESENT LAW

The Code imposes an excise tax upon the sale by the manufacturer, producer or importer of certain firearms and ammunition (sec. 4181). Pistols and revolvers are taxable at 10 percent. Firearms (other than pistols and revolvers), shells, and cartridges are taxable at 11 percent. The excise tax for firearms imposed on manufacturers, producers, and importers does not apply to machine guns and short barreled firearms (sec. 4182(a)). Sales of firearms, pistols, revolvers, shells and cartridges to the Department of Defense also are exempt from the tax (sec. 4182(b)).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment exempts from the firearms excise tax articles manufactured, produced, or imported by a person who manufactures, produces, and imports less than 50 of such articles during the calendar year. Controlled groups are treated as a single person in determining the 50–article limit.

Effective date.—The Senate amendment provision is effective for articles sold by the manufacturer, producer, or importer on or before the date the first day of the month beginning at least two weeks after the date of enactment. No inference is intended from the prospective effective date of this provision as to the proper treatment of pre-effective date sales.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Simplification of excise tax imposed on bows and arrows (sec. 404 of the Senate amendment and sec. 4161 of the Code)

PRESENT LAW

The Code imposes an excise tax of 11 percent on the sale by a manufacturer, producer or importer of any bow with a draw rate of 10 pounds or more (sec. 4161(b)(1)(A)). An excise tax of 12.4 percent is imposed on the sale by a manufacturer or importer of any shaft, point, nock, or vane designed for use as part of an arrow which after its assembly (1) is over 18 inches long, or (2) is designed for use with a taxable bow (if shorter than 18 inches) (sec. 4161(b)(2)). No tax is imposed on finished arrows. An 11–percent excise tax also is imposed on any part of an accessory for taxable bows and on quivers for use with arrows (1) over 18 inches long or (2) designed for use with a taxable bow (if shorter than 18 inches) (sec. 4161(b)(1)(B)).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment increases the minimum draw weight for a taxable bow from 10 pounds to 30 pounds. The Senate amendment also imposes an excise tax of 12 percent on arrows generally. An arrow for this purpose is defined as an arrow shaft to which additional components are attached. The present law 12.4–percent excise tax on certain arrow components is unchanged by the provision. The Senate amendment provides that the 12–percent excise tax on arrows does not apply if the arrow contains an arrow shaft that was subject to the tax on arrow components. Finally, the Senate amendment subjects certain broadheads (a type of arrow point) to an excise tax equal to 11 percent of the sales price instead of 12.4 percent.

Effective date.—The Senate amendment provision is effective on the date of enactment for articles sold by the manufacturer, producer, or importer.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

B. Agricultural Provisions

1. Capital gains treatment to apply to outright sales of timber by landowner (sec. 411 of the Senate Amendment and sec. 631 of the Code)

PRESENT LAW

Under present law, a taxpayer disposing of timber held for more than one year is eligible for capital gains treatment in three situations. First, if the taxpayer sells or exchanges timber that is a capital asset (sec. 1221) or property used in the trade or business (sec. 1231), the gain generally is long-term capital gain; however, if the timber is held for sale to customers in the taxpayer's business, the gain will be ordinary income. Second, if the taxpayer disposes of the timber with a retained economic interest, the gain is eligible for capital gain treatment (sec. 631(b)). Third, if the taxpayer cuts standing timber, the taxpayer may elect to treat the cutting as a sale or exchange eligible for capital gains treatment (sec. 631(a)).

[317] Special rules apply in the case of an exempt organization that owns a partnership interest in a partnership that holds debt-financed income-producing property. An exempt organization's share of partnership income that is derived from such debt-financed property generally is taxed as debt-financed income unless an exception provides otherwise.

[318] A reduced rate of tax in the amount of $500.00 is imposed on small proprietors (secs. 5081(b) and 5091(b)).

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, in the case of a sale of timber by the owner of the land from which the timber is cut, the requirement that a taxpayer retain an economic interest in the timber in order to treat gains as capital gain under section 631(b) does not apply. Outright sales of timber by the landowner will qualify for capital gains treatment in the same manner as sales with a retained economic interest qualify under present law, except that the usual tax rules relating to the timing of the income from the sale of the timber will apply (rather than the special rule of section 631(b) treating the disposal as occurring on the date the timber is cut).

Effective date.—The Senate amendment provision is effective for sales of timber after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not contain the provision in the Senate amendment.

2. Special rules for livestock sold on account of weather-related conditions (sec. 412 of the Senate amendment and secs. 1033 and 451 of the Code)

PRESENT LAW

A taxpayer generally recognizes gain on the sale of property to the extent the sales price (and any other consideration received) exceeds the seller's basis in the property. The recognized gain is subject to current income tax unless the gain is deferred or not recognized under a special tax provision.

Under section 1033, gain realized by a taxpayer from an involuntary conversion of property is deferred to the extent the taxpayer purchases property similar or related in service or use to the converted property within the applicable period. The taxpayer's basis in the replacement property generally is the same as the taxpayer's basis in the converted property, decreased by the amount of any money or loss recognized on the conversion, and increased by the amount of any gain recognized on the conversion.

The applicable period for the taxpayer to replace the converted property begins with the date of the disposition of the converted property (or if earlier, the earliest date of the threat or imminence of requisition or condemnation of the converted property) and ends two years after the close of the first taxable year in which any part of the gain upon conversion is realized (the ''replacement period''). Special rules extend the replacement period for certain real property and principal residences damaged by a Presidentially declared disaster to three years and four years, respectively, after the close of the first taxable year in which gain is realized.

Section 1033(e) provides that the sale of livestock (other than poultry) that is held for draft, breeding, or dairy purposes in excess of the number of livestock that would have been sold but for drought, flood, or other weather-related conditions is treated as an involuntary conversion. Consequently, gain from the sale of such livestock could be deferred by reinvesting the proceeds of the sale in similar property within a two-year period.

In general, cash-method taxpayers report income in the year it is actually or constructively received. However, section 451(e) provides that a cash-method taxpayer whose principal trade or business is farming who is forced to sell livestock due to drought, flood, or other weather-related conditions may elect to include income from the sale of the livestock in the taxable year following the taxable year of the sale. This elective deferral of income is available only if the taxpayer establishes that, under the taxpayer's usual business practices, the sale would not have occurred but for drought, flood, or weather-related conditions that resulted in the area being designated as eligible for Federal assistance. This exception is generally intended to put taxpayers who receive an unusually high amount of income in one year in the position they would have been in absent the weather-related condition.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the applicable period for a taxpayer to replace livestock sold on account of drought, flood, or other weather-related conditions from two years to four years after the close of the first taxable year in which any part of the gain on conversion is realized. The extension is only available if the taxpayer establishes that, under the taxpayer's usual business practices, the sale would not have occurred but for drought, flood, or weather-related conditions that resulted in the area being designated as eligible for Federal assistance. In addition, the Secretary of the Treasury is granted authority to further extend the replacement period on a regional basis should the weather-related conditions continue longer than three years. For property eligible for the provision's extended replacement period, the provision provides that the taxpayer can make an election under section 451(e) until the period for reinvestment of such property under section 1033 expires.

Effective date.—The Senate amendment provision is effective for any taxable year with respect to which the due date (without regard to extensions) for the return is after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Exclusion from gross income for amounts paid under National Health Service Corps loan repayment program (sec. 413 of the of the Senate amendment and sec. 108 of the Code)

PRESENT LAW

The National Health Service Corps Loan Repayment Program (the ''NHSC Loan Repayment Program'') provides loan repayments to participants on condition that the participants provide certain services. In the case of the NHSC Loan Repayment Program, the recipient of the loan repayment is obligated to provide medical services in a geographic area identified by the Public Health Service as having a shortage of health-care professionals. Loan repayments may be as much as $35,000 per year of service plus a tax assistance payment of 39 percent of the repayment amount.

Generally, gross income means all income from whatever source derived including income for the discharge of indebtedness. However, gross income does not include discharge of indebtedness income if: (1) the discharge occurs in a Title 11 case; (2) the discharge occurs when the taxpayer is insolvent; (3) the indebtedness discharged is qualified farm indebtedness; or (4) except in the case of a C corporation, the indebtedness discharged is qualified real property business indebtedness.

Because the loan repayments provided under the NHSC Loan Repayment Program are not specifically excluded from gross income, they are gross income to the recipient.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision excludes from gross income loan repayments provided under the NHSC Loan Repayment Program.

Effective date.—The Senate amendment provision is effective with respect to amounts received by an individual in taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The Conference agreement does not include the Senate amendment provision.

4. Payment of dividends on stock of cooperatives without reducing patronage dividends (sec. 414 of the Senate amendment and sec. 1388 of the Code)

PRESENT LAW

Under present law, cooperatives generally are entitled to deduct or exclude amounts distributed as patronage dividends in accordance with Subchapter T of the Code. In general, patronage dividends are comprised of amounts that are paid to patrons (1) on the basis of the quantity or value of business done with or for patrons, (2) under a valid and enforceable obligation to pay such amounts that was in existence before the cooperative received the amounts paid, and (3) which are determined by reference to the net earnings of the cooperative from business done with or for patrons.

Treasury Regulations provide that net earnings are reduced by dividends paid on capital stock or other proprietary capital interests (referred to as the ''dividend allocation rule'').[319] The dividend allocation rule has been interpreted to require that such dividends be allocated between a cooperative's patronage and nonpatronage operations, with the amount allocated to the patronage operations reducing the net earnings available for the payment of patronage dividends.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides a special rule for dividends on capital stock of a cooperative. To the extent provided in organizational documents of the cooperative, dividends on capital stock do not reduce patronage income and do not prevent the cooperative from being treated as operating on a cooperative basis.

Effective date.—The Senate amendment provision is effective for distributions made in taxable years ending after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

VII. SIMPLIFICATION AND OTHER PROVISIONS

A. Establish Uniform Definition of a Qualifying Child (Secs. 501 Through 508 of the Senate Amendment and Secs. 2, 21, 24, 32, 151, and 152 of the Code)

PRESENT LAW

In general

Present law contains five commonly used provisions that provide benefits to taxpayers with children: (1) the dependency exemption; (2) the child credit; (3) the earned income credit; (4) the dependent care credit; and (5) head of household filing status. Each provision has separate criteria for determining whether the taxpayer qualifies for the applicable tax benefit with respect to a particular child. The separate criteria include factors such as the relationship (if any) the child must bear to the taxpayer, the age of the child, and whether the child must live with the taxpayer. Thus, a taxpayer is required to apply different definitions to the same individual when determining eligibility for these provisions, and an individual who qualifies a taxpayer for one provision does not automatically qualify the taxpayer for another provision.

[319] Treas. Reg. sec. 1.1388–1(a)(1).

Dependency exemption[320]

In general

Taxpayers are entitled to a personal exemption deduction for the taxpayer, his or her spouse, and each dependent. For 2003, the amount deductible for each personal exemption is $3,050. The deduction for personal exemptions is phased out for taxpayers with incomes above certain thresholds.[321]

In general, a taxpayer is entitled to a dependency exemption for an individual if the individual: (1) satisfies a relationship test or is a member of the taxpayer's household for the entire taxable year; (2) satisfies a support test; (3) satisfies a gross income test or is a child of the taxpayer under a certain age; (4) is a citizen or resident of the U.S. or resident of Canada or Mexico;[322] and (5) did not file a joint return with his or her spouse for the year.[323] In addition, the taxpayer identification number of the individual must be included on the taxpayer's return.

Relationship or member of household test

Relationship test.—The relationship test is satisfied if an individual is the taxpayer's (1) son or daughter or a descendant of either (e.g., grandchild or great-grandchild); (2) stepson or stepdaughter; (3) brother or sister (including half brother, half sister, stepbrother, or stepsister); (4) parent, grandparent, or other direct ancestor (but not foster parent); (5) stepfather or stepmother; (6) brother or sister of the taxpayer's father or mother; (7) son or daughter of the taxpayer's brother or sister; or (8) the taxpayer's father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law.

An adopted child (or a child who is a member of the taxpayer's household and who has been placed with the taxpayer for adoption) is treated as a child of the taxpayer. A foster child is treated as a child of the taxpayer if the foster child is a member of the taxpayer's household for the entire taxable year.

Member of household test.—If the relationship test is not satisfied, then the individual may be considered the dependent of the taxpayer if the individual is a member of the taxpayer's household for the entire year. Thus, a taxpayer may be eligible to claim a dependency exemption with respect to an unrelated child who lives with the taxpayer for the entire year.

For the member of household test to be satisfied, the taxpayer must both maintain the household and occupy the household with the individual.[324] A taxpayer or other individual does not fail to be considered a member of a household because of ''temporary'' absences due to special circumstances, including absences due to illness, education, business, vacation, and military service.[325] Similarly, an individual does not fail to be considered a member of the taxpayer's household due to a custody agreement under which the individual is absent for less than six months.[326] Indefinite absences that last for more than the taxable year may be considered ''temporary.'' For example, the IRS has ruled that an elderly woman who was indefinitely confined to a nursing home was temporarily absent from a taxpayer's household. Under the facts of the ruling, the woman had been an occupant of the household before being confined to a nursing home, the confinement had extended for several years, and it was possible that the woman would die before becoming well enough to return to the taxpayer's household. There was no intent on the part of the taxpayer or the woman to change her principal place of abode.[327]

Support test

In general.—The support test is satisfied if the taxpayer provides over one half of the support of the individual for the taxable year. To determine whether a taxpayer has provided more than one half of an individual's support, the amount the taxpayer contributed to the individual's support is compared with the entire amount of support the individual received from all sources, including the individual's own funds.[328] Governmental payments and subsidies (e.g., Temporary Assistance to Needy Families, food stamps, and housing) generally are treated as support provided by a third party. Expenses that are not directly related to any one member of a household, such as the cost of food for the household, must be divided among the members of the household. If any person furnishes support in kind (e.g., in the form of housing), then the fair market value of that support must be determined.

Multiple support agreements.—In some cases, no one taxpayer provides more than one half of the support of an individual. Instead, two or more taxpayers, each of whom would be able to claim a dependency exemption but for the support test, together provide more than one half of the individual's support. If this occurs, the taxpayers may agree to designate that one of the taxpayers who individually provides more than 10 percent of the individual's support can claim a dependency exemption for the child. Each of the others must sign a written statement agreeing not to claim the exemption for that year. The statements must be filed with the income tax return of the taxpayer who claims the exemption.

Special rules for divorced or legally separated parents.—Special rules apply in the case of a child of divorced or legally separated parents (or parents who live apart at all times during the last six months of the year) who provide over one half the child's support during the calendar year.[329] If such a child is in the custody of one or both of the parents for more than one half of the year, then the parent having custody for the greater portion of the year is deemed to satisfy the support test; however, the custodial parent may release the dependency exemption to the noncustodial parent by filing a written declaration with the IRS.[330]

Gross income test

In general, an individual may not be claimed as a dependent of a taxpayer if the individual has gross income that is at least equal to the personal exemption amount for the taxable year.[331] If the individual is the child of the taxpayer and under age 19 (or under age 24, if a full-time student), the gross income test does not apply.[332] For purposes of this rule, a ''child'' means a son, daughter, stepson, or stepdaughter (including an adopted child of the taxpayer, a foster child who resides with the taxpayer for the entire year, or a child placed with the taxpayer for adoption by an authorized adoption agency).

Earned income credit[333]

In general

In general, the earned income credit is a refundable credit for low-income workers. The amount of the credit depends on the earned income of the taxpayer and whether the taxpayer has one, more than one, or no ''qualifying children.'' In order to be a qualifying child for the earned income credit, an individual must satisfy a relationship test, a residency test, and an age test. In addition, the name, age, and taxpayer identification number of the qualifying child must be included on the return.

Relationship test

An individual satisfies the relationship test under the earned income credit if the individual is the taxpayer's: (1) son, daughter, stepson, or stepdaughter, or a descendant of any such individual;[334] (2) brother, sister, stepbrother, or stepsister, or a descendant of any such individual, who the taxpayer cares for as the taxpayer's own child; or (3) eligible foster child. An eligible foster child is an individual (1) who is placed with the taxpayer by an authorized placement agency, and (2) who the taxpayer cares for as her or his own child. A married child of the taxpayer is not treated as meeting the relationship test unless the taxpayer is entitled to a dependency exemption with respect to the married child (e.g., the support test is satisfied) or would be entitled to the exemption if the taxpayer had not waived the exemption to the noncustodial parent.[335]

Residency test

The residency test is satisfied if the individual has the same principal place of abode as the taxpayer for more than one half of the taxable year. The residence must be in the United States.[336] As under the dependency exemption (and head of household filing status), temporary absences due to special circumstances, including absences due to illness, education, business, vacation, and military service are not treated as absences for purposes of determining whether the residency test is satisfied.[337] Under the earned income credit, there is no requirement that the taxpayer maintain the household in which the taxpayer and the qualifying individual reside.

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[320] Secs. 151 and 152. Under the statutory structure, section 151 provides for the deduction for personal exemptions with respect to ''dependents.'' The term ''dependent'' is defined in section 152. Most of the requirements regarding dependents are contained in section 152; section 151 contains additional requirements that must be satisfied in order to obtain a dependency exemption with respect to a dependent (as so defined). In particular, section 151 contains the gross income test, the rules relating to married dependents filing a joint return, and the requirement for a taxpayer identification number. The other rules discussed here are contained in section 151.

[321] Sec. 151(d)(3).

[322] A legally adopted child who does not satisfy the residency or citizenship requirement may nevertheless qualify as a dependent (provided other applicable requirements are met) if (1) the child's principal place of abode is the taxpayer's home and (2) the taxpayer is a citizen or national of the United States. Sec. 152(b)(3).

[323] This restriction does not apply if the return was filed solely to obtain a refund and no tax liability would exist for either spouse if they filed separate returns. Rev. Rul. 54–567, 1954–2 C.B. 108.

[324] Treas. Reg. sec. 1.152–1(b).

[325] Id.

[326] Id.

[327] Rev. Rul. 66–28, 1966–1 C.B. 31.

[328] In the case of a son, daughter, stepson, or stepdaughter of the taxpayer who is a full-time student, scholarships are not taken into account for purpose of the support test. Sec. 152(d).

[329] For purposes of this rule, a ''child'' means a son, daughter, stepson, or stepdaughter (including an adopted child or foster child, or child placed with the taxpayer for adoption). Sec. 152(e)(1)(A).

[330] Special support rules also apply in the case of certain pre–1985 agreements between divorced or legally separated parents. Sec. 152(e)(4).

[331] Certain income from sheltered workshops is not taken into account in determining the gross income of permanently and totally disabled individuals. Sec. 151(c)(5).

[332] Sec. 151(c).

[333] Sec. 32.

[334] A child who is legally adopted or placed with the taxpayer for adoption by an authorized adoption agency is treated as the taxpayer's own child. Sec. 32(c)(3)(B)(iv).

[335] Sec. 32(c)(3)(B)(ii).

[336] The principal place of abode of a member of the Armed Services is treated as in the United States during any period during which the individual is stationed outside the United States on active duty. Sec. 32(c)(4).

[337] IRS Publication 596, Earned Income Credit (EIC), at 13. H. Rep. 101–964 (October 27, 1990), at 1037.

Age test

In general, the age test is satisfied if the individual has not attained age 19 as of the close of the calendar year. In the case of a full-time student, the age test is satisfied if the individual has not attained age 24 as of the close of the calendar year. In the case of an individual who is permanently and totally disabled, no age limit applies.

Child credit[338]

Taxpayers with incomes below certain amounts are eligible for a child credit for each qualifying child of the taxpayer. The amount of the child credit is up to $600, in the case of taxable years beginning in 2003 or 2004. The child credit increases to $700 for taxable years beginning in 2005 through 2008, $800 for taxable years beginning in 2009, and $1,000 for taxable years beginning in 2010. The credit declines to $500 in taxable year 2011.[339] For purposes of this credit, a qualifying child is an individual: (1) with respect to whom the taxpayer is entitled to a dependency exemption for the year; (2) who satisfies the same relationship test applicable to the earned income credit; and (3) who has not attained age 17 as of the close of the calendar year. In addition, the child must be a citizen or resident of the United States.[340] A portion of the child credit is refundable under certain circumstances.[341]

Dependent care credit[342]

The dependent care credit may be claimed by a taxpayer who maintains a household that includes one or more qualifying individuals and who has employment-related expenses. A qualifying individual means (1) a dependent of the taxpayer under age 13 for whom the taxpayer is entitled to a dependency exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself or herself,[343] or (3) the spouse of the taxpayer, if the spouse is physically or mentally incapable of caring for himself or herself. In addition, a taxpayer identification number for the qualifying individual must be included on the return.

A taxpayer is considered to maintain a household for a period if over one half the cost of maintaining the household for the period is furnished by the taxpayer (or, if married, the taxpayer and his or her spouse). Costs of maintaining the household include expenses such as rent, mortgage interest (but not principal), real estate taxes, insurance on the home, repairs (but not home improvements), utilities, and food eaten in the home.

A special rule applies in the case of a child who is under age 13 or is physically or mentally incapable of caring for himself or herself if the custodial parent has waived his or her dependency exemption to the noncustodial parent.[344] For the dependent care credit, the child is treated as a qualifying individual with respect to the custodial parent, not the parent entitled to claim the dependency exemption.

Head of household filing status[345]

A taxpayer may claim head of household filing status if the taxpayer is unmarried (and not a surviving spouse) and pays more than one half of the cost of maintaining as his or her home a household which is the principal place of abode for more than one half of the year of (1) an unmarried son, daughter, stepson or stepdaughter of the taxpayer or an unmarried descendant of the taxpayer's son or daughter, (2) an individual described in (1) who is married, if the taxpayer may claim a dependency exemption with respect to the individual (or could claim the exemption if the taxpayer had not waived the exemption to the noncustodial parent), or (3) a relative with respect to whom the taxpayer may claim a dependency exemption.[346] If certain other requirements are satisfied, head of household filing status also may be claimed if the taxpayer is entitled to a dependency exemption with respect to one of the taxpayer's parents.

HOUSE BILL

No provision.

SENATE AMENDMENT

Description of provision

In general

The Senate amendment provision establishes a uniform definition of qualifying child for purposes of the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status. A taxpayer may claim an individual who does not meet the uniform definition of qualifying child (with respect to any taxpayer) as a dependent if the present-law dependency requirements are satisfied. The Senate amendment provision does not modify other parameters of each tax benefit (e.g., the earned income requirements of the earned income credit) or the rules for determining whether individuals other than children qualify for each tax benefit.

Under the uniform definition, in general, a child is a qualifying child of a taxpayer if the child satisfies each of three tests: (1) the child has the same principal place of abode as the taxpayer for more than one half the taxable year; (2) the child has a specified relationship to the taxpayer; and (3) the child has not yet attained a specified age. A tie-breaking rule applies if more than one taxpayer claims a child as a qualifying child.

Under the Senate amendment provision, the present-law support and gross income tests for determining whether an individual is a dependent generally do not apply to a child who meets the requirements of the uniform definition of qualifying child.

Residency test

Under the uniform definition's residency test, a child must have the same principal place of abode as the taxpayer for more than one half of the taxable year. It is intended that, as is the case under present law, temporary absences due to special circumstances, including absences due to illness, education, business, vacation, or military service, would not be treated as absences.

Relationship test

In order to be a qualifying child under the Senate amendment provision, the child must be the taxpayer's son, daughter, stepson, stepdaughter, brother, sister, stepbrother, stepsister, or a descendant of any such individual. A legally adopted individual of the taxpayer, or an individual who is placed with the taxpayer by an authorized placement agency for adoption by the taxpayer, is treated as a child of such taxpayer by blood. A foster child who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction is treated as the taxpayer's child.[347]

Age test

Under the Senate amendment provision, the age test varies depending upon the tax benefit involved. In general, a child must be under age 19 (or under age 24 in the case of a full-time student) in order to be a qualifying child.[348] In general, no age limit applies with respect to individuals who are totally and permanently disabled within the meaning of section 22(e)(3) at any time during the calendar year. The Senate amendment provision retains the present-law requirements that a child must be under age 13 (if he or she is not disabled) for purposes of the dependent care credit, and under age 17 (whether or not disabled) for purposes of the child credit.

Children who support themselves

Under the Senate amendment provision, a child who provides over one half of his or her own support generally is not considered a qualifying child of another taxpayer. The Senate amendment provision retains the present-law rule, however, that a child who provides over one half of his or her own support may constitute a qualifying child of another taxpayer for purposes of the earned income credit.

Tie-breaking rules

If a child would be a qualifying child with respect to more than one individual (e.g., a child lives with his or her mother and grandmother in the same residence) and more than one person claims a benefit with respect to that child, then the following ''tie-breaking'' rules apply. First, if only one of the individuals claiming the child as a qualifying child is the child's parent, the child is deemed the qualifying child of the parent. Second, if both parents claim the child and the parents do not file a joint return, then the child is deemed a qualifying child first with respect to the parent with whom the child resides for the longest period of time, and second with respect to the parent with the highest adjusted gross income. Third, if the child's parents do not claim the child, then the child is deemed a qualifying child with respect to the claimant with the highest adjusted gross income.

Interaction with present-law rules

Taxpayers may claim an individual who does not meet the uniform definition of qualifying child with respect to any taxpayer as a dependent if the present-law dependency requirements (including the gross income and support tests) are satisfied.[349] Thus, for

[338] Sec. 24.

[339] Economic Growth and Tax Relief Reconciliation Act of 2001 (''EGTRRA''), Pub. L. No. 107–16, sec. 901(a) (2001) (making, by way of the EGTRRA sunset provision, the increase in the child credit inapplicable to taxable years beginning after December 31, 2010).

[340] 340 The child credit does not apply with respect to a child who is a resident of Canada or Mexico and is not a U.S. citizen, even if a dependency exemption is available with respect to the child. Sec. 24(c)(2). The child credit is, however, available with respect to a child dependent who is not a resident or citizen of the United States if: (1) the child has been legally adopted by the taxpayer; (2) the child's principal place of abode is the taxpayer's home; and (3) the taxpayer is a U.S. citizen or national. See sec. 24(c)(2) and sec. 152(b)(3).

[341] Sec. 24(d).

[342] 342 Sec. 21.

[343] Although such an individual must be a dependent of the taxpayer as defined in section 152, it is not required that the taxpayer be entitled to a dependency exemption with respect to the individual under section 151. Thus, such an individual may be a qualifying individual for purposes of the dependent care credit, even though the taxpayer is not entitled to a dependency exemption because the individual does not meet the gross income test.

[344] Sec. 21(e)(5).

[345] Sec. 2(b).

[346] Sec. 2(b)(1)(A)(ii), as qualified by sec. 2(b)(3)(B). An individual for whom the taxpayer is entitled to claim a dependency exemption by reason of a multiple support agreement does not qualify the taxpayer for head of household filing status.

[347] The provision eliminates the present-law rule requiring that if a child is the taxpayer's sibling or stepsibling or a descendant of any such individual, the taxpayer must care for the child as if the child were his or her own child.

[348] The provision retains the present-law definition of full-time student set forth in section 151(c)(4).

[349] Individuals who satisfy the present-law dependency tests and who are not qualifying children are

Continued

example, a taxpayer may claim a parent as a dependent if the taxpayer provides more than one half of the support of the parent and the parent's gross income is less than the exemption amount.

Children who are U.S. citizens living abroad or non-U.S. citizens living in Canada or Mexico may qualify as a qualifying child, as is the case under the present-law dependency tests. A legally adopted child who does not satisfy the residency or citizenship requirement may nevertheless qualify as a qualifying child (provided other applicable requirements are met) if (1) the child's principal place of abode is the taxpayer's home and (2) the taxpayer is a citizen or national of the United States.

Children of divorced or legally separated parents

The Senate amendment provision generally retains the present-law rule that allows a custodial parent to release the claim to a dependency exemption and the child credit to a noncustodial parent. Thus, the Senate amendment provision generally grandfathers those custodial waivers that are in place and effective on the date of enactment, and generally retains the custodial waiver rule for purposes of the dependency exemption and the child credit for decrees of divorce or separate maintenance or written separation agreements that become effective after the date of enactment. Under the Senate amendment provision, the custodial waiver rules do not affect eligibility with respect to children of divorced or legally separated parents for purposes of the earned income credit, the dependent care credit, and head of household filing status.

Other provisions

The Senate amendment provision retains the applicable present-law requirements that a taxpayer identification number for a child be provided on the taxpayer's return. For purposes of the earned income credit, a qualifying child is required to have a social security number that is valid for employment in the United States (that is, the child must be a U.S. citizen, permanent resident, or have a certain type of temporary visa).

Effect of Senate amendment provision on particular tax benefits

Dependency exemption

For purposes of the dependency exemption, the Senate amendment provision defines a dependent as a qualifying child or a qualifying relative. The qualifying child test eliminates the support test (other than in the case of a child who provides more than one half of his or her own support), and replaces it with the residency requirement described above. Further, the present-law gross income test does not apply to a qualifying child. The rules relating to multiple support agreements do not apply with respect to qualifying children because the support test does not apply to them. Special tie-breaking rules (described above) apply if more than one taxpayer claims a qualifying child under the Senate amendment provision. These tie-breaking rules do not apply if a child constitutes a qualifying child with respect to multiple taxpayers, but only one eligible taxpayer actually claims the qualifying child.

The Senate amendment provision permits taxpayers to continue to apply the present-law dependency exemption rules to claim a dependency exemption for a qualifying relative who does not satisfy the qualifying child definition. In such cases, the present-law gross income and support tests, including the special rules for multiple support agreements, the special rules relating to income of handicapped dependents, and the special support test in case of students, continue to apply for purposes of the dependency exemption.

As is the case under present law, a child who provides over half of his or her own support is not considered a dependent of another taxpayer under the Senate amendment provision. Further, an individual shall not be treated as a dependent of a taxpayer if such individual has filed a joint return with the individual's spouse for the taxable year.

Earned income credit

In general, the Senate amendment provision adopts a definition of qualifying child that is similar to the present-law definition under the earned income credit. The present-law requirement that a foster child and certain other children be cared for as the taxpayer's own child is eliminated. The present-law tie-breaker rule applicable to the earned income credit is used for purposes of the uniform definition of qualifying child. The Senate amendment provision retains the present-law requirement that the taxpayer's principal place of abode must be in the United States.

Child credit

The present-law child credit generally uses the same relationships to define an eligible child as the uniform definition. The present-law requirement that a foster child and certain other children be cared for as the taxpayer's own child is eliminated. The age limitation under the Senate amendment provision retains the present-law requirement that the child must be under age 17, regardless of whether the child is disabled.

Dependent care credit

The present-law requirement that a taxpayer maintain a household in order to claim the dependent care credit is eliminated. Thus, if other applicable requirements are satisfied, a taxpayer may claim the dependent care credit with respect to a child who lives with the taxpayer for more than one half the year, even if the taxpayer does not provide more than one half of the cost of maintaining the household.

The rules for determining eligibility for the credit with respect to an individual who is physically or mentally incapable of caring for himself or herself are amended to include a requirement that the taxpayer and the dependent have the same principal place of abode for more than one half the taxable year.

Head of household filing status

Under the Senate amendment provision, a taxpayer qualifies for head of household filing status with respect to a child who is a qualifying child as defined under the Senate amendment provision. An individual who is not a qualifying child will qualify the taxpayer for head of household status only if, as is the case under present law, the individual is a dependent of the taxpayer and the taxpayer is entitled to a dependency exemption for such individual, or the individual is the taxpayer's father or mother and certain other requirements are satisfied. Thus, under the Senate amendment provision a taxpayer is eligible for head of household filing status only with respect to a qualifying child or an individual for whom the taxpayer is entitled to a dependency exemption.

The Senate amendment provision retains the present-law requirement that the taxpayer provide over one half the cost of maintaining the household.

Effective date

The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

B. Other Simplification Provisions

1. Consolidation of life insurance and nonlife companies (sec. 511 of the Senate amendment and sec. 1504 of the Code)

PRESENT LAW

Under present law, an affiliated group of corporations means one or more chains of includible corporations connected through stock ownership with a common parent corporation (sec. 1504(a)(1)). The stock ownership requirement consists of an 80–percent voting and value test. In general, an affiliated group of corporations may file a consolidated tax return for Federal income tax purposes.

Life insurance companies (subject to tax under section 801) generally are not treated as includible corporations, and therefore may not be included in a consolidated return of an affiliated group including nonlife-insurance companies, unless the common parent of the group elects to treat the life insurance companies as includible corporations (sec. 1504(c)(2)).

Under the election to treat life insurance companies as includible corporations of an affiliated group, two special 5–year limitation rules apply. The first 5–year rule provides that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed (sec. 1504(c)(2)). The second 5–year rule provides that any net operating loss of a nonlife-insurance member of the group may not offset the taxable income of a life insurance member for any of the first 5 years the life and nonlife-insurance corporations have been members of the same affiliated group (sec. 1503(c)(2)). This rule applies to nonlife losses for the current taxable year or as a carryover or carryback.

A separate 35–percent limitation also applies under the election to treat life insurance companies as includible corporations of an affiliated group (sec. 1503(c)(1)). This rule provides that if the non-life-insurance members of the group have a net operating loss, then the amount of the loss that is not absorbed by carrybacks against the nonlife-insurance members' income may offset the life insurance members' income only to the extent of the lesser of: (1) 35 percent of the amount of the loss; or (2) 35 percent of the life insurance members' taxable income. The unused portion of the loss is available as a carryover and is added to subsequent-year losses, subject to the same 35-percent limitation.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision repeals the 5–year limitation providing that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed (sec. 1504(c)(2)). The provision also repeals the rule that a life insurance corporation is not an includible corporation unless the common parent makes an election to treat life insurance companies as includible corporations (sec. 1504(c)(1)). Thus, under the provision, a life insurance company is treated as an includible corporation starting with the first taxable year for which it becomes a member of the affiliated group and otherwise meets the definition of an includible corporation. The provision retains the 5–year rule of section 1503(c)(2), as well as the 35–percent limitation of present-law section 1503(c)(1) with

referred to as ''qualifying relatives'' under the provision.

respect to any life insurance company that is an includible corporation of an affiliated group.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2009. No affiliated group terminates solely by reason of the provision. Under regulations, the provision waives the 5–year waiting period for reconsolidation under section 1504(a)(3), in the case of any corporation that was previously an includible corporation, but was subsequently deemed not to be an includible corporation as a result of becoming a subsidiary of a corporation that was not an includible corporation solely by reason of the 5–year rule of section 1504(c)(2) (providing that a life insurance company may not be treated as an includible corporation until it has been a member of the group for the 5 taxable years immediately preceding the taxable year for which the consolidated return is filed).

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Suspension of reduction of deductions for mutual life insurance companies and of policyholder surplus accounts of life insurance companies (sec. 512 of the Senate amendment and secs. 809 and 815 of the Code)

PRESENT LAW

Reduction in deductions for policyholder dividends and reserves of mutual life insurance companies (sec. 809)

In general, a corporation may not deduct amounts distributed to shareholders with respect to the corporation's stock. The Deficit Reduction Act of 1984 added a provision to the rules governing insurance companies that was intended to remedy the failure of prior law to distinguish between amounts returned by mutual life insurance companies to policyholders as customers, and amounts distributed to them as owners of the mutual company.

Under the provision, section 809, a mutual life insurance company is required to reduce its deduction for policyholder dividends by the company's differential earnings amount. If the company's differential earnings amount exceeds the amount of its deductible policyholder dividends, the company is required to reduce its deduction for changes in its reserves by the excess of its differential earnings amount over the amount of its deductible policyholder dividends. The differential earnings amount is the product of the differential earnings rate and the average equity base of a mutual life insurance company.

The differential earnings rate is based on the difference between the average earnings rate of the 50 largest stock life insurance companies and the earnings rate of all mutual life insurance companies. The mutual earnings rate applied under the provision is the rate for the second calendar year preceding the calendar year in which the taxable year begins. Under present law, the differential earnings rate cannot be a negative number.

A company's equity base equals the sum of: (1) its surplus and capital increased by 50 percent of the amount of any provision for policyholder dividends payable in the following taxable year; (2) the amount of its nonadmitted financial assets; (3) the excess of its statutory reserves over its tax reserves; and (4) the amount of any mandatory security valuation reserves, deficiency reserves, and voluntary reserves. A company's average equity base is the average of the company's equity base at the end of the taxable year and its equity base at the end of the preceding taxable year.

A recomputation or ''true-up'' in the succeeding year is required if the differential earnings amount for the taxable year either exceeds, or is less than, the recomputed differential earnings amount. The recomputed differential earnings amount is calculated taking into account the average mutual earnings rate for the calendar year (rather than the second preceding calendar year, as above). The amount of the true-up for any taxable year is added to, or deducted from, the mutual company's income for the succeeding taxable year.

For a mutual life insurance company's taxable years beginning in 2001, 2002, or 2003, the differential earnings rate is treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount (true-up).

Distributions to shareholders from policyholders surplus account (sec. 815)

Under the law in effect from 1959 through 1983, a life insurance company was subject to a three-phase taxable income computation under Federal tax law. Under the three-phase system, a company was taxed on the lesser of its gain from operations or its taxable investment income (Phase I) and, if its gain from operations exceeded its taxable investment income, 50 percent of such excess (Phase II). Federal income tax on the other 50 percent of the gain from operations was deferred, and was accounted for as part of a policyholder's surplus account and, subject to certain limitations, taxed only when distributed to stockholders or upon corporate dissolution (Phase III). To determine whether amounts had been distributed, a company maintained a shareholders surplus account, which generally included the company's previously taxed income that would be available for distribution to shareholders. Distributions to shareholders were treated as being first out of the shareholders surplus account, then out of the policyholders surplus account, and finally out of other accounts.

The Deficit Reduction Act of 1984 included provisions that, for 1984 and later years, eliminated further deferral of tax on amounts (described above) that previously would have been deferred under the three-phase system. Although for taxable years after 1983, life insurance companies may not enlarge their policyholders surplus account, the companies are not taxed on previously deferred amounts unless the amounts are treated as distributed to shareholders or subtracted from the policyholders surplus account (sec. 815).

Under present law, any direct or indirect distribution to shareholders from an existing policyholders surplus account of a stock life insurance company is subject to tax at the corporate rate in the taxable year of the distribution. Present law provides that any distribution to shareholders is treated as made (1) first out of the shareholders surplus account, to the extent thereof, (2) then out of the policyholders surplus account, to the extent thereof, and (3) finally, out of other accounts.

HOUSE BILL

No provision.

SENATE AMENDMENT

Reduction in deductions for policyholder dividends and reserves of mutual life insurance companies (sec. 809)

The Senate amendment provision provides that for a mutual life insurance company's taxable years beginning after December 31, 2003, and before January 1, 2009, the differential earnings rate is treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount (true-up), under the rules requiring reduction in certain deductions of mutual life insurance companies (sec. 809).

Distributions to shareholders from policyholders surplus account (sec. 815)

The Senate amendment provision suspends for a life insurance company's taxable year beginning after December 31, 2003, and before January 1, 2009, the application of the rules imposing income tax on distributions to shareholders from the policyholders surplus account of a life insurance company (sec. 815). The Senate amendment provision also modifies the order in which distributions reduce the various accounts, so that distributions are treated as first made out of the policyholders surplus account, to the extent thereof, and then out of the shareholders surplus account, and lastly out of other accounts.

Effective date.—The Senate amendment provisions relating to section 809 and section 815 are effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provisions.

3. Section 355 ''active business test'' applied to chains of affiliated corporations (sec. 513 of the Senate amendment and sec. 355 of the Code)

PRESENT LAW

A corporation generally is required to recognize gain on the distribution of property (including stock of a subsidiary) to its shareholders as if such property had been sold for its fair market value. An exception to this rule applies if the distribution of the stock of a controlled corporation satisfies the requirements of section 355 of the Code. To qualify for tax-free treatment under section 355, both the distributing corporation and the controlled corporation must be engaged immediately after the distribution in the active conduct of a trade or business that has been conducted for at least five years and was not acquired in a taxable transaction during that period.[350] For this purpose, a corporation is engaged in the active conduct of a trade or business only if (1) the corporation is directly engaged in the active conduct of a trade or business, or (2) the corporation is not directly engaged in an active business, but substantially all of its assets consist of stock and securities of a corporation it controls that is engaged in the active conduct of a trade or business.[351]

In determining whether a corporation satisfies the active trade or business requirement, the IRS position for advance ruling purposes is that the value of the gross assets of the trade or business being relied on must ordinarily constitute at least 5 percent of the total fair market value of the gross assets of the corporation directly conducting the trade or business.[352] However, if the corporation is not directly engaged in an active trade or business, then the IRS takes the position that the ''substantially all'' test requires that at least 90 percent of the fair market value of the corporation's gross assets consist of stock and securities of a controlled corporation that is engaged in the active conduct of a trade or business.[353]

HOUSE BILL

No provision.

[350] Section 355(b). If the distributing corporation had no assets other than stock or securities in the controlled corporations immediately before the distribution, then each of the controlled corporations must be engaged immediately after the distribution in the active conduct of a trade or business.

[351] Section 355(b)(2)(A).

[352] Rev. Proc. 2003–3, sec. 4.01(30), 2003–1 I.R.B. 113.

[353] Rev. Proc. 96–30, sec. 4.03(5), 1996–1 C.B. 696; Rev. Proc. 77–37, sec. 3.04, 1977–2 C.B. 568.

SENATE AMENDMENT

Under the Senate amendment, the active business test is determined by reference to the relevant affiliated group. For the distributing corporation, the relevant affiliated group consists of the distributing corporation as the common parent and all corporations affiliated with the distributing corporation through stock ownership described in section 1504(a)(1)(B) (regardless of whether the corporations are includible corporations under section 1504(b)). The relevant affiliated group for a controlled corporation is determined in a similar manner (with the controlled corporation as the common parent).

Effective date.—The Senate amendment applies to distributions after the date of enactment, with three exceptions. The Senate amendment does not apply to distributions (1) made pursuant to an agreement which is binding on the date of enactment and at all times thereafter, (2) described in a ruling request submitted to the IRS on or before the date of enactment, or (3) described on or before the date of enactment in a public announcement or in a filing with the Securities and Exchange Commission. The distributing corporation may irrevocably elect not to have the exceptions described above apply.

The Senate amendment also applies to any distribution prior to the date of enactment, but solely for the purpose of determining whether, after the date of enactment, the taxpayer continues to satisfy the requirements of section 355(b)(2)(A).[354]

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

C. Other Provisions

1. Civil rights tax relief (sec. 521 of the Senate amendment and sec. 62 of the Code)

PRESENT LAW

Under present law, gross income generally does not include the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) by individuals on account of personal physical injuries (including death) or physical sickness.[355] Expenses relating to recovering such damages are generally not deductible.[356]

Other damages are generally included in gross income. The related expenses to recover the damages, including attorneys' fees, are generally deductible as expenses for the production of income,[357] subject to the two-percent floor on itemized deductions.[358] Thus, such expenses are deductible only to the extent the taxpayer's total miscellaneous itemized deductions exceed two percent of adjusted gross income. Any amount allowable as a deduction is subject to reduction under the overall limitation of itemized deductions if the taxpayer's adjusted gross income exceeds a threshold amount.[359] For purposes of the alternative minimum tax, no deduction is allowed for any miscellaneous itemized deduction.

In some cases, claimants will engage an attorney to represent them on a contingent fee basis. That is, if the claimant recovers damages, a prearranged percentage of the damages will be paid to the attorney; if no damages are recovered, the attorney is not paid a fee. The proper tax treatment of contingent fee arrangements with attorneys has been litigated in recent years. Some courts[360] have held that the entire amount of damages is income and that the claimant is entitled to a miscellaneous itemized deduction subject to both the two-percent floor as an expense for the production of income for the portion paid to the attorney and to the overall limitation on itemized deductions. Other courts have held that the portion of the recovery that is paid directly to the attorney is not income to the claimant, holding that the claimant has no claim of right to that portion of the recovery.[361]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides an above-the-line deduction for attorneys' fees and costs paid by, or on behalf of, the taxpayer in connection with any action involving a claim of unlawful discrimination or certain claims against the Federal Government. The amount that may be deducted above-the-line may not exceed the amount includible in the taxpayer's gross income for the taxable year on account of a judgment or settlement (whether by suit or agreement and whether as lump sum or periodic payments) resulting from such claim.

Under the Senate amendment, ''unlawful discrimination'' means an act that is unlawful under certain provisions of any of the following: the Civil Rights Act of 1991, the Congressional Accountability Act of 1995, the National Labor Relations Act, the Fair Labor Standards Act of 1938, the Age Discrimination in Employment Act of 1967, the Rehabilitation Act of 1973, the Employee Retirement Security Income Act of 1974, the Education Amendments of 1972, the Employee Polygraph Protection Act of 1988, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act of 1993, chapter 43 of Title 38 of the United States Code, the Revised Statutes, the Civil Rights Act of 1964, the Fair Housing Act, the Americans with Disabilities Act of 1990, any provision of Federal law (popularly known as whistleblower protection provisions) prohibiting the discharge of an employee, discrimination against an employee, or any other form of retaliation or reprisal against an employee for asserting rights or taking other actions permitted under Federal law, or any provision of State or local law, or common law claims permitted under Federal, State, or local law providing for the enforcement of civil rights or regulating any aspect of the employment relationship, including prohibiting the discharge of an employee, discrimination against an employee, or any other form of retaliation or reprisal against an employee for asserting rights or taking other actions permitted by law.

Effective date.—The Senate amendment is effective for fees and costs paid after the date of enactment with respect to any judgment or settlement occurring after such date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Increase section 382 limitation for certain corporations in bankruptcy (sec. 522 of the Senate amendment and sec. 382 of the Code)

PRESENT LAW

If a corporation with net operating losses experiences an ownership change, then the annual amount of pre-change net operating loss carryovers that it may use against post-change income is limited. The basic annual post-change limit is the value of the corporation's stock at the time of the ownership change, multiplied by the long-term tax-exempt rate (prescribed by the Treasury department) applicable to the time of the change.

In general, an ownership change occurs if, within a three-year period, there is a 50-percentage point increase in ownership by any one or more 5-percent shareholders. A special rule applies to bankruptcy situations. If a corporation is under the jurisdiction of a court in a title 11 or similar case, no ownership change will occur if the shareholders and creditors of the old loss corporation, as a result of owning stock or debt of the old corporation, own at least 50 percent of the stock of the new loss corporation. Only indebtedness held for at least 18 months prior to the date of filing the title 11 or similar case counts for this purpose. In effect, such ''old and cold'' creditors are treated as persons who had effectively become shareholders of the corporation prior to the ownership change, due to the impending bankruptcy of the corporation.

If ''old and cold'' creditors dispose of their debt to new persons and those persons become shareholders as a result of owning that debt, the receipt of stock by those persons will be treated as the acquisition of stock by new shareholders, and can trigger an ownership change that causes the section 382 limitation to apply.

HOUSE BILL

No provision.

SENATE AMENDMENT

For a limited time period, the Senate amendment doubles the amount of the section 382 limitation applicable to corporations that experience an ownership change emerging from bankruptcy in a title 11 or similar case. The Senate amendment applies for a period of two taxable years to corporations that experience an ownership change in a title 11 or similar case after December 31, 2002.

Effective date.—The Senate amendment provision is effective for taxable years beginning in 2004 and 2005.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Increase in historic rehabilitation credit for residential housing for the elderly (sec. 523 of the Senate amendment and sec. 47 of the Code)

PRESENT LAW

Rehabilitation credit

Present law provides a credit for rehabilitation expenditures (sec. 47). A 20-percent credit is provided for rehabilitation expenditures with respect to a certified historic structure. For this purpose, a certified historic structure means any building that is listed in the National Register, or that is located in a registered historic district and is certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district.

A building is treated as having been substantially rehabilitated only if the rehabilitation expenditures during the 24-month period selected by the taxpayer and ending

[354] For example, a holding company taxpayer that had distributed a controlled corporation in a spin-off prior to the date of enactment, in which spin-off the taxpayer satisfied the ''substantially all'' active business stock test of present law section 355(b)(2)(A) immediately after the distribution, would not be deemed to have failed to satisfy any requirement that it continue that same qualified structure for any period of time after the distribution, solely because of a restructuring that occurs after the date of enactment and that would satisfy the requirements of new section 355(b)(2)(A).

[355] Sec. 104(a)(2).

[356] Sec. 265(a)(1).

[357] Sec. 212.

[358] Sec. 67.

[359] Sec. 68.

[360] *Kenseth* v. *Commissioner*, 114 T.C. 399 (2000), *aff'd* 259 F.3d 881 (7th Cir. 2001); *Coady* v. *Commissioner*, 213 F.3d 1187 (9th Cir. 2000); *Benci-Woodward* v. *Commissioner*, 219 F.3d 941 (9th Cir. 2000); *Baylin* v. *United States*, 43 F.3d 1451 (Fed. Cir. 1995).

[361] *Cotnam* v. *Commissioner*, 263 F.2d 119 (5th Cir. 1959); *Estate of Arthur Clarks* v. *United States*, 202 F.3d 854 (6th Cir. 2000); *Srivastava* v. *Commissioner*, 220 F.3d 353 (5th Cir. 2000). In some of these cases, such as *Cotnam*, State law has been an important consideration in determining that the claimant has no claim of right to the recovery.

within the taxable year exceed the greater of the adjusted basis of the building (and its structural components), or $5,000. The taxpayer's depreciable basis in the property is reduced by any rehabilitation credit claimed.

Low-income housing credit

The low-income housing tax credit (sec. 42) may be claimed over a 10-year period for the cost of rental housing occupied by tenants having incomes below specified levels. The credit percentage for newly constructed or substantially rehabilitated housing that is not Federally subsidized is adjusted monthly by the Internal Revenue Service so that the 10 annual installments have a present value of 70 percent of the total qualified expenditures. The credit percentage for new substantially rehabilitated housing that is Federally subsidized and for existing housing that is substantially rehabilitated is calculated to have a present value of 30 percent of qualified expenditures. The aggregate credit authority provided annually to each State is $1.75 per resident, except in the case of projects that also receive financing with proceeds of tax-exempt bonds issued subject to the private activity bond volume limit and certain carry-over amounts. The $1.75 per resident cap is indexed for inflation.

Qualified basis with respect to which the credit may be computed is generally determined as the portion of the eligible basis of the qualified low-income building attributable to the low-income rental units. Qualified basis generally is the taxpayer's depreciable basis in a qualified low-income building. In the case of a taxpayer who claims the rehabilitation credit for a qualified low-income building, the taxpayer's depreciable basis in the building is reduced by the amount of the rehabilitation credit claimed. In addition, eligible basis is reduced by any Federal grant received with respect to the building. A qualified low-income building is a building that meets certain compliance criteria and is depreciable under the modified accelerated cost recovery system (''MACRS'').

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment increases the present-law 20–percent credit for historic rehabilitation expenses to 25 percent in the case of rehabilitation expenses incurred with respect to a building which is also a low-income housing credit property in which substantially all of the tenants, both those tenants in rent-restricted units and in other residential units, are age 65 or greater. The Senate amendment permits the 25-percent rehabilitation credit to be claimed with respect to all parts of the building, not only those parts on which the taxpayer also claims the low-income housing credit.[362]

Effective date.—The Senate amendment provision is effective for property placed in service after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

4. Modification of application of income forecast method of depreciation (sec. 524 of the Senate amendment and sec. 167 of the Code)

PRESENT LAW

The modified Accelerated Cost Recovery System (''MACRS'') does not apply to certain property, including any motion picture film, video tape, or sound recording, or to any other property if the taxpayer elects to exclude such property from MACRS and the taxpayer properly applies a unit-of-production method or other method of depreciation not expressed in a term of years. Section 197 does not apply to certain intangible property, including property produced by the taxpayer or any interest in a film, sound recording, video tape, book or similar property not acquired in a transaction (or a series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof. Thus, the recovery of the cost of a film, video tape, or similar property that is produced by the taxpayer or is acquired on a ''stand-alone'' basis by the taxpayer may not be determined under either the MACRS depreciation provisions or under the section 197 amortization provisions. The cost recovery of such property may be determined under section 167, which allows a depreciation deduction for the reasonable allowance for the exhaustion, wear and tear, or obsolescence of the property. A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. Section 167(g) provides that the cost of motion picture films, sound recordings, copyrights, books, and patents are eligible to be recovered using the income forecast method of depreciation.

Under the income forecast method, a property's depreciation deduction for a taxable year is determined by multiplying the adjusted basis of the property by a fraction, the numerator of which is the income generated by the property during the year and the denominator of which is the total forecasted or estimated income expected to be generated prior to the close of the tenth taxable year after the year the property was placed in service. Any costs that are not recovered by the end of the tenth taxable year after the property was placed in service may be taken into account as depreciation in such year.

The adjusted basis of property that may be taken into account under the income forecast method only includes amounts that satisfy the economic performance standard of section 461(h). In addition, taxpayers that claim depreciation deductions under the income forecast method are required to pay (or receive) interest based on a recalculation of depreciation under a ''look-back'' method.

The ''look-back'' method is applied in any ''recomputation year'' by (1) comparing depreciation deductions that had been claimed in prior periods to depreciation deductions that would have been claimed had the taxpayer used actual, rather than estimated, total income from the property; (2) determining the hypothetical overpayment or underpayment of tax based on this recalculated depreciation; and (3) applying the overpayment rate of section 6621 of the Code. Except as provided in Treasury regulations, a ''recomputation year'' is the third and tenth taxable year after the taxable year the property was placed in service, unless the actual income from the property for each taxable year ending with or before the close of such years was within 10 percent of the estimated income from the property for such years.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies that, solely for purposes of computing the allowable deduction for property under the income forecast method of depreciation, participations and residuals may be included in the adjusted basis of the property beginning in the year such property is placed in service, but only if such participations and residuals relate to income to be derived from the property before the close of the tenth taxable year following the year the property is placed in service (as defined in section 167(g)(1)(A)). For purposes of the provision, participations and residuals are defined as costs the amount of which, by contract, varies with the amount of income earned in connection with such property. The Senate amendment also clarifies that the income from the property to be taken into account under the income forecast method is the gross income from such property.

The Senate amendment also grants authority to the Treasury Department to prescribe appropriate adjustments to the basis of property (and the look-back method) to reflect the treatment of participations and residuals under the provision.

In addition, the Senate amendment clarifies that, in the case of property eligible for the income forecast method that the holding in the Associated Patentees decision will continue to constitute a valid method of depreciation and may be used in connection with the income forecast method of accounting. Thus, rather than accounting for participations and residuals as a cost of the property under the income forecast method of depreciation, the taxpayer may elect to deduct those payments as they are paid as under the Associated Patentees decision. This election shall be made on a property-by-property basis and shall be applied consistently with respect to a given property thereafter. The Senate amendment also clarifies that distribution costs are not taken into account for purposes of determining the taxpayer's current and total forecasted income with respect to a property.

Effective date.—The Senate amendment provision applies to property placed in service after date of enactment. No inference is intended as to the appropriate treatment under present law. It is intended that the Treasury Department and the IRS expedite the resolution of open cases. In resolving these cases in an expedited and balanced manner, the Treasury Department and IRS are encouraged to take into account the principles of the bill.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Additional advance refunding of certain governmental bonds (sec. 525 of the Senate amendment and sec. 149 of the Code)

PRESENT LAW

Interest on bonds issued by States or local governments is excluded from income if the proceeds of the borrowing are used to carry out governmental functions of those entities or the debt is repaid with governmental funds (section 103). Interest on bonds that nominally are issued by States or local governments, but the proceeds of which are used (directly or indirectly) by a private person and payment of which is derived from funds of such a private person is taxable unless the purpose of the borrowing is approved specifically in the Code or in a non-Code provision of a revenue Act. These bonds are called private activity bonds. Present law includes several exceptions permitting States or local governments to act as conduits providing tax-exempt financing for private activities. One such exception is the provision of financing for activities of charitable organizations described in section 501(c)(3) of the Code (''qualified 501(c)(3) bonds'').

An advance refunding bond is issued to refund another bond more than 90 days before the redemption of the refunded bond. Under

[362] The Senate amendment also repeals a transition rule to the Tax Reform Act of 1986 permitting the taxpayers who own the property described in sec. 251(d)(4)(X) of the Tax Reform Act of 1986 to use ACRS depreciation, in lieu of MACRS depreciation. This change enables such property to qualify for the provision.

present law, governmental bonds and qualified 501(c)(3) bonds may be advanced refunded, subject to certain limitations described below. Private activity bonds (other than qualified 501(c)(3) bonds) may not be advanced refunded. Bonds eligible for advance refunding can be advance refunded once if the original bond was issued after 1985 or advance refunded twice if the original bond was issued before 1985. Special rules apply for advance refunding bonds under the New York Liberty Zone provisions of the Code (sec. 1400L(e)(3)). ''Liberty Advance Refunding Bonds,'' which may be advance refunded one additional time, are tax-exempt bonds for which all present-law advance refunding authority was exhausted before September 12, 2001, and with respect to which the advance refunding bonds authorized under present law were outstanding on September 11, 2001. In addition, at least 90 percent of the net proceeds of the original bond must have been used to finance facilities located in New York City and must be governmental general obligation bonds issued by either New York City or certain New York State Authorities.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, certain governmental bonds are eligible for an additional advance refunding. To be eligible for an additional refunding, the original bond has to have been part of an issue 90 percent or more of the net proceeds of which were used to finance a public elementary or secondary school in any State in which the State's highest court ruled by opinion issued on November 21, 2002, that the State school funding system violates the State constitution and is constitutionally inadequate. The additional advance refunding bond must be issued before the date, which is two years after the date of enactment of the bill.

Effective date.—The Senate amendment provision is effective for advance refunding bonds issued after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Exclusion of income derived from certain wagers on horse races from gross income of nonresident alien individuals (sec. 526 of the Senate amendment and sec. 872(b) of the Code)

PRESENT LAW

Under section 871, certain items of gross income received by a nonresident alien from sources within the United States are subject to a flat 30–percent withholding tax. Gambling winnings received by a nonresident alien from wagers placed in the United States are U.S.-source and thus generally are subject to this withholding tax, unless exempted by treaty. Currently, several U.S. income tax treaties exempt U.S.-source gambling winnings of residents of the other treaty country from U.S. withholding tax. In addition, no withholding tax is imposed under section 871 on the non-business gambling income of a nonresident alien from wagers on the following games (except to the extent that the Secretary determines that collection of the tax would be administratively feasible): blackjack, baccarat, craps, roulette, and big–6 wheel. Various other (non-gambling-related) items of income of a nonresident alien are excluded from gross income under section 872(b) and are thereby exempt from the 30–percent withholding tax, without any authority for the Secretary to impose the tax by regulation. In cases in which a withholding tax on gambling winnings applies, section 1441(a) of the Code requires the party making the winning payout to withhold the appropriate amount and makes that party responsible for amounts not withheld.

With respect to gambling winnings of a nonresident alien resulting from a wager initiated outside the United States on a pari-mutuel[363] event taking place within the United States, the source of the winnings, and thus the applicability of the 30–percent U.S. withholding tax, depends on the type of wagering pool from which the winnings are paid. If the payout is made from a separate foreign pool, maintained completely in a foreign jurisdiction (e.g., a pool maintained by a racetrack or off-track betting parlor that is showing in a foreign country a simulcast of a horse race taking place in the United States), then the winnings paid to a nonresident alien generally would not be subject to withholding tax, because the amounts received generally would not be from sources within the United States. However, if the payout is made from a ''merged'' or ''commingled'' pool, in which betting pools in the United States and the foreign country are combined for a particular event, then the portion of the payout attributable to wagers placed in the United States could be subject to withholding tax. The party making the payment, in this case a racetrack or off-track betting parlor in a foreign country, would be responsible for withholding the tax.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides an exclusion from gross income under section 872(b) for winnings paid to a nonresident alien resulting from a legal wager initiated outside the United States in a pari-mutuel pool on a live horse race in the United States, regardless of whether the pool is a separate foreign pool or a merged U.S.-foreign pool.

Effective date.—The Senate amendment provision applies to proceeds from wagering transactions after September 30, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

7. Federal reimbursement of emergency health services furnished to undocumented aliens (sec. 527 of the Senate amendment)

PRESENT LAW

Section 4723 of the Balanced Budget Act of 1997, provided $25 million a year for fiscal years 1998–2001, with the funds allotted to the 12 States with the highest number of undocumented aliens (based on estimates by the Immigration and Naturalization Service for 1992 or later). From that allotment, the Secretary reimbursed each State, or political subdivision thereof, for certain emergency health services furnished to undocumented aliens.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides an entitlement of $48 million for fiscal year 2004 for the Federal reimbursement for providers of emergency health services to undocumented aliens.

Effective date.—The Senate amendment provision is effective beginning in fiscal year 2004.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

8. Treatment of premiums for mortgage insurance (sec. 528 of the Senate amendment and sec. 163 of the Code)

PRESENT LAW

Present law provides that qualified residence interest is deductible notwithstanding the general rule that personal interest is nondeductible (sec. 163(h)).

Qualified residence interest is interest on acquisition indebtedness and home equity indebtedness with respect to a principal and a second residence of the taxpayer. The maximum amount of home equity indebtedness is $100,000. The maximum amount of acquisition indebtedness is $1 million. Acquisition indebtedness means debt that is incurred in acquiring constructing, or substantially improving a qualified residence of the taxpayer, and that is secured by the residence. Home equity indebtedness is debt (other than acquisition indebtedness) that is secured by the taxpayer's principal or second residence, to the extent the aggregate amount of such debt does not exceed the difference between the total acquisition indebtedness with respect to the residence, and the fair market value of the residence.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision provides that premiums paid or accrued for qualified mortgage insurance by a taxpayer during the taxable year in connection with acquisition indebtedness on a qualified residence of the taxpayer are treated as qualified residence interest and thus deductible. The amount allowable as a deduction under the provision is phased out ratably by 10 percent for each $1,000 by which the taxpayer's adjusted gross income exceeds $100,000 ($500 and $50,000, respectively, in the case of a married individual filing a separate return). Thus, the deduction is not allowed if the taxpayer's adjusted gross income exceeds $110,000 ($55,000 in the case of married individual filing a separate return).

For this purpose, qualified mortgage insurance means mortgage insurance provided by the Veterans Administration, the Federal Housing Administration, or the Rural Housing Administration, and private mortgage insurance (defined in section 2 of the Homeowners Protection Act of 1998).

Amounts paid for qualified mortgage insurance that are properly allocable to periods after the close of the taxable year are treated as paid in the period to which it is allocated. No deduction is allowed for the unamortized balance if the mortgage is paid before its term (except in the case of qualified mortgage insurance provided by the Veterans Administration or Rural Housing Administration).

Reporting rules apply under the provision.

Effective date.—The Senate amendment provision is effective for amounts paid or accrued after the date of enactment in taxable years ending after that date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

9. Sense of the Senate on repealing the 1993 tax hike on Social Security Benefits (sec. 529 of the Senate Amendment)

PRESENT LAW

Present law provides for a two-tier system of taxation of Social Security benefits. Under this system, up to either 50 percent or 85 percent of Social Security benefits and includible in gross income, depending on the

[363] In pari-mutuel wagering (common in horse racing), odds and payouts are determined by the aggregate bets placed. The money wagered is placed into a pool, the party maintaining the pool takes a percentage of the total, and the bettors effectively bet against each other. Part-mutuel wagering may be contrasted with fixed-odds wagering (common in sports wagering), in which odds (or perhaps a point spread) are agreed to by the bettor and the party taking the bet and are not affected by the bets placed by other bettors.

taxpayer's income. The 85–percent tax was enacted in 1993.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment includes a sense of the Senate that the Senate Finance Committee should report out the Social Security Benefits Tax Relief Act of 2003[364] to repeal the tax on seniors not later than July 31, 2003, and that the Senate will consider such bill not later than September 30, 2003, in a manner consistent with the preservation of the Medicare Trust Fund.

Effective date.—The Senate amendment is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

10. Sense of the Senate relating to the flat tax (sec. 530 of the Senate amendment)

PRESENT LAW

No provision.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment includes a sense of the Senate that the Senate Finance Committee and the Joint Economic Committee should undertake a comprehensive analysis of simplification or flat tax proposals, including appropriate hearings, and consider legislation providing for a flat tax.

Effective date.—The provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

11. Temporary rate reduction for certain dividends received from controlled foreign corporations (sec. 531 of the Senate amendment and new sec. 965 of the Code)

PRESENT LAW

The United States employs a ''worldwide'' tax system, under which domestic corporations generally are taxed on all income, whether derived in the United States or abroad. Income earned by a domestic parent corporation from foreign operations conducted by foreign corporate subsidiaries generally is subject to U.S. tax when the income is distributed as a dividend to the domestic corporation. Until such repatriation, the U.S. tax on such income generally is deferred. However, certain anti-deferral regimes may cause the domestic parent corporation to be taxed on a current basis in the United States with respect to certain categories of passive or highly mobile income earned by its foreign subsidiaries, regardless of whether the income has been distributed as a dividend to the domestic parent corporation. The main anti-deferral regimes in this context are the controlled foreign corporation rules of subpart F[365] and the passive foreign investment company rules.[366] A foreign tax credit generally is available to offset, in whole or in part, the U.S. tax owed on foreign-source income, whether earned directly by the domestic corporation, repatriated as an actual dividend, or included under one of the anti-deferral regimes.[367]

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, certain actual and deemed dividends received by a U.S. corporation from a controlled foreign corporation are subject to tax at a reduced rate of 5.25 percent. For corporations taxed at the top corporate income tax rate of 35 percent, this rate reduction is equivalent to an 85–percent dividends-received deduction. This rate reduction is available only for the first taxable year of an electing taxpayer ending 120 days or more after the date of enactment of the provision.

The reduced rate applies only to repatriations in excess of the taxpayer's average repatriation level over 3 of the 5 most recent taxable years ending on or before December 31, 2002, determined by disregarding the highest-repatriation year and the lowest-repatriation year among such 5 years.[368] The taxpayer may designate which of its dividends are treated as meeting the base-period average level and which of its dividends are treated as comprising the excess.

In order to qualify for the reduced rate, dividends must be described in a ''domestic reinvestment plan'' approved by the taxpayer's senior management and board of directors. This plan must provide for the reinvestment of the repatriated dividends in the United States, ''including as a source for the funding of worker hiring and training; infrastructure; research and development; capital investments; or the financial stabilization of the corporation for the purposes of job retention or creation.''

The Senate amendment provision disallows 85 percent of the foreign tax credits attributable to dividends subject to the reduced rate and removes 85 percent of the underlying income from the taxpayer's foreign tax credit limitation fraction under section 904.

In the case of an affiliated group, an election under the provision is made by the common parent on a group-wide basis, and all members of the group are treated as a single taxpayer. The election applies to all controlled foreign corporations with respect to which an electing taxpayer is a United States shareholder.

Effective date.—The Senate amendment provision is effective for the first taxable year of an electing taxpayer ending 120 days or more after the provision's date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

12. Repeal of 10-percent rehabilitation tax credit (sec. 531 of the Senate amendment and section 47 of the Code)

PRESENT LAW

Present law provides a two-tier tax credit for rehabilitation expenditures (sec. 47).

A 20-percent credit is provided for rehabilitation expenditures with respect to a certified historic structure. For this purpose, a certified historic structure means any building that is listed in the National Register, or that is located in a registered historic district and is certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district.

A 10-percent credit is provided for rehabilitation expenditures with respect to buildings first placed in service before 1936. The pre–1936 building must meet certain requirements in order for expenditures with respect to it to qualify for the rehabilitation tax credit. In the rehabilitation process, certain walls and structures must have been retained. Specifically, (1) 50 percent or more of the existing external walls must be retained in place as external walls, (2) 75 percent or more of the existing external walls of the building must be retained in place as internal or external walls, and (3) 75 percent or more of the existing internal structural framework of the building must be retained in place. Further, the building must have been substantially rehabilitated, and it must have been placed in service before the beginning of the rehabilitation. A building is treated as having been substantially rehabilitated only if the rehabilitation expenditures during the 24-month period selected by the taxpayer and ending with or within the taxable year exceed the greater of (1) the adjusted basis of the building (and its structural components), or $5,000.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision repeals the 10-percent credit for rehabilitation expenditures with respect to buildings first placed in service before 1936. The provision retains the present-law 20-percent credit for rehabilitation expenditures with respect to a certified historic structure.

Effective date.—The provision is effective for expenditures incurred after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

13. Income inclusion for certain delinquent child support (sec. 532 of the Senate amendment and sec. 166 of the Code)

PRESENT LAW

Bad debt deduction

Non-business bad debts may be deductible as short-term capital losses on Schedule D of the Form 1040. Non-business bad debts generally are debts that the taxpayer did not acquire or create in the course of operating the taxpayer's business. The present-law rule that capital losses (both short-term and long-term) may not exceed the sum of $3,000 plus any capital gains for any taxable year is applicable.

Non-business bad debts are only deductible only if: (1) the debt is wholly worthless (partially worthless debts are not deductible) and (2) the taxpayer has a tax basis in the debt that becomes bad. If these requirements are satisfied, the amount of the deductible non-business bad debt is the individual's basis in the bad debt. Generally, the amount of basis that a taxpayer has in a debt is the amount of the cash advance in the case of a loan or the amount of taxable income recognized by the taxpayer with reference to the debt. Deductions for bad debts are allowed only for the taxable year in which the debt becomes wholly worthless.

Custodial parents do not qualify for a non-business bad debt deduction on unpaid child support because, they have no basis in the debt and the debt may not be wholly worthless.

Bad debt income inclusion

There is no income inclusion for individuals who are delinquent in paying their child support obligations.

HOUSE BILL

No provision

SENATE AMENDMENT

The Senate amendment creates an income inclusion for a non-custodial parent for certain unpaid child support obligations at the close of a taxable year. The income inclusion is limited to the amount of unpaid child support at the end of the taxable year that equals or exceeds one-half of the non-custodial taxpayer's total child support obligation to the custodial parent for the year. This test is not applied on a child-by-child basis. For example, in the case of child support for

[364] S. 514.

[365] Secs. 951–964.

[366] Secs. 1291–1298.

[367] Secs. 901, 902, 960, 1291(g).

[368] If the taxpayer has fewer than 5 taxable years ending on or before December 31, 2002, then the base period consists of all such taxable years, with none disregard.

two children, the test applies the one-half or more test to the combined child support obligations for both children.

Under the bill, any payments from the non-custodial parent to the custodial parent subsequent to the close of the taxable year are not deductible by the non-custodial parent (regardless of whether the non-custodial parent had a previous income inclusion with regard to such amounts).

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

14. Sense of the Senate regarding the low-income housing tax credit (sec. 533 of the Senate amendment)

PRESENT LAW

The low-income housing tax credit may be claimed over a 10-year period for the cost of rental housing occupied by tenants having incomes below specified levels. The credit percentage for newly constructed or substantially rehabilitated housing that is not Federally subsidized is adjusted monthly by the Internal Revenue Service so that the 10 annual installments have a present value of 70 percent of the total qualified expenditures. The credit percentage for new substantially rehabilitated housing that is Federally subsidized and for existing housing that is substantially rehabilitated is calculated to have a present value of 30 percent qualified expenditures.

The aggregate credit authority provided annually to each State was $1.75 per resident in calendar year 2002. Beginning in calendar year 2003, the per-capita portion of the credit cap will be adjusted annually for inflation. For small States, a minimum annual cap of $2 million was provided for calendar year 2002. Beginning in calendar year 2003, the small State minimum is adjusted for inflation.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment includes a statement that it is the sense of the Senate that any reduction or elimination of the taxation on dividends should include provisions to preserve the success of the low-income housing tax credit.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

15. Expensing of investment in broadband equipment (sec. 534 of the Senate amendment and new sec. 191 of the Code)

PRESENT LAW

Under present law, a taxpayer generally must capitalize the cost of property used in a trade or business and recover such cost over time through annual deductions for depreciation or amortization. Tangible property generally is depreciated under the Modified Accelerated Cost Recovery System (MACRS) of section 168, which determines depreciation by applying specific recovery periods, placed-in-service conventions, and depreciation methods to the cost of various types of depreciable property.

Personal property is classified under MACRS based on the property's ''class life'' unless a different classification is specifically provided in section 168. The class life applicable for personal property is the asset guideline period (midpoint class life as of January 1, 1986). Based on the property's classification, a recovery period is prescribed under MACRS. In general, there are six classes of recovery periods to which personal property can be assigned. For example, personal property that has a class life of four years or less has a recovery period of three years, whereas personal property with a class life greater than four years but less than 10 years has a recovery period of five years. The class lives and recovery periods for most property are contained in Rev. Proc. 87–56, 1987–2 CB 674 (as clarified and modified by Rev. Proc. 88–22, 1988–1 CB 785).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides that expenses incurred by the taxpayer for qualified broadband expenditures with respect to qualified equipment placed in service prior to January 1, 2005 may be deducted in full in the year in which the equipment is placed in service.

Qualified expenditures are expenditures incurred with respect to equipment with which the taxpayer offers current generation broadband services to qualified subscribers. In addition, qualified expenditures include qualified expenditures incurred by the taxpayer with respect to qualified equipment with which the taxpayer offers next generation broadband services to qualified subscribers. Current generation broadband services are defined as the transmission of signals at a rate of at least 1 million bits per second to the subscriber and at a rate of at least 128,000 bits per second from the subscriber. Next generation broadband services are defined as the transmission of signals at a rate of at least 22 million bits per second to the subscriber and at a rate of at least 5 million bits per second from the subscriber.

Qualified subscribers for the purposes of the current generation broadband deduction include nonresidential subscribers in rural or underserved areas, and residential subscribers in rural or underserved areas that are not in a saturated market. A saturated market is defined as a census tract in which current generation broadband services have been provided by a single provider to 85 percent or more of the total number of potential residential subscribers residing within such census tracts. For the purposes of the next generation broadband deduction, qualified subscribers include nonresidential subscribers in rural or underserved areas or any residential subscriber. In the case of a taxpayer who incurs expenditures for equipment capable of serving both subscribers in qualifying areas and other areas, qualifying expenditures are determined by multiplying otherwise qualifying expenditures by the ratio of the number of potential qualifying subscribers to all potential subscribers the qualifying equipment would be capable of serving.

Qualifying equipment must be capable of providing broadband services a majority of the time during periods of maximum demand. Qualifying equipment is that equipment that extends from the last point of switching to the outside of the building in which the subscriber is located, equipment that extends from the customer side of a mobile telephone switching office to a transmission/reception antenna (including the antenna) of the subscriber, equipment that extends from the customer side of the headend to the outside of the building in which the subscriber is located, or equipment that extends from a transmission/reception antenna to a transmission/reception antenna on the outside of the building used by the subscriber. Any packet switching equipment deployed in connection with other qualifying equipment is qualifying equipment, regardless of location, provided that it is the last such equipment in a series as part of transmission of a signal to a subscriber or the first in a series in the transmission of a signal from a subscriber. Also, multiplexing and demultiplexing equipment also is qualified equipment.

A rural area is any census tract which is not within 10 miles of any incorporated or census designated place with a population of more than 25,000 and which is not within a county with a population density of more than 500 people per square mile. An underserved area is any census tract which is located in an empowerment zone or enterprise community or any census tract in which the poverty level is greater than or equal to 30 percent and in which the median family income is less than 70 percent of the greater of metropolitan area median family income or Statewide median family income. A residential subscriber is any individual who purchases broadband service to be delivered to his or her dwelling.

Effective date.—The Senate amendment provision is effective for property placed in service after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

16. Income tax credit for cost of carrying tax-paid distilled spirits in wholesale inventories and in control State bailment warehouses (sec. 535 of the Senate amendment and new sec. 5011 of the Code)

PRESENT LAW

As is true of most major Federal excise taxes, the excise tax on distilled spirits is imposed at a point in the chain of distribution before the product reaches the retail (consumer) level. Tax on domestically produced and/or bottled distilled spirits arises upon production (receipt) in a bonded distillery and is collected based on removals from the distillery during each semi-monthly period. Distilled spirits that are bottled before importation into the United States are taxed on removal from the first U.S. warehouse where they are landed (including a warehouse located in a foreign trade zone).

No tax credits are allowed under present law for business costs associated with having tax-paid products in inventory. Rather, excise tax that is included in the purchase price of a product is treated the same as the other components of the product cost, i.e., deductible as a cost of goods sold.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment creates a new income tax credit for wholesale distributors, distillers, and importers, of distilled spirits. The credit is calculated by multiplying the number of cases of bottled distilled spirits by the average tax-financing cost per case for the most recent calendar year ending before the beginning of such taxable year. A case is 12 80-proof 750-milliliter bottles. The average tax-financing cost per case is the amount of interest that would accrue at corporate overpayment rates during an assumed 60-day holding period on an assumed tax rate of $25.68 per case of 12 750-milliliter bottles.

The wholesaler credit only applies to domestically bottled distilled spirits[369] purchased directly from the bottler of such spirits. For distillers and importers, the credit is limited to bottled inventory in a warehouse owned and operated by, or on behalf of, a State when title to such inventory has not

[369] Distilled spirits that are imported in bulk and then bottled domestically qualify as domestically bottled distilled spirits.

passed unconditionally. The credit for distillers and importers applies to distilled spirits bottled both domestically and abroad.

The credit is in addition to present-law rules allowing tax included in inventory costs to be deducted as a cost of goods sold.

The credit cannot be carried back to a taxable year beginning before January 1, 2003.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

17. Contribution in aid of construction (sec. 536 of the Senate amendment and sec. 118 of the Code)

PRESENT LAW

Section 118(a) provides that gross income of a corporation does not include a contribution to its capital. In general, section 118(b) provides that a contribution to the capital of a corporation does not include any contribution in aid of construction or any other contribution as a customer or potential customer and, as such, is includible in gross income of the corporation. However, for any amount of money or property received by a regulated public utility that provides water or sewerage disposal services, such amount shall be considered a contribution to capital (excludible from gross income) so long as such amount: (1) is a contribution in aid of construction, and (2) is not included in the taxpayer's rate base for rate-making purposes. If the contribution is in property other than water or sewerage disposal facilities, the amount is generally excludible from gross income only if the amount is expended to acquire or construct water or sewerage disposal facilities within a specified time period. A contribution in aid of construction does not include a customer connection fee or amounts paid as service charges for starting or stopping services.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies that water and sewer service laterals received by a regulated public utility that provides water or sewerage disposal services is considered a contribution to capital and excludible from gross income of such utility.

Effective date.—The Senate amendment provision is effective for contributions made after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

18. Travel expenses for spouses (sec. 537 of the Senate amendment and sec. 274 of the Code)

PRESENT LAW

In general, no deduction is permitted for the travel expenses of a spouse, dependent, or other individual accompanying a taxpayer (or an officer or employee of the taxpayer) on business travel.[370]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment repeals this provision generally prohibiting a deduction for the travel expenses of a spouse, dependent, or other person accompanying a taxpayer (or an officer or employee of a taxpayer). All other present-law limitations on these expenses continue to apply.

Effective date.—The Senate amendment provision is effective for expenses paid or incurred after the date of enactment and on or before December 31, 2004.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

19. Certain sightseeing flights exempt from taxes on air transportation (sec. 538 of the Senate amendment and sec. 4281 of the Code)

PRESENT LAW

The Code imposes a tax on amounts paid for the taxable transportation of persons (''the ticket tax'') (sec. 4261(a)). Taxable transportation for purposes of imposing the ticket tax is transportation that begins and ends in the United States (sec. 4262(a)). Aircrafts having a maximum certificated takeoff weight of 6,000 pounds or less (''small aircraft'') are not subject to the ticket tax unless such aircraft is operated on an established line (sec. 4281).

Treasury regulations define the term ''operated on an established line'' to mean operated with some degree of regularity between definite points (Treas. Reg. sec. 49.4263–5(c)). The term implies that the air carrier maintains control over the direction, routes, time, number of passengers carried, etc. The Treasury regulations also provide that transportation need not be between two definite points to be taxable. A payment for continuous transportation beginning and ending at the same point is subject to the tax (Treas. Reg. sec. 49.4261–1(c)). Thus, the ticket tax applies to regularly conducted sightseeing air tours that begin and end at the same point.[371]

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, small aircrafts are not considered as operated on an established line if such aircraft is operated on a flight the sole purpose of which is sightseeing.

Effective date.—The Senate amendment provision is effective with respect to transportation beginning on or after the date of enactment, but does not apply to any amount paid before such date.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

20. Required coverage for reconstructive surgery following mastectomies (sec. 539 of the Senate amendment and new sec. 9813 of the Code)

PRESENT LAW

The Women's Health and Cancer Rights Act of 1998 amended ERISA and the Public Health Service Act to provide that health plans offering mastectomy coverage must also provide coverage for reconstructive breast surgery. Under ERISA, 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 mastectomies is required to provide coverage for reconstructive surgery following mastectomies.[372] In the case of a participant or beneficiary who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with such mastectomy, coverage is required 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) prostheses and physical complications of mastectomy, including lymphedemas, in a manner determined in consultation with the attending physician and the patient.

Coverage may be subject to annual deductibles and coinsurance provisions as may be deemed appropriate and as are consistent with those established for other benefits under the plan or coverage. Written notice of the availability of the coverage must be delivered to the participant upon enrollment and annually thereafter. Notice must be in writing and prominently positioned in any literature or correspondence made available or distributed by the plan or issuer and must be transmitted as specifically required.

A group health plan may not deny a patient 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 the provision. In addition, a group health plan may not penalize or otherwise reduce or limit the reimbursement of an attending provider, or 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 the provision. Nothing in the section should be construed to prevent a group health plan from negotiating the level and type of reimbursement with a provider for care provided in accordance with the section.

The Code imposes an excise tax on failures to meet certain group health plan requirements.[373] The excise tax is equal to $100 per day during the period of noncompliance and is generally imposed on the employer sponsoring the plan if the plan fails to meet the requirements. The maximum tax that can be imposed during a taxable year cannot exceed the lesser of 10 percent of the employer's group health plan expenses for the prior year or $500,000. No tax is imposed if the Secretary determines that the employer did not know, and exercising reasonable diligence would not have known, that the failure existed.

Present law does not impose an excise tax relating to required coverage for reconstructive surgery following mastectomies.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment adds to the Code a provision requiring a group health plan that provides medical and surgical benefits with respect to a mastectomy to provide coverage for reconstructive surgery following the mastectomy. The requirements follow those of ERISA. A group health plan that does not comply with the requirements of the provision is subject to the excise tax on failures to meet certain group health plan requirements.[374]

Under the new Code section, a group health plan that provides medical and surgical benefits with respect to a mastectomy must provide, in the case of a participant or beneficiary who is receiving benefits in connection with a mastectomy and who elects breast reconstruction in connection with

[370] Sec. 274(m)(3).

[371] See *Lake Mead Air Inc.* v. *United States*, 99–1 USTC par. 70,119 (D. Nev. 1997). The *Lake Mead* court found that that the tours started and ended at the same point without fail therefore, the flights were between definite points. Finding that the flights were operated with some degree of regularity and between definite points, the court found that the flights were operated on an established line. As a result, the exemption for small aircraft operating on nonestablished lines did not apply and the court concluded that the flights were taxable transportation for purposes of the ticket tax. However, the court found that Lake Mead was not a responsible person for collecting the tax for purposes of the 100 percent penalty imposed by section 6672.

[372] ERISA sec. 713. A similar provision is also included in the Public Health Service Act.

[373] Sec. 4980D.

[374] Sec. 4980D.

such mastectomy, coverage for (1) all stages of reconstruction of the breast of which the mastectomy has been performed, (2) surgery and reconstruction of the other breast to produce a symmetrical appearance, and (3) prostheses and physical complications of mastectomy, including lymphedemas, in a manner determined in consultation with the attending physician and the patient.

Coverage may be subject to annual deductibles and coinsurance provisions as deemed appropriate and consistent with those established for other benefits under the plan. Written notification of the availability of such coverage must be delivered to the participant upon enrollment and annually thereafter. Unlike ERISA, the specific manner in which notice must be given is not included in the new Code provision.

Under the Senate amendment, a group health plan may not deny a patient 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 the provision. In addition, a group health plan may not penalize or otherwise reduce or limit the reimbursement of an attending provider, or 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 the provision. Nothing in the provision should be construed to prevent a group health plan from negotiating the level and type of reimbursement with a provider for care provided in accordance with the provision.

Under the Senate amendment, in the case of a group heath plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers, 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 the provision will not be treated as a termination of the collective bargaining agreement.

Effective date.—The Senate amendment provision is effective for plan years beginning on or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

21. Renewal community modifications (secs. 540 and 541 of the Senate amendment and secs. 1400E and 1400H of the Code)

PRESENT LAW

The Code authorizes the designation of 40 ''renewal communities'' within which special tax incentives will be available. The following is a description of the designation process and the tax incentives that will be available within the renewal communities.

Designation process

Designation of 40 renewal communities.—The Secretary of HUD, was authorized to designate up to 40 renewal communities from areas nominated by States and local governments. At least 12 of the designated communities must be in rural areas. The designation of an area as a renewal community terminates after December 31, 2009.

Eligibility criteria.—To be designated as a renewal community, a nominated area must meet the following criteria: (1) each census tract must have a poverty rate of at least 20 percent; (2) in the case of an urban area, at least 70 percent of the households have incomes below 80 percent of the median income of households within the local government jurisdiction; (3) the unemployment rate is at least 1.5 times the national unemployment rate; and (4) the area is one of pervasive poverty, unemployment, and general distress. Generally, those areas with the highest average ranking of eligibility factors (1), (2), and (3) above will be designated as renewal communities.

The boundary of a renewal community must be continuous. In addition, the renewal community must have a minimum population of 4,000 if the community is located within a metropolitan statistical area (at least 1,000 in all other cases), and a maximum population of not more than 200,000. The population limitations do not apply to any renewal community that is entirely within an Indian reservation.

In addition, certain State and local government commitments are necessary for an area to receive designation.

Tax incentives for renewal communities

The following tax incentives generally are available during the period beginning January 1, 2002, and ending December 31, 2009.

Zero-percent capital gain rate.—A zero-percent capital gains rate applies with respect to gain from the sale of a qualified community asset acquired after December 31, 2001, and before January 1, 2010, and held for more than five years. A ''qualified community asset'' includes: (1) qualified community stock (meaning original-issue stock purchased for cash in a renewal community business); (2) a qualified community partnership interest (meaning a partnership interest acquired for cash in a renewal community business); and (3) qualified community business property (meaning tangible property originally used in a renewal community business by the taxpayer) that is purchased or substantially improved after December 31, 2001.

The termination of an area's status as a renewal community will not affect whether property is a qualified community asset, but any gain attributable to the period before January 1, 2002, or after December 31, 2014, is not eligible for the zero-percent rate.

Renewal community employment credit.—A 15-percent wage credit is available to employers for the first $10,000 of qualified wages paid to each employee who (1) is a resident of the renewal community, and (2) performs substantially all employment services within the renewal community in a trade or business of the employer. In general, any taxable business carrying out activities in the renewal community may claim the wage credit.

Commercial revitalization deduction.—Each State is permitted to allocate up to $12 million of ''commercial revitalization expenditures'' to each renewal community located within the State for each calendar year after 2001 and before 2010. The appropriate State agency will make the allocations pursuant to a qualified allocation plan. A ''commercial revitalization expenditure'' means the cost of a new building or the cost of substantially rehabilitating an existing building. The qualifying expenditures for any building cannot exceed $10 million.

Additional section 179 expensing.—A renewal community business is allowed an additional $35,000 of section 179 expensing for qualified renewal property placed in service after December 31, 2001, and before January 1, 2010. The section 179 expensing allowed to a taxpayer is phased out by the amount by which 50 percent of the cost of qualified renewal property placed in service during the year by the taxpayer exceeds $200,000.

Extension of work opportunity tax credit (''WOTC'').—The provision expands the high-risk youth and qualified summer youth categories in the WOTC to include qualified individuals who live in a renewal community.

Expiration date

The tax benefits available in renewal communities are effective for the period beginning January 1, 2002, and ending December 31, 2009.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides that an employee who resides in one area that is designated as a renewal community, but who works in a certain other area that also is designated as a renewal community qualifies for the renewal community employment credit. To qualify the area of residence and the area of employment must be in the same State and within five miles.

In addition, the Senate amendment provides that, at the request of the local community, the Secretary of Housing and Urban development may expand the size of an existing renewal community to include a census tract that satisfy eligibility standards based on the 2000 Census, but which did not qualify based on the 1990 Census solely by reason of applicable 1990 population or poverty requirements. The Senate amendment also permits, upon the request of the local community, the Secretary of Housing and Urban Development to expand the size of an existing renewal community to include certain adjacent census tracts populated with 100 or fewer persons.

Effective date.—The Senate amendment provisions are effective as if included in the Community Renewal Tax Relief Act of 2000.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

22. Combat zone expansions (secs. 542 and 543 of the Senate amendment and sec. 112 of the Code)

PRESENT LAW

In general, gross income does not include compensation for active service in the armed forces of the United States below the grade of commissioned officer for any month during which the service person served in a combat zone.[375] For commissioned officers, the maximum excludible under this provision is the highest level of pay for an enlisted person. In general, the determination that an area is a combat zone is made by the President by an Executive Order.[376]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment removes the limitation on this exclusion for commissioned officers, so that their entire basic pay is excludible. The Senate amendment also provides that direct transit to and from a combat zone (not to exceed 14 days) is treated as service in a combat zone. The Senate amendment treats military service as part of Operation Iraqi Freedom in Guantanamo Bay, Cuba, and Diego Garcia as if it were in a combat zone.

Effective date.—The Senate amendment provision is effective on January 1, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

23. Ratable income inclusion for citrus canker tree payments (sec. 544 of the Senate amendment and sec. 451 and 1033 of the Code)

PRESENT LAW

Generally, a taxpayer recognizes gain on the sale or exchange of property to the extent the sales price (and any other consideration received) exceeds the seller's basis in the property. The recognized gain is subject to current income tax unless the gain is deferred or not recognized under a special tax provision.

[375] Sec. 112.

[376] Sec. 112(c)(2).

Under section 1033, gain realized by a taxpayer from an involuntary conversion of property is deferred to the extent the taxpayer purchases property similar or related in service or use to the converted property within the applicable period. The taxpayer's basis in the replacement property generally is the same as the taxpayer's basis in the converted property, decreased by the amount of any money or loss recognized on the conversion, and increased by the amount of any gain recognized on the conversion. The applicable period for the taxpayer to replace the converted property begins with the date of the disposition of the converted property (or the earliest date of the threat or imminence of requisition or condemnation of the converted property, whichever is earlier) and generally ends two years after the close of the first taxable year in which any part of the gain upon conversion is realized. Longer replacement periods are available in the case of real property and principal residences involuntarily converted as a result of Presidentially declared disaster.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment permits a taxpayer to elect to recognize any realized gain by reason of receiving a citrus canker tree payment ratably over a 10-year period beginning with the taxable year in which such payment is received or accrued by the taxpayer. The provision defines a citrus canker tree payment as a payment made to an owner of a commercial citrus grove to recover income that was lost as a result of the removal of commercial citrus trees to control canker under the amendments to the citrus canker regulations made by the final rule published in the Federal Register by the Secretary of the Agriculture on June 18, 2001. An election under the provision is made by attaching a statement to that effect in the taxpayer's return for the taxable year in which the payment is received or accrued in the manner as the Secretary prescribes. An election is binding for that taxable year and all subsequent taxable years.

The Senate amendment also extends the applicable period under section 1033 for a taxpayer to replace commercial citrus trees which are involuntarily converted under a public order as a result of citrus tree canker to four years. In addition, the Secretary of the Treasury is granted authority to further extend the replacement period on a regional basis if a State or Federal health authority determines that the land on which such trees grew is not free from the bacteria that causes citrus tree canker.

Effective date.—The Senate amendment provision is effective for taxable years beginning before, on, or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

24. Exclusion of certain punitive damage awards (sec. 545 of the Senate amendment and sec. 104 of the Code)

PRESENT LAW

Under present law, gross income generally does not include the amount of any damages received (whether by suit or agreement and whether as lump sums or as periodic payments) by individuals on account of personal physical injuries (including death) or physical sickness.[377] However, this exclusion does not apply to punitive damages.[378]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides an exclusion from gross income for any portion of an award of punitive damages in a civil action that is paid to a State under a split-award statute or any attorneys' fees or other costs incurred by the taxpayer in connection with obtaining such an award which are allocable to such portion.

Under the Senate amendment, a ''split-award statute'' is a State law that requires a fixed portion of an award of punitive damages in a civil action to be paid to the State.

Effective date.—The Senate amendment applies to awards made in taxable years ending after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

25. Repeal of pre–1997 tax on certain imported recycled halons (sec. 546 of the Senate amendment and sec. 4682 of the Code)

PRESENT LAW

An excise tax is imposed on the sale or use by the manufacturer or importer of certain ozone-depleting chemicals (sec. 4681). The amount of tax generally is determined by multiplying the base tax amount applicable for the calendar year by an ozone-depleting factor assigned to each taxable chemical. The base tax amount was $5.80 per pound in 1996 and $6.25 per pound in 1997, and increased by $0.45 cents per pound per year thereafter. The ozone-depleting factors for taxable halons are three for halon–1211, 10 for halon–1301, and six for halon–2402.

In general, taxable chemicals that are recovered and recycled within the United States are exempt from tax. In addition, exemption is provided for imported recycled halon–1301 and halon–2402 if such chemicals are imported after December 31, 1996, from countries that are signatories to the Montreal Protocol on Substances that Deplete the Ozone Layer.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides that no tax is liable for imported recycled halon–1301 or halon–2402 if such chemicals were imported after December 31, 1993, from countries that were signatories to the Montreal Protocol on Substances that Deplete the Ozone Layer at the time such chemicals were imported. In addition, the Senate amendment provides that no tax is liable for imported recycled halon–1211 if such chemicals were imported after December 31, 1993 and before August 5, 1997, from countries that were signatories to the Montreal Protocol on Substances that Deplete the Ozone Layer at the time such chemicals were imported. If, before the end of the one-year period commencing with the date of enactment, any taxpayer who previously paid tax under the then prevailing law files for a refund or credit of taxes paid, such refund or credit is to be made.

Effective date.—The Senate amendment provision is effective upon the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

26. Modification of involuntary conversion rules for businesses affected by the September 11, 2001 terrorist attacks (sec. 547 of the Senate amendment and sec. 1400L of the Code)

PRESENT LAW

A taxpayer may elect not to recognize gain with respect to property that is involuntarily converted if the taxpayer acquires within an applicable period (the ''replacement period'') property similar or related in service or use (section 1033). If the taxpayer does not replace the converted property with property similar or related in service or use, then gain generally is recognized. If the taxpayer elects to apply the rules of section 1033, gain on the converted property is recognized only to the extent that the amount realized on the conversion exceeds the cost of the replacement property. In general, the replacement period begins with the date of the disposition of the converted property and ends two years after the close of the first taxable year in which any part of the gain upon conversion is realized.[379] The replacement period is extended to three years if the converted property is real property held for the productive use in a trade or business or for investment.[380]

The Jobs Creation and Worker Assistance Act of 2002[381] extends the replacement period to five years for a taxpayer to purchase property to replace property that was involuntarily converted within the New York Liberty Zone[382] as a result of the terrorist attacks that occurred on September 11, 2001. However, the five-year period is available only if substantially all of the use of the replacement property is in New York City. In all other cases, the present-law replacement period rules continue to apply.

HOUSE BILL

No provision.

SENATE AMENDMENT

For property that was involuntarily converted within the New York Liberty Zone as a result of the terrorist attacks that occurred on September 11, 2001, the Senate amendment provides that if a taxpayer is a member of an affiliated group of corporations filing a consolidated return that replacement property may be purchased by any member of the affiliated group (in lieu of the taxpayer).[383]

Effective date.—The Senate amendment provision is effective for involuntary conversions in the New York Liberty Zone occurring on or after September 11, 2001.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

D. Medicare Provisions (Secs. 561–576 of the Senate Amendment)

PRESENT LAW

Standardized Amount Equalization

Present law pays rural and small urban facilities 1.6 percent less on every inpatient discharge than their counterparts in urban areas of a million or more people.

Equalization of Medicare Disproportionate Share (DSH) Payments

Present law differentiates between rural and urban hospitals that treat vulnerable populations.

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[377] Sec. 104(a)(2).

[378] *Id.*

[379] Section 1033(a)(2)(B).

[380] Section 1033(g)(4).

[381] Pub. Law No. 107–147, sec. 301 (2002).

[382] The ''New York Liberty Zone'' generally is the area located on or south of Canal street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan, New York, New York.

[383] It is anticipated that the Secretary of the Treasury will issue guidance as may be necessary to ensure that gain shall not be recognized under the consolidated return provisions and to ensure that any investment adjustments, or any other adjustments under the consolidated regulations, accurately reflect the implications of permitting another member of the consolidated group to purchase the replacement property.

Assistance for Low Volume Hospitals

Present law fails to recognize the special costs incurred by hospitals with less than 2,000 discharges per year.

Revision of Labor Share to 62 percent

Medicare's standardized amounts are apportioned into a labor-related amount (which is then adjusted by the wage index value of the area where the hospital is located or to which it has been reassigned) and a nonlabor-related amount (which is generally not subject to geographical adjustment). Under present law, the labor-related amount comprises 71.1 percent of the national standardized amount.

Extend Hold Harmless for Rural Hospitals under Hospital Outpatient Prospective Payment System

Present law payments to outpatient hospital departments vary from year to year.

Critical Access Hospital Improvements

Many rural hospitals have elected to become critical access hospitals (CAHs) under present law.

10-percent Add-on for Rural Home Health Agencies

Special add-on payment to rural home health agencies expired on April 1, 2003.

Five-percent Add-on for Clinic and Emergency Room Visits for Small Rural Hospitals

Present law treats clinic and emergency room visits no differently than other services provided by the hospital.

Five-percent Add-on for Rural Ground Ambulance Trips

Present law fails to compensate for the long distances rural ambulances drive to treat patients.

Exclusion of Services Provided By Rural Health Clinic-based Practitioners from SNF Consolidated Billing

Present law requires providers based in a rural health clinic to submit their bills for services provided to nursing home patients to the nursing home rather than to Medicare.

Make 10-percent Bonus Payments under Medicare Incentive Payment Program Automatic

Present law requires physicians participating in the Medicare Incentive Payment program to apply for bonus payments when they elect to serve in Health Professional Shortage Areas.

Two-Year Extension of Reasonable Cost Payments for Laboratory Tests in Sole Community Hospitals

Present law allows laboratory tests performed in sole community hospitals to be paid at their reasonable cost, rather than under a fee schedule.

Set Work, Practice Expense and Malpractice Geographic Indices for Physician Payments at 1.0

Present law adjusts three components of physician payments under the physician fee schedule based on geography.

10-Year Freeze in CPI Updates for Durable Medical Equipment, Prosthetics and Orthotics

Present law produces payment updates equal to CPI for providers and suppliers in this category.

Collect Coinsurance and Deductible Amounts for Clinical Laboratory Tests

Present law includes no cost-sharing obligation for clinical laboratory tests.

Limit Reimbursement for Currently Covered Drugs

Present law pays for limited prescription drugs and biologicals at 95 percent of the product's average wholesale price.

HOUSE BILL

No provision.

SENATE AMENDMENT

Standardized Amount Equalization

The Senate amendment raises the inpatient base rate for hospitals in rural and small urban areas to the same rate as that in large urban areas.

Equalization of Medicare Disproportionate Share (DSH) Payments

The Senate amendment equalizes payments to both rural and urban hospitals that receive Medicare DSH payments.

Assistance for Low Volume Hospitals

The Senate amendment improves payments for those hospitals with extremely low annual patient volume.

Revision of Labor Share to 62 percent

The Senate amendment reduces the labor-related amount to 62 percent of the national standardized amount.

Extend Hold Harmless for Rural Hospitals Under Hospital Outpatient Prospective Payment System

The Senate amendment protects rural hospitals against possible reductions due to the new outpatient prospective payment system through 2006.

Critical Access Hospital Improvements

The Senate amendment (1) reinstates Periodic Interim Payment (PIP), which provides facilities with a steadier stream of payment in order to improve their cash flow; (2) eliminates the current requirement that CAH-based ambulance services be at least 35 miles from another ambulance service in order to receive cost-based payment; and (3) provides coverage for emergency on-call providers, and (4) excludes CAHs from the wage index calculation.

10–percent Add-on for Rural Home Health Agencies

The Senate amendment extends special add-on payments that expired April 1, 2003 to rural home health agencies and makes them permanent.

Five-percent Add-on for Clinic and Emergency Room Visits for Small Rural Hospitals

The Senate amendment increases Medicare payment for visits to small rural hospitals' outpatient clinics and emergency rooms, which serve a critical primary care function in rural areas.

Five-percent Add-on for Rural Ground Ambulance Trips

The Senate amendment extends a five-percent add-on payment for all ground ambulance trips provided in a rural area.

Exclusion of Services Provided By Rural Health Clinic-based Practitioners From SNF Consolidated Billing

The Senate amendment exempts practitioners based in rural health clinics from the requirement to submit their bills for services provided to nursing home patients to the nursing home rather than to Medicare, reducing administrative burdens and making their payments more predictable.

Make 10–percent Bonus Payments Under Medicare Incentive Payment Program Automatic

Present law requires physicians participating in the Medicare Incentive Payment program to apply for bonus payments when they elect to serve in Health Professional Shortage Areas. The Senate amendment makes bonus payments automatic to physicians participating in the Medicare Incentive Payment program, eliminating bureaucratic barriers to receipt of such funds.

Two-Year Extension of Reasonable Cost Payments for Laboratory Tests in Sole Community Hospitals

The Senate amendment extends the allowance for laboratory tests performed in sole community hospitals to be paid at their reasonable cost, rather than under a fee schedule for an additional two years.

Set Work, Practice Expense and Malpractice Geographic Indices for Physician Payments at 1.0

The Senate amendment sets a floor of 1.0 on geographic adjustments to the work, practice expense and professional liability insurance components of physician payment.

10–Year Freeze in CPI Updates for Durable Medical Equipment, Prosthetics and Orthotics

The Senate amendment freezes CPI updates for payment for durable medical equipment, prosthetics, and orthotics for ten years.

Collect Coinsurance and Deductible Amounts for Clinical Laboratory Tests

The Senate amendment extends the same coinsurance and deductible rules to clinical laboratory tests that apply to all other Part B services.

Limit Reimbursement for Currently Covered Drugs

The Senate amendment lowers that amount paid for limited prescription drugs and biologicals to 85 percent of the product's average wholesale price, or the amount payable for the product during the last quarter of the previous year, whichever is lower.

CONFERENCE AGREEMENT

The conference agreement does not in the Senate amendment provisions.

E. Provisions Relating to S Corporations (Secs. 581–594 of the Senate Amendment and Sections 1361–1379 of the Code)

1. Shareholders of an S corporation

PRESENT LAW

The taxable income or loss of an S corporation is taken into account by the corporation's shareholders, rather than by the entity, whether or not such income is distributed. A small business corporation may elect to be treated as an S corporation. A ''small business corporation'' is defined as a domestic corporation which is not an ineligible corporation and which does not have (1) more than 75–shareholders; (2) as a shareholder, a person (other than certain trusts, estates, charities, and qualified retirement plans) who is not an individual; (3) a nonresident alien as a shareholder; and (4) more than one class of stock. For purposes of the 75–shareholder limitation, a husband and wife are treated as one shareholder. An ''ineligible corporation'' means any corporation that is a member of an affiliated group, certain financial institutions that use the reserve method of accounting for bad debts, certain insurance companies, a section 936 corporation, or a DISC or former DISC.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision provides that all family members owning stock can elect to be treated as one shareholder. A family is defined as the lineal descendants of a common ancestor (and their spouses). The common ancestor cannot be more than six generations removed from the youngest generation of shareholder at the time the S election is made (or the effective date of this provision, if later). The election is made available to only one family per corporation, must be made with the consent of all shareholders of the corporation and remains in effect until terminated.

The Senate amendment provision increases the maximum number of eligible shareholders from 75 to 100.

Finally, under the Senate amendment nonresident aliens are allowed as beneficiaries of an electing small business trust.

Effective date.—The Senate amendment provisions apply to taxable years beginning after December 31, 2003, except that the provision relating to nonresident aliens is effective on date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

2. Termination of election and additions to tax due to passive investment income

PRESENT LAW

An S corporation is subject to corporate-level tax, at the highest marginal corporate tax rate, on its net passive income if the corporation has (1) subchapter C earnings and profits at the close of the taxable year and (2) gross receipts more than 25 percent of which are passive investment income.

In addition, an S corporation election is terminated whenever the corporation has subchapter C earnings and profits at the close of three consecutive taxable years and has gross receipts for each of such years more than 25 percent of which are passive investment income.

For these purposes, ''passive investment income'' generally means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities (to the extent of gains). ''Passive investment income'' generally does not include interest on accounts receivable, gross receipts that are derived directly from the active and regular conduct of a lending or finance business, gross receipts from certain liquidations, or gain or loss from any section 1256 contract (or related property) of an options or commodity dealer. ''Net passive income'' is defined as passive investment income reduced by the allowable deductions that are directly connected with the production of the income.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision increases the 25–percent threshold to 60 percent.

Also, the Senate amendment repeals capital gain as a category of passive income.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

3. Treatment of S corporation shareholders

(a) In general

PRESENT LAW

In general, each S corporation shareholder takes into account its pro rata share of the S corporation income and loss for the taxable year.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision makes the following changes in the treatment of S corporation shareholders:

Under the Senate amendment provision, if a shareholder's stock in an S corporation is transferred incident to a divorce decree, the pro rata share of any suspended corporate loss is transferred to the transferee spouse.

Under the Senate amendment provision, the beneficiary of a qualified subchapter S trust is allowed the suspended losses under the at-risk rules and the passive loss rules when the trust disposes of the stock.

Effective date.—The Senate amendment provisions apply to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(b) Electing small business trusts

PRESENT LAW

Under present law, an electing small business trust (''ESBT'') may be an S corporation shareholder. In general, the beneficiaries of an ESBT must be individuals and others taxpayers that may own stock in an S corporation directly. Each potential current beneficiary of the trust is counted as a shareholder in determining whether or not the corporation meets the requirement that an S corporation have no more than 75 shareholders.

The portion of the trust consisting of S corporation stock is treated as a separate trust. The trust is taxed at the maximum trust tax rate (which is the same as the maximum individual tax rate) on the items of income, deduction, gain, or loss passing through from the S corporation. The remaining portion of the trust is treated as a separate trust taxed under the normal rules relating to the taxation of trusts and beneficiaries. In computing the amount of the distribution deduction for the trust, no subchapter S items are taken into account.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment provision, unexercised powers of appointment are disregarded in determining the beneficiaries of an electing small business trust.

Under the Senate amendment provision, the treatment of distributions from an electing small business trust is clarified by treating distributions from each portion (i.e., the portion attributable to the S corporation stock and the remaining portion) of the trust as separate distributions.

Effective date.—The Senate amendment provisions apply to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the provision in the Senate amendment provision.

4. Provisions relating to banks

(a) IRAs holding bank stock

PRESENT LAW

An individual retirement arrangement (''IRA'') may not hold stock in an S corporation.

The Code contains rules prohibiting certain transactions between disqualified persons and certain tax-favored retirement arrangements, including IRAs. These rules are designed to prevent certain self-dealing transactions. For example, the sale of an asset held by an IRA to the beneficiary of the IRA is a prohibited transaction. In general, an excise tax is imposed on prohibited transactions. In the case of an IRA, however, if the IRA beneficiary engages in a prohibited transaction, the excise tax does not apply and, instead, the IRA ceases to be an IRA.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision provides that the sale of holding bank stock held in an IRA to the beneficiary of the IRA is not a prohibited transaction, in order to allow the corporation to be eligible to elect to be an S corporation.

Effective date.—The Senate amendment provision applies to stock held by an IRA on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(b) Exclusion of investment securities income from passive income test for bank S corporations

PRESENT LAW

An S corporation is subject to corporate-level tax, at the highest marginal corporate tax rate, on its net passive income if the corporation has (1) subchapter C earnings and profits at the close of the taxable year and (2) gross receipts more than 25 percent of which are passive investment income.

In addition, an S corporation election is terminated whenever the corporation has subchapter C earnings and profits at the close of three consecutive taxable years and has gross receipts for each of such years more than 25 percent of which are passive investment income.

For these purposes, ''passive investment income'' generally means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities (to the extent of gains). ''Passive investment income'' generally does not include interest on accounts receivable, gross receipts that are derived directly from the active and regular conduct of a lending or finance business, gross receipts from certain liquidations, or gain or loss from any section 1256 contract (or related property) of an options or commodity dealer. ''Net passive income'' is defined as passive investment income reduced by the allowable deductions that are directly connected with the production of the income.

HOUSE BILL

No amendment.

SENATE AMENDMENT

The Senate amendment provision provides that, in the case of a bank or bank holding company, passive income does not include interest and does not include dividends on assets required to be held by the bank or bank holding company.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(c) Treatment of qualifying director shares

PRESENT LAW

A small business corporation may elect to be treated as an S corporation. A ''small business corporation'' is defined as a domestic corporation which is not an ineligible corporation and which does not have (1) more than 75 shareholders; (2) as a shareholder, a person (other than certain trusts, estates, charities, or qualified retirement plans) who is not an individual; (3) a nonresident alien as a shareholder; and (4) more than one class of stock.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment provision, shares held by reason of being a bank director that are subject to an agreement pursuant to which the holder is required to dispose of the shares upon termination of the holder's status as a director at the same price the individual acquired the shares are not treated as a second class of stock. Distributions are treated like interest payments.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

5. Qualified subchapter S subsidiaries

(a) Relief from inadvertently invalid qualified subchapter S subsidiaries and elections and terminations

PRESENT LAW

Under present law, inadvertent subchapter S elections and terminations may be waived.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision allows inadvertent qualified subchapter S subsidiary elections and terminations to be waived by the IRS.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

(b) Information returns for qualified subchapter S subsidiaries

PRESENT LAW

Under present law, a wholly owned subsidiary of an S corporation may elect to be treated as not a separate corporation. The assets, liabilities, and items of income, deduction, and credit of the subsidiary are treated as assets, liabilities, and items of the parent S corporation.

HOUSE BILL

No provision

SENATE AMENDMENT

The Senate amendment provision provides authority to the Secretary of the Treasury to provide guidance regarding information returns of subchapter S subsidiaries.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

6. Elimination of all earnings and profits attributable to pre-1983 years

PRESENT LAW

The Small Business Job Protection Act of 1996 provided that if a corporation was an S corporation for its first taxable year beginning after 1996, the accumulated earnings and profits of the corporation were reduced as of the beginning of that year by the accumulated earnings and profits (if any) accumulated in a taxable year beginning before 1983 for which the corporation was an electing small business corporation under subchapter S.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision eliminates all accumulated earnings and profits of a corporation accumulated in a taxable year beginning before 1983 for which the corporation was an electing small business corporation under subchapter S.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

VIII. BLUE RIBBON COMMISSION ON COMPREHENSIVE TAX REFORM (SECS. 601–607 OF THE SENATE AMENDMENT)

PRESENT LAW

No provision.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment establishes the Blue Ribbon Commission on Comprehensive Tax Reform (the ''Commission''). The Commission is composed of 12 members, of whom: (1) one is the Chairman of the Board of the Federal Reserve System; (2) two are appointed by the majority leader of the Senate; (3) two are appointed by the minority leader of the Senate; (4) two are appointed by the Speaker of the House of Representatives; (5) two are appointed by the minority leader of the House of Representatives; and (6) three are appointed by the President, of which no more than two will be of the same party as the President. Members of the Commission may be employees or former employees of the Federal Government. Appointments of Commission members will be made not later than July 30, 2003. Members of the Commission will be appointed for the life of the Commission. Any vacancy in the Commission will not affect its powers but will be filled in the same manner as the original appointment.

The Commission will hold its first meeting not later than 30 days after the date on which all Commission members have been appointed. The President will select a Commission Chairman (''Chairman'') and Vice Chairman from among the members of the Commission. The Commission will meet at the call of the Chairman. A majority of the members of the Commission will constitute a quorum, but a lesser number of members may hold hearings (discussed below).

The Commission will conduct a thorough study of all matters relating to a comprehensive reform of the Federal tax system, including the reform of the Internal Revenue Code of 1986 and the implementation (if appropriate) of other types of tax systems. The Commission will develop recommendations on how to comprehensively reform the Federal tax system in a manner that generates appropriate revenue for the Federal Government. Not later than 18 months after the date on which all initial members of the Commission have been appointed, the Commission will submit a report to the President and Congress which will contain a detailed statement of the findings and conclusions of the Commission, together with its recommendations for such legislation and administrative actions as it considers appropriate.

The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out the amendment. Additionally, the Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out the amendment. Upon request of the Chairman, the head of such department or agency will furnish such information to the Commission. The Commission may use the United States mails in the same manner and under the same condition as other departments and agencies of the Federal Government. The Commission may accept, use, and dispose of gifts or donations of services or property.

Each member of the Commission who is not an officer or employee of the Federal Government will be compensated at a rate equal to the daily equivalent of a prescribed annual rate of pay [384] for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States will serve without compensation in addition to that received for their services as officers or employees of the United States. Commission members will be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies while away from their homes or regular places of business in the performance of services for the Commission.[385]

The Chairman, without regard to the civil service laws and regulations, may appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director will be subject to confirmation by the Commission. The Chairman may fix the compensation of the executive director and other personnel without regard to classification of positions and general schedule pay rates,[386] except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the executive schedule.[387]

Any employee of the Federal Government may be detailed to the Commission without reimbursement, and such detail will be without interruption or loss of civil service status or privilege. The Chairman may procure temporary and intermittent services [388] at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the executive schedule.

The Commission will terminate 90 days after the date on which the Commission submits the report required by the provision. Such sums as are necessary to carry out the Senate amendment are appropriated.

Effective date.—The Senate amendment is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

IX. REIT PROVISIONS

A. REIT Modification Provisions (Secs. 701–707 of the Senate Amendment and Secs. 856 and 857 of the Code)

PRESENT LAW

In general

Real estate investment trusts (''REITs'') are treated, in substance, as pass-through entities under present law. Pass-through status is achieved by allowing the REIT a deduction for dividends paid to its shareholders. REITs are generally restricted to investing in passive investments primarily in real estate and securities.

A REIT must satisfy four tests on a year-by-year basis: organizational structure, source of income, nature of assets, and distribution of income. Whether the REIT meets the asset tests is generally measured each quarter.

Organizational structure requirements

To qualify as a REIT, an entity must be for its entire taxable year a corporation or an unincorporated trust or association that would be taxable as a domestic corporation but for the REIT provisions, and must be managed by one or more trustees. The beneficial ownership of the entity must be evidenced by transferable shares or certificates of ownership. Except for the first taxable year for which an entity elects to be a REIT, the beneficial ownership of the entity must be held by 100 or more persons, and the entity may not be so closely held by individuals that it would be treated as a personal holding company if all its adjusted gross income constituted personal holding company income. A REIT is disqualified for any year in which it does not comply with regulations to

[384] The applicable rate of pay is the basic pay prescribed for level IV of the Executive Schedule under 5 U.S.C. 5315.

[385] Subchapter I of chapter 57 of title 5, U.S.C.

[386] Chapter 51 and subchapter III of chapter 53 of title 5, U.S.C.

[387] 5 U.S.C. 5316.

[388] 5 U.S.C. 3109(b).

ascertain the actual ownership of the REIT's outstanding shares.

Income requirements

In order for an entity to qualify as a REIT, at least 95 percent of its gross income generally must be derived from certain passive sources (the ''95-percent income test''). In addition, at least 75 percent of its income generally must be from certain real estate sources (the ''75-percent income test''), including rents from real property (as defined) and gain from the sale or other disposition of real property.

Qualified rental income

Amounts received as impermissible ''tenant services income'' are not treated as rents from real property.[389] In general, such amounts are for services rendered to tenants that are not ''customarily furnished'' in connection with the rental of real property.[390] Special rules also permit amounts to be received from certain ''foreclosure property'' treated as such for 3 years after the property is acquired by the REIT in foreclosure after a default (or imminent default) on a lease of such property or an indebtedness which such property secured.

Rents from real property, for purposes of the 95-percent and 75-percent income tests, generally do not include any amount received or accrued from any person in which the REIT owns, directly or indirectly, 10 percent or more of the vote or value.[391] An exception applies to rents received from a taxable REIT subsidiary (''TRS'') (described further below) if at least 90 percent of the leased space of the property is rented to persons other than a TRS or certain related persons, and if the rents from the TRS are substantially comparable to unrelated party rents.[392]

Certain hedging instruments

Except as provided in regulations, a payment to a REIT under an interest rate swap or cap agreement, option, futures contract, forward rate agreement, or any similar financial instrument, entered into by the trust in a transaction to reduce the interest rate risks with respect to any indebtedness incurred or to be incurred by the REIT to acquire or carry real estate assets, and any gain from the sale or disposition of any such investment, is treated as income qualifying for the 95-percent income test.

Tax if qualified income tests not met

If a REIT fails to meet the 95-percent or 75-percent income tests but has set out the income it did receive in a schedule and any error in the schedule is due to reasonable cause and not willful neglect, then the REIT does not lose its REIT status but instead pays a tax measured by the greater of the amount by which 90 percent[393] of the REIT's gross income exceeds the amount of items subject to the 95-percent test, or the amount by which 75 percent of the REIT's gross income exceeds the amount of items subject to the 75-percent test.[394]

Income or loss from prohibited transactions

In general, a REIT must derive its income from passive sources and not engage in any active trade or business. A 100 percent tax is imposed on the net income of a REIT from ''prohibited transactions''. A prohibited transaction is the sale or other disposition of property described in section 1221(1) of the Code (property held for sale in the ordinary course of a trade or business) other than foreclosure property.[395] A safe harbor is provided for certain sales of rent producing real property that otherwise might be considered prohibited transactions. The safe harbor is limited to seven or fewer sales a year or, alternatively, any number of sales provided that the aggregate adjusted basis of the property sold does not exceed 10 percent of the aggregate basis of all the REIT's assets at the beginning of the REIT's taxable year. The safe harbor only applies to property that has been held by the REIT for at least 4 years. In addition, property is eligible for the safe harbor only if the aggregate expenditures made directly or indirectly by the REIT during the 4-year period prior to date of sale do not exceed 30 percent of the net selling price of the property.

Certain timber income

REITs have been formed to hold land on which trees are grown. Upon maturity of the trees, the standing trees are sold by the REIT to its taxable REIT subsidiary, which cuts and logs the trees and processes the timber to produce lumber, lumber products such a plywood or composite. The Internal Revenue Service has issued private letter rulings in particular instances stating that the income can qualify as REIT real property income because the uncut timber and the timberland on which the timber grew is considered real property and the sale of uncut trees can qualify as capital gain derived from the sale of real property.[396]

Asset requirements

To satisfy the asset requirements to qualify for treatment as a REIT, at the close of each quarter of its taxable year, an entity must have at least 75 percent of the value of its assets invested in real estate assets, cash and cash items, and government securities (the ''75-percent asset test''). The term real estate asset is defined to mean real property (including interests in real property and mortgages on real property) and interests in REITs.

Limitation on investment in other entities

A REIT is limited in the amount that it can own in other corporations. Specifically, a REIT cannot own securities (other than Government securities and certain real estate assets) in an amount greater than 25 percent of the value of REIT assets. In addition, it cannot own such securities of any one issuer representing more than 5 percent of the total value of REIT assets or more than 10 percent of the voting securities or 10 percent of the value of the outstanding securities of any one issuer. Securities for purposes of these rules are defined by reference to the Investment Company Act of 1940.

''Straight debt'' exception

Securities of an issuer that are within a safe-harbor definition of ''straight debt'' (as defined for purposes of subchapter S[397] are not taken into account in applying the limitation that a REIT may not hold more than 10 percent of the value of outstanding securities of a single issuer, if: (1) the issuer is an individual, or (2) the only securities of such issuer held by the REIT or a taxable REIT subsidiary of the REIT are straight debt, or (3) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.

Straight debt is defined as a written or unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the interest rate (and interest payment dates) are not contingent on profits, the borrower's discretion, or similar factors; (ii) there is no convertibility (directly or indirectly) into stock; and (iii) the creditor is an individual (other than a nonresident alien), an estate, certain trusts, or a person which is actively and regularly engaged in the business of lending money.

Certain subsidiary ownership permitted with income treated as income of the REIT

Under one exception to the rule limiting a REIT's securities holdings to no more than 10 percent of the vote or value of a single issuer, a REIT can own 100 percent of the stock of a corporation, but in that case the income and assets of such corporation are treated as income and assets of the REIT.

Special rules for Taxable REIT subsidiaries

Under another exception to the general rule limiting REIT securities ownership of other entities, a REIT can own stock of a taxable REIT subsidiary (''TRS''), generally, a corporation other than a real estate investment trust[398] with which the REIT makes a joint election to be subject to special rules. A TRS can engage in active business operations that would produce income that would not be qualified income for purposes of the 95–percent or 75-percent income tests for a REIT, and that income is not attributed to the REIT. For example a TRS could provide noncustomary services to REIT tenants, or it could engage directly in the active operation and management of real estate (without use of an independent contractor); and the income the TRS derived from these nonqualified activities would not be treated as disqualified REIT income. Transactions between a TRS and a REIT are subject to a number of specified rules that are intended to prevent the TRS (taxable as a separate corporate entity) from shifting taxable income from its activities to the pass through entity REIT or from absorbing more than its share of expenses. Under one rule, a 100 percent excise tax is imposed on rents, deductions, or interest paid by the TRS to the REIT to the extent such items would exceed an arm's length amount as determined under section 482.[399]

[389] A REIT is not treated as providing services that produce impermissible tenant services income if such services are provided by an independent contractor from whom the REIT does not derive or receive any income. An independent contractor is defined as a person who does not own, directly or indirectly, more than 35 percent of the shares of the REIT. Also, no more than 35 percent of the total shares of stock of an independent contractor (or of the interests in net assets or net profits, if not a corporation) can be owned directly or indirectly by persons owning 35 percent or more of the interests in the REIT.

[390] Rents for certain personal property leased in connection are treated as rents from real property if the fair market value of the personal property does not exceed 15 percent of the aggregate fair market values of the real and personal property

[391] Section 856(d)(2)(B).

[392] Section 856(d)(8).

[393] Prior to 1999, the rule had applied to the amount by which 95 percent of the income exceeded the items subject to the 95 percent test.

[394] The ratio of the REIT's net to gross income is applied to the excess amount, to determine the amount of tax (disregarding certain items otherwise subject to a 100-percent tax). In effect, the formula seeks to require that all of the REIT net income attributable to the failure of the income tests will be paid as tax. Sec. 857(b)(5).

[395] Thus, the 100 percent tax on prohibited transactions helps to ensure that the REIT is a passive entity and may not engage in ordinary retailing activities such as sales to customers of condominium units or subdivided lots in a development project.

[396] See, e.g., PLR 200052021, PLR 199945055, PLR 19927021, PLR 8838016. A private letter ruling may be relied upon only by the taxpayer to which the ruling is issued. However, such rulings provide an indication of administrative practice.

[397] Section 1361(c)(5), without regard to paragraph (B)(iii) thereof.

[398] Certain corporations are not eligible to be a TRS, such as a corporation which directly or indirectly operates or manages a lodging facility or a health care facility or directly or indirectly provides to any other person rights to a brand name under which any lodging facility or health care facility is operated. Sec. 856((1)(3).

[399] If the excise tax applies, the item is not also reallocated back to the TRS under section 482.

Rents subject to the 100 percent excise tax do not include rents for services of a TRS that are for services customarily furnished or rendered in connection with the rental of real property.

They also do not include rents from a TRS that are for real property or from incidental personal property provided with such real property.

Income distribution requirements

A REIT is generally required to distribute 90 percent of its income before the end of its taxable year, as deductible dividends paid to shareholders. This rule is similar to a rule for regulated investment companies (''RICs'') that requires distribution of 90 percent of income. Both RICS and REITs can make certain ''deficiency dividends'' after the close of the taxable year, and have these treated as made before the end of the year. Deficiency dividends may be declared on or after the date of ''determination''. A determination is defined to include only (i) a final decision by the Tax Court or other court of competent jurisdiction, (ii) a closing agreement under section 7121, or (iii) under Treasury regulations, an agreement signed by the Secretary and the REIT.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment makes a number of modifications to the REIT rules.

Straight debt modification

The provision modifies the definition of ''straight debt'' for purposes of the limitation that a REIT may not hold more than 10 percent of the value of the outstanding securities of a single issuer, to provide more flexibility than the present law rule. In addition, except as provided in regulations, neither such straight debt nor certain other types of securities are considered ''securities'' for purposes of this rule.

Straight debt securities

''Straight-debt'' is still defined by reference to section 1361(c)(5), however, without regard to subparagraph (B)(iii) thereof (limiting the nature of the creditor).

Special rules are provided permitting certain contingencies for purposes of the REIT provision. Any interest or principal shall not be treated as failing to satisfy section 1361(c)(5)(B)(i) solely by reason of the fact that the time of payment of such interest or principal is subject to a contingency, but only if one of several factors applies. The first type of contingency that is permitted is one that does not have the effect of changing the effective yield to maturity, as determined under section 1272, other than a change in the annual yield to maturity which either (i) does not exceed the greater of ¼ of 1 percent or 5 percent of the annual yield to maturity, or (ii) results solely from a default or the exercise of a prepayment right by the issuer of the debt.

The second type of contingency that is permitted is one under which neither the aggregate issue price nor the aggregate face amount of the debt instruments held by the REIT exceeds $1,000,000 and not more than 12 months of unaccrued interest can be required to be prepaid thereunder.

The bill eliminates the present law rule requiring a REIT to own a 20 percent equity interest in a partnership in order for debt to qualify as ''straight debt''. The bill instead provides new ''look-through'' rules determining a REIT partner's share of partnership securities, generally treating debt to the REIT as part of the REIT's partnership interest for this purpose, except in the case of otherwise qualifying debt of the partnership.

Certain corporate or partnership issues that otherwise would be permitted to be held without limitation under the special straight debt rules described above will not be so permitted if the REIT holding such securities, and any of its taxable REIT subsidiaries, holds any securities of the issuer which are not permitted securities (prior to the application of this rule) and have an aggregate value greater than 1 percent of the issuer's outstanding securities.

Other securities

Except as provided in regulations, the following also are not considered ''securities'' for purposes of the rule that a REIT cannot own more than 10 percent of the value of the outstanding securities of a single issuer: (i) any loan to an individual or an estate, (ii) any section 467 rental agreement, (as defined in section 467(d)), other than with a person described in section 856(d)(2)(B), (iii) any obligation to pay rents from real property, (iv) any security issued by a State or any political subdivision thereof, the District of Columbia, a foreign government, or any political subdivision thereof, or the Commonwealth of Puerto Rico, but only if the determination of any payment received or accrued under such security does not depend in whole or in part on the profits of any entity not described in this category, or payments on any obligation issued by such an entity, (v) any security issued by a real estate investment trust; (vi) any other arrangement that, as determined by the Secretary, is excepted from the definition of a security.

Safe harbor testing date for certain rents

The bill provides specific safe-harbor rules regarding the dates for testing whether 90 percent of a REIT property is rented to unrelated persons and whether the rents paid by related persons are substantially comparable to unrelated party rents. These testing rules are provided solely for purposes of the special provision permitting rents received from a related party to be treated as qualified rental income for purposes of the income tests.[400]

Customary services exception

The bill prospectively eliminates the safe harbor allowing rents received by a REIT to be exempt from the 100 percent excise tax if the rents are for customary services performed by the TRS[401] or are from a TRS and are for the provision of certain incidental personal property. Instead, such payments would be free of the excise tax if they satisfy the present law safe-harbor that applies if the REIT pays the TRS at least 150 percent of the cost to the TRS of providing any services.

Hedging rules

The rules governing the tax treatment of arrangements engaged in by a REIT to reduce interest rate risks are prospectively conformed to the rules included in section 1221.

95-percent gross income requirement

The bill prospectively amends the tax liability owed by the REIT when it fails to meet the 95-percent of gross income test by applying a taxable fraction based on 95 percent, rather than 90 percent of the REIT's gross income.

Safe harbor from prohibited transactions for certain timberland sales

The bill provides that a sale of a real estate asset will not be a prohibited transaction the following six requirements are met:

(1) The asset must have been held for at least 4 years in the trade or business of producing timber;

(2) The aggregate expenditures made the REIT (or a partner of the REIT) during the 4-year period preceding the date of sale that are includible in the basis of the property that are directly related to the operation of the property for the production of timber or for the preservation of the property for use as timberland must not exceed 30 percent of the net selling price of the property;

(3) The aggregate expenditures made the REIT (or a partner of the REIT) during the 4-year period preceding the date of sale that are includible in the basis of the property that do not qualify under the second requirement (i.e., those expenditures are not directly related to the operation of the property for the production of timber or the preservation of the property for use as timberland) must not exceed 5 percent of the net selling price of the property;

(4) The REIT either (i) does not make more than 7 sales of property (other than sales of foreclosure property or sales to which 1033 applies) or (ii) the aggregate adjusted bases (as determined for purposes of computing earnings and profits) of property sold during the year (other than sales of foreclosure property or sales to which 1033 applies) does not exceed 10 percent of the aggregate bases (as determined for purposes of computing earnings and profits)of property of all assets of the REIT as of the beginning of the year;

(5) Substantially all of the marketing expenditure with respect to the property are made by persons who an independent contractor (as defined by section 856(d)(3) with respect to the REIT and from whom the REIT does not derive any income; and

(6) The sales price of the sale of the property to a taxable REIT subsidiary cannot be based in whole or in part on the income or profits that the subsidiary derives from the sales of such properties.

Costs that are not includible in the basis of the property are not counted towards either the 30 or 5 percent requirements.

Capital expenditures counted towards 30-percent requirement

Capital expenditures counted towards the 30-percent limit are those expenditures that are includible in the basis of the property (other than timberland acquisition expenditures), and that are directly related to operation of the property for the production of timber, or for the preservation of the property for use as timberland. These capital expenditures are those incurred directly in the operation of raising timber (i.e., silviculture), as opposed to capital expenditures incurred in the ownership of undeveloped land. In general, these capital expenditures incurred directly in the operation of raising timber include capital expenditures incurred by the REIT to create an established stand of growing trees. A stand of trees is considered established when a target stand exhibits the expected growing rate and is free of non-target competition (e.g., hardwoods; grasses, brush, etc.) that may significantly inhibit or threaten the target stand survival. The costs commonly incurred during stand establishment are: (1) site preparation including manual or mechanical scarification, manual or mechanical cutting, disking, bedding, shearing, raking, piling, broadcast and windrow/pile burning (including slash disposal costs as required for stand establishment); 2) site regeneration including manual or mechanical hardwood coppice; (3) chemical application via aerial or ground

[400] The proposal does not modify any of the standards of section 482 as they apply to REITS and to taxable REIT subsidiaries.

[401] Although a REIT could itself provide such services and receive the income for them without receiving any disqualified income, in that case the REIT itself would be bearing the cost of providing the service. Under the present law exception for a TRS providing such service, there is no explicit requirement that the TRS be reimbursed for the full cost of the service.

to eliminate or reduce vegetation; (4) nursery operating costs including personnel salaries and benefits, facilities costs, cone collection and seed extraction, and other costs directly attributable to the nursery operations (to the extent such costs are allocable to seedlings used by the REIT); (5) seedlings including storage, transportation and handling equipment; (6) direct planting of seedlings; (7) initial stand fertilization, up through stand establishment; (8) construction cost of road to be used for removal of logs or fire protection; (9) environmental costs (i.e., habitat conservation plans), (10) any post stand capital establishment costs (e.g., ''mid-term fertilization costs).''

Capital expenditures counted towards 5-percent requirement

Capital expenditures counted towards the 5-percent limit are those capital expenditures incurred in the ownership of undeveloped land that are not incurred in the direct operation of raising timber (i.e., silviculture). This category of capital expenditures includes (1) expenditures to separate the REIT's holdings of land into separate parcels; (2) costs of granting leases or easements to cable, cellular or similar companies, (3) costs in determining the presence or quality of minerals located on the land; (4) costs incurred to defend changes in law that would limit future use of the land by the REIT or a purchaser from the REIT; and (5) costs incurred to determine alternative uses of the land (e.g., recreational use); and (6) development costs of the property incurred by the REIT (e.g., engineering, surveying, legal, permit, consulting, road construction, utilities, and other development costs for use other than to grow timber).

Effective date

The bill is generally effective for taxable years beginning after December 31, 2000.

However, some of the provisions are effective for taxable years beginning after the date of enactment. These are: the new ''look through'' rules determining a REIT partner's share of partnership securities for purposes of the ''straight debt'' rules; the provision changing the 90-percent of gross income reference to 95 percent, for purposes of the tax liability if a REIT fails to meet the 95-percent of gross income test; the new hedging definition; the rule modifying the treatment of rents with respect to customary services; and the safe harbor from prohibited transactions relating to timberland sales.[402]

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

B. REIT Savings Provisions (Sec. 711 of the Senate Amendment and Secs. 856, 857 and 860 of the Code)

PRESENT LAW

A REIT loses its status as a REIT, and becomes subject to tax as a C corporation, if it fails to meet specified tests regarding the sources of its income, the nature and amount of its assets, its structure, and the amount of its income distributed to shareholders.[403]

In the case of a failure to meet the source of income requirements, if the failure is due to reasonable cause and not to willful neglect, the REIT may continue its REIT status if it pays the disallowed income as a tax to the Treasury.[404]

There is no similar provision that allows a REIT to pay a penalty and avoid disqualification in the case of other qualification failures.

A REIT may make a deficiency dividend after a determination is made that it has not distributed the correct amount of its income, and avoid disqualification. The Code provides only for determinations involving a controversy with the IRS and does not provide for a REIT to make such a distribution on its own initiative.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, a REIT may avoid disqualification in the event of certain failures of the requirements for REIT status, provided that (1) the failure was due to reasonable cause and not willful neglect, (2) the failure is corrected, and (3) a penalty amount is paid.

One requirement of present law is that, with certain exceptions, (i) not more than 5 percent of the value of total REIT assets may be represented by securities of one issuer, and (ii) a REIT may not hold securities possessing more than 10 percent of the total voting power or 10 percent of the total value of the outstanding securities of any one issuer.[405] The requirements must be satisfied each quarter.

Certain de minimis asset failures of 5percent or 10percent tests

The bill provides that a REIT will not lose its REIT status for failing to satisfy these requirements in a quarter if the failure is due to the ownership of assets the total value of which does not exceed the lesser of (i) 1 percent of the total value of the REIT's assets at the end of the quarter for which such measurement is done or (ii) 10 million dollars; provided in either case that the REIT either disposes of the assets within 6 months after the last day of the quarter in which the REIT identifies the failure (or such other time period prescribed by the Treasury), or otherwise meets the requirements of those rules by the end of such time period.[406]

Larger asset test failures (whether of 5-percent or 10-percent tests, or of 75-percent or other asset tests)

If a REIT fails to meet any of the asset test requirements requirements for a particular quarter and the failure exceeds the de minimis threshold described above, then the REIT still will be deemed to have satisfied the requirements if: (i) following the REIT's identification of the failure, the REIT files a schedule with a description of each asset that caused the failure, in accordance with regulations prescribed by the Treasury; (ii) the failure was due to reasonable cause and not to willful neglect, (iii) the REIT disposes of the assets within 6 months after the last day of the quarter in which the identification occurred or such other time period as is prescribed by the Treasury (or the requirements of the rules are otherwise met within such period), and (iv) the REIT pays a tax on the failure.

The tax that the REIT must pay on the failure is the greater of (i) $50,000, or (ii) an amount determined (pursuant to regulations) by multiplying the highest rate of tax for corporations under section 11, times the net income generated by the assets for the period beginning on the first date of the failure and ending on the date the REIT has disposed of the assets (or otherwise satisfies the requirements).

Such taxes are treated as excise taxes, for which the deficiency provisions of the excise tax subtitle of the Code (subtitle F) apply.

Conforming reasonable cause and reporting standard for failures of income tests

The bill conforms the reporting and reasonable cause standards for failure to meet the income tests to the new asset test standards. However, the bill does not change the rule under section 857(b)(5) that for income test failures, all of the net income attributed to the disqualified gross income is paid as tax.

Other failures

The bill adds a provision under which, if a REIT fails to satisfy one or more requirements for REIT qualification, other than the 95-percent and 75-percent gross income tests and other than the new rules provided for failures of the asset tests, the REIT may retain its REIT qualification if the failures are due to reasonable cause and not willful neglect, and if the REIT pays a penalty of $50,000 for each such failure.

Taxes and penalties paid deducted from amount required to be distributed

Any taxes or penalties paid under the provision are deducted from the net income of the REIT in determining the amount the REIT must distribute under the 90 percent distribution requirement.

Expansion of deficiency dividend procedure

The Senate amendment expands the circumstances in which a REIT may declare a deficiency dividend, by allowing such a declaration to occur after the REIT unilaterally has identified a failure to pay the relevant amount. Thus, the declaration need not await a decision of the Tax Court, a closing agreement, or an agreement signed by the Secretary of the Treasury.

Effective date.—The Senate amendment provision is effective for taxable years beginning after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

X. EXTENSION OF CERTAIN EXPIRING PROVISIONS

A. Tax on Failure To Comply With Mental Health Parity Requirements (Sec. 801 of the Senate Amendment and Sec. 9812 of the Code)

PRESENT LAW

The Mental Health Parity Act of 1996 amended ERISA and the Public Health Service Act to provide that group health plans that provide both medical and surgical benefits and mental health benefits cannot impose aggregate lifetime or annual dollar limits on mental health benefits that are not imposed on substantially all medical and surgical benefits. The provisions of the Mental Health Parity Act are effective with respect to plan years beginning on or after January 1, 1998, and expire with respect to benefits for services furnished on or after December 31, 2003.[407]

The Taxpayer Relief Act of 1997 added to the Internal Revenue Code the requirements imposed under the Mental Health Parity Act, and imposed an excise tax on group health plans that fail to meet the requirements. The excise tax is equal to $100 per day

[402] The provision relating to timberland sales is not intended to change present law regarding when structures involving timberland may qualify for REIT status.

[403] See description of Present Law under REIT modification provisions, supra.

[404] Sec. 856(c)(6) and Sec. 857(b)(5).

[405] Sec. 856(c)(4)(B)(iii). These rules do not apply to securities of a taxable REIT subsidiary, or to securities that qualify for the 75 percent asset test of section 856(c)(4)(A), such as real estate assets, cash items (including receivables), or Government securities.

[406] A REIT might satisfy the requirements without a disposition, for example, by increasing its other assets in the case of the 5 percent rule; or by the issuer modifying the amount or value of its total securities outstanding in the case of the 10 percent rule.

[407] Since enactment, the mental health parity requirements have been extended on more than one occasion.

during the period of noncompliance and is generally imposed on the employer sponsoring the plan if the plan fails to meet the requirements. The maximum tax that can be imposed during a taxable year cannot exceed the lesser of 10 percent of the employer's group health plan expenses for the prior year or $500,000. No tax is imposed if the Secretary determines that the employer did not know, and exercising reasonable diligence would not have known, that the failure existed.

The excise tax is applicable with respect to plan years beginning on or after January 1, 1998, and expires with respect to benefits for services provided on or after December 31, 2003.[408]

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the excise tax for failures to comply with mental health parity requirements through December 31, 2004.

Effective date.—The Senate amendment is effective for plan years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

B. EXTEND ALTERNATIVE MINIMUM TAX RELIEF FOR INDIVIDUALS (SEC. 802 OF THE SENATE AMENDMENT AND SEC. 26 OF THE CODE)

PRESENT LAW

Present law provides for certain nonrefundable personal tax credits (i.e., the dependent care credit, the credit for the elderly and disabled, the adoption credit, the child tax credit,[409] the credit for interest on certain home mortgages, the HOPE Scholarship and Lifetime Learning credits, the IRA credit, and the D.C. homebuyer's credit).

For taxable years beginning in 2003, all the nonrefundable personal credits are allowed to the extent of the full amount of the individual's regular tax and alternative minimum tax.

Without an extension of these rules for taxable years beginning after 2003, these credits (other than the adoption credit, child credit and IRA credit) would be allowed only to the extent that the individual's regular income tax liability exceeds the individual's tentative minimum tax, determined without regard to the minimum tax foreign tax credit. The adoption credit, child credit, and IRA credit are allowed to the full extent of the individual's regular tax and alternative minimum tax.

The alternative minimum tax is the amount by which the tentative minimum tax exceeds the regular income tax. An individual's tentative minimum tax is an amount equal to (1) 26 percent of the first $175,000 ($87,500 in the case of a married individual filing a separate return) of alternative minimum taxable income (''AMTI'') in excess of a phased-out exemption amount and (2) 28 percent of the remaining AMTI. The maximum tax rates on net capital gain used in computing the tentative minimum tax are the same as under the regular tax. AMTI is the individual's taxable income adjusted to take account of specified preferences and adjustments. The exemption amounts are: (1) $45,000 ($49,000 in taxable years beginning before 2005) in the case of married individuals filing a joint return and surviving spouses; (2) $33,750 ($35,750 in taxable years beginning before 2005) in the case of other unmarried individuals; (3) $22,500 ($24,500 in taxable years beginning before 2005) in the case of married individuals filing a separate return; and (4) $22,500 in the case of an estate or trust. The exemption amounts are phased out by an amount equal to 25 percent of the amount by which the individual's AMTI exceeds (1) $150,000 in the case of married individuals filing a joint return and surviving spouses, (2) $112,500 in the case of other unmarried individuals, and (3) $75,000 in the case of married individuals filing separate returns or an estate or a trust. These amounts are not indexed for inflation.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision extends the provisions allowing an individual to offset the entire regular tax liability and alternative minimum tax liability by the personal nonrefundable credits for one year.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

C. Extension of Electricity Production Credit for Electricity Produced from Certain Renewable Resources (Sec. 803 of the Senate Amendment and Sec. 45 of the Code)

PRESENT LAW

An income tax credit is allowed for the production of electricity from either qualified wind energy, qualified ''closed-loop'' biomass, or qualified poultry waste facilities (sec. 45). The amount of the credit is 1.5 cents per kilowatt hour (indexed for inflation) of electricity produced.[410] The credit is allowable for production during the 10-year period after a facility is originally placed in service.

The credit applies to electricity produced by a wind energy facility placed in service after December 31, 1993, and before January 1, 2004, to electricity produced by a closed-loop biomass facility placed in service after December 31, 1992, and before January 1, 2004, and to a poultry waste facility placed in service after December 31, 1999, and before January 1, 2004.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the placed in service date for qualified facilities from facilities placed in service before January 1, 2004 to facilities placed in service before January 1, 2005.

Effective date.—The Senate amendment provision is effective for property placed in service after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

D. Extend the Work Opportunity Tax Credit (Sec. 804 of the Senate Amendment and Sec. 51 of the Code)

PRESENT LAW

In general

The work opportunity tax credit (''WOTC'') is available on an elective basis for employers hiring individuals from one or more of eight targeted groups. The credit equals 40 percent (25 percent for employment of less than 400 hours) of qualified wages. Generally, qualified wages are wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual began work for the employer.

The maximum credit per employee is $2,400 (40 percent of the first $6,000 of qualified first-year wages). With respect to qualified summer youth employees, the maximum credit is $1,200 (40 percent of the first $3,000 of qualified first-year wages).

For purposes of the credit, wages are generally defined as under the Federal Unemployment Tax Act, without regard to the dollar cap.

Targeted groups eligible for the credit

The eight targeted groups are: (1) families eligible to receive benefits under the Temporary Assistance for Needy Families (''TANF'') Program; (2) high-risk youth; (3) qualified ex-felons; (4) vocational rehabilitation referrals; (5) qualified summer youth employees; (6) qualified veterans; (7) families receiving food stamps; and (8) persons receiving certain Supplemental Security Income (''SSI'') benefits.

The employer's deduction for wages is reduced by the amount of the credit.

Expiration date

The credit is effective for wages paid or incurred to a qualified individual who begins work for an employer before January 1, 2004.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the work opportunity tax credit for one year (through December 31, 2004).

Effective date.—The provision is effective for wages paid or incurred to a qualified individual who begins work for an employer on or after January 1, 2004, and before January 1, 2005.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

E. Extend the Welfare-To-Work Tax Credit (Sec. 805 of the Senate Amendment and Sec. 51A of the Code)

PRESENT LAW

In general

The welfare-to-work tax credit is available on an elective basis for employers for the first $20,000 of eligible wages paid to qualified long-term family assistance recipients during the first two years of employment. The credit is 35 percent of the first $10,000 of eligible wages in the first year of employment and 50 percent of the first $10,000 of eligible wages in the second year of employment. The maximum credit is $8,500 per qualified employee.

Qualified long-term family assistance recipients are: (1) members of a family that has received family assistance for at least 18 consecutive months ending on the hiring date; (2) members of a family that has received family assistance for a total of at least 18 months (whether or not consecutive) after the date of enactment of this credit if they are hired within 2 years after the date that the 18-month total is reached; and (3) members of a family that is no longer eligible for family assistance because of either Federal or State time limits, if they are hired within two years after the Federal or State time limits made the family ineligible for family assistance. Family assistance means benefits under the Temporary Assistance to Needy Families (''TANF'') program.

For purposes of the credit, wages are generally defined under the Federal Unemployment Tax Act, without regard to the dollar amount. In addition, wages include the following: (1) educational assistance excludable under a section 127 program; (2) the value of excludable health plan coverage but not more than the applicable premium defined under section 4980B(f)(4); and (3) dependent care assistance excludable under section 129.

[408] The excise tax does not apply to benefits for services furnished on or after September 30, 2001, and before January 10, 2002.

[409] A portion of the child credit may be refundable.

[410] The amount of the credit is 1.8 cents per kilowatt hour for 2002.

The employer's deduction for wages is reduced by the amount of the credit.

Expiration date

The welfare to work credit is effective for wages paid or incurred to a qualified individual who begins work for an employer before January 1, 2004.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the welfare-to-work tax credit for one year (through December 31, 2004).

Effective date.—The provision is effective for wages paid or incurred to a qualified individual who begins work for an employer on or after January 1, 2004, and before January 1, 2005.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

F. Taxable Income Limit on Percentage Depletion for Oil and Natural Gas Produced from Marginal Properties (Sec. 806 of the Senate Amendment and Sec. 613A of the Code)

PRESENT LAW

In general

Depletion, like depreciation, is a form of capital cost recovery. In both cases, the taxpayer is allowed a deduction in recognition of the fact that an asset—in the case of depletion for oil or gas interests, the mineral reserve itself—is being expended in order to produce income. Certain costs incurred prior to drilling an oil or gas property are recovered through the depletion deduction. These include costs of acquiring the lease or other interest in the property and geological and geophysical costs (in advance of actual drilling). Depletion is available to any person having an economic interest in a producing property.

Two methods of depletion are allowable under the Code: (1) the cost depletion method, and (2) the percentage depletion method (secs. 611–613). Under the cost depletion method, the taxpayer deducts that portion of the adjusted basis of the depletable property which is equal to the ratio of units sold from that property during the taxable year to the number of units remaining as of the end of the taxable year plus the number of units sold during the taxable year. Thus, the amount recovered under cost depletion may never exceed the taxpayer's basis in the property.

Under the percentage depletion method, generally, 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year (section 613A(c)). The amount deducted generally may not exceed 100 percent of the net income from that property in any year (the ''net-income limitation'') (section 613(a)). The 100-percent-of-net-income limitation for production from marginal wells has been suspended for taxable years beginning after December 31, 1997, and before January 1, 2004. Additionally, the percentage depletion deduction for all oil and gas properties may not exceed 65 percent of the taxpayer's overall taxable income (determined before such deduction and adjusted for certain loss carrybacks and trust distributions) (section 613A(d)(1)).[411] Because percentage depletion, unlike cost depletion, is computed without regard to the taxpayer's basis in the depletable property, cumulative depletion deductions may be greater than the amount expended by the taxpayer to acquire or develop the property.

A taxpayer is required to determine the depletion deduction for each oil or gas property under both the percentage depletion method (if the taxpayer is entitled to use this method) and the cost depletion method. If the cost depletion deduction is larger, the taxpayer must utilize that method for the taxable year in question (section 613(a)).

Limitation of oil and gas percentage depletion to independent producers and royalty owners

Generally, only independent producers and royalty owners (as contrasted to integrated oil companies) are allowed to claim percentage depletion. Percentage depletion for eligible taxpayers is allowed only with respect to up to 1,000 barrels of average daily production of domestic crude oil or an equivalent amount of domestic natural gas (section 613A(c)). For producers of both oil and natural gas, this limitation applies on a combined basis.

In addition to the independent producer and royalty owner exception, certain sales of natural gas under a fixed contract in effect on February 1, 1975, and certain natural gas from geopressured brine, are eligible for percentage depletion, at rates of 22 percent and 10 percent, respectively. These exceptions apply without regard to the 1,000-barrel-per-day limitation and regardless of whether the producer is an independent producer or an integrated oil company.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends for an additional year the suspension of the 100-percent net-income limit for marginal wells to include taxable years beginning after December 31, 2003 and before January 1, 2005.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

G. Qualified Zone Academy Bonds (Sec. 807 of the Senate Amendment and Sec. 1397E of the Code)

PRESENT LAW

Tax-exempt bonds

Interest on State and local governmental bonds generally is excluded from gross income for Federal income tax purposes if the proceeds of the bonds are used to finance direct activities of these governmental units or if the bonds are repaid with revenues of the governmental units. Activities that can be financed with these tax-exempt bonds include the financing of public schools (sec. 103).

Qualified zone academy bonds

As an alternative to traditional tax-exempt bonds, States and local governments are given the authority to issue ''qualified zone academy bonds'' (''QZABs'') (sec. 1397E). A total of $400 million of qualified zone academy bonds may be issued annually in calendar years 1998 through 2003. The $400 million aggregate bond cap is allocated each year to the States according to their respective populations of individuals below the poverty line. Each State, in turn, allocates the credit authority to qualified zone academies within such State.

Financial institutions that hold qualified zone academy bonds are entitled to a nonrefundable tax credit in an amount equal to a credit rate multiplied by the face amount of the bond. A taxpayer holding a qualified zone academy bond on the credit allowance date is entitled to a credit. The credit is includable in gross income (as if it were a taxable interest payment on the bond), and may be claimed against regular income tax and AMT liability.

The Treasury Department sets the credit rate at a rate estimated to allow issuance of qualified zone academy bonds without discount and without interest cost to the issuer. The maximum term of the bond is determined by the Treasury Department, so that the present value of the obligation to repay the bond is 50 percent of the face value of the bond.

''Qualified zone academy bonds'' are defined as any bond issued by a State or local government, provided that: (1) at least 95 percent of the proceeds are used for the purpose of renovating, providing equipment to, developing course materials for use at, or training teachers and other school personnel in a ''qualified zone academy'', and (2) private entities have promised to contribute to the qualified zone academy certain equipment, technical assistance or training, employee services, or other property or services with a value equal to at least 10 percent of the bond proceeds.

A school is a ''qualified zone academy'' if: (1) the school is a public school that provides education and training below the college level, (2) the school operates a special academic program in cooperation with businesses to enhance the academic curriculum and increase graduation and employment rates, and (3) either (a) the school is located in an empowerment zone or enterprise community designated under the Code, or (b) it is reasonably expected that at least 35 percent of the students at the school will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment authorizes issuance of up to $400 million of qualified zone academy bonds for calendar year 2004.

Effective date.—The provision is effective for obligations issued after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

H. Cover Over of Tax on Distilled Spirits (Sec. 808 of the Senate Amendment and Sec. 7652(e) of the Code)

PRESENT LAW

A $13.50 per proof gallon[412] excise tax is imposed on distilled spirits produced in or imported (or brought) into the United States. The excise tax does not apply to distilled spirits that are exported from the United States or to distilled spirits that are consumed in U.S. possessions (e.g., Puerto Rico and the Virgin Islands).

The Code provides for coverover (payment) of $13.25 per proof gallon of the excise tax imposed on rum imported (or brought) into the United States (without regard to the country of origin) to Puerto Rico and the Virgin Islands during the period July 1, 1999 through December 31, 2003. Effective on January 1, 2004, the coverover rate is scheduled to return to its permanent level of $10.50 per proof gallon.

Amounts covered over to Puerto Rico and the Virgin Islands are deposited into the treasuries of the two possessions for use as those possessions determine.

HOUSE BILL

No provision.

[411] Amounts disallowed as a result of this rule may be carried forward and deducted in subsequent taxable years, subject to the 65-percent taxable income limitation for those years.

[412] A proof of gallon is a liquid gallon consisting of 50 percent alcohol.

SENATE AMENDMENT

The Senate amendment extends the $13.25–per-proof-gallon coverover rate for one additional year, through December 31, 2004.

Effective date.—The Senate amendment provision is effective for articles brought into the United States after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

I. Extend Deduction for Corporate Donations of Computer Technology (Sec. 809 of the Senate Amendment and Sec. 170 of the Code)

PRESENT LAW

In the case of a charitable contribution of inventory or other ordinary-income or short-term capital gain property, the amount of the charitable deduction generally is limited to the taxpayer's basis in the property. In the case of a charitable contribution of tangible personal property, the deduction is limited to the taxpayer's basis in such property if the use by the recipient charitable organization is unrelated to the organization's tax-exempt purpose. In cases involving contributions to a private foundation (other than certain private operating foundations), the amount of the deduction is limited to the taxpayer's basis in the property.[413]

Under present law, a taxpayer's deduction for charitable contributions of scientific property used for research and for contributions of computer technology and equipment generally is limited to the taxpayer's basis (typically, cost) in the property. However, certain corporations may claim a deduction in excess of basis for a ''qualified research contribution'' or a ''qualified computer contribution.''[414] This enhanced deduction is equal to the lesser of (1) basis plus one-half of the item's appreciated value (i.e., basis plus one half of fair market value minus basis) or (2) two times basis.

A qualified computer contribution means a charitable contribution by a corporation of any computer technology or equipment, which meets standards of functionality and suitability as established by the Secretary of the Treasury. The contribution must be to certain educational organizations or public libraries and made not later than three years after the taxpayer acquired the property or, if the taxpayer constructed the property, not later than the date construction of the property is substantially completed.[415] The original use of the property must be by the donor or the donee,[416] and in the case of the donee, must be used substantially for educational purposes related to the function or purpose of the donee. The property must fit productively into the donee's education plan. The donee may not transfer the property in exchange for money, other property, or services, except for shipping, installation, and transfer costs. To determine whether property is constructed by the taxpayer, the rules applicable to qualified research contributions apply. That is, property is considered constructed by the taxpayer only if the cost of the parts used in the construction of the property (other than parts manufactured by the taxpayer or a related person) does not exceed 50 percent of the taxpayer's basis in the property. Contributions may be made to private foundations under certain conditions.[417]

The enhanced deduction for qualified computer contributions expires for any contribution made during any taxable year beginning after December 31, 2003.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision extends the enhanced deduction for qualified computer contributions to apply to contributions made during taxable years beginning on or before December 31, 2004.

Effective date.—The Senate amendment provision is effective for contributions made after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

J. Extension of Credit for Electric Vehicles (Sec. 810 of the Senate Amendment and Sec. 30 of the Code)

PRESENT LAW

A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of $4,000 (sec. 30). A qualified electric vehicle is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current, the original use of which commences with the taxpayer, and that is acquired for the use by the taxpayer and not for resale. The full amount of the credit is available for purchases prior to 2004. The credit phases down in the years 2004 through 2006, and is unavailable for purchases after December 31, 2006.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment delays the beginning of the phase out of the credit by one year and provides that the credit is available for purchases through December 31, 2007.

Effective date.—The Senate amendment provision is effective for property placed in service after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

K. Extension of Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property (Sec. 811 of the Senate Amendment and Sec. 179A of the Code)

PRESENT LAW

Clean-fuel vehicles

Certain costs of qualified clean-fuel vehicle may be expensed and deducted when such property is placed in service (sec. 179A). Qualified clean-fuel vehicle property includes motor vehicles that use certain clean-burning fuels (natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, electricity and any other fuel at least 85 percent of which is methanol, ethanol, any other alcohol or ether). The maximum amount of the deduction is $50,000 for a truck or van with a gross vehicle weight over 26,000 pounds or a bus with seating capacities of at least 20 adults; $5,000 in the case of a truck or van with a gross vehicle weight between 10,000 and 26,000 pounds; and $2,000 in the case of any other motor vehicle. Qualified electric vehicles do not qualify for the clean-fuel vehicle deduction. The deduction phases down in the years 2004 through 2006, and is unavailable for purchases after December 31, 2006.

Clean-fuel vehicle refueling property

Clean-fuel vehicle refueling property may be expensed and deducted when such property is placed in service (sec. 179A). Clean-fuel vehicle refueling property comprises property for the storage or dispensing of a clean-burning fuel, if the storage or dispensing is the point at which the fuel is delivered into the fuel tank of a motor vehicle. Clean-fuel vehicle refueling property also includes property for the recharging of electric vehicles, but only if the property is located at a point where the electric vehicle is recharged. Up to $100,000 of such property at each location owned by the taxpayer may be expensed with respect to that location. The deduction is unavailable for costs incurred after December 31, 2006.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment delays the beginning of the phase down of the deduction for qualified clean-fuel vehicle property by one year and provides that the deduction is available through December 31, 2007. The Senate amendment extends the deduction for clean-fuel vehicle refueling property by one year to include equipment placed in service prior to January 1, 2008.

Effective date.—The Senate amendment provision is effective for property placed in service after December 31, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

L. Adjusted Gross Income Determined by Taking Into Account Certain Expenses of Elementary and Secondary School Teachers (Sec. 812 of the Senate Amendment and Sec. 62 of the Code)

PRESENT LAW

In general, ordinary and necessary business expenses are deductible (sec. 162), and unreimbursed employee business expenses are deductible only as an itemized deduction and only to the extent that the individual's total miscellaneous deductions (including employee business expenses) exceed two percent of adjusted gross income.

However, an above-the-line deduction is allowed for taxable years beginning in 2002 and 2003 for up to $250 annually of expenses paid or incurred by an eligible educator for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom. To be eligible for this deduction, the expenses must be otherwise deductible under section 162 as a trade or business expense. A deduction is allowed only to the extent the amount of expenses exceeds the amount of such expenses excludable from income under section 135 (relating to education savings bonds), section 529(c)(1) (relating to qualified tuition programs), and section 530(d)(2) (relating to Coverdell education savings accounts).

An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year. A school means any school that provides elementary education or secondary education, as determined under State law.

An individual's otherwise allowable itemized deductions may be further limited by the overall limitation on itemized deductions, which reduces itemized deductions for taxpayers with adjusted gross income in excess of $139,500 (for 2003).[418] In addition, miscellaneous itemized deductions are not allowable under the alternative minimum tax.

[413] Sec. 170(e)(1).

[414] Secs. 170(e)(4) and 170(e)(6).

[415] If the taxpayer constructed the property and reacquired such property, the contribution must be within three years of the date the original construction was substantially completed. Sec. 170(e)(6)(D)(i).

[416] This requirement does not apply if the property was reacquired by the manufacturer and contributed. Sec. 170(e)(6)(D)(ii).

[417] Sec. 170(e)(6)(C).

[418] The effect of this overall limitation is phased down beginning in 2006.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the present-law above-the-line deduction for eligible educators to include taxable years beginning in 2004.

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

M. Extend Archer Medical Savings Accounts (''MSAs'') (Sec. 813 of the Senate Amendment and Sec. 220 of the Code)

PRESENT LAW

In general

Within limits, contributions to an Archer MSA are deductible in determining adjusted gross income if made by an eligible individual and are excludable from gross income and wages for employment tax purposes if made by the employer of an eligible individual. Earnings on amounts in an Archer MSA are not currently taxable. Distributions from an Archer MSA for medical expenses are not includible in gross income. Distributions not used for medical expenses are includible in gross income. In addition, distributions not used for medical expenses are subject to an additional 15–percent tax unless the distribution is made after age 65, death, or disability.

Eligible individuals

Archer MSAs are available to employees covered under an employer-sponsored high deductible plan of a small employer and self-employed individuals covered under a high deductible health plan.[419] An employer is a small employer if it employed, on average, no more than 50 employees on business days during either the preceding or the second preceding year. An individual is not eligible for an Archer MSA if he or she is covered under any other health plan in addition to the high deductible plan.

Tax treatment of and limits on contributions

Individual contributions to an Archer MSA are deductible (within limits) in determining adjusted gross income (i.e., ''above-the-line''). In addition, employer contributions are excludable from gross income and wages for employment tax purposes (within the same limits), except that this exclusion does not apply to contributions made through a cafeteria plan. In the case of an employee, contributions can be made to an Archer MSA either by the individual or by the individual's employer.

The maximum annual contribution that can be made to an Archer MSA for a year is 65 percent of the deductible under the high deductible plan in the case of individual coverage and 75 percent of the deductible in the case of family coverage.

Definition of high deductible plan

A high deductible plan is a health plan with an annual deductible of at least $1,700 and no more than $2,500 in the case of individual coverage and at least $3,350 and no more than $5,050 in the case of family coverage. In addition, the maximum out-of-pocket expenses with respect to allowed costs (including the deductible) must be no more than $3,350 in the case of individual coverage and no more than $6,150 in the case of family coverage.[420] A plan does not fail to qualify as a high deductible plan merely because it does not have a deductible for preventive care as required by State law. A plan does not qualify as a high deductible health plan if substantially all of the coverage under the plan is for permitted coverage (as described above). In the case of a self-insured plan, the plan must in fact be insurance (e.g., there must be appropriate risk shifting) and not merely a reimbursement arrangement.

Cap on taxpayers utilizing Archer MSAs and expiration of pilot program

The number of taxpayers benefiting annually from an Archer MSA contribution is limited to a threshold level (generally 750,000 taxpayers). The number of Archer MSAs established has not exceeded the threshold level.

After 2003, no new contributions may be made to Archer MSAs except by or on behalf of individuals who previously had Archer MSA contributions and employees who are employed by a participating employer.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends Archer MSAs through December 31, 2004.

Effective date.—The Senate amendment provision is effective on January 1, 2003.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

N. Extension of Expensing of Brownfield Remediation Expenses (Sec. 814 of the Senate Amendment and Sec. 198 of the Code)

PRESENT LAW

Under Code section 198, taxpayers can elect to treat certain environmental remediation expenditures that would otherwise be chargeable to capital account as deductible in the year paid or incurred. The deduction applies for both regular and alternative minimum tax purposes. The expenditure must be incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site. In general, any expenditure for the acquisition of depreciable property used in connection with the abatement or control of hazardous substances at a qualified contaminated site does not constitute a qualified environmental remediation expenditure. However, depreciation deductions allowable for such property, which would otherwise be allocated to the site under the principles set forth in *Commissioner* v. *Idaho Power Co.* [421] and section 263A, are treated as qualified environmental remediation expenditures.

A ''qualified contaminated site'' (a so-called ''brownfield'') generally is any property that is held for use in a trade or business, for the production of income, or as inventory and is certified by the appropriate State environmental agency to be an area at or on which there has been a release (or threat of release) or disposal of a hazardous substance. Both urban and rural property may qualify. However, sites that are identified on the national priorities list under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (''CERCLA'') cannot qualify as targeted areas. Hazardous substances generally are defined by reference to sections 101(14) and 102 of CERCLA, subject to additional limitations applicable to asbestos and similar substances within buildings, certain naturally occurring substances such as radon, and certain other substances released into drinking water supplies due to deterioration through ordinary use.

Eligible expenditures are those paid or incurred before January 1, 2004.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends by one year the present-law deduction for environmental remediation expenditures to include expenditures incurred prior to January 1, 2005.

Effective date.—The Senate amendment provision is effective for expenditures incurred after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

XI. IMPROVING TAX EQUITY FOR MILITARY PERSONNEL

A. Exclusion of Gain on Sale of a Principal Residence by a Member of the Uniformed Services or the Foreign Service (Sec. 901 of the Senate Amendment and Sec. 121 of the Code)

PRESENT LAW

Under present law, an individual taxpayer may exclude up to $250,000 ($500,000, if married filing a joint return) of gain realized on the sale or exchange of a principal residence. To be eligible for the exclusion, the taxpayer must have owned and used the residence as a principal residence for at least two of the five years ending on the sale or exchange. A taxpayer who fails to meet these requirements by reason of a change of place of employment, health, or, to the extent provided under regulations, unforeseen circumstances is able to exclude an amount equal to the fraction of the $250,000 ($500,000 if married filing a joint return) that is equal to the fraction of the two years that the ownership and use requirements are met. There are no special rules relating to members of the uniformed services or the Foreign Service of the United States.

HOUSE BILL

No provision.

SENATE AMENDMENT

Under the Senate amendment, an individual may elect to suspend for a maximum of ten years the five-year test period for ownership and use during certain absences due to service in the uniformed services, or the Foreign Service of the United States. The uniformed services include: (1) the Armed forces (the Army, Navy, Air Force, Marine Corps, and Coast Guard); (2) the commissioned corps of the National Oceanic and Atmospheric Administration; and (3) the commissioned corps of the Public Health Service. If the election is made, the five-year period ending on the date of the sale or exchange of a principal residence does not include any period up to ten years during which the taxpayer or the taxpayer's spouse is on qualified official extended duty as a member of the uniformed services, or in the Foreign Service of the United States. For these purposes, qualified official extended duty is any period of extended duty by a member of the uniformed services, or the Foreign Service of the United States while serving at a place of duty at least 50 miles away from the taxpayer's principal residence or under orders compelling residence in Government furnished quarters. Extended duty is defined as any period of duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period. The election may be made with respect to only one property for a suspension period.

Effective date.—The Senate amendment provision is effective for sales or exchanges after May 6, 1997.

[419] Self-employed individuals include more than two-percent shareholders of S corporations who are treated as partners for purposes of fringe benefit rules pursuant to section 1372.

[420] These dollar amounts are for 2003. These amounts are indexed for inflation in $50 increments.

[421] *Commissioner* v. *Idaho Power Co.*, 418 U.S. 1 (1974) (holding that equipment depreciation allocable to the taxpayer's construction of capital facilities must be capitalized under section 263(a)(1)).

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

B. Exclusion from Gross Income of Certain Death Gratuity Payments (Sec. 902 of the Senate Amendment and Sec. 134 of the Code)

PRESENT LAW

Present law provides that qualified military benefits are not included in gross income. Generally, a qualified military benefit is any allowance or in-kind benefit (other than personal use of a vehicle) which: (1) is received by any member or former member of the uniformed services of the United States or any dependent of such member by reason of such member's status or service as a member of such uniformed services; and (2) was excludable from gross income on September 9, 1986, under any provision of law, regulation, or administrative practice which was in effect on such date. Generally, other than certain cost of living adjustments, no modification or adjustment of any qualified military benefit after September 9, 1986, is taken into account for purposes of this exclusion from gross income. Qualified military benefits include certain death gratuities. The amount of the death gratuity military benefit was increased to $6,000 but the amount of the exclusion from gross income was not increased to take into account this change.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the exclusion from gross income to any adjustment to the amount of the death gratuity payable under Chapter 75 of Title 10 of the United States Code that is pursuant to a provision of law with respect to the death of certain members of the Armed services on active duty, inactive duty training, or engaged in authorized travel. Therefore, the amount of the exclusion is increased to $6,000.

Effective date.—The Senate amendment provision is effective with respect to deaths occurring after September 10, 2001.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

C. Exclusion for Amounts Received Under Department of Defense Homeowners Assistance Program (Sec. 903 of the Senate Amendment and Sec. 132 of the Code)

PRESENT LAW

HAP payment

The Department of Defense Homeowners Assistance Program (''HAP'') provides payments to certain employees and members of the Armed Forces to offset the adverse effects on housing values that result from a military base realignment or closure. The payments are authorized under the provisions of Title 42 U.S.C. section 3374.

In general, under HAP, eligible individuals receive either (1) a cash payment as compensation for losses that may be or have been sustained in a private sale, in an amount not to exceed the difference between (a) 95 percent of the fair market value of their property prior to public announcement of intention to close all or part of the military base or installation and (b) the fair market value of such property at the time of the sale, or (2) as the purchase price for their property, an amount not to exceed 90 percent of the prior fair market value as determined by the Secretary of Defense, or the amount of the outstanding mortgages.

Tax treatment

Unless specifically excluded, gross income for Federal income tax purposes includes all income from whatever source derived. Amounts received under HAP are received in connection with the performance of services. These amounts are includible in gross income as compensation for services to the extent such payments exceed the fair market value of the property relinquished in exchange for such payments. Additionally, such payments are wages for Federal Insurance Contributions Act (''FICA'') tax purposes (including Medicare).

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment generally exempts from gross income amounts received under the HAP (as in effect on the date of enactment of this Senate amendment). Amounts received under the program also are not considered wages for FICA tax purposes (including Medicare). The excludable amount is limited to the reduction in the fair market value of property.

Effective date.—The Senate amendment provision is effective for payments made after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

D. Expansion of Combat Zone Filing Rules to Contingency Operations (Sec. 904 of the Senate Amendment and Sec. 7508 of the Code)

PRESENT LAW

General time limits for filing tax returns

Individuals generally must file their Federal income tax returns by April 15 of the year following the close of a taxable year. The Secretary may grant reasonable extensions of time for filing such returns. Treasury regulations provide an additional automatic two-month extension (until June 15 for calendar-year individuals) for United States citizens and residents in military or naval service on duty on April 15 of the following year (the otherwise applicable due date of the return) outside the United States. No action is necessary to apply for this extension, but taxpayers must indicate on their returns (when filed) that they are claiming this extension. Unlike most extensions of time to file, this extension applies to both filing returns and paying the tax due.

Treasury regulations also provide, upon application on the proper form, an automatic four-month extension (until August 15 for calendar-year individuals) for any individual timely filing that form and paying the amount of tax estimated to be due.

In general, individuals must make quarterly estimated tax payments by April 15, June 15, September 15, and January 15 of the following taxable year. Wage withholding is considered to be a payment of estimated taxes.

Suspension of time periods

In general, the period of time for performing various acts under the Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, is suspended for any individual serving in the Armed Forces of the United States in an area designated as a ''combat zone'' during the period of combatant activities. An individual who becomes a prisoner of war is considered to continue in active service and is therefore also eligible for these suspension of time provisions. The suspension of time also applies to an individual serving in support of such Armed Forces in the combat zone, such as Red Cross personnel, accredited correspondents, and civilian personnel acting under the direction of the Armed Forces in support of those Forces. The designation of a combat zone must be made by the President in an Executive Order. The President must also designate the period of combatant activities in the combat zone (the starting date and the termination date of combat).

The suspension of time encompasses the period of service in the combat zone during the period of combatant activities in the zone, as well as (1) any time of continuous qualified hospitalization resulting from injury received in the combat zone[422] or (2) time in missing in action status, plus the next 180 days.

The suspension of time applies to the following acts:

(1) Filing any return of income, estate, or gift tax (except employment and withholding taxes);

(2) Payment of any income, estate, or gift tax (except employment and withholding taxes);

(3) Filing a petition with the Tax Court for redetermination of a deficiency, or for review of a decision rendered by the Tax Court;

(4) Allowance of a credit or refund of any tax;

(5) Filing a claim for credit or refund of any tax;

(6) Bringing suit upon any such claim for credit or refund;

(7) Assessment of any tax;

(8) Giving or making any notice or demand for the payment of any tax, or with respect to any liability to the United States in respect of any tax;

(9) Collection of the amount of any liability in respect of any tax;

(10) Bringing suit by the United States in respect of any liability in respect of any tax; and

(11) Any other act required or permitted under the internal revenue laws specified by the Secretary of the Treasury.

Individuals may, if they choose, perform any of these acts during the period of suspension. Spouses of qualifying individuals are entitled to the same suspension of time, except that the spouse is ineligible for this suspension for any taxable year beginning more than two years after the date of termination of combatant activities in the combat zone.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment applies the special suspension of time period rules to persons deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the Secretary of Defense as a contingency operation or that becomes a contingency operation. A contingency operation is defined[423] as a military operation that is designated by the Secretary of Defense as an operation in which members of the Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force, or results in the call or order to (or retention of) active duty of members of the uniformed services during a war or a national emergency declared by the President or Congress.

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[422] Two special rules apply to continuous hospitalization inside the United States. First, the suspension of time provisions based on continuous hospitalization inside the United States are applicable only to the hospitalized individual; they are not applicable to the spouse of such individual. Second, in no event do the suspension of time provisions based on continuous hospitalization inside the United States extend beyond five years from the date the individual returns to the United States. These two special rules do not apply to continuous hospitalization outside the United States.

[423] The definition is by cross-reference to 10 U.S.C. 101.

Effective date.—The Senate amendment provision applies to any period for performing an act that has not expired before the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

E. Modification of Membership Requirement for Exemption From Tax for Certain Veterans' Organizations (Sec. 905 of the Senate Amendment and Sec. 501 of the Code)

PRESENT LAW

Under present law, a veterans' organization as described in section 501(c)(19) of the Code generally is exempt from taxation. The Code defines such an organization as a post or organization of past or present members of the Armed Forces of the United States: (1) that is organized in the United States or any of its possessions; (2) no part of the net earnings of which inures to the benefit of any private shareholder or individual; and (3) that meets certain membership requirements. The membership requirements are that (1) at least 75 percent of the organization's members are past or present members of the Armed Forces of the United States, and (2) substantially all of the remaining members are cadets or are spouses, widows, or widowers of past or present members of the Armed Forces of the United States or of cadets. No more than 2.5 percent of an organization's total members may consist of individuals who are not veterans, cadets, or spouses, widows, or widowers of such individuals.

Contributions to an organization described in section 501(c)(19) may be deductible for Federal income or gift tax purposes if the organization is a post or organization of war veterans.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment permits ancestors or lineal descendants of past or present members of the Armed Forces of the United States or of cadets to qualify as members for purposes of the ''substantially all'' test. The Senate amendment does not change the requirement that 75 percent of the organization's members must be past or present members of the Armed Forces of the United States.

Effective date.—The Senate amendment provision is effective for taxable years beginning after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

F. Clarification of Treatment of Certain Dependent Care Assistance Programs Provided to Members of the Uniformed Services of the United States (Sec. 906 of the Senate Amendment and Sec. 134 of the Code)

PRESENT LAW

Present law provides that qualified military benefits are not included in gross income. Generally, a qualified military benefit is any allowance or in-kind benefit (other than personal use of a vehicle) which: (1) is received by any member or former member of the uniformed services of the United States or any dependent of such member by reason of such member's status or service as a member of such uniformed services; and (2) was excludable from gross income on September 9, 1986, under any provision of law, regulation, or administrative practice which was in effect on such date. Generally, other than certain cost of living adjustments, no modification or adjustment of any qualified military benefit after September 9, 1986, is taken into account for purposes of this exclusion from gross income.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment clarifies that dependent care assistance provided under a dependent care assistance program (as in effect on the date of enactment of this Senate amendment) for a member of the uniformed services by reason of such member's status or service as a member of the uniformed services is excludable from gross income as a qualified military benefit subject to the present-law rules. The uniformed services include: (1) the Armed Forces (the Army, Navy, Air Force, Marine Corps, and Coast Guard); (2) the commissioned corps of the National Oceanic and Atmospheric Administration; and (3) the commissioned corps of the Public Health Service. Amounts received under the program also are not considered wages for Federal Insurance Contributions Act tax purposes (including Medicare).

Effective date.—The Senate amendment provision is effective for taxable years beginning after December 31, 2002. No inference is intended as to the tax treatment of such amounts for prior taxable years.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

G. Treatment of Service Academy Appointments as Scholarships for Purposes of Qualified Tuition Programs and Coverdell Education Savings Accounts (Sec. 907 of the Senate Amendment and Secs. 529 and 530 of the Code)

PRESENT LAW

The Code provides tax-exempt status to qualified tuition programs, meaning programs established and maintained by a State or agency or instrumentality thereof or by one or more eligible educational institutions under which a person (1) may purchase tuition credits or certificates on behalf of a designated beneficiary which entitle the beneficiary to the waiver or payment of qualified higher education expenses of the beneficiary, or (2) in the case of a program established by and maintained by a State or agency or instrumentality thereof, may make contributions to an account which is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account. Contributions to qualified tuition programs may be made only in cash. Qualified tuition programs must have adequate safeguards to prevent contributions on behalf of a designated beneficiary in excess of amounts necessary to provide for the qualified higher education expenses of the beneficiary.

The Code provides tax-exempt status to Coverdell education savings accounts (''ESAs''), meaning certain trusts or custodial accounts which are created or organized in the United States exclusively for the purpose of paying the qualified education expenses of a designated beneficiary. Contributions to ESAs may be made only in cash. Annual contributions to ESAs may not exceed $2,000 per beneficiary (except in cases involving certain tax-free rollovers) and may not be made after the designated beneficiary reaches age 18.

Earnings on contributions to an ESA or a qualified tuition program generally are subject to tax when withdrawn. However, distributions from an ESA or qualified tuition program are excludable from the gross income of the distributee to the extent that the total distribution does not exceed the qualified education expenses incurred by the beneficiary during the year the distribution is made.

If the qualified education expenses of the beneficiary for the year are less than the total amount of the distribution from an ESA or qualified tuition program, then the qualified education expenses are deemed to be paid from a pro-rata share of both the principal and earnings components of the distribution. In such a case, only a portion of the earnings is excludable (i.e., the portion of the earnings based on the ratio that the qualified education expenses bear to the total amount of the distribution) and the remaining portion of the earnings is includible in the beneficiary's gross income.

The earnings portion of a distribution from an ESA or a qualified tuition program that is includible in income is generally subject to an additional 10 percent tax. The 10 percent additional tax does not apply if a distribution is made on account of the death or disability of the designated beneficiary, or on account of a scholarship received by the designated beneficiary (to the extent it does not exceed the amount of the scholarship).

Service obligations are required of recipients of appointments to the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy. Because of these service obligations, appointments to the Academies are not considered scholarships for purposes of the waiver of the additional 10 percent tax on withdrawals from ESAs and qualified tuition programs that are not used for qualified education purposes.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment permits penalty-free withdrawals from Coverdell education savings accounts and qualified tuition programs made on account of the attendance of the beneficiary at the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy.

The amount of funds that can be withdrawn penalty free is limited to the costs of advanced education as defined in 10 United States Code section 2005(e)(3) (as in effect on the date of the enactment of the Senate amendment) at such Academies.

Effective date.—The Senate amendment provision applies to taxable years beginning after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

H. Suspension of Tax-Exempt Status of Designated Terrorist Organizations (Sec. 908 of the Senate Amendment and Sec. 501 of the Code)

PRESENT LAW

Under present law, the Internal Revenue Service generally issues a letter revoking recognition of an organization's tax-exempt status only after (1) conducting an examination of the organization, (2) issuing a letter to the organization proposing revocation, and (3) allowing the organization to exhaust the administrative appeal rights that follow the issuance of the proposed revocation letter. In the case of an organization described in section 501(c)(3), the revocation letter immediately is subject to judicial review under the declaratory judgment procedures of section 7428. To sustain a revocation of tax-exempt status under section 7428, the IRS must demonstrate that the organization is no longer entitled to exemption. There is no procedure under current law for the IRS to suspend the tax-exempt status of an organization.

To combat terrorism, the Federal government has designated a number of organizations as terrorist organizations or supporters of terrorism under the Immigration and Nationality Act, the International Emergency Economic Powers Act, and the United Nations Participation Act of 1945.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provision suspends the tax-exempt status of an organization that is exempt from tax under section 501(a) for any period during which the organization is designated or identified by U.S. Federal authorities as a terrorist organization or supporter of terrorism. The provision also makes such an organization ineligible to apply for tax exemption under section 501(a). The period of suspension runs from the date the organization is first designated or identified (or from the date of enactment of the provision, whichever is later) to the date when all designations or identifications with respect to the organization have been rescinded pursuant to the law or Executive order under which the designation or identification was made.

The Senate amendment provision describes a terrorist organization as an organization that has been designated or otherwise individually identified (1) as a terrorist organization or foreign terrorist organization under the authority of section 212(a)(3)(B)(vi)(II) or section 219 of the Immigration and Nationality Act; (2) in or pursuant to an Executive order that is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act for the purpose of imposing on such organization an economic or other sanction; or (3) in or pursuant to an Executive order that refers to the provision and is issued under the authority of any Federal law if the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989). During the period of suspension, no deduction for any contribution to a terrorist organization is allowed under the Code, including under sections 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522.

No organization or other person may challenge, under section 7428 or any other provision of law, in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person, the suspension of tax-exemption, the ineligibility to apply for tax-exemption, a designation or identification described above, the timing of the period of suspension, or a denial of deduction described above. The suspended organization may maintain other suits or administrative actions against the agency or agencies that designated or identified the organization, for the purpose of challenging such designation or identification (but not the suspension of tax-exempt status under this provision).

If the tax-exemption of an organization is suspended and each designation and identification that has been made with respect to the organization is determined to be erroneous pursuant to the law or Executive order making the designation or identification, and such erroneous designation results in an overpayment of income tax for any taxable year with respect to such organization, a credit or refund (with interest) with respect to such overpayment shall be made. If the operation of any law or rule of law (including res judicata) prevents the credit or refund at any time, the credit or refund may nevertheless be allowed or made if the claim for such credit or refund is filed before the close of the one-year period beginning on the date that the last remaining designation or identification with respect to the organization is determined to be erroneous.

The Senate amendment provision directs the IRS to update the listings of tax-exempt organizations to take account of organizations that have had their exemption suspended and to publish notice to taxpayers of the suspension of an organization's tax-exemption and the fact that contributions to such organization are not deductible during the period of suspension.

Effective date.—The Senate amendment provision is effective for designations made before, on, or after the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

I. Above-the-Line Deduction for Overnight Travel Expenses of National Guard and Reserve Members (Sec. 909 of the Senate Amendment and Sec. 162 of the Code)

PRESENT LAW

National Guard and Reserve members may claim itemized deductions for their nonreimbursable expenses for transportation, meals, and lodging when they must travel away from home (and stay overnight) to attend National Guard and Reserve meetings. These overnight travel expenses are combined with other miscellaneous itemized deductions on Schedule A of the individual's income tax return and are deductible only to the extent that the aggregate of these deductions exceeds two percent of the taxpayer's adjusted gross income. No deduction is generally permitted for commuting expenses to and from drill meetings.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment provides an above-the-line deduction for the overnight transportation, meals, and lodging expenses of National Guard and Reserve members who must travel away from home more than 100 miles (and stay overnight) to attend National Guard and Reserve meetings. Accordingly, these individuals incurring these expenses can deduct them from gross income regardless of whether they itemize their deductions. The amount of the expenses that may be deducted may not exceed the general Federal Government per diem rate applicable to that locale.

Effective date.—The Senate amendment provision is effective with respect to amounts paid or incurred after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

J. Extension of Certain Tax Relief Provisions to Astronauts (Sec. 910 of the Senate Amendment and Secs. 101, 692, and 2201 of the Code)

PRESENT LAW

In general

The Victims of Terrorism Tax Relief Act of 2001 (the ''Victims Act'') provided certain income and estate tax relief to individuals who die from wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001, and April 19, 1995 (the bombing of the Alfred P. Murrah Federal Building in Oklahoma City) or as a result of illness incurred due to an attack involving anthrax that occurred on or after September 11, 2001, and before January 1, 2002.

Income tax relief

The Victims Act extended relief similar to the present-law treatment of military or civilian employees of the United States who die as a result of terrorist or military activity outside the United States to individuals who die as a result of wounds or injury which were incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, and individuals who die as a result of illness incurred due to an attack involving anthrax that occurs on or after September 11, 2001, and before January 1, 2002. Under the Victims Act, such individuals generally are exempt from income tax for the year of death and for prior taxable years beginning with the taxable year prior to the taxable year in which the wounds or injury occurred.[424] The exemption applies to these individuals whether killed in an attack (e.g., in the case of the September 11, 2001, attack in one of the four airplanes or on the ground) or in rescue or recovery operations.

Present law provides a minimum tax relief benefit of $10,000 to each eligible individual regardless of the income tax liability of the individual for the eligible tax years. If an eligible individual's income tax for years eligible for the exclusion under the provision is less than $10,000, the individual is treated as having made a tax payment for such individual's last taxable year in an amount equal to the excess of $10,000 over the amount of tax not imposed under the provision.

Subject to rules prescribed by the Secretary, the exemption from tax does not apply to the tax attributable to (1) deferred compensation which would have been payable after death if the individual had died other than as a specified terrorist victim, or (2) amounts payable in the taxable year which would not have been payable in such taxable year but for an action taken after September 11, 2001. Thus, for example, the exemption does not apply to amounts payable from a qualified plan or individual retirement arrangement to the beneficiary or estate of the individual. Similarly, amounts payable only as death or survivor's benefits pursuant to deferred compensation preexisting arrangements that would have been paid if the death had occurred for another reason are not covered by the exemption. In addition, if the individual's employer makes adjustments to a plan or arrangement to accelerate the vesting of restricted property or the payment of nonqualified deferred compensation after the date of the particular attack, the exemption does not apply to income received as a result of that action.[425] Also, if the individual's beneficiary cashed in savings bonds of the decedent, the exemption does not apply. On the other hand, the exemption does apply, for example, to a final paycheck of the individual or dividends on stock held by the individual when paid to another person or the individual's estate after the date of death but before the end of the taxable year of the decedent (determined without regard to the death). The exemption also applies to payments of an individual's accrued vacation and accrued sick leave.

The tax relief does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

[424] Present law does not provide relief from self-employment tax liability.

[425] Such amounts may, however, be excludable from gross income under the death benefit exclusion provided in section 102 of the Victims Acts.

Exclusion of death benefits

The Victims Act generally provides an exclusion from gross income for amounts received if such amounts are paid by an employer (whether in a single sum or otherwise[426]) by reason of the death of an employee who dies as a result of wounds or injury which were incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, or as a result of illness incurred due to an attack involving anthrax that occured on or after September 11, 2001, and before January 1, 2002. Subject to rules prescribed by the Secretary, the exclusion does not apply to amounts that would have been payable if the individual had died for a reason other than the attack. The exclusion does apply, however, to death benefits provided under a qualified plan that satisfy the incidental benefit rule.

For purposes of the exclusion, self-employed individuals are treated as employees. Thus, for example, payments by a partnership to the surviving spouse of a partner who died as a result of the September 11, 2001 attacks may be excludable under the provision.

The tax relief does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

Estate tax relief

Present law provides a reduction in Federal estate tax for taxable estates of U.S. citizens or residents who are active members of the U.S. Armed Forces and who are killed in action while serving in a combat zone (sec. 2201). This provision also applies to active service members who die as a result of wounds, disease, or injury suffered while serving in a combat zone by reason of a hazard to which the service member was subjected as an incident of such service.

In general, the effect of section 2201 is to replace the Federal estate tax that would otherwise be imposed with a Federal estate tax equal to 125 percent of the maximum State death tax credit determined under section 2011(b). Credits against the tax, including the unified credit of section 2010 and the State death tax credit of section 2011, then apply to reduce (or eliminate) the amount of the estate tax payable.

Generally, the reduction in Federal estate taxes under section 2201 is equal in amount to the ''additional estate tax.'' The additional estate tax is the difference between the Federal estate tax imposed by section 2001 and 125 percent of the maximum State death tax credit determined under section 2011(b) as in effect prior to its repeal by the Economic Growth and Tax Relief Reconciliation Act of 2001.

The Victims Act generally treats individuals who die from wounds or injury incurred as a result of the terrorist attacks that occurred on September 11, 2001, or April 19, 1995, or as a result of illness incurred due to an attack involving anthrax that occurred on or after September 11, 2001, and before January 1, 2002, in the same manner as if they were active members of the U.S. Armed Forces killed in action while serving in a combat zone or dying as a result of wounds or injury suffered while serving in a combat zone for purposes of section 2201. Consequently, the estates of these individuals are eligible for the reduction in Federal estate tax provided by section 2201. The tax relief does not apply to any individual identified by the Attorney General to have been a participant or conspirator in any terrorist attack to which the provision applies, or a representative of such individual.

[426] Thus, for example, payments made over a period of years could qualify for the exclusion.

The Victims Act also changes the general operation of section 2201, as it applies to both the estates of service members who qualify for special estate tax treatment under present and prior law and to the estates of individuals who qualify for the special treatment only under the Act. Under the Victims Act, the Federal estate tax is determined in the same manner for all estates that are eligible for Federal estate tax reduction under section 2201. In addition, the executor of an estate that is eligible for special estate tax treatment under section 2201 may elect not to have section 2201 apply to the estate. Thus, in the event that an estate may receive more favorable treatment without the application of section 2201 in the year of death than it would under section 2201, the executor may elect not to apply the provisions of section 2201, and the estate tax owed (if any) would be determined pursuant to the generally applicable rules.

Under the Victims Act, section 2201 no longer reduces Federal estate tax by the amount of the additional estate tax. Instead, the Victims Act provides that the Federal estate tax liability of eligible estates is determined under section 2001 (or section 2101, in the case of decedents who were neither residents nor citizens of the United States), using a rate schedule that is equal to 125 percent of the pre-EGTRRA maximum State death tax credit amount. This rate schedule is used to compute the tax under section 2001(b) or section 2101(b) (i.e., both the tentative tax under section 2001(b)(1) and section 2101(b), and the hypothetical gift tax under section 2001(b)(2) are computed using this rate schedule). As a result of this provision, the estate tax is unified with the gift tax for purposes of section 2201 so that a single graduated (but reduced) rate schedule applies to transfers made by the individual at death, based upon the cumulative taxable transfers made both during lifetime and at death.

In addition, while the Victims Act provides an alternative reduced rate table for purposes of determining the tax under section 2001(b) or section 2101(b), the amount of the unified credit nevertheless is determined as if section 2201 did not apply, based upon the unified credit as in effect on the date of death. For example, in the case of victims of the September 11, 2001, terrorist attack, the applicable unified credit amount under section 2010(c) would be determined by reference to the actual section 2001(c) rate table.

HOUSE BILL

No provision.

SENATE AMENDMENT

The Senate amendment extends the exclusion from income tax, the exclusion for death benefits, and the estate tax relief available under the Victims of Terrorism Tax Relief Act of 2001 to astronauts who lose their lives on a space mission (including the individuals who lost their lives in the space shuttle Columbia disaster).

Effective date.—The Senate amendment provision is generally effective for qualified individuals whose lives are lost on a space mission after December 31, 2002.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment provision.

XII. SUNSET PROVISION

A. Termination of Certain Provisions (Sec. 1001 of the Senate Amendment)

PRESENT LAW

Budget reconciliation is a procedure under the Congressional Budget Act of 1974 (the ''Budget Act'') by which Congress implements spending and tax policies contained in a budget resolution. The Budget Act contains numerous rules enforcing the scope of items permitted to be considered under the budget reconciliation process. One such rule, the so-called ''Byrd rule,'' was incorporated into the Budget Act in 1990. The Byrd rule, named after its principal sponsor, Senator Robert C. Byrd, is contained in section 313 of the Budget Act. The Byrd rule generally permits members to raise a point of order against extraneous provisions (those which are unrelated to the goals of the reconciliation process) from either a reconciliation bill or a conference report on such bill.

Under the Byrd rule, a provision is considered to be extraneous if it falls under one or more of the following six definitions: (1) it does not produce a change in outlays or revenues; (2) it produces an outlay increase or revenue decrease when the instructed committee is not in compliance with its instructions; (3) it is outside of the jurisdiction of the committee that submitted the title or provision for inclusion in the reconciliation measure; (4) it produces a change in outlays or revenues which is merely incidental to the nonbudgetary components of the provision; (5) it would increase the deficit for a fiscal year beyond those covered by the reconciliation measure; or (6) it recommends changes in Social Security.

HOUSE BILL

No provision.

SENATE AMENDMENT

To ensure compliance with the Budget Act, the Senate amendment provides that certain provisions of, and amendments made by, the bill do not apply for taxable years beginning after December 31, 2012.

Effective date.—The Senate amendment provision is effective on the date of enactment.

CONFERENCE AGREEMENT

The conference agreement does not include the Senate amendment.

The conference agreement does not modify the application of the Economic Growth Tax Reconciliation Relief Act of 2001 (''EGTRRA'') sunset provision. The EGTRRA provision is contained in Title IX of Pub. L. No.107–16.

XIII. TAX COMPLEXITY ANALYSIS

The following tax complexity analysis is provided pursuant to section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998, which requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service (''IRS'') and the Treasury Department) to provide a complexity analysis of tax legislation reported by the House Committee on Ways and Means, the Senate Committee on Finance, or a Conference Report containing tax provisions. The complexity analysis is required to report on the complexity and administrative issues raised by provisions that directly or indirectly amend the Internal Revenue Code and that have widespread applicability to individuals or small businesses. For each such provision identified by the staff of the Joint Committee on Taxation, a summary description of the provision is provided along with an estimate of the number and type of affected taxpayers, and a discussion regarding the relevant complexity and administrative issues.

Following the analysis of the staff of the Joint Committee on Taxation are the comments of the IRS and the Treasury Department regarding each of the provisions included in the complexity analysis, including a discussion of the likely effect on IRS forms and any expected impact on the IRS.

1. Increase the child tax credit (sec. 101 of the conference agreement)

Summary description of provision

The amount of the child credit is increased to $1,000 for 2003 and 2004, reverting to

present law phase-in thereafter. For 2003, the increased amount of the child credit will be paid in advance beginning in July 2003 on the basis of information on each taxpayer's 2002 return filed in 2003. Advance payments will be made in a manner similar to the advance payment checks issued by the Treasury in 2001 to reflect the creation of the 10-percent regular income tax rate bracket.

Number of affected taxpayers

It is estimated that the provisions will affect approximately 27 million individual tax returns.

Discussion

Individuals should not have to keep additional records due to this provision, nor will additional regulatory guidance be necessary to implement this provision.

The IRS will need to add to the individual income tax forms package a new worksheet so that taxpayers can reconcile the amount of the check they receive from the Department of the Treasury with the credit they are allowed as an acceleration of the child tax credit for 2003. This worksheet should be relatively simple and many taxpayers will not need to fill it out completely because they will have received the full amount by check.

2. Expansion of the 15-percent rate bracket (sec. 102 of the conference agreement)

Summary description of provision

The bill accelerates the increase of the size of the 15-percent regular income tax rate bracket for married individuals filing joint returns to twice the width of the 15-percent regular income tax rate bracket for unmarried individual returns effective for 2003 and 2004, reverting to present-law phase-in for 2005 and thereafter.

Number of affected taxpayers

It is estimated that the provision will affect approximately 19 million individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to this provision. The increased size of the 15-percent regular income tax rate bracket for married individuals filing joint returns should not result in an increase in disputes with the IRS, nor will regulatory guidance be necessary to implement this provision.

3. Standard deduction tax relief (sec. 103 of the conference agreement)

Summary description of provision

The conference agreement accelerates the increase in the basic standard deduction amount for joint returns to twice the basic standard deduction amount for unmarried individual returns effective for 2003 and 2004, reverting to present-law phase-in for 2005 and thereafter.

Number of affected taxpayers

It is estimated that the provision will affect approximately 22 million individual returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to this provision. The higher basic standard deduction should not result in an increase in disputes with the IRS, nor will regulatory guidance be necessary to implement this provision. In addition, the provision should not increase individuals' tax preparation costs.

Some taxpayers who currently itemize deductions may respond to the provision by claiming the increased standard deduction in lieu of itemizing. According to estimates by the staff of the Joint Committee on Taxation, approximately three million individual tax returns will realize greater tax savings from the increased standard deduction than from itemizing their deductions. In addition to the tax savings, such taxpayers will no longer have to file Schedule A to Form 1040 and a significant number of which will no longer need to engage in the record keeping inherent in itemizing below-the-line deductions. Moreover, by claiming the standard deduction, such taxpayers may qualify to use simpler versions of the Form 1040 (i.e., Form 1040EZ or Form 1040A) that are not available to individuals who itemize their deductions. These forms simplify the return preparation process by eliminating from the Form 1040 those items that do not apply to particular taxpayers.

This reduction in complexity and record keeping also may result in a decline in the number of individuals using a tax preparation service or a decline in the cost of using such a service. Furthermore, if the provision results in a taxpayer qualifying to use one of the simpler versions of the Form 1040, the taxpayer may be eligible to file a paperless Federal tax return by telephone. The provision also should reduce the number of disputes between taxpayers and the IRS regarding substantiation of itemized deductions.

4. Reduction in income tax rates for individuals (secs. 104 and 105 of the conference agreement)

Summary description of provision

The conference agreement accelerates the scheduled increase in the taxable income levels for the 10-percent rate bracket from 2008 to 2003 and 2004, reverting to the present-law phasein for 2005 and thereafter. Specifically, the conference agreement increases the taxable income level for the 10-percent regular income tax rate brackets for unmarried individuals from $6,000 to $7,000 and for married individuals filing jointly from $12,000 to $14,000. For taxable years beginning after 2004, the amounts will revert to the levels provided in present-law (e.g., $7,000 for unmarried individuals and $12,000 for married couples filing jointly for 2005).

Also, the conference agreement accelerates the reductions in the regular income tax rates in excess of the 15-percent regular income tax rate that are scheduled for 2004 and 2006. Therefore, the regular income tax rates in excess of 15 percent under the conference agreement are 25 percent, 28 percent, 33 percent, and 35 percent for 2003 and thereafter.

Number of affected taxpayers

It is estimated that the provision will affect approximately 76 million individual tax returns.

Discussion

It is not anticipated that individuals will need to keep additional records due to this provision. It should not result in an increase in disputes with the IRS, nor will regulatory guidance be necessary to implement this provision. In addition, the provision should not increase the tax preparation costs for most individuals. Reductions in the regular income tax as a result of these rate reductions as well as the expansion of the child credit, standard deduction, and 10-percent bracket, will cause some taxpayers to become subject to the alternative minimum tax.

The Secretary of the Treasury is expected to make appropriate revisions to the wage withholding tables to reflect the proposed rate reduction for calendar year 2003 as expeditiously as possible. To implement the effects of the additional amount of child tax credit for 2003, employers would be required to use a new (second) set of withholding rate tables to determine the correct withholding amounts for each employee. Switching to the new withholding rate tables during the year can be expected to result in a one-time additional burden for employers.

5. Bonus depreciation (sec. 201 of the conference agreement)

Summary description of provision

The conference agreement provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property. Qualified property is defined in the same manner as for purposes of the 30-percent additional first-year depreciation deduction provided by the Job Creation and Workers Assistance Act of 2002, except that the applicable time period for acquisition (or self construction) of the property is modified. In general, in order to qualify the property must be acquired after May 5, 2003, and before January 1, 2005, and no binding written contract for the acquisition is in effect before May 6, 2003. Property eligible for the 50-percent additional first year depreciation deduction is not eligible for the 30-percent additional first year depreciation deduction.

Number of affected taxpayers

It is estimated that more than 10 percent of small businesses will be affected by the provision.

Discussion

It is not anticipated that small businesses will have to keep additional records due to this provision, nor will additional regulatory guidance be necessary to implement this provision. It is not anticipated that the provision will result in an increase in disputes between small businesses and the IRS. However, small businesses will have to perform additional analysis to determine whether property qualifies for the provision. In addition, for qualified property, small businesses will be required to perform additional calculations to determine the proper amount of allowable depreciation. Complexity may also be increased because the provision is temporary. For example, different tax treatment will apply for identical equipment based on the acquisition and placed in service date. Further, the Secretary of the Treasury is expected to have to make appropriate revisions to the applicable depreciation tax forms.

6. Capital gain rate reduction (sec. 301 of the conference agreement)

Summary description of provision

The conference agreement reduces the 10- and 20-percent rates on the adjusted net capital gain to five and 15 percent, respectively. These lower rates apply to both the regular tax and the alternative minimum tax. The lower rates apply to assets held more than one year. The five percent rate becomes zero percent for taxable years beginning after 2007. The conference agreement applies to taxable years ending on or after May 6, 2003, and beginning before January 1, 2009.

For taxable years that include May 6, 2003, the lower rates apply to amounts properly taken into account for the portion of the year on or after that date. This generally has the effect of applying the lower rates to capital assets sold or exchanged (and installment payments received) on or after May 6, 2003. In the case of gain and loss taken into account by a pass-through entity, the date taken into account by the entity is the appropriate date for applying this rule.

Number of affected taxpayers

It is estimated that the provisions will affect over 15 million individual tax returns.

Discussion

The elimination of the five-year holding period means that taxpayers with gains on assets held for more than 5 years will no longer need to separately compute tax for such gain on schedule D of Form 1040. Additionally, the form will not need to be expanded beginning in 2006 to separate out gain of capital assets held more than five years

that were purchased after 2000. This may reduce tax preparation costs. Mutual fund reporting on the Form 1099 will be made easier by the elimination of the five-year holding period.

For 2003, multiple rates will be in effect depending on whether gain was realized before or after May 6, 2003. This will make the schedule D more complicated for tax year 2003, and may increase tax preparation costs.

7. Dividend tax relief (sec. 302 of the conference agreement)

Summary description of provision

Under the conference agreement, qualified dividends received by an individual shareholder from domestic and qualified foreign corporations are generally taxed at the rates that apply to net capital gain. This treatment applies for purposes of both the regular tax and the alternative minimum tax. Thus, under the conference agreement, dividends will be taxed at rates of five and 15 percent, the same rates applicable to net capital gain.

If a shareholder does not hold a share of stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, dividends received on the stock are not eligible for the reduced rates. Also, the reduced rates are not available for dividends to the extent that the taxpayer is obligated to make related payments with respect to positions in substantially similar or related property.

Number of affected taxpayers

It is estimated that the provisions will affect over 20 million individual tax returns.

Discussion

Individuals computing their tax will need to add qualified dividends to net capital gain in computing their income tax using the tax computation portion of Schedule D of Form 1040 (or other tax computation forms or schedules as the Internal Revenue Service may prescribe). Additional individuals will need to use the tax computation schedule, which may increase tax preparation costs.

New Form 1099s will need to differentiate qualified from nonqualified dividends, and additional burdens will be imposed on payors to comply with the new Form 1099 reporting. Additional record keeping will be necessary with respect to compliance with the 60-day holding period rules. It is likely that there will be increased taxpayer errors with respect to the proper reporting of dividends as a result.

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, DC.

MS. MARY SCHMITT,
Acting Chief of Staff, Joint Committee on Taxation,
Washington, DC.

DEAR MS. SCHMITT: Enclosed are the combined comments of the Internal Revenue Service and the Treasury Department on the seven provisions from the House and Senate markup of H.R. 2, the ''Jobs and Growth Tax Relief Reconciliation Act of 2003,'' that your staff identified for complexity analysis in their May 22, 2003 telephone calls to the IRS Legislative Affairs Division.

Our comments are based on the description of those provisions in the enclosed analysis. Due to the short turnaround time, our comments are provisional and subject to change upon a more complete and in-depth analysis of the provisions.

Sincerely,

MARK W. EVERSON,
Commissioner.

Enclosure.

COMPLEXITY ANALYSIS OF THE JOBS AND GROWTH RECONCILIATION TAX ACT OF 2003

ACCELERATION OF THE INCREASE IN THE CHILD TAX CREDIT

PROVISION

The amount of the child credit is increased to $1,000 for 2003 and 2004. For 2003, the increased amount ($400) will be paid in advance beginning in July 2003 on the basis of information on each taxpayer's 2002 return. Advance payments are to be made in a similar manner to the advance payment checks issued by the Treasury in 2001 to reflect the creation of the 10-percent regular income tax rate bracket. After 2005 the child credit will revert to the levels provided in present law (e.g., $700 for 2005).

IRS AND TREASURY COMMENTS

- No new forms would be required as a result of the child tax credit provisions mentioned above.
- The increased amount of the child tax credit and the increased refundable portion would be incorporated in the instructions for Forms 1040, 1040A, 1040NR, 1040-PR, and 1040-SS for 2003 and 2004.
- The applicable amount of the child tax credit for 2005 and later years would be incorporated in the instructions for Form 1040, 1040A, 1040NR, 1040-PR, and on Form 1040-ES for 2005 and later years.
- Subsequent to enactment, the IRS would have to advise taxpayers who make estimated tax payments for 2003 how they can adjust their estimated tax payments for 2003 to reflect the increased child tax credit, the increased refundable portion, and the required reduction for those who receive advance payments.
- Supplemental programming changes would be required for processing 2003 returns to reflect the increased child tax credit, the increased refundable portion, and the required reduction for those who receive advance payments.
- Programming changes would be required for 2004 and later years to reflect the reversion of the applicable child tax credit amount to the amounts currently scheduled for the years. Currently, the IRS computation programs are updated annually to incorporate mandated inflation adjustments. Programming changes necessitated by the provision would be included during that process.

ADVANCE PAYMENT FEATURE

- An estimated 26 million checks will be mailed beginning in July 2003.
- It will take three weeks to mail checks to those taxpayers whose 2002 tax returns have already been filed and processed. Checks for taxpayers whose returns are filed and processed later in the year will be mailed weekly, through the end of December 2003.
- Some taxpayers may be entitled to more than their advance payment checks due to changes in financial or family status between 2002 and 2003. For example, IRS will not know if a taxpayer gives birth to a child or adopts a child in 2003 until the taxpayer files the 2003 tax return. If they are entitled to a larger increase in the child tax credit than they received in their advance payment checks, they will get the additional amounts on their 2003 tax returns.
- Notice will be sent to taxpayers informing them of the amount of their advance payment, the number of children used to compute the amount, if the amount was limited due to the phase-out range, tax liability, or earned income. The notices will also advise taxpayers that this amount will have to be taken into account in determining the amount of their child tax credit on the 2003 tax return.
- Two lines will be added to the Child Tax Credit Worksheet for 2003. Based on experience with the 2001 rate reduction credit and advance payment, it is anticipated that a number of taxpayers will make errors in this computation on their 2003 tax returns.
- The advance payment will require programming changes to compute the amount and resources to answer taxpayer questions, print and mail notices, and correct errors made on 2003 returns as a result of the advance payment.

ACCELERATION OF THE STANDARD DEDUCTION TAX RELIEF

Provision

The basic standard deduction amount for joint returns is increased to twice the basic standard deduction amount for unmarried individuals returns, effective for 2003 and 2004. After 2004, the applicable percentages will revert to present-law levels (e.g., 174 percent of the basic standards deduction for unmarried individuals for 2005).

IRS and Treasury Comments

- The increased basic standard deduction for married taxpayers would be incorporated in the instructions for Forms 1040, 1040A, 1040EZ, and on Forms 1040, 1040A, and 1040EZ for 2003, 2004 and 2005. No new forms would be required.
- The amount of the basic standard deduction for married taxpayers after 2004 (based on reversion to the currently scheduled levels) would be incorporated in the instructions for Forms 1040, 1040A, 1040EZ and on Forms W–4 1040, 1040A, 1040EZ and 1040–ES for 2005 and later years.
- Subsequent to enactment, the IRS would have to advise taxpayers how they can adjust their estimated tax payment of Federal income tax withholding for 2003 to reflect the increased basic standard deduction.
- Supplemental programming changes would be required to reflect the increased basic standard deduction for 2003.
- Programming changes would be required in 2005 and later to reflect the reversion of the standard deduction amounts to the currently scheduled amounts for those years. Currently, the IRS computation program are updated annually to incorporate mandated inflation adjustment. Programming changes necessitated by the provision would be increased during that process.
- The larger basic standard deduction would reduce the number of taxpayers who itemize their deductions in 2003 and 2004. It would also reduce the number of taxpayers who are required to file income tax returns in those years.

ACCELERATION OF THE EXPANSION OF THE 15-PERCENT RATE BRACKET.

Provision

The width of the 15-percent regular income tax rate bracket for joint returns is increased to twice the width of the 15-percent regular income tax rate bracket for unmarried individual returns, effective for 2003 and 2004. After 2004, the end point of the 15-percent rate bracket for married couples filing joint returns (as a percentage of the end point of the 15-percent rate bracket for unmarried individuals) will revert to present-law levels (i.e., 180 percent of the end point of the 15-percent rate bracket for unmarried individuals for 2005).

IRS and Treasury Comments

- The expanded 15-percent rate bracket for married taxpayers would be incorporated in the tax tables and the tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, and 1040NR for 2003 and 2004. No new forms would be required.

• The applicable width of the 15-percent rate bracket for married taxpayers after 2004 (based on reversion to the currently scheduled levels) would be incorporated in the tax table and tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, and 1040NR and on Form 1040–ES for 2005 and later years.

• The expanded 15-percent rate bracket would also be incorporated in the tax rate schedules shown on Form 1040–ES for 2004. Subsequent to enactment, the IRS would have to advise taxpayers who make estimated tax payments for 2003 how they can adjust their estimated tax payments for 2003 to reflect the expanded 15-percent rate bracket.

• Supplemental programming changes would be required to reflect the expanded 15-percent rate bracket for 2003.

• Programming changes would be required to reflect the reversion to present law levels for determining the width of the 15-percent rate bracket for 2005 and later years. Currently, the IRS computation programs are updated annually to incorporate mandated inflation adjustments. Programming changes necessitated by the provision would be included during that process.

• New withholding rate tables and schedules to update the current Circular E for use by employers during the remainder of calendar year 2003 would be required.

ACCELERATION OF THE REDUCTION OF REGULAR INDIVIDUAL INCOME TAX RATES

Provision

The conference agreement accelerates the scheduled increase in the taxable income levels for the 10-percent rate bracket from 2008 to 2003, and 2004, reverting to the present-law phase-in for 2005 and thereafter. Specially, the conference agreement increases the taxable income level for the 10-percent regular income tax rate brackets for unmarried individuals from $6,000 to $7,000 and for married individuals filing jointly from $12,000 to $14,000. For taxable years beginning after 2004, the amounts will revert to the levels provided in present-law (i.e., $6,000 for unmarried individuals and $12,000 for married couples filing jointly for 2005).

Also, the conference agreement accelerates the reductions in the regular income tax rates in excess of the 15-percent regular income tax rate that are scheduled for 2004 and 2006. Therefore, the regular income tax rates in excess of 15 percent under the conference agreement are 25 percent, 28 percent, 33 percent, and 35 percent for 2003 and thereafter.

IRS and Treasury Comments

• No new forms would be required as a result of the above-mentioned provisions.

• The increased taxable income levels for the 10-percent rate bracket would be incorporated in the tax tables and tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, and 1040NR–EZ 2003 and 2004.

• The reduced tax rates would be incorporated in the tax tables and tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, 1040NR–EZ, and 1041 for 2003 and 2004.

• Changes to the 10-percent rate bracket for tax years beginning after 2004 resulting from the reversion to the present-law phase-in schedule would be incorporated in the tax tables and tax rate schedules shown in the instructions for Forms 1040, 1040A, 1040EZ, 1040NR, and 1040NR–EZ and on Form 1040–ES for 2005 and later years. Currently, the IRS computation programs are updated annually to incorporate mandated inflation adjustments. Programming changes necessitated by the provision would be included during that process.

• The increased taxable income levels for the 10-percent rate bracket and the reduced tax rates would also be incorporated in the tax rate schedules shown on Form 1040–ES for 2004. Subsequent to enactment, the IRS would have to advise taxpayers who make estimated tax payments for 2003 how they can adjust their estimated tax payments for 2003 to reflect the increased taxable income levels for the 10-percent rate bracket and the reduced rates.

SPECIAL DEPRECIATION ALLOWANCES FOR CERTAIN PROPERTY

Provision

The bill provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property. Qualified property is defined in the same manner as for purposes of the 30-percent additional first-year depreciation deduction provided by the Job Creation and Workers Assistance Act of 2002, except that the applicable time period for acquisition (or self construction) of the property is modified. In general, in order to qualify, the property must be acquired after May 5, 2003, and before January 1, 2006, and no binding written contract for the acquisition can be in effect before May 6, 2003. Property eligible for the 50-percent additional first-year depreciation deduction is not eligible for the 30-percent additional first-year depreciation deduction.

IRS and Treasury Comments

• The increase and extension of additional first-year depreciation would have no significant impact on Form 4562 or any other tax forms. The instructions for Form 4562 and other instructions and publications would be expanded to explain and implement the new rules.

• No programming changes would be required by this provision.

REDUCED INDIVIDUAL CAPITAL GAINS RATES

Provision

The 10- and 20-percent rates on the adjusted net capital gain are reduced to 5 and 15 percent, respectively, effective in taxable years ending on or after May 6, 2003, and beginning before January 1, 2009.

For taxable years that include May 6, 2003, the lower rates apply to amounts properly taken into account for the portion of the year on or after that date. This generally has the effect of applying the lower rates to capital assets sold or exchanged (and installment payments received) on or after May 6, 2003.

IRS and Treasury Comments

• The mid-year effective date of May 6, 2003, creates complexity and burden for taxpayers, and will likely result in a large number of errors (as occurred in 1997 when similar mid-year changes were made to the capital gains tax rate). A January 1, 2003, effective date would greatly simplify matters for 2003 (instead of adding 8 lines to several products for 2003 as described below, 4 lines would be removed).

• To figure the amount of gain taxed at 5% and 15% for 2003, 8 lines would be added to: Schedule D (Form 1040); the Schedule D Tax Worksheet; Form 6251 (alternative minimum tax); and Form 8801 (credit for prior year minimum tax).

• Column (g) of Schedule D would be revised to request information for amounts applicable to the portion of the tax year after May 5, 2003. Additional instructions and a 6-line worksheet would be added to figure 28% rate gain or loss, as that amount is currently figured in column (g).

• Rules would have to be developed and applied for 2003 to account for the limit on net section 1231 losses, capital loss carryforwards, carryforwards not allowed due to passive activity rules or at-risk rules, etc.

• The amount of net capital gain for the portion of the tax year after May 5, 2003, would have to be transcribed from the tax return and programming changes would be required to figure the amount of gain taxed at 5% and 15%.

• For 2003, Form 1099–DIV filers would be required to figure and report to recipients the amount of gain after May 5, 2003.

• Taxpayers whose only capital gains are capital gain distributions would not be able to use the shorter Capital Gain Tax Worksheet in the instructions for Form 1040 and Form 1040A, but instead would be required to file Form 1040 and attach Schedule D, to report the amount of their capital gain distributions properly taken into account after May 5, 2003, and figure their tax using the 5%, 10%, 15%, and 20% capital gains tax rates. This provision would therefore increase the number of taxpayers filing Schedule D by up to 6 million.

• For 2004, the 8 lines added for 2003 and 4 current lines (used to figure the 8% rate) would be removed from: Schedule D; the Schedule D Tax Worksheet; Form 6251; and Form 8801.

• The 8-line Qualified 5-Year Gain Worksheet in the Instructions for Schedule D would not be necessary after 2003.

• For 2006, when the 18% capital gains tax rate becomes effective for individuals, this provision would also save us from having to add 4 lines to Schedule D, the Schedule D Tax Worksheet, Form 6251, Form 8801, and the Qualified 5-Year Gain Worksheet.

• Form 1099–DIV filers would not be required to report qualified 5-year gain after 2003, and would not be required in 2005 to begin reporting qualified 5-year gain eligible for the 18% rate.

• For tax years beginning after 2008, the 5% and 15% rates would cease to apply, the 8% rate on qualified 5-year gain would again apply, and the 18% rate on qualified 5-year gain on property acquired after 2000 would begin to apply. At least 8 lines would have to be added to the 2009 Schedule D (Form 1040) and 2009 Schedule D Tax Worksheet, 2009 Form 6251, and Form 8801. A worksheet of at least 8 lines would be required to figure the 8% and 18% qualified 5-year gain amounts. Several million taxpayers, filing Form 1040 or 1040A, whose only capital gains are capital gain distributions and dividends would no longer be eligible to figure their tax using a short Capital Gain Tax Worksheet, but instead would be required to file Form 1040 and Schedule D. Form 1099–DIV filers would again have to track and report 8% qualified 5-year gain, and would have to begin reporting 18% qualified 5 year gain.

DIVIDEND INCOME OF INDIVIDUALS

Provision

Dividends received by an individual shareholder from domestic corporations are taxed at the rates for net capital gain (5 or 15 percent per the above reduction in the capital gains rate), effective for taxable years beginning after 2002 and before 2013.

If a shareholder does not hold a share of stock for more than 60 days during the 90-day period beginning 60 days before the ex-dividend date, dividends received on the stock are not eligible for the capital gain rates. Also, the capital gain rates are not available for dividends to the extent that the taxpayer is obligated to make related payments with respect to positions in substantially similar or related property. Other rules apply.

IRS and Treasury Comments

• No new forms would be required as a result of the above-mentioned provision.

- A box to report qualified dividends would be added to Form 1099–DIV for 2004 through 2012.
- Subsequent to enactment, the IRS would have to issue a revised Form 1099–DIV for 2003 and advise taxpayers who make estimated tax payments for 2003 how they can adjust their estimated tax payments to reflect the new rates applicable to qualified dividends.
- Two lines would be added to Part IV of Schedule D (and the Schedule D Tax Worksheet) for 2003 through 2012 to increase net capital gain by the amount of qualified dividends.
- The new tax rates applicable to qualified dividends would be reflected in the instructions for Forms 1040 and 1040A for 2003 through 2012.
- Taxpayers who have qualified dividends would be required to report them on Schedule D and complete up to 19 lines (23 lines for 2003) in Part IV of Schedule D to figure their tax using the 15% and 5% capital gains tax rates, even if they did not otherwise have a net capital gain. For example, taxpayers whose only income was wages, interest, and dividends reported on Form 1040A would now be required to file Form 1040 and attach Schedule D to report the amount of qualified dividends and figure their tax.
- Supplemental programming changes would be required to reflect the new tax rates applicable to qualified dividends for 2003.
- Programming changes would be required to reflect the tax rates applicable to qualified dividends after 2012. Currently, the IRS tax computation programs are updated annually to incorporate mandated inflation adjustments. Programming changes necessitated by the provision would be included during that process.
- Technical guidance (regulations, revenue rulings, etc.) will probably be needed to implement the anti-abuse rules.
- For tax years beginning after 2008, the additional lines added for 2003–2007—one line for Form 1040 and two lines in each place tax is figured using capital gains tax rates (Schedule D, Schedule D Tax Worksheet, and Capital Gain Tax Worksheets)—would be removed.

EFFECT OF ALL BILL PROVISIONS ON AMT

Despite specific changes which tend to increase the number of AMT taxpayers, the bill's increase in the AMT exemption amounts for 2003–2004 would significantly reduce the number of AMT taxpayers in those years relative to current law.

ESTIMATED BUDGET EFFECTS OF THE CONFERENCE AGREEMENT FOR H.R. 2
THE "JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003"

Fiscal Years 2003 - 2013

[Millions of Dollars]

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-08	2003-13
Acceleration of Certain Previously Enacted Tax Reductions														
1. Expand the child credit to $1,000 for 2003 through 2004; revert to present-law phase in for 2005 [1]	tyba 12/31/02	-13,712	-5,820	-12,956	---	---	---	---	---	---	---	---	-32,488	-32,488
2. Accelerate the expansion of the 15% individual income tax rate bracket and the increase in the standard deduction for married taxpayers filing joint returns; revert to present-law phase in for 2005	tyba 12/31/02	-4,936	-24,904	-5,234	---	---	---	---	---	---	---	---	-35,074	-35,074
3. Accelerate the expansion of the 10% bracket; revert to present-law phase in for 2005	tyba 12/31/02	-1,549	-8,445	-1,912	---	---	---	---	---	---	---	---	-11,906	-11,906
4. Accelerate the 2006 rate schedule	tyba 12/31/02	-9,531	-38,809	-19,930	-5,915	---	---	---	---	---	---	---	-74,185	-74,185
5. Increase individual AMT exemption amount by $4,500 single and $9,000 joint for 2003 and 2004	tyba 12/31/02	-1,176	-10,346	-6,260	---	---	---	---	---	---	---	---	-17,782	-17,782
Total of Acceleration of Certain Previously Enacted Tax Reductions		**-30,904**	**-88,324**	**-46,292**	**-5,915**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**-171,435**	**-171,435**
Growth Incentives for Business														
1. Increase bonus depreciation to 50% and extend through 12/31/04	ppisa 5/5/03 [2]	-9,918	-33,298	-11,684	9,414	9,300	8,112	6,648	4,987	3,586	2,212	1,447	-28,074	-9,194
2. Increase section 179 expensing - increase the amount that can be expensed from $25,000 to $100,000 and increase the phaseout threshold amount from $200,000 to $400,000; include software in section 179 property; and index both the deduction limit and the phaseout threshold after 2003 (sunset after 2005)	tyba 12/31/02	-1,647	-2,681	-3,690	-1,027	2,724	1,842	1,290	937	647	410	243	-4,479	-952
Total of Growth Incentives for Business		**-11,565**	**-35,979**	**-15,374**	**8,387**	**12,024**	**9,954**	**7,938**	**5,924**	**4,233**	**2,622**	**1,690**	**-32,553**	**-10,146**
Reductions in Taxes on Dividends and Capital Gains														
1. Tax capital gains with a 15%/5% rate structure for 2003 though 2007, and 15%/0% in 2008 (sunset 12/31/08)	so/a 5/6/03	-62	-928	-1,335	-3,042	-4,454	-3,544	509	-9,532	---	---	---	-13,365	-22,386
2. Tax dividends with a 15%/5% rate structure for 2003 though 2007, and 15%/0% in 2008 (sunset 12/31/08) [3]	dri tyba 12/31/02	-4,250	-17,506	-19,215	-20,081	-21,263	-23,203	-19,689	-493	---	---	---	-105,518	-125,700
Total of Reductions in Taxes on Dividends and Capital Gains		**-4,312**	**-18,434**	**-20,550**	**-23,123**	**-25,717**	**-26,747**	**-19,180**	**-10,025**	**---**	**---**	**---**	**-118,883**	**-148,086**

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-08	2003-13
Temporary State Fiscal Relief Fund (outlay effects) [4]	DOE	-7,730	-12,270	---	---	---	---	---	---	---	---	---	-20,000	-20,000
Special Estimated Tax Rules for Certain Corporate Estimated Tax Payments (25% of estimated payments otherwise due on September 15 are payable on October 1, 2003)	DOE	-6,325	6,325	---	---	---	---	---	---	---	---	---	---	---
Total, Net of Outlays		-49,489	-135,370	-77,567	-20,575	-13,648	-16,749	-11,190	-4,101	4,233	2,622	1,690	-313,398	-320,142
Total Outlay Effects		-11,347	-13,312	-4,649	-76	-45	-44	-52	---	---	---	---	-29,473	-29,525
TOTAL [5]		-60,836	-148,682	-82,216	-20,651	-13,693	-16,793	-11,242	-4,101	4,233	2,622	1,690	-342,871	-349,667

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

DOE = date of enactment
dri = dividends received in
ppisa = property placed in service after
so/a = sales on or after
tyba = taxable years beginning after

[1] Advance payment of 2003 child credit paid by rebate with safe harbor.
[2] Does not apply to any property with binding contract in place before May 6, 2003.
[3] Any dividend described in Internal Revenue Code section 404(k) would be taxed at ordinary rates. RIC and REIT shareholders receive tax relief to the extent that dividends paid by the RIC or REIT are qualified dividends received by the RIC or REIT. Taxed REIT income would receive the preferential tax rates when distributed as dividends. The provision excludes qualified dividends from investment income for the purpose of Internal Revenue Code Section 163(d). Certain anti-abuse rules, including the imposition of a 60-day holding period, apply. Certain foreign dividends would qualify for the preferential rates.
[4] Estimate provided by the Congressional Budget Office.
[5] Returns with AMT liability (millions):

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Present law	2.2	3.7	9.7	14.9	19.2	23.8	26.8	30.0	14.2	17.3	20.3
Change due to proposal	0.2	-0.8	1.6	---	---	---	---	---	---	---	---

WILLIAM M. THOMAS,
TOM DELAY,
Managers on the Part of the House.

CHUCK GRASSLEY,
ORRIN HATCH,
DON NICKLES,
TRENT LOTT,
Managers on the Part of the Senate.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 9 o'clock and 21 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 2239

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. LAHOOD) at 10 o'clock and 39 minutes p.m.

REPORT ON RESOLUTION WAIVING POINTS OF ORDER AGAINST THE CONFERENCE REPORT TO ACCOMPANY H.R. 2, JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

Mr. REYNOLDS, from the Committee on Rules, submitted a privileged report (Rept. No. 108–129) on the resolution (H. Res. 253) waiving points of order against the conference report to accompany the bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, which was referred to the House Calendar and ordered to be printed.

CONFERENCE REPORT ON H.R. 2, JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

Mr. REYNOLDS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 253 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 253

Resolved, That upon adoption of this resolution it shall be in order to consider the conference report to accompany the bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004. All points of order against the conference report and against its consideration are waived. The conference report shall be considered as read. The previous question shall be considered as ordered on the conference report to final adoption without intervening motion except: (1) one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; and (2) one motion to recommit. The yeas and nays shall be considered as ordered on the question of adoption of the conference report. Clause 5(b) of rule XXI shall not apply to the conference report.

The SPEAKER pro tempore. The gentleman from New York (Mr. REYNOLDS) is recognized for 1 hour.

(Mr. REYNOLDS asked and was given permission to revise and extend his remarks.)

Mr. REYNOLDS. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentleman from Texas (Mr. FROST), the ranking member of the Committee on Rules, pending which I yield myself such time as I may consume. During consideration of this resolution all time yielded is for the purpose of debate only.

Mr. Speaker, House Resolution 253 is an appropriate rule providing for 1 hour of debate for consideration of the conference report accompanying H.R. 2, the Jobs and Growth Reconciliation Act of 2003.

The rule waives all points of order against the conference report and against its consideration.

Mr. Speaker, taxes now claim a greater share of the median two-income family's budget than food, clothing, housing, and transportation combined. That just is not right. Families need the flexibility to dedicate their hard-earned resources towards their most pressing concerns. While some may need more money to help pay off their debts, others may need extra money to pay tuition for their child or to invest for their retirement.

The same can be said for small business owners, the entrepreneurial backbone of America. They should be empowered to allocate their resources however they see fit, whether it be hiring more employees, reinvesting, or expanding their business in order to create jobs.

The point is, people should be making decisions on how to best spend their hard-earned dollars, not the government, nor should government punish them with job-killing, unfair taxes.

Today's legislation is not just about tax relief; it is about creating jobs and stimulating the economy. The fact is jobs do not create themselves. And we, in this Congress, have both the ability and responsibility to help create those jobs. Through his consistent and immediate attention to growth and prosperity for working Americans, the President has once again guided Congress to foster job creation and ease the outrageous tax burden on working Americans. Under his direction, we will be helping countless Americans achieve a greater parity in the Tax Code and realize the fulfillment of employment.

No one knows the current job struggle like my constituents and fellow New Yorkers across the State. For my part of the State, which never shared in the economic boom of the 1990s, job growth remains the number one priority. And this type of positive impact is what this and so many other parts of our country need.

On average, over 30,000 new jobs will be created in New York every year for the next 5 years. Instead of an unemployment check, these workers will get a paycheck that they want and they deserve.

The bill recognizes that we cannot create employees if we do not work with employers to create jobs. For example, small businesses will have an option of immediately deducting up to $100,000 in expenses, a significant increase over the current $25,000 deductions. Because most small businesses pay taxes as individuals, accelerating the top rate reduction means lower taxes for small business owners. This means that millions of entrepreneurs will have more money to spend on employees, supplies, or expansion efforts.

The conference report also drastically reduces the dividend tax burden, making stocks more valuable and increasing expected rates of return. By lowering the rates of dividend and capital gains, people will be more willing to invest because they will pay less tax on the returns to their investments.

What this bill also recognizes is the need for an immediate infusion of direct aid to States facing dire fiscal crises. Budget shortfalls and sharply rising Medicaid costs have crippled local governments, restricted access to vital services, such as health care, that our constituents greatly rely on.

By coupling State relief with tax relief and job creation, we can alleviate the strain on State revenues, and further stimulate the economy with direct aid to our States and localities that need it most.

□ 2245

Whether creating jobs, relieving the tax burden, increasing investment, or fostering State and local stability, this bill acknowledges the need for all-encompassing approaches to growing the economy.

Mr. Speaker, former President Ronald Reagan once said the current Tax Code is a daily mugging. This is not what our political science teachers meant by participation in government. Let us not rob the American people of their hard-earned money. This country was founded upon individuals who stretched their imaginations, fostered ingenuity, and broke their backs for freedom and justice. Americans throughout history have not toiled resiliently just to fork over all their earnings to the Federal Government. This was not the intent of our forefathers, nor should it be ours now.

Mr. Speaker, I urge my colleagues to join me in supporting this rule as well as the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

(Mr. FROST asked and was given permission to revise and extend his remarks.)

Mr. FROST. Mr. Speaker, here we are again, at quarter to eleven, the shades of darkness have fallen, and we have to ask ourselves a question, at least I do: Is the other side not particularly competent? Is that why we are here this late at night, as we always are on major pieces of legislation? Or have

they intentionally put us here late at night so no one will watch this on television, so the American public will not know what is going on?

Mr. DREIER. Mr. Speaker, will the gentleman yield?

Mr. FROST. I will complete my statement, and then my friend, the chairman, will have plenty of time to respond.

Mr. DREIER. I just wanted to respond to the query that was put forth.

Mr. FROST. I understand, but my friend will have plenty of time to speak.

Mr. Speaker, it is more than a coincidence that the major pieces of legislation that this Congress does are always done late at night when not very many people are watching. Tonight, Mr. Speaker, the House will pass and send to the Senate the ''Leave No Millionaire Behind Tax Act.'' Yet at the same time around the country millions of Americans are looking for work.

This country is still suffering from the second Bush recession in just over a decade, the third Republican recession in the past 20 years. The Federal deficit is spiraling even higher. The public debt is growing. Every penny of this tax bill have will to be borrowed. But Republicans in Washington, from the President on down, are busy patting themselves on the back for successfully pulling off another rip-off of the Federal Treasury.

Make no mistake, that is all this conference report is, a welfare package for the very wealthy and a big fat bill for future generations. When you borrow money, you generally have to pay it back. This conference report is the latest attempt to give the average American's Social Security payments and their Medicare payments to a small elite group of very wealthy individuals.

Republicans have argued among themselves about how much this bill costs, but it hardly matters because they are basically making up numbers at this point. After all, the Senate Republicans attached a number to their tax bill last week and then had to admit it was $70 billion too low. And this week House the majority leader, the gentleman from Texas (Mr. DELAY), was in the newspapers bragging about how easy it is to fudge the numbers to make their tax plan look less expensive than it really is.

They can fudge the numbers to pay for a tax bill, but they will not extend unemployment benefits to every American who continues to look for work with no success. They can fudge the numbers to pay for a tax cut, but they kick 1.4 million veterans to the curb and out of the VA health system. They can fudge the numbers to pay for a tax cut, but they cannot hide a record $400 billion deficit.

Mr. Speaker, since George W. Bush became President, some 2.7 million Americans have lost their jobs. Unemployment is the highest it has been since the last Bush administration, and only Herbert Hoover lost more jobs than George W. Bush has. Of course, President Bush still has a year and a half to go to top the Great Depression President in this contest.

Mr. Speaker, the stock market is down. Republicans have driven America's deficit so high that the Bush administration's own Treasury Department has twice asked to raise the debt limit so they can borrow more money. Not only does the administration need to borrow more money, they want to borrow nearly a trillion dollars, the largest increase in the history of the debt limit. This is not a record to be proud of, Mr. Speaker. This is not a record to run for reelection on, Mr. Speaker. It is a record of shame.

After all, 2 years ago, the Republican majority in the House did not sell their economic package as a budget buster. But they were wrong. And they are wrong today. The ''Leave No Millionaires Behind Act'' will not create jobs or stimulate the economy, any more than Part I did 2 years ago. But it will drive this country deeper into debt, raising the debt tax on all Americans to pay for more tax breaks for the richest few. The true cost of this particular bill is closer to a trillion dollars than to any fake numbers Republicans trot out today.

That trillion dollars is about what the administration and the Republican leadership want us to raise the public debt by so they will not have to face up to the failed economic policies before the next election. The Republican leadership wants to force that record-setting debt limit increase through the Congress, along with this tax bill, while they skip town and leave millions of Americans who cannot find work in the lurch. This is reprehensible behavior, Mr. Speaker, but certainly not behavior that surprises Democrats one little bit.

We have a responsibility to govern with the needs of the present and the future in mind. This tax bill thinks of neither the present nor the future in a responsible manner. What the President and the Republican leadership are advocating is a failed economic paradigm that will borrow against the future to pay a few millionaires today, and the Republican Party does not have a clue how they are going to pay this money back and keep this government solvent.

That is why we have to defeat this rule and this conference report. Until someone makes President Bush and the Republicans stop ruining the economy, they will keep raiding ordinary taxpayers to pay for more tax breaks for the wealthiest of the wealthy. This is just wrong, Mr. Speaker. You know it and I know it.

Mr. Speaker, I reserve the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, my memory serves that at the time, had we not done the tax cuts that we passed in 2001, we might have been in a deeper recession, a slower economy. And, quite frankly, that was part of the stimulus that has moved us to a shallow recession. In moving forward with this tonight, my hope is the economic stimulus will continue to advance.

Quite frankly, I think the Republican agenda, led by our President, has done the job, and I am hoping that we can continue moving on that agenda. I will be happy to take that record to the voters of this land and let them make a decision.

Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DREIER), the distinguished chairman of the Committee on Rules.

Mr. DREIER. Mr. Speaker, I rise in strong support of this rule, and I rise to say that this has been a great day for us. We have been able to pass out, in a bipartisan way, with an overwhelming vote, a spectacular defense authorization bill. We have been able to deal with one of the most pressing needs out there by extending unemployment benefits to those who are really hurting. And now we are dealing with what truly is the number one priority for us economically, and that is we are going to be putting into place a measure which is designed to create jobs and increase economic growth in this country.

I am looking at the clock. It is now 6 minutes before 11 p.m. Now, I know my friend from Texas has described this as the dead of night. But I have to say that it is 6 minutes before 8 p.m. in California, and I suspect that there may even be a broader audience following the debate at this hour across the Nation than there might be at noon following a debate that takes place here in the House of Representatives.

I also have to say that I know there are Members on both sides of the aisle who are anxious for us to complete our work and get this done so that we can create jobs for the American people, which is what this measure is going to do.

Now, I am very proud to be a Republican, and by virtue of being a Republican, I was born to cut taxes. And I am proud, I am proud of the fact that we are putting this measure into place. The ''Leave No Millionaires Behind Act'' was a great line that I heard. I thought that was very creative. But if we are using it on the model of ''No Child Left Behind,'' I guess it should be broadly bipartisan. And, frankly, this is a measure which cuts taxes for virtually everyone who pays taxes.

Mr. SANDERS. Mr. Speaker, will the gentleman yield?

Mr. DREIER. I yield to the gentleman from Vermont.

Mr. SANDERS. Mr. Speaker, my friend says it cuts taxes for almost everybody. The last tax proposal the gentleman brought up here gave as much in tax breaks to the richest one-tenth of 1 percent, those people who are millionaires, as to the bottom 89 percent

of the people. Does my friend think that is fair?

Mr. DREIER. Reclaiming my time, Mr. Speaker, I thank my friend for his question. And what I will say is that, frankly, as we look at the numbers, 1 percent of the American people provide 37 percent of the tax revenues that are paid in this country, and 5 percent of the American taxpayers provide over 52 percent of the tax revenues.

But what I wanted to say, Mr. Speaker, and I will say it again, is that this measure will cut taxes for virtually every American who pays taxes. And I am so excited about the fact that it cuts taxes not only for those job creators by dramatically increasing expensing for small businesses, by bringing about the kind of increased depreciation which is very important and necessary, but also I am enthused about cutting the top rate on the capital gains tax.

I am very privileged to have worked for years and years and years here. In fact, I have a bipartisan bicameral Zero Capital Gains Tax Caucus. And guess what? This measure creates a zero capital gains, and not for those who are in the highest income tax brackets, not for those who are out there creating huge numbers of jobs, but this measure will, in the year 2008, establish a zero capital gains tax rate for whom? For those who are in the 10 percent tax bracket and those who are in the 15 percent tax bracket. And, Mr. Speaker, it also provides a zero tax in the year 2008 for those who have dividend income. And there are many Americans who fall in that category.

So we are achieving, with passage of this measure, a zero capital gains rate for those who are at the lowest end of the economic spectrum. And, yes, we are, in fact, cutting it for those in the higher end as well. We are cutting it from 20 percent to 15 percent.

We also know, as we look at the broad cross-section of the American people who are going to be benefitted by this expanding and making permanent the marriage tax penalty, that that relief is very, very important. Also expanding the child credit up to $1,000, another very important provision, will be helpful to middle-income wage earners in this country. So while I hear this measure described by my friend from Texas as only benefiting millionaires, that is an absolutely preposterous description of this very important legislation.

I also have to say, Mr. Speaker, that I am very proud of the fact that we have stepped forward, acknowledging that there are real challenges that our States are facing. My State of California has, tragically, a $38.2 billion deficit. And what is it that we do in this measure? We step up to the plate and provide $20 billion in assistance for those States that have come to us and talked about the very important needs that they face.

So, Mr. Speaker, I am convinced that we have done the right thing. We are going to lay the groundwork to provide a tax-defined effort to create jobs and growth in this country. This measure deserves strong bipartisan support. The President of the United States stood here at the Capitol this morning and said he looks forward to signing this bill.

While it is not exactly what we wanted from the beginning, we have said that we are excited about the fact that the argument has been over what the size of the tax cut will be, because we know that when our friends on the other side of the aisle were in the majority the debate was so often over what the size of the tax increase would be.

□ 2300

Mr. Speaker, we have all heard the lines about the desire to keep these dollars in the pockets of the American people because they have earned them. We all know that is the case; but we also have to realize that these proposals which have come forward from the other side of the aisle to increase taxes, which is the proposal that we had last week that came from that side, would do nothing to create jobs and encourage economic growth.

In fact, as my friend from New York has so eloquently said, it would have exacerbated the economic challenges that we face. The downturn began in the last two quarters of the year 2000. That was before President Bush was elected President of the United States. Since that time this Nation has faced all three of the factors that the President outlined in his campaign that indicated that he possibly would have to lead into deficit spending: war, recession, national emergency.

No one needs to have September 11 redefined for them. We all lived through that right here in the Capitol; and tragically, many of us lost friends on that day. We also have just gone through a war liberating the people of Iraq, and we know it has been very costly.

We also know, as we have looked at this deficit, the real problem is the fact that we have seen a slow economy. How is it that we are going to generate the revenues to deal with these very important priorities that we have? It is to generate a flow of revenues that we need.

Mr. FORD. Mr. Speaker, will the gentleman yield?

Mr. DREIER. I yield to the gentleman from Tennessee.

Mr. FORD. Mr. Speaker, I am just curious as a Member of the body and as a voter, when does it become President Bush's economy? You said this started back with Bill Clinton.

Mr. DREIER. That is a very good question. I think what I have basically said was this downturn began in the last two quarters of 2000. I did not say whose economy this is or is not. I would say we are all in this together as the American people. We all together stood outside the Capitol as Members of Congress following the tragedy of September 11. We all have been faced with the war with Iraq, and we have all been faced with a downturn that began in the last two quarters of 2000, and we are struggling to emerge. We are struggling to get this economy back on track.

That is why the measure that we passed in 2001 which the gentleman from New York (Mr. REYNOLDS) was talking about did play a role in mitigating the economic downturn. Virtually every economist indicated had we not passed that measure, the problems would have been worse than they are today. I believe that passage of this measure will go a long way towards creating the kind of revenue flow that we need. As I was saying, every single time we have cut the top rate on capital gains, we have seen an increase in the flow of revenues to the Federal Treasury.

We saw it when John F. Kennedy did it and when Ronald Reagan did it. We doubled the flow of revenues to the Treasury during the 1980s when Ronald Reagan brought about that reduction. In fact, we saw a 500 percent increase in the flow of revenues when the top rate on capital gains was reduced from 28 to 20 percent in 1981.

Unfortunately, in the 1986 tax bill, we saw that rate go back up. That 500 percent increase in the flow of revenues that came by unleashing that potential that was there, unfortunately we saw a diminution of it once we increased that rate.

Mr. Speaker, I am convinced that we are going to observe a dramatic increase in the flow of revenues to the Federal Treasury once we put into place this measure that cuts for most Americans the rate from 20 to 15 percent, and for those in the 10 to 15 percent bracket, reduces it to a great big zero.

When I think about those at the lower end of the spectrum, I think about those individuals who are starting their businesses, maybe have a home that has appreciated, they want to be able to have the chance to create jobs and get onto that first rung of the economic ladder.

This measure is designed to create the opportunity for people to do just that. This is a very good start. It is a good piece of legislation. I am very proud of the work that has been done by the gentleman from California (Mr. THOMAS) and the Committee on Ways and Means, our colleagues in the other body, and of course President Bush in providing stellar leadership for this, as well as Speaker HASTERT who has constantly pushed in the direction of trying to reduce that burden.

Mr. FROST. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I have been listening to the gentleman from California (Mr. DREIER), who has a very interesting description of the bill.

I have a table here, table 5.1, ''Conference Agreement on Jobs and Growth

Tax Relief Reconciliation Act of 2003.'' This table has some very interesting information in it. An American who makes a million dollars or more would get $93,530 of tax cuts on the average. If you make between $20,000 and $30,000 a year, you get $15 a month. If you make between $30,000 and $40,000 a year, you get a little bit less than $30 a month. Let me just comment, the gentleman is trying to say this is a wonderful thing for people in the lower income brackets.

I suggest to Members that the great spread here of $93,530 for the millionaires and $15 a month for the fellow or woman making between $20,000 and $30,000 and less than $30 for the family of between $30,000 and $40,000, I am not sure what the gentleman is trying to say here.

Mr. DREIER. Mr. Speaker, will the gentleman yield?

Mr. FROST. I yield to the gentleman from California.

Mr. DREIER. Mr. Speaker, I would like to ask my friend, does he propose that that American who is earning between $20,000 and $40,000 a year, does he propose that they receive a $93,000 tax cut? Is that what the gentleman is proposing?

Mr. FROST. Reclaiming my time, I am just proposing that we not try and tell them they are getting a really good deal here, that they are getting a really big tax cut, because the people who are getting the really big tax cut are the folks who are the millionaires, and the average folks out there are just getting a little bit.

Mr. Speaker, I yield 3 minutes to the gentleman from Florida (Mr. HASTINGS).

(Mr. HASTINGS of Florida asked and was given permission to revise and extend his remarks.)

Mr. HASTINGS of Florida. Mr. Speaker, I would like to say to the distinguished chairman that last quarter that he talked about in 2000, the tax measure had not been passed at that time, actually did not pass until June of 2001.

I would also like to say to the chairman who said that he is proud to be a Republican, he was born to cut taxes, the gentleman from California (Mr. DREIER) said. Well, I am proud to be a Democrat, and I was born to help those who cannot help themselves.

When we talk about people who pay taxes receiving benefits, there are people in this country who want to pay taxes, but cannot get a job.

Mr. Speaker, do my colleagues realize that this body will spend a meager 2 hours debating this tax cut? That is the House will dish out more than $2.4 billion to America's wealthiest for every minute it has debated this irresponsible proposal. Let me repeat myself for those who did not hear me the first time: $2.4 billion per minute of debate.

Mark Twain said there are two things you should never watch being made: sausage and legislation. The development of the Republican tax cut plan exemplifies the similarities between the nastiness and ramdomness of sausage-making and law-making. Those on the other side of the aisle have dismembered competing packages into a speculative $318 billion collage. The tax cut conference report is incomprehensible, politically motivated, and fiscally irresponsible. Outside of these hallowed halls is a visitors' center that is being built. Right now it is a big old hole, and what the Republicans are proposing is a $1 trillion hole that is a great metaphor for that big old hole right outside.

This ugly tax sausage is the product of the President and the Republican majority's troubling tax cut fixation. The tax cut conference report is a collection of various misplaced, gruesome, and dishonest provisions. The Frankenstein result is an offensive tax proposal with no legs to stand on, no eyes to see beyond the present, no voice of truth, and no heart with compassion for America's neediest.

For President Bush and the Republican majority, tax cuts are a one-size-fits-all solution. Last year's obese, obtuse, and downright obnoxious tax cut was, according to the majority, correct for the then-existing surplus.

This year while the economy is ailing, the President, House majority, and Senate majority all have professed that their own version of a tax cut plan will solve the current economic problems. Now we are being asked to subscribe to the untruthful claim that this fifth tax cut version more mangled and distorted with gimmicks than the previous four, will restart the economy. I ask that Members do not support this rule and underlying principle of the bigger the wallet, the bigger the benefit.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we are getting to the heart of it. The heart of it is that the left is filing in here to talk about we need bigger government and more spending. We need more of that central Federal Government.

And the debate will happen after this rule is passed of those who want to see a tax cut, those who want to put that money back in the American people's pocket. And then we will begin to look at some of the facts in this debate.

Mr. Speaker, a married couple with two children, an income of $40,000 will see their taxes decline under the Jobs and Growth Tax Relief Act of $1,133 in 2003. That is a decline of 96 percent.

In 2003, 91 million taxpayers will receive on average a tax cut of $1,126 under the Jobs and Growth Act of 2003. And 68 million women will see their taxes decline on average by $1,338; 45 million married couples will receive an average tax cut of $1,786; 34 million families with children will benefit from an average tax cut of $1,549; 6 million single women with children will receive an average tax cut of $558; 12 million elderly taxpayers will receive an average tax cut of $1,401; 23 million small business owners will receive tax cuts averaging $2,209; 3 million individuals and families will have their income tax liability completely eliminated by this act.

I will repeat that again. Mr. Speaker, 3 million individuals and families will have their income tax liability completely eliminated by this act. Half of the tax relief package in 2003 is directed to the child tax credit, expanding a 10 percent bracket eliminating the marriage penalty, accelerating the marginal rate cuts, and ensuring that middle-class families do not face AMT. Ten million seniors will receive some type of dividend income, will be able to make their golden years more secure by keeping more of what their dividend income is.

When I have this vote cast for this rule and then when I vote on the underlying legislation, I am happy to take those facts back to my district and stand before my constituents. Do Americans want more Federal Government and bureaucrats creating programs, or do they want that money in their pocket for them to make that decision?

Mr. SANDERS. Mr. Speaker, will the gentleman yield?

Mr. REYNOLDS. I yield to the gentleman from Vermont.

□ 2315

Mr. SANDERS. I thank my friend for yielding. I appreciate that.

Mr. REYNOLDS. For a point of a question.

Mr. SANDERS. Here is my question. The Wall Street Journal poll today showed massive opposition to this tax proposal and that more than half of the American people, 55 percent, said they would prefer the government to spend more money on health care coverage. The people want health care. They want Social Security.

Can my friend respond to that?

Mr. REYNOLDS. Mr. Speaker, I also saw a poll that says that the American people want a tax cut. And, quite frankly, as the President traveled the country in the week that we were on recess, he raised the polling numbers for that tax cut by 10 percent.

Mr. SANDERS. But he is still losing. The polls are very clear. The people want health care and Social Security.

Mr. FROST. Mr. Speaker, I yield myself 30 seconds.

I have been listening to the gentleman from New York and, of course, he offers a false choice. He says, do you want tax cuts or do you want bigger government? The people that I talk to do not want a government that puts them in debt. They do not want their children and grandchildren to be paying, having to bail out the country for this tax cut that is being passed this year because of the size of the debt that this is causing. No, they do not necessarily want bigger government, but they do not want that debt hanging over their children and grandchildren for several generations.

Mr. Speaker, I yield 4 minutes to the gentleman from South Carolina (Mr. SPRATT).

Mr. SPRATT. Mr. Speaker, I have to wonder if our good friend from New York, when he tells his constituents about their benefits, will tell them that the child tax credit will expire in 2004, that the 10 percent bracket expansion will expire in 2004, that the AMT exemption and that the marriage penalty negation provision will expire in a year. We give with one hand and take away almost immediately with the next. The sun rises and the sun sets.

Let me dispel, first of all, one myth about this tax bill, the myth that the President is putting out that this is an itty-bitty tax bill. $350 billion by itself would not be itty-bitty, particularly when you have a deficit as we do. But this is not a $350 billion tax bill. If you assume, as we must, that these sunsets are a sham, and why should we not, because the architects of this bill are all saying, they will be extended, we just put them in there to shoehorn this thing into the budget. If you assume that, then this is what this total tax cut will be, not $350 billion but, in the next 10 years, $1 trillion. That is the result. And since the budget is now in deficit, all of this amount, all $1 trillion, will go to the bottom line and will swell the deficit. That means we will have a deficit this year, a record deficit of $425 billion and the deficit will hover in that range, ratcheted at that range, of 3 to $400 billion for as far out as we forecast.

But we do not stop here. Because Republicans have told us, proudly, that they are going to make tax cuts an annual event. If you look in their budget, you will see there are more unreconciled tax cuts still on the back burner yet to be brought forward. If you look in the President's budget, you will see that there are a lot of tax cuts left on the cutting room floor waiting there for next round.

Here are three known tax cuts that are yet to come off the agenda.

First of all, we all know the tax cuts passed in 2001 have to be made permanent, will be made permanent by the majority if it stays the majority in this House. That will cost 6 to $650 billion in revenues.

Second, there is another 2 to $300 billion of various tax cuts lying on the cutting room floor waiting for the next round.

Third, there is the alternative minimum tax. We all know that politically it has to be fixed in the next 10 years or else 25 million Americans are going to pay much higher taxes than they now pay. They will pay the alternative minimum tax. The cost of fixing it is reasonably 650 to $680 billion.

If you add all of these tax cuts together and make a few modest adjustments for the likely cost of defense and homeland security and Medicare/prescription drugs, here are the results. I have got a piece of paper. I am going to leave it here on the desk. We have calculated them on this sheet of paper. If anybody takes exception with them, come down here and refute it.

Here are the results per our reckoning of what is going to happen to the budget.

First, from 2004 until 2013, deficits will total, get this, deficits will total $3.959 trillion. Without Social Security, deficits will total $6.527 trillion. Debt held by the public will increase from $3.5 trillion to $7.9 trillion. Total statutory debt will go up to $14 trillion.

You can overlook and dispute a lot of these facts, but there are two facts you cannot dispute. They will not go away.

First of all, 77 million baby boomers are marching to their retirement, and they are going to double the number of beneficiaries on Social Security and Medicare, and those programs will not sustain their benefits in their current situation.

Secondly, what you sow, our children and their children are going to reap. They will have to support the underfunded Social Security program, the underfunded Medicare program, and they will have to bear the burden of $14 trillion in statutory debt that you are incurring as you move down this path tonight. That is the course you choose. That is the moral decision you make tonight if you vote for these tax cuts.

If you do it in the name of creating jobs, I do not think this is going to create that many jobs, with one exception, I will grant you. It is going to create a lot of jobs for tax lawyers and accountants. This bill will be a bonanza for those who specialize in tax avoidance; and the real cost, believe me, is going to be beyond calculation.

Mr. Speaker, I include the following for the RECORD:

BUDGET OUTLOOK WITH CONFERENCE TAX CUTS

CBO Assumptions, Fiscal Years, Billions of Dollars; Surplus Is Positive

March 2003 Baseline	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
Unified Surplus	-158	-246	-200	-123	-57	-9	27	61	96	231	405	459	891	-377
On-Budget Surplus	-317	-408	-373	-317	-269	-240	-224	-207	-190	-73	88	128	-1,678	-2,619
Off-Budget Surplus	160	163	173	195	212	231	250	268	286	304	318	331	2,568	2,241
Technical Reestimate	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
Receipts	0	-67	-59	-54	-52	-51	-51	-50	-50	-50	-50	-50	-517	-484
Legislation	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
Iraq War Supplemental	0	-38	-27	-7	-1	0	0	0	0	0	0	0	-36	-75
Conference Tax Cuts	0	-61	-149	-82	-21	-14	-17	-11	-4	4	3	2	-289	-354
Debt Service on Above	0	-1	-9	-22	-31	-37	-43	-49	-55	-61	-66	-73	-445	-307
Possible August Baseline	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
Unified Surplus	-158	-413	-443	-288	-162	-111	-84	-49	-13	124	292	338	-396	-1,596
On-Budget Surplus	-317	-576	-616	-483	-374	-342	-334	-317	-300	-179	-26	6	-2,965	-3,838
Omitted Costs	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
DISCRETIONARY														
Bush Defense Increase	--	0	0	-2	-8	-13	-22	-28	-32	-34	-36	-38	-212	-139
Further Cost of War	--	0	-30	-20	-10	0	0	0	0	0	0	0	-60	-60
REVENUES														
Extend Conference Agreement	--	0	-1	-15	-78	-78	-71	-72	-82	-85	-86	-89	-656	-480
Bush Tax Cut (Over Conference)	--	-3	-10	-23	-27	-32	-37	-47	-46	-180	-283	-296	-981	-404
AMT Repair	--	0	-4	-12	-27	-41	-56	-73	-89	-107	-126	-146	-680	-408
MANDATORY														
Medicare Rx	--	0	0	0	-22	-34	-39	-44	-50	-63	-70	-78	-400	-252
Debt Service on Above	0	0	-1	-4	-11	-22	-34	-50	-68	-92	-126	-167	-574	-281
RESULTING DEFICIT	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
Unified Surplus	-158	-416	-489	-364	-345	-329	-343	-363	-380	-436	-435	-476	-3,959	-3,621
On-Budget Surplus	-317	-579	-662	-558	-557	-560	-594	-631	-666	-740	-753	-807	-6,527	-5,863
DEBT HELD BY THE PUBLIC	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2013	2002-2011
CBO 2001 Baseline Debt	2,870	2,537	2,157	1,738	1,246	682	54	-651	-1,444	-2,314	N.A.	N.A.	N.A.	N.A.
CBO Current Baseline Debt	3,540	3,766	3,927	4,013	4,045	4,034	3,983	3,894	3,766	3,501	3,062	2,565	N.A.	N.A.
Debt With Policy	3,540	3,956	4,445	4,809	5,154	5,483	5,826	6,189	6,568	7,004	7,439	7,915	N.A.	N.A.
Difference	670	1,419	2,288	3,071	3,908	4,801	5,772	6,840	8,012	9,318	N.A.	N.A.	N.A.	N.A.
Debt With Policy, % of GDP	34%	37%	39%	40%	41%	41%	42%	42%	42%	43%	44%	44%	N.A.	N.A.
Spending of Medicare	-32	-26	-27	-28	-33	-33	-34	-35	-36	-34	-37	-33	-330	-317
Spending of Social Security	-160	-163	-173	-195	-212	-231	-250	-268	-286	-304	-318	-331	-2,568	-2,241
Excess Deficit	-158	-416	-489	-364	-345	-329	-343	-363	-380	-436	-435	-476	-3,959	-3,621

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

I stated a number of facts of how many millions of Americans benefit from this plan. I realize it was my party that started the graphs and bringing those very scientific presentations before us. I respect listening to the gentleman as he brought some of those today, but there are two important messages that I know I have been taught and trained by my constituents when I go home each week that is drilled into my graph of my mind and my views here.

One is: Keep and create jobs. That is what this bill does.

The other is: Tax cut now. That is what we are going to have the opportunity to vote on.

There is going to be a great debate after this rule on the Thomas tax bill that he will present, but the reality is, at the end of the day, we are going to pass that legislation and we are going to help people go back to work.

We have also done some important things with the unemployment insurance today. We are moving forward. It is a good Bush agenda. It is an agenda that the American people want, and they are going to have it.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield 3 minutes to the gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. I thank my friend for yielding me this time.

Mr. Speaker, this bill is a fraud. It will do devastating harm to this country. It is an embarrassment that the Republican leadership brings it up, and it should be defeated.

Mr. Speaker, point number one. This bill is grossly unfair. My Republican friends, it is not the millionaires and billionaires who are struggling. It is the middle class. It is working families who are struggling. Yet your bill gives $93,000 a year in tax breaks to the millionaires, but 36 percent of the American people get nothing, and 53 percent of the households would receive a tax cut of under $100. So the people who need the help get nothing; the millionaires get the lion's share.

Number two. When you give hundreds of billions of dollars in tax breaks, you endanger the middle class. This will lead to drastic cutbacks in education, in Medicare, in Medicaid, in Head Start, in the programs that working families depend upon. Shame. Cutting back on education and Head Start to give tax breaks to billionaires.

Number three. What a legacy to leave to our children and grandchildren. The national debt now is almost $6 trillion, huge debt payments every single year. Your tax breaks for the rich will drive the national debt up by several trillion dollars. What a gift to give to our grandchildren.

Fourth point. You talk about creating jobs. That is what you told us 2 years ago when you brought forth your tax breaks for the rich. You told America it was going to create jobs. In the last 2 years, we have lost 2 million jobs after your tax breaks for the rich. This proposal will do nothing more. If you want to create decent-paying jobs, build affordable housing. Protect workers right now who will lose their jobs at the State and city levels. Tax breaks for the rich do not create jobs.

Lastly, and maybe most importantly, the American people are seeing through this fraud. The Wall Street Journal/NBC poll says today nearly two-thirds, 64 percent, of the people who were polled said there were better ways to boost the economy than tax cuts. Only 29 percent said tax cuts were the answer. These guys say, big government, terrible, terrible.

What you are really saying is you do not want the elderly to have prescription drugs. You do not want the kids to have an education. That is what you mean when you rant and rave against the government.

But here is what the people say. Fifty-five percent said they would prefer the government to spend more money on providing health care coverage, compared to 36 percent who said no.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

This is not a new debate for me. I came from the New York legislature. I listened to liberals every day tell me how government was going to solve all of New Yorkers' problems. I will not go through all those facts of the millions and millions of Americans that benefit from this bill as I cited earlier, but I want to remind my colleagues of one simple fact: A married couple with two children and an income of $40,000 will see their taxes decline under the Jobs and Growth Tax Relief Reconciliation Act of 2003 by $1,133 in 2003. It is a decline of 96 percent.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself 15 seconds.

The gentleman makes a very interesting point. Of course, that is sunset almost immediately. They may get that for a year or two, and then it is sunset.

Mr. REYNOLDS. Will the gentleman yield?

Mr. FROST. I do not have enough time, but I just observed that the gentleman says, oh, we are going to do this thousand dollars, but they take it away in the next year or two.

Mr. Speaker, I yield 2 minutes to the gentleman from Washington (Mr. MCDERMOTT).

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Well, Mr. Speaker, here we are back at the rubber-stamp Congress. Bring the bill out, rubber-stamp it and go on home. The American people have to understand, these guys are bringing out $1 trillion worth of tax cuts and say that you are going to get 1 million jobs out of that. That is $1 million for every job you are going to get. The bill was dropped on the desk out here at 9:20. So we have had just about 2 hours to look at how they are spending $1 trillion.

The gentleman from New York stands up here and very confidently says, da-da-da-da, we're going to get a thousand for this and a thousand for that and all this kind of stuff. Not a soul on this floor knows whether that is right or wrong. Nobody has had any time to look at this bill. You do not want anybody to have any time to look at this bill, because if they did they would find out just how fraudulent it is.

The theory behind it, that is, give the money to the rich and they will go out and invest. The people at the bottom buy most of the stuff that the people at the top make. If the people at the bottom have no money and no job, you could have given a payroll tax holiday and given the money to the people on the bottom. They would spend every nickel of it.

But no. You are going to give it to the top, and then you are going to pray, please, Lord, have them invest and create a new job for some poor person in my district. The million that you left on the table in the last bill, in the bill on unemployment insurance, when you would not take care of the people who were unemployed, you would not give them any money there, you would not give them any money with a tax break, you are going to give them $325 if they make 30,000 bucks. That is a fraud. It will not work, and the American people know it. That is why the Wall Street poll looks the way it looks. You try to fool them. You can fool them once in a while, but after a while it really does not work.

Mr. FROST. Mr. Speaker, I yield 1 minute to the gentleman from Washington (Mr. INSLEE).

(Mr. INSLEE asked and was given permission to revise and extend his remarks.)

Mr. INSLEE. Mr. Speaker, history is a harsh judge. In years to come, our children will be called to judge what happened here tonight, May 22, 2003. When they learn that you have put $1 trillion of debt on their young children, something they do not understand tonight, their first instinct will be to forgive you. That will be their first instinct. But they will not forgive you for putting $1 trillion on our children's backs because that is unforgivable.

□ 2330

It is unforgivable on a moral basis. This is not an economic issue. These children are going to be dug into a hole deeper than the hole out in front of the Capitol. It is unforgivable because they know you are handing out crumbs as you deliver your tax breaks to the wealthy. It is unforgivable, and our children are forgiving people, but this they will not forgive.

Mr. REYNOLDS. Mr. Speaker, I yield 1½ minutes to the gentleman from

Kentucky (Mr. FLETCHER), my good friend and classmate.

Mr. FLETCHER. Mr. Speaker, I thank the gentleman from New York (Mr. REYNOLDS) for yielding me this time.

Mr. Speaker, when we look at this bill and I think about the people back in Kentucky and what they want, I think of three things particularly they want: One, they want jobs; two, they want healthcare; and, three, they want education.

The people on the other side believe that they can hand out all of those things through government. But let me tell the Members what this bill does. This bill provides the resources for those individuals to make sure that they can get a job, to make sure there is a job available. Ninety-seven percent of the educational dollars come from the State revenue. The way we provide increased funding for education is to create more jobs, more revenue by having more jobs in the State. The way we create healthcare is to provide more jobs in employer-based healthcare.

We have also provided $20 billion for the States. States are facing some difficult times, and this bill addresses that. It addresses the Medicaid problem which we have in Kentucky. This addresses the problem of other revenue shortages we have.

They are still following the old mantra, and that is that we can spend ourselves into prosperity. These Keynesian economics have proven to fail. I remember when I was in the military when President Carter was in office. We had a terrible problem of funding the Department of Defense, and I remember when Ronald Reagan came in and instituted some of the principles that JFK had which was reducing capital gains. We saw prosperity then. We were able to provide jobs, education and defense money.

Pass this rule and this bill.

Mr. FROST. Mr. Speaker, may I inquire about the time remaining?

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from Texas (Mr. FROST) has 7¾ minutes, and the gentleman from New York (Mr. REYNOLDS) has 5½ minutes.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, since when did creating the largest deficit in American history become a conservative value? The same House leadership that has led us in just 2 years from the largest surplus in American history to the largest deficit in American history now proudly digs that hole deeper tonight.

The dirty little secret of that bill is that every single dollar of this tax cut is paid by borrowing, borrowing from our children's future rather than investing in it, borrowing from the Social Security Trust Fund rather than strengthening it.

This is a growth bill all right. It will grow our national debt by trillions. It will grow taxes for future generations who will have to pay interest costs on that new huge debt. It will grow the cost of doing business for our family businesses and farmers, for buying a home or a car when interest rates are pushed up by your historic deficits. If our values in Congress are reflected by our priorities, what does it say when the Republicans on the House Committee on the Budget voted just 2 months ago to cut veterans' benefits by $28 billion, Medicare by $262 billion, and Medicaid for poor children by $110 billion? Whoops, tonight they say we can afford a $350 billion tax cut. Is that what compassionate conservatism is all about?

In a few hours I will go to sleep knowing that Republican campaign operatives are already happily preparing their attack press releases for those of us who will oppose this irresponsible bill, but, quite frankly, I really do not care. Because when my 5- and 7-year-old sons wake up in the morning, I can look them in the eyes knowing that I did not vote tonight to mortgage their futures.

Congress did it in 1981, and it repeated the mistake in 2001. Tonight, our Republican leaders once again make the mistake by offering the false promise of huge increases in defense spending, balanced budgets, and massive tax cuts. It did not work then. It is bad policy now. This is a bad bill for our children and their future.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

I cannot speak for the gentleman's constituency as a whole, but I know there is one constituent down there who wants a tax cut.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield myself 15 seconds.

Is the gentleman talking about the multimillionaire who lives in Crawford, Texas? I think that is who he was talking about. I do recall that the net worth of the resident in Crawford, Texas, is somewhere around $15 to $20 million.

Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. TANNER).

Mr. TANNER. Mr. Speaker, it is not easy to oppose a tax cut if one holds public office. It does not take a lot of courage to vote for a tax cut. That is something that everybody who seeks public office likes to do, and it is no fun to oppose a tax cut. But who in the world do you all think is going to pay for the ships that are in the Persian Gulf tonight? Who is going to pay for veterans' benefits for people who come back with one leg or one arm off? Who is going to pay to educate the children?

We have a $6.4 trillion deficit. You are raising the debt of this country $980 billion. You borrowed every dime for the Persian Gulf War, and nobody wants to pay for anything.

It is not easy to oppose a tax cut. But I will say one thing. It does not take a whole lot of courage to vote for it because you can go home and get patted on the back tonight. But we are digging a hole that is going to haunt this country this terms of future interest payments.

Who is going to pay the bill? All these young people around here, they are the ones that are getting the bill because they are going to pay interest on every dime that is in this bill tonight.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

We are nearing the end of our hour debate on the rule, and we have heard a number of different viewpoints. But I want to remind the colleagues as they look at the rule that gives us an opportunity to move forward on a tax cut and also a $20 billion stimulus to our States and localities. The child credit increases our child credit to $1,000 for 2003 and 2004. Families will receive a child credit check this year for up to $400 per child. It accelerates the expansion of the 10 percent bracket for 2003. The marriage penalty relief begins in 2003, individual rate cuts where we accelerate the 2006 individual rate cuts scheduled to 2003. The individual increase of AMT exemptions where that will be increased by an amount of $4,500 for single persons and $9,000 for joint filers.

But I look at jobs and small businesses. I have come up through the elected route of legislative bodies from county to county to State, our Federal Government. All of my working adult life I have been a small businessman. When I go back home to those Chambers of Commerce and, yes, it will not be Waco, Texas, or Crawford, Texas. It is going to be Clarence, New York, or Amherst or Batavia, Greece. I am going to talk about the fact that in small business that they have the opportunity to expense at $100,000 versus $25,000. Not because I thought so, but because they told me, as small businessmen and women, that is what they needed. That is what they needed to first retain their jobs, that is what they needed to grow jobs.

And, by gosh, the Congress heard them, the President heard them, and there is a new law of the land that this Congress will enact tonight. That small business expensing increases the amount that they can expense from $25,000 to $100,000.

Some of you are going to go home to the Chambers of Commerce, and I hope, as they get a chance to look at that, you can answer the question: ''You are right. I have heard your call across the America, and I am going to do that $100,000 expensing in the vote I cast here tonight.''

And in dividends and capital gains, I hear all this class warfare on the rich. Where I come from and in that real estate business I owned for 25 years, I knew a lot of working men and women that built a little capital gains in that second property they owned or the double that they rented out up the street,

and they just want an opportunity to have that money come back to them versus the government gobbling it up for more government programs to give you a solution of how to spend the money versus sending it back to the American people.

This debate is, as we pass the rule and moving on to the debate, we will hear a lot from the left. We will hear a lot from those who cast that 1993 vote to have the largest tax increase in America's history defend it then and then defend it tonight. But, Mr. Speaker, I do not care how we cut it. The American people want to create jobs and jobs growth, and they know tax cuts are the route to get there.

Mr. Speaker, I reserve the balance of my time.

Mr. FROST. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. STENHOLM).

Mr. STENHOLM. Mr. Speaker, I yield to the gentleman from New York to answer a question.

Is or is not the $350 billion tax cut that you have raved about all night going to be paid for by borrowed money? Yes or no?

Mr. REYNOLDS. Mr. Speaker, we are going to pay for it by giving it back to the American people. Will there be deficits? There are deficits.

Mr. STENHOLM. Mr. Speaker, reclaiming my time, I have heard that rhetoric all night. That dog will not hunt. That is borrowed money. Right now you are asking the Senate to approve a $984 billion debt ceiling increase. This tax cut tonight is paid for by borrowed money, and if you say you are going to grow your way out of it, why do your own economists, why does your own budget, why does your own rhetoric behind your words tonight not back up what you say?

□ 2345

What you are reading to us time and time again is not factual. It is borrowed money. We are increasing the debt. Since you have taken over this House, you have increased our Nation's debt by 54 percent. You will increase it by 167 percent by 2013, following the game plan you are talking about tonight.

Mr. REYNOLDS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I believed when I voted for a $726 billion tax decrease, for tax cuts, that we would have moved our economy even faster. I believed it when I did $550 billion. I am supporting $350 billion with the other things we are doing today for an economic stimulus package because I believe it will create jobs, and those jobs and earning power will more than keep our country running, if we do not let the big spenders in Congress spend our money.

Mr. FROST. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. SHERMAN).

(Mr. SHERMAN asked and was given permission to revise and extend his remarks.)

Mr. SHERMAN. Mr. Speaker, this job-killer bill will lead to a continuation of the Bush recession. We are told we need to end the double taxation of corporate income, but one-third of corporate income earned by U.S. corporations is not even subject to corporate tax because of the loopholes in that tax. But, of course, their new provision applies to foreign corporations. Their income is not even taxed once.

We are told this is going to encourage investment in new issues of corporate stock. But it is a temporary provision, so who is going to buy corporate stock, just to find the taxes go up on the dividends? But if it does encourage investment, it will encourage investment of American capital in foreign corporations issuing stock. Those foreign corporations are paying 12 cents an hour to their employees and stealing our jobs.

We are told the low zero percent rate or 5 percent rate will apply to working families. But working families, if they own stock at all, own it in their 401(k) plans that are unaffected by this bill. In fact, when the dividend income is paid out, it is subject to a high rate of tax. The big beneficiaries of that zero percent rate will be rich kids with trust funds earning $10,000 or $20,000 of dividend income and paying zero percent tax.

The corporate tax rate, once you move the corporation to the Bahamas, zero percent.

Individual income taxes on dividends from the Bahamas corporation, 15 percent.

Individual income tax when the stock is held by a trust for rich kids, zero percent.

Knowing that working families are paying about 30 percent tax, FICA and income tax, on their wages—priceless.

There are some things campaign contributions just can't buy. For everything else, there is RepubliCard. Accepted at the finest country clubs in the Bahamas.

And you will want to get the Deficit Express Card, now that the Senate has increased the credit limit by another $981 billion. The Deficit Express Card: Do not leave the House without it.

Mr. Speaker, this job-killer bill will lead to a continuation of the Bush recession.

We are told we need to end the double taxation of corporate income, but one-third of corporate income earned by U.S. corporations is not even subject to corporate tax because of the loopholes in that tax. But, of course, their new provision applies to foreign corporations. Their income is not even taxed once.

We are told this is going to encourage investment in newly issued corporate stock. But the dividend exclusion provision is a temporary provision, so who is going to buy corporate stock, just to find the taxes go up on the dividends? But if it does encourage investment, it will encourage investment of American capital in foreign corporations issuing stock. Those foreign corporations are paying 12 cents an hour to their employees and stealing American jobs.

We are told the low zero percent rate or 5 percent rate on dividend income will apply to working families. But working families, if they own stock at all, own it in their 401(k) plans, and those plans are unaffected by this bill. In fact, even if we pass this bill, when the dividend income is paid out of a 401(k) it will be subject to a high rate of tax. The big beneficiaries of the 5 percent or zero percent rate on dividend, will be rich kids with trust funds earning $10,000 or $20,000 of dividend income and paying virtually no tax.

The corporate tax rate, once you move the corporation to the Bahamas, zero percent.

Individual income taxes on dividends from the Bahamas corporation, 15 percent.

Individual income tax when the stock is held by a trust for rich kids, zero percent.

Knowing that working families are paying about 30 percent tax, FICA and income tax, on their wages—Priceless.

There are some things campaign contributions just can't buy. For everything else, there is Republicard. Accepted at the finest country clubs in the Bahamas.

And you will want to get the Deficit Express Card, now that the Senate has increased the credit limit by another $981 billion. The Deficit Express Card: Do not leave the House without it.

Mr. FROST. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, if the previous question is defeated, I will offer an amendment to the rule. My amendment will allow the House to consider H.R. 2156, a bill introduced by the gentleman from New York (Mr. RANGEL) that would require the administration and the Congress to do something about the budget disaster their economic policies are creating.

The Rangel bill attempts to avert the train wreck Republican economic policies are steering us towards. His bill would permit a temporary debt limit increase of $375 billion, on the condition that the administration and Congress come up with a serious plan to balance the budget by the year 2008. The Rangel bill would give the Republicans the opportunity to show some real leadership on economic issues.

Mr. Speaker, let me make it very clear that a ''no'' vote on the previous question will not keep the House from considering the conference agreement. What a ''no'' vote will do is allow the House to consider the Rangel balanced budget proposal as a separate bill. However, a ''yes'' vote on the previous question will prevent the House from taking up this responsible proposal.

Mr. Speaker, the debt tax is not a tax we can repeal or sunset. This vote is the only opportunity the House will have to show some real economic leadership and consider the Rangel balanced budget plan. I urge a ''no'' vote on the previous question.

Mr. Speaker, I ask unanimous consent that the text of H.R. 2156 be printed in the RECORD immediately before the vote on the previous question.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. REYNOLDS. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, my two posters are really simple, as I said before: Create and Keep Jobs and Tax Cuts Now.

I want to say that this is not a partisan thing. It is either you believe that bigger government and more government spending is how we solve our problems in America, or you believe it is the people's money and you give it back to them. It is important to really note that in the bipartisan aspect of reality, either you believe one or the other. As President Kennedy said, it is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut the tax rates now.

Mr. Speaker, if we move ahead on this rule and we move ahead on the underlying legislation, we are going to do just that; and that is what America wants, that is what they deserve. And I think in every poll in America that has been cited in every different direction here, the bottom line is the people, and I go home every week and I know, want to create jobs, and they are going to do it by our cutting taxes, and that is what we are going to do.

Mr. Speaker, let us have a tax cut.

The material previously referred to by Mr. FROST is as follows:

PREVIOUS QUESTION FOR H. RES. 253, RULE FOR CONSIDERING THE CONFERENCE REPORT ON H. RES. 2

At the end of the resolution add the following new section:

''SEC. . Immediately after disposition of the conference report accompanying H.R. 2, it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 2156) to provide for a temporary increase in the public debt limit. The bill shall be considered as read for amendment. The previous question shall be considered as ordered on the bill to final passage without intervening motion except: (1) one hour of debate equally divided and controlled by the Chairman and ranking Minority Member of the Committee on Ways and Means; and (2) one motion to recommit with or without instructions.''

H.R. 2156

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

SECTION 1. TEMPORARY INCREASE IN PUBLIC DEBT LIMIT.

(a) TEMPORARY INCREASE IN DEBT LIMIT.—During the debt limit increase period, the public debt limit set forth in subsection (b) of section 3101 of title 31, United States Code, shall be temporarily increased by $375,000,000,000.

(b) BALANCED BUDGET REQUIREMENT.—Not later than August 31, 2003, the President shall submit a 10-year plan to the Congress that will bring the Federal unified budget into balance by fiscal year 2008 and, thereafter, make uninterrupted progress in reducing the use of Social Security trust fund surpluses to finance a deficit in the non-Social-Security budget.

(c) DEBT LIMIT INCREASE PERIOD.—For purposes of this section, the term ''debt limit increase period'' means the period beginning on the date of the enactment of this Act and ending on—

(1) August 31, 2003, in the case that the President fails to comply with subsection (b), or

(2) September 30, 2003, in the case that the President complies with subsection (b).

Mr. REYNOLDS. Mr. Speaker, I have no further requests for time, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. FROST. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for electronic voting, if ordered, on the adoption of the resolution.

The vote was taken by electronic device, and there were—yeas 221, nays 205, not voting 9, as follows:

[Roll No. 224]

YEAS—221

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole
Collins
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NAYS—205

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gephardt
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—9

Boehner
Bonilla
Boucher
Combest
Cox
Emerson
Gillmor
Peterson (PA)
Stearns

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD) (during the vote). There are 2 minutes to go on this vote.

□ 0007

Messrs. CARDOZA, STUPAK, and OBERSTAR, Ms. WOOLSEY, and Mrs. CAPPS changed their vote from ''yea'' to ''nay.''

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Stated for:

Mr. PETERSON of Pennsylvania. Mr. Speaker, on rollcall No. 224 I was inadvertently detained. Had I been present, I would have voted "yea."

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 253, I call up the conference report on the bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 253, the conference report is considered as having been read.

(For conference report and statement, see prior proceedings of the House of today.)

The SPEAKER pro tempore. The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, at the beginning of the debate, I do want to thank the staffs, the majority staff, the minority staff, and the institutional staffs for something that has to happen before the Members can stand before the Speaker and the House in the Chamber and the American people and debate measures in front of us; that is, do an enormous amount of paperwork, double-checking to make sure that what is the desire of the House and Senate actually is produced in the document.

It happens on every bill that comes up. It especially happens on a very difficult and complex conference report, and I do want to acknowledge the tremendous service that our staffs perform for us on a daily basis.

Mr. Speaker, I also want to say that, as is the wont of legislative bodies, one of the easier ways to gain enough votes to pass a measure is to tend to listen to what people believe are either their needs or wants, collect that in an amalgam, and move forward.

It is my real pleasure to tell the Members of the House that if they have read the text, they will search in vain for any particular provision that is attributed to any particular Member of either body. In the vernacular, this is a clean bill.

I say that because it is very difficult to get people to look from the individual to the collective. That is, when we are talking about reducing something like people's taxes, it is oftentimes very, very difficult to look to the larger, more fundamental societal needs.

□ 0015

And I know we will have a very vigorous and healthy debate on this issue, and everyone will use numbers on both sides. All I request is primarily out of my friends on the other side of the aisle, and listening to the debate that went on on the rule, one individual would stand up and say this was less filling because it only was going to last for 3 years and then it was going to disappear. Only to be followed by another speaker who said this really tastes great because it is going to cost a trillion dollars, and it is going to last an entire decade.

Now, really, I do not care whether you feel it is less filling and it is only going to last 3 years or it tastes great and it is going to last for a decade; but for those of us who also want to participate, you ought to pick one way or the other. When you are arguing on both sides of the same argument, it is a little difficult to really shed light for the American people what this is all about.

If someone is going to watch this debate and they have a child under 17, there is one irrefutable fact. In calendar year 2003, $14 billion is going to be sent to those Americans with children under 17. They are going to be sent checks. They are going to be sent by the middle of July and by August. They will have that money in their hands. If they have children, one single aspect of this aspect of this bill, and we will go on and debate a number of other aspects, this bill puts money in Americans' hands immediately.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this, I hope, is going to be an evening and a day that we will all remember as legislators. It is true that the majority tries desperately hard to bring these bills up in the middle of the night so that sunshine will never see what it is.

It is also true, it is also true that conferences do not mean what they used to mean. It means after a dozen Republicans get together in some room somewhere and decide what they want to do, they then come around and pass out a paper and ask you to sign it.

So I have been accustomed to that on the Committee on Ways and Means. But guess what, a lot of Democrats on this side have been saying forget all of this $726 billion and $550 billion and $300 billion. This is all a game they are playing, and they said that this bill was so full of gimmicks, that the Republicans were trying to fool the American people because we said that this was really a trillion dollar tax cut. And my friends over there started booing and saying this was so unfair and that we were just distorting the numbers.

Well, there is one person in this House that when he says something, people do not point their finger at him. They say the man makes a lot of sense. He is a straight shooter, and he is respected by both sides of the aisle.

Now, I do not normally read statements, but since it involves the Speaker of this great House, I thought it might start off the debate on a high level rather than wait for just the heavy people to come down at the end of debate and start talking about how we should salute the flag and do the right thing. And this is a bill that we have worked on and we have done it within the budget.

Now, it says here that House Speaker HASTERT told the Congress Daily Thursday that the final package incorporates key features of the House-passed bill and positions Congress to pass much greater tax relief in the near future. The $350 billion number takes us through the next 2 years basically, HASTERT said. HASTERT, meaning the Speaker of this august body. But it also could end up being a trillion dollar tax bill because the stuff, that is what the chairman was working with, because the stuff is extendable.

That is the fight we are going to have, and it is not a bad fight to have. This goes on and says, Congressional Journal, HASTERT said the final package is front loaded and will boost the economy in the short term but it includes nearly all of the content of the House's original bill. Now, I do not know how far in debt you guys want to take us, but listen, because this is important stuff. This is history-making stuff.

Now, this is what the Speaker said about this bill. That at the end of the day it is not 350, it is not 550, it is not 726. It is a trillion. But guess what? It gets better, to show you just how deep they would want to get us in the hole. I never knew they hated Social Security and Medicare that badly. But at the so-called conference, there was a period of time that I was the only Democrat there on the House side beside the minority leader. The chairman came in later. And so there was opening statements made before the conference report was just passed around to sign. And our distinguished majority leader said, while we are doing this bill and you have done a lot of good work on it and praised the Republican leadership and the House and Senate, he said, before this year is over we will be coming back to pick up the rest of it to make certain we get another trillion.

Now, I mention these names because the only thing that they did not mention was that they were going to borrow the money in order to give the rich these tax cuts, and they want to stick the rest of society with paying the interest on the money that they are borrowing at the expense of the Social Security system. I am so happy and pleased that at the end of this day that we do not have to point fingers and say that it is gimmicks that you are doing or you are trying to hoodwink the people because if the Speaker said it, and you applauded it, so therefore I do not have any apprehensions; and if the majority leader came back and said, you are coming back to raid us again and

you applaud that, well, thank God for your honesty in what you are doing.

And one day somebody is going to ask, when this deficit just grew, when the programs were collapsing, when people were just paying more interest on the debt than all of the programs that we have together, all of the discretionary programs, they may ask, and just what were you doing when this happened, when you shifted the responsibility for paying taxes to the working people that do not have the exclusions that you provided today?

So to the Republican leadership, thank you for making our day. I thank the Speaker for being so honest and saying what these people have done; and to the leader, come back again for the next trillion dollars and maybe some day soon the American people can see what you are doing to them.

Mr. Speaker, I reserve the balance of my time.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker, what I really heard in that quote, which I did not hear after it was said, was the Speaker said, And we are really going to have to fight for it because that is exactly what occurs.

We want to help Americans by letting them keep their own money and we are going to have to fight you to do it, because you want to hang on to their money just as hard as you can.

Mr. Speaker, I yield 2 minutes to the gentleman from Iowa (Mr. NUSSLE), the chairman of the Committee on the Budget, a member of the Committee on Ways and Means.

Mr. NUSSLE. Mr. Speaker, I thank the gentleman for yielding me time.

The question we have to ask ourselves after we heard that very interesting dissertation is where is this money that he is talking about? And that is what I thought I heard.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman will suspend.

The Chair would ask Members to afford courtesy to the Member who is speaking. If the Members want order, the way to keep order is for Members in the back of the Chamber and staff to take seats so we can have order. So the Chair would ask Members and staff in the back of the Chamber to take seats or go to the cloakroom.

The Chair would also ask Members to afford courtesy to their colleagues, so that while they are speaking, they be given an opportunity to finish their remarks.

The gentleman from Iowa (Mr. NUSSLE) may proceed.

Mr. NUSSLE. The question is, where is the money? The money is in the pockets of the people that earn it. The government earns no money. Tax cuts do not cost the government. And that is the argument you are going to hear tonight. It is that if you believe when you reduce taxes somehow that costs government, then you believe that you have to borrow.

But the interesting thing about what we believe on the majority side is that the money comes from the people that earn it, and we are leaving it in their pockets. And the only reason we would need to borrow money is for excess spending in Washington, D.C. So if you want to continue to borrow and if you want to continue to spend and if you want to continue to waste the taxpayers' dollars, then continue to consider the arguments of the minority.

But if you want to grow the economy, if you know that the economy starts with people working in America earning a living and paying a little bit, sometimes too much of it to Washington, D.C., if you believe that, and if you know that based on that, getting the economy going is the most important thing we can do, not only for our short-term budget and our long-term budget but getting the economy going is the most important thing we can do to the long-term health of Medicare, Social Security and our country, let us pass this bill tonight, let us realize whose money this is in the first place. It is the American people's money. Let us leave it in their pockets.

Mr. RANGEL. Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. STARK), an outstanding, hard-working member of the Committee on Ways and Means.

(Mr. STARK asked and was given permission to revise and extend his remarks.)

Mr. STARK. Mr. Speaker, I just wanted to suggest that people talked about belief, and I guess if I were appointed President I would think I had a message from God. If I was not too bright, I might think I was God. But before I would ask you to pray to me, I would hope that you would think I knew your name.

Now, our Republican leaders and our President do know a few names related to this tax bill and they are called beneficiaries. I have here a list from Citizens for Tax Justice, who compiled estimates based on our most recent financial disclosures: the name Snow for an income of $6 million-plus; Rumsfeld, $14 million-plus; Evans, $4.4 million; Powell for $10.7 million; Whitman for $3.1 million; Zoellick for $900,000; Chaney for $4.5 million; Ashcroft for $3.1 million; and the list goes on.

There are 20 top administration officials with $52,391,000 estimated income. They are the beneficiaries of this bill.

In this Chamber there is a list: Northup, $3,168,000; Petri with $897,000; Taylor with $1,378,000; Boehner with $769,000; Portman with $883,000; Sensenbrenner with $419,000; Shaw with $843,000; Leach with $958,000; Dreier with $772,000. A total of 36 of us in here with $27.5 million in income.

Those are the beneficiaries and this Republican god knows your name; but unfortunately he does not know one name among the 12 million children who will not have health care because they cannot afford health insurance.

You cannot name any of the 8 million seniors who will be denied health care because you are wasting the money on the rich and not providing a prescription drug benefit for the seniors. You cannot name them. You cannot name one of the 8 million jobless in this country. You cannot. You know the rich. You know the beneficiaries. You know the contributors who last night paid you $18 million to give the rich this break; and you cannot name one of the poor people without health care or without a job in your district or in this country. Shame on you. That is immoral.

You ought not to vote for this bill. You ought to vote it down and do something to help the millions of people in this country who count. Vote ''no'' on the bill.

□ 0030

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Wisconsin (Mr. RYAN), a member of the Committee on Ways and Means.

And, Mr. Speaker, my colleagues have a very limited playing deck. I am surprised this early in the debate they have already played the class warfare card.

Mr. RYAN of Wisconsin. Mr. Speaker, what we are hearing tonight are two different philosophies, two different emotions. Over here on this side of the aisle, we are hearing the emotions of fear, envy, and hate. Over here we are hearing the emotions of hope, growth, and prosperity. That is what this is about.

Their philosophy is, you cannot send more than enough to Washington because we can spend it better than you can. That is what we are hearing on this side of the aisle. What we believe is that you can better spend your money yourself. That is what works in this country. That is what freedom is all about.

What we are doing in this tax bill, and many people say this is such a huge tax cut, what we are doing in this tax bill is letting Americans keep more of their hard-earned money. We are cutting income tax rates across the board. We are cutting taxes on investment and businesses for job creation.

When we look at what has happened in this economy, when we look at the recession we are coming out of, when we look at all those things that hit this economy, the stock market, all the shenanigans at the corporate level, at the 9/11 problems, the terrorist attacks, we need growth in this economy. We need jobs in this economy. And when we see that investment in this economy has been declining for 8 consecutive years, we need to fix that. That is exactly what this tax bill does.

If anyone thinks that this tax cut is too big, this tax cut is a 1 percent tax cut. We are cutting taxes 1 percent of revenues. Out of a $28 trillion budget that we are going to spend over the next 10 years, we are simply cutting taxes $350 billion to try to move an economy that during this decade will kick off, at a standstill, $140 trillion in

output. We are trying to move it from a standstill to growing and giving our people jobs.

That is what this tax bill is all about, and it is rooted in the philosophy that people ought to be able to keep more of what they earn so they can be free to spend it as they see fit.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from South Carolina (Mr. SPRATT), the ranking member on the House Committee on the Budget.

Mr. SPRATT. Mr. Speaker, when the President sent his budget up this year, OMB sent with it a message in which they said that the surplus of $5.6 trillion, which they projected just 2 years ago, was a mistake; that now, from 2002 through 2011, they revised downward that surplus from $5.6 trillion to $2.4 trillion. They made an egregious mistake.

We warned our colleagues then not to bet the budget on a blue sky estimate, but they did not take our warning. Now you can blame that on 9/11, you can blame that on this sluggish economy, you can blame it on lots of things, but tonight the buck stops here. The blame rests right there in the well of this House and these meters where you push your card. Because tonight, when you vote for a trillion dollars in tax relief, it goes straight to the bottom line. There is nothing to offset it. It creates a deficit this year which will be a record deficit in the fiscal history of this country, $425 billion, and the deficit stays ratcheted in that range for as far out as we forecast.

Those are the consequences of the policy choices you make tonight. You cannot blame it on 9/11. You cannot blame it on the economy. It will be attributed to what you do tonight, unless some economic miracle happens as a result.

Here is a chart in which we have calculated this tax cut, the tax cuts to come, other likely actions to be taken, Medicare, prescription drugs, a bit more for defense; and we think it is a fair and honest and even conservative statement. I will leave it here for anybody to refute, but this is what we see as a consequence of what you are doing tonight.

We foresee deficits of $3.959 trillion over the next 10 years. Back out Social Security, and those deficits come to $6.527 trillion, a consequence of what you are doing tonight. The debt of this country today, held by the public, is at about $3.5 trillion, $3.6 trillion. This will increase it to $7.9/11 trillion. The total statutory debt will go up to $14 trillion.

That is the course you choose to take tonight if you vote for this tax cut. You cannot blame it on the economy. You cannot blame it on 9/11. You can only blame it on yourself.

Mr. THOMAS. Mr. Speaker, it is now my pleasure to yield 2 minutes to the gentleman from Illinois (Mr. WELLER), a member of the Committee on Ways and Means.

Mr. WELLER. Mr. Speaker, what is this all about? What this is all about is 1.2 million new jobs. Economists tell us that this plan will create 1.2 million new jobs over the next 18 months. How? By putting extra money in the pocketbooks of workers and giving incentives to invest in the creation of new jobs.

If you pay taxes, you benefit from this plan. We lower rates for everybody. We double the child tax credit, if you have children. We eliminate the marriage penalty, all this year, benefiting every taxpayer. Think about what an extra thousand dollars will mean for the average family in Illinois and in our congressional districts across this country.

We also create jobs by encouraging investment. The bonus depreciation, for example, allows companies to deduct an extra 50 percent to recover their costs of purchasing an asset, a company car. We create jobs in manufacturing to encourage investment in new company cars and machine tools and bulldozers. We create jobs in the technology sector by encouraging greater investment in computers and telecommunications equipment. We create construction jobs by encouraging business to rehab commercial buildings, whether office buildings or shopping centers. And we also encourage business to invest in security, making private sector buildings safer for workers and visitors and customers, by again encouraging investment in security-related equipment such as surveillance equipment or computers or other types of equipment to make private sector buildings more secure.

The bottom line, my colleagues, and what this is all about, is creating 1.2 million jobs. We have a choice tonight. Do we vote to get this economy moving again or do we do the old-fashioned thing and just spend more money here in Washington? Let us create jobs, let us give American workers the opportunity to go back to work, and let us raise take-home pay and encourage investment and the creation of jobs.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. LEVIN), the senior member of the Committee on Ways and Means.

Mr. LEVIN. Mr. Speaker, my colleagues talk about jobs. They are doing a job on the American people tonight. That is what they are doing. That is what they are doing.

My colleagues are borrowing from my children's generation for a tax cut that will not benefit them primarily. My colleagues are borrowing from my grandchildren's generation for a tax cut. Where is it going? Mainly to the very wealthy in this society. And they get away from this by averaging. Okay, for the person with a million bucks, $93,000; someone with $45,000, $50,000, 211 bucks this year. When we add those together, the average tax cut for those two people is 46,000 bucks. The trouble is one is getting $95,000 and one is getting $200.

Alchemy does not work outside of Washington, D.C., and you alchemists are not going to prevail ultimately in the District of Columbia and this Congress. You have performed what some may say is a miracle. You have united the Democrats in this institution. And the reason you have done it is not because of political reasons on our part, because you are robbing future generations for a tax cut for the very wealthy, and we are going to stand together to say to the President, to you, no, no, no, no, and we are going to do it in 45 minutes.

Mr. THOMAS. Mr. Speaker, I yield myself 10 seconds.

I said they had very few cards in the deck. We may see several come up during the debate, but they just played the class warfare card once again.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH), a valued member of the Committee on Ways and Means.

Mr. HAYWORTH. Mr. Speaker, I thank the chairman of the committee for yielding me this time, and I thank my colleagues on the left for their warm reception tonight. Indeed, Mr. Speaker, maybe so far left they will come back to the right, but they will never be correct.

It is an interesting situation, Mr. Speaker. One is tempted to ask, who is jobbing whom? Because with a fanciful flight of rhetoric, mixed with an equal portion of scold, my good friend from Michigan fails to capture the essence of what is at stake here, and it is a lesson that is essentially nonpartisan. Indeed, Mr. Speaker, one of our leading news weeklies, on its cover, asserted just the other day ''They Don't ''make Democrats Like They Used to.'' And that is true.

Forty years ago, Jack Kennedy said a rising tide lifts all boats. He said by reducing marginal tax rates, you actually increase revenues to the government because you get the economy working and you put people to work. Ronald Reagan proved that again 20 years ago. And, indeed, just a short time ago, in 2001, we cushioned the horrible blow of a recession that started and was compounded by the attacks of 9/11. Yet much more remains to be done.

While some subject us to the poison of class warfare, we embrace the promise of economic opportunity, because we believe a rising tide does lift all boats. And even at this hour, with the disappointment and frustration born of a long and strange trip by our friends in the minority, we still extend our hand.

Join us in this opportunity. Increase jobs and economic growth. And even if you believe in the power of government, there will be more revenues eventually to the government, and we will succeed. Vote ''yes'' on jobs and growth. Vote ''yes'' on tax relief. Join us in this great enterprise for the American people.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from North

Dakota (Mr. POMEROY), a member of the Committee on Ways and Means.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me this time.

My colleague recently asked, what has it all about? I suggest what it is all about is the Senate action tonight or tomorrow morning to increase the borrowing authority of this country to $984 billion. So many words, so many figures, but really the truth of the action is measured by the increase requested in the borrowing authority of this country.''

If this is going to produce the kind of wonderful effects they suggest, why do they need to authorize the Treasury to borrow an additional trillion dollars? The reality is that we are going to fund this on the debt.

I do not know of a family I represent that plans for their retirement by blowing everything they have got, running up the debt on their credit cards, with the hope that their children will bail them out. That is exactly the action we take tonight as we pass this tax cut, not paid for in any way but funded on the debt.

The truth is the Senate action. An additional trillion dollars of borrowing authority. We should not put this on our kids. We should reject this package.

Mr. THOMAS. Mr. Speaker, might I inquire of the remaining time on either side?

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from California (Mr. THOMAS) has 17½ minutes remaining, and the gentleman from New York (Mr. RANGEL) has 16½ minutes remaining.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Texas (Mr. BRADY), a member of the Committee on Ways and Means.

Mr. BRADY of Texas. Mr. Speaker, common sense tells us the best way to balance the budget and pay down the debt is to get people back to work. Everyone knows when you are unemployed, you are not paying your Federal taxes, you are not paying any Social Security, you are not paying into Medicare, you are not helping States balance their budgets either. The best way to balance a budget and pay down our debt is to get people back to work.

This jobs bill creates more than a million new jobs in America at a time we desperately need them. Every State is going to see new job creation. In our State, we will create, over the next 2 years, 42,000 new jobs each year.

□ 0045

That is equivalent of building two new Pentagons in our State and filling it with new Texas workers every year. That is real jobs.

Our belief in the President's jobs bill is if we help people afford the cost of raising children, if we stop penalizing people for being married so they have more money to go to the mall, more money to buy new tires, it is good for the economy. We believe if you help small businesses buy that new piece of equipment and hire that new worker, and say yes to that new sales force, it is good for the economy. We are convinced if we help people rebuild their retirement nest egg, to keep more of what they are saving for, that is good for the economy.

We do not believe that spending more is the answer. We do not think it helps the economy to buy more $300 hammers, to spend millions of dollars helping more salmon swim upstream, and we do not believe that you need to create the hundredth new program to duplicate the 99 that are already in existence.

We believe creating jobs, getting people back to work is going to balance this budget, pay down this deficit and get this economy going. America creates jobs; Washington gets in the way of it.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Washington (Mr. MCDERMOTT), a member of the Committee on Ways and Means.

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, well, here we are, one more time, rubber-stamping whatever the President says he wants.

They come out here with a 43-page bill and 302 pages of explanations, and there is not a soul in here who knows what is in it. Let me tell Members what is here. You are spending a trillion dollars, which is almost exactly what is estimated as the shortfall in Social Security and Medicare. You are going to come back after this break, and you are going to privatize Medicare. We know what you are going to do.

What is nice for the American people about this rubber-stamp Congress out of White House, the junta gets its orders, they bring it to the Committee on Ways and Means or Committee on Rules, and zoom, out it comes. The American people are getting a clear, unadulterated picture of what the Republicans are all about. Every single Member comes from a State where they are cutting their State budget. They are cutting the living daylights out of their budget. If you are from Texas, it is 275,000 kids who will not have health care. In my State, they threw 60,000 people off of health care programs. Every State in the Union is doing that.

The estimated cost of that, $100 billion. That is what States are cutting out of their budget. No, you cannot give that money to them. You give them $20 billion, and I know you are going to stand up and say $20 billion is better than nothing. Yes, it is better than nothing, but it is not going to fix the problem.

When some kid is sick in the State of Washington, and they now have waiting lists in Medicaid, and you are a mother with your kid in the waiting room, maybe you will get into the hospital and maybe you will not, then you have to ask yourself, is this the country that you and I believe in? Is this the common good? I say it is not. You really ought to be ashamed of what you are doing because what you are doing is sticking it to the kids of this country. The President says Leave No Child Behind. My God, not only in education are you leaving them behind, you are leaving them behind in the hospitals and the environment and everywhere else in this society. Vote ''no.''

Mr. THOMAS. Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington (Ms. DUNN), a very responsible member of the Washington delegation and a member of the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, I do not know whether to give my speech on tax relief or Medicare, but I am going to choose tax relief tonight. I certainly do hope that the gentleman from Washington realizes that this bill is practically identical to the one that was in his committee, the Committee on Ways and Means, and my committee, that we passed last week; and he should know this bill very well. Certainly we do on this side of the aisle.

Earlier this week, Alan Greenspan testified before the Joint Economic Committee on which I serve. He pointed out that taxing capital discourages investment, so when we reduce taxes on dividends and capital gains, we are encouraging saving, and we are reducing the cost of capital for companies, and we are also producing and promoting economic growth.

One of the most important issues facing our country today is the need to stimulate economic growth to create jobs. The best way we achieve this goal is to pass a jobs and growth package, one that leaves money in the pockets of individuals and families and encourages businesses to invest in business.

This package will quickly lower everybody's tax rates. It will send rebate checks to millions of parents with children, and it will assist seniors who depend on dividend income to supplement their Social Security benefits. This bill goes a long way towards promoting capital investment by allowing small businesses to deduct the cost of major purchases. It increases productivity, increases demand in our economy, and it stimulates production. In all, we expect to create over 1 million new jobs by the end of next year.

While we work to stimulate our economy, we also need to help those still seeking jobs. Unemployment in the State of Washington is above the national average. Unfortunately, in fact, we are consistently in the top three States with the highest unemployment, and I am very happy today we were able to pass legislation to extend unemployment benefits so that people will have more time to get the training and the financial assistance they need to find jobs. It is time to pass this jobs

and growth package. It helps workers, families, low-income and middle-income taxpayers. I urge its adoption.

Mr. RANGEL. Mr. Speaker, I yield 15 seconds to the gentleman from Washington (Mr. BAIRD).

Mr. BAIRD. Mr. Speaker, what the responsible gentlewoman from Washington failed to say is that this bill does nothing to return $500 million to the people of her own State of Washington by reinstating sales tax deductibility.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time.

Here we are on the brink of a Memorial Day recess debating the jobs and growth tax bill of 2003. Let us memorialize that at a time when unemployment is at its all time high, we are giving tax relief to the wealthiest of all Americans. Let us memorialize that this tax cut will not allow young men and women who need Head Start to go to school.

Let us memorialize that using the chairman's terms, we are using a clean bill. The bill that will clean the clocks of the poor to enrich the wealthy. Let us memorialize that the same jobs promise, the same stimulus promise, the same economy boost promise made in 2001 has yet to materialize. Let us memorialize that in 2003 it will not come either.

The chairman talked about sending $14 billion in checks to Americans with children under 17. Let us memorialize that the checks sent to senior citizens who need a prescription drug benefit will be marked insufficient funds. Let us memorialize that the people who are on unemployment whose unemployment will not be extended because they have run out of benefits will get an NSF check. Let us memorialize that the people of America who have no health care will get an NSF check. Let us memorialize that tax cuts do hurt government. Let us memorialize that we will create a deficit.

Someone said earlier that there was fear, anger and hate on this side of the floor. There is a fear that seniors and workers will continue to be disappointed. There is anger and hate that we, the people of this House who could do more, are not doing more.

We talk about growth. There is growth for those who already have it, hope for those who believe that government is not a safety net, and prosperity for those who already prosper. Let us memorialize that this tax bill is not benefiting those who need it most.

Mr. THOMAS. Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. CAMP) for the purpose of a colloquy.

Mr. CAMP. Mr. Speaker, my question concerns the treatment of variable annuity contracts under the bill. Sellers of variable annuity contracts have expressed concerns about the effect of the dividend and capital gain tax rate reductions on the market for variable annuities. Is the chairman willing to continue to examine this area?

Mr. THOMAS. Mr. Speaker, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, I would tell the gentleman, the goal of this bill, and other bills we will pursue in the future, is to promote economic growth. Increasing retirement savings will promote economic growth by contributing to our Nation's capital stock. Of course we will monitor the way in which annuity sellers adjust to the new, more efficient financial product market conditions that H.R. 2 will create. As we proceed, we can determine whether adjustments are justified.

Mr. CAMP. I thank the gentleman.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. HOYER), the Democratic whip of the House.

Mr. HOYER. Mr. Speaker, the chairman of the committee has talked about us talking about class warfare. Warren Buffett talked about it just a couple of years ago, America's second richest person, and he said that his class was winning. It wins again tonight, not average Americans.

One of the Republicans came, as they so often do, to quote John Kennedy. I voted for John Kennedy for President, the first President I ever had the opportunity to vote for. Republicans almost to a person opposed him. He said, ''Ask not what your country can do for you, but what you can do for your country.''

That was a call to contribute to the welfare of our society. It was a call not to the greedy, but to the great. It was a call to those who understood the value as the President said of lifting up all people when he said if we cannot save the many who are poor, we will never save the few who are rich.

The gentleman spoke the truth. This is a trillion dollar bill. Some Members of the other body said they would not vote for a bill over $350 billion, and so the other side of the aisle has constructed a sham, a ruse, a trick.

As the gentleman from Michigan (Mr. LEVIN) said, the sadness is that our children will pay that bill because you will not cut spending, you will not cut spending to comply with this tax bill, and you know it. In 1981 I was on this floor, and Republicans claimed if they passed their economic program, we would balance the budget by October 1, 1983. And I was on this floor in 1990 when you railed against your own President, President Bush, who contributed to creating the surplus that was to come some 6 years later. And I was on this floor in 1993 when Dick Armey and John Kasich, the predecessor to the gentleman from Iowa (Mr. NUSSLE), claimed that if we enacted the 1993 bill, the economy would go to the Dumpster, unemployment would rise, and the deficit would go through the ceiling. He was wrong on every count.

And I was on this floor in 2001, just 2 years ago, when so many of you stood on this floor and said if we pass this bill, we will create jobs. And you have said it today, and you are wrong.

□ 0100

In 1981, in 1990, in 1993, and in 2001, not any one of those times were you correct in your predictions. And you cost my three daughters a lot of money and my five grandchildren a lot of money because the tax you are putting on them is the debt tax that they will have to pay and they will not get a nickel of defense, not a nickel of education, not a nickel of health care while they are paying the interest that you put upon their heads.

Mr. THOMAS. Mr. Speaker, I yield myself 15 seconds in case there are any students actually out there in the audience. I believe, if anyone wants to check an almanac, the election of 1960 resulted in the election of President Kennedy with less than 50 percent of the vote and there was some concern about whether or not a recount would reduce that. The argument that somehow there was a significant wave of votes simply is not accurate any more than most of the structures.

Mr. HOYER. You do recall that he got more votes, however, than Mr. Nixon. Unlike Mr. Bush, who got less votes than Mr. Gore.

Mr. THOMAS. Mr. Speaker, prior to yielding 2 minutes to the gentleman from Louisiana (Mr. MCCRERY), I yield myself 10 seconds. I am just concerned that if people are really worried about not having enough taxes, I understand you can voluntarily write a check to the Treasury and at least you will feel real good about making sure that more of your money stays in Washington.

Mr. MCCRERY. Mr. Speaker, my good friend, the gentleman from Maryland, the previous speaker, as I think has been the case with the debate generally this evening, was respectful and made some points that he thinks are legitimate. They are in most cases, I think, factual. I would remind him that in 1995 when Republicans took over this Chamber and we cut taxes and we were running deficits, his side of the aisle made several charges that turned out to be false as well; and, in fact, we did cut taxes, balance the budget, and run a surplus for several years. So there have been a lot of statements made on both sides over the years that have turned out to be inaccurate when history judged them.

I believe Democrats and Republicans in this House want to do what is best for the country. We want this country to be a better place for our children and our grandchildren. The reason we have two different political parties in this country, thank goodness, is that we can have a debate and we can fight it out, choose a path and then be held responsible. We are willing to be held responsible. We believe that the answer

to the long-term problems of this country, the really tough ones, Medicare, Social Security, part of the answer is strong economic growth. If we do not have strong economic growth in this country for a long time, those problems are going to be not only intractable; they are going to be impossible.

So this bill we bring before the House tonight, and we hope you will pass tonight, is one that we think will do the best job to give this country the best chance to have strong economic growth for the long term, short term and long term. This jobs bill, this growth bill gives us the best chance to solve the long-term problems of this country. We ought to vote for it. We ought to support it and hope it works.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut (Ms. DELAURO), the head of the Democratic Steering Committee.

Ms. DELAURO. Mr. Speaker, this giveaway to the wealthiest taxpayers will not create jobs, nor will it reduce the highest rate of unemployment in a decade. It will not provide our stagnant economy with any stimulus. For the taxpayer, it will not reduce their tax liability. In fact, State taxes and property taxes are increasing because of this reckless plan.

Today, States are in the midst of the worst fiscal crisis in 60 years trying to close a budget shortfall of $100 billion. States have been forced to not only increase taxes but release prisoners, shut down libraries, and cut back health benefits. In my State of Connecticut, Governor John Rowland, a Republican, has already approved an increase in the State's income tax rate. Passage of this tax cut means cutting education by $9 billion to give a tax cut to those who earn over $375,000. It means cutting Social Security to pay for a tax cut for those who earn over $375,000. Under this plan, households with incomes of over $1 million receive an average tax cut of $93,000. What you would do is you would starve this government of the revenue that it needs to carry its commitments out to the American people. It is insidious, it is wrong, shameful, reckless, and irresponsible.

Mr. THOMAS. Mr. Speaker, now another view from the State of Connecticut. It is my pleasure to yield 2 minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), the chairwoman of the Subcommittee on Health of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the chairman for giving me this opportunity to support what I think is a very strong tax bill that will stimulate the economy, provide the jobs we need in Connecticut, but most importantly address the crisis that manufacturing is facing in Connecticut. We have never on this floor passed such extraordinary bonuses for investment in capital equipment. As chairman of the oversight subcommittee my first term in the majority on the oversight subcommittee on the Committee on Ways and Means, I held a hearing and small businesses said, if you could just increase the amount we could expense, if you would increase it to $50,000, you would see us take off. If you could increase it to $100,000, you would see what would happen. This bill does that for small businesses. This bill allows the expensing of 50 percent of capital investment for all other companies. This bill goes to the heart of what it takes to create jobs. And that is why this bill is about restoring opportunity to people in Connecticut who are unemployed.

I am very proud of my Governor who just vetoed the second tax bill in 6 months passed by the Democrat-controlled House and Senate in Connecticut. You cannot tax your way out of recession. You have to help people change their lives.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Mississippi (Mr. TAYLOR).

Mr. TAYLOR of Mississippi. Dear Dad:

My day began when a guy who was taking a thousand-dollar contribution from an alleged Chinese spy decided that I could not offer an amendment to keep American military bases open. Later on this same guy who took a thousand-dollar contribution from an alleged Chinese spy said it was a swell idea to sell supercomputers to the Chinese.

It got more bizarre. The fellows who run this House and the Senate and the White House suddenly said I was the reason that we were spending too much money. Gee, I thought it was their President who submitted the first $2 trillion budget in American history and they passed it. Their President submitted the first $2.1 trillion budget in American history.

But, Dad, it got more bizarre by the hour, because as the gentleman from California (Mr. THOMAS) told me I did not have good cards, I guess he did not want to see this one. Because 2 years ago, and 2 weeks ago, he told me he could cut taxes and balance the budget.

Mr. THOMAS, you got an $817 billion credibility gap. That is as much debt as this Nation incurred in the first 180 years, and you are telling me now the way to prosperity is to stick my kids with more borrowing and more debt. You were wrong then. You are wrong now.

I love you, Dad.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield such time as he may consume to the gentleman from Louisiana (Mr. MCCRERY).

Mr. MCCRERY. Mr. Speaker, just to make sure everyone knows the record of the Republican Congress since we took over in 1995, the entire accumulation of debt in this country is due to debt that we owe the Social Security system and the Medicare system and other trust funds. The publicly held debt has actually gone down since Republicans took control of this House in January of 1995.

Mr. RANGEL. Mr. Speaker, I would like to agree with the gentleman from Louisiana. It certainly did go down because they stole the money out of the Social Security trust fund in order to make it go down. So he scores there.

Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. TURNER), the ranking member of the Select Committee on Homeland Security.

Mr. TURNER of Texas. Mr. Speaker, I think that what we on our side of the aisle want tonight is just a little honesty. And we believe that instead of saying you are giving the American people something, you need to be honest with them and let them know that whatever you are giving them, you are borrowing the money from them in the future that they have got to pay back. If you are going to be honest, you ought to come down here and sign this credit application, because you really need a pretty big loan to grant this tax cut. And I am not sure there are too many bankers in this country that would give this loan, because if you look at our credit history, we owe $6.4 trillion; we know we are going to owe, by your budget, $12 trillion in 10 years. That means, if you can imagine, we are going to pay $650 billion in interest 10 years from now just to service that debt that you are creating. And do you know what? That is more money than we are going to be spending on the entire Department of Defense. Your budget says we are going to spend about $500 billion on defense 10 years from now, but we are going to spend $650 billion in interest on the debt.

The truth of the matter is you need to come down here and put your name on the line and see if you can get this loan; and when you walk out of this building tonight, look at that big hole out there just at the bottom of the steps because that is the deficit hole that you are digging deeper tonight.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Virginia (Mr. MORAN).

Mr. MORAN of Virginia. Mr. Speaker, I do not know how many of my colleagues listened to Warren Buffett last night. The gentleman from Maryland (Mr. HOYER) mentioned it. He talked about the fact that this bill is going to give him $310 million of additional revenue. It is going to bring his effective tax rate down to 3 percent. But he looked at his secretary and he realizes that her effective tax rate is still going to be 30 percent. He says, yeah, this is class warfare and my class is winning. But it is wrong. I am going to win, whatever happens. I want the people of America to be as productive as possible. And to be productive, they need to be well educated. They need to have decent health care. They need to be able to provide for their families. And they cannot be saddled by trillions of dollars of debt.

He is opposed to this because he knows it is wrong for America and he knows it is not fair. We offered something that was fair. We offered something that was fiscally responsible.

That is what America wants. But America is not going to get it because here it is at 1 a.m. in the morning talking about a tax cut of hundreds of billions of dollars, $1 trillion over the next decade. That is not the way to treat the people that elected us.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Ohio (Mr. PORTMAN), a member of the Committee on Ways and Means.

Mr. PORTMAN. Mr. Speaker, I am interested to know that Warren Buffett has become the icon of the Democrat Party. I hope he will use all that money that he is going to get from this tax bill to invest. I was just informed that he just started a new business in Texas, a retail store, where he is going to employ 100 people. That is what we want him to do with the money. That is the idea. This is all about jobs and savings and investment.

We have heard a lot of conversation tonight about how it is going to grow the deficit. When I was first elected after 40 years of Democrat control, our deficit was about 4.7 percent of our budget. This year even if we take the figures of the gentleman from South Carolina (Mr. SPRATT), which I think are pessimistic because he does not see the growth that comes out of this bill, it will be about 3 percent of our budget. Every economist will tell you, right, left or center, what is important is what is it as a percentage of our economy, how much of our economy is represented by deficit.

How do we get out of that? Let us go back to the gentleman from Maryland's history. I was not here when John Kennedy was elected. I did not know him. I was here in 1997 when this House courageously passed the balanced budget agreement. I did see John Kasich down there on the floor talking about the need to keep our spending under control. You know what he did? He said, we are going to try to get to a balanced budget, if we can, by the year 2002.

□ 0115

We all applauded because we were spending too much money, and we needed to get our budget under control. Just restrain spending. What happened? Two years later, by 1999, we did not have a deficit. The next year we had a surplus. Why did it happen? It happened because the economy grew, because we had more savings and more investment, and that is what is lacking right now.

If we ask the economists, Alan Greenspan, and say did the 2001 tax cuts help? It made us have the most shallow recession in history rather than a deep recession. If we ask people what is going to happen when we provide more capital to small business to expand plant and equipment and create more jobs, they are going to say it is not only going to create over 1.2 million jobs within the next year, it is going to create more revenue for the Federal Government.

We are not cutting our budget, Mr. Speaker. Our budget is going to be about 4 percent. What we are doing is we are creating growth in this bill. What we are doing is in this bill we are creating jobs and growth and opportunity, increasing consumer demand, increasing business investment. We can differ on what this bill is going to create in terms of the numbers of jobs, but I have not heard one economist say it is not going to create jobs. And that is what we are going to do in this bill, 1.2 million jobs. It is all about jobs. It is all about growth. It is not about Warren Buffett. It is about the small business people out there who are going to creating those jobs that are going to make America a better country.

Mr. RANGEL. Mr. Speaker, I yield 5 seconds to the gentleman from Virginia (Mr. MORAN).

Mr. MORAN of Virginia. Mr. Speaker, I would like to tell the gentleman that Warren Buffett said that money can be better spent when it is kept in corporations, not with individuals. Corporations can build jobs faster, and they will. That is why this dividend tax cut does not work.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey (Mr. PASCRELL).

Mr. PASCRELL. Mr. Speaker, even the most favorable assessments conclude that few jobs are going to be produced by this tax cut. This President could become the first President in 64 years to preside over a net loss of jobs during a single term in office. The President's party staked its future on smaller government, balanced budgets, and fiscal responsibility. This administration refuses to understand that Americans will not invest in this economy because we lack confidence in corporate America. Democrats have spoken forcefully on the issue of corporate greed and corporate welfare, corporate corruption, which resulted in the stealing of American working retirement funds.

When the President proposed his budget in 2001, the administration actually claimed that there was a danger that the Government would pay off the debt held by the public too quickly. We have selective memory. That is the problem on the opposition side. And we cannot pass this tonight because there will be a scourge on our children and our grandchildren.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds.

I really do wish some Members, and we do not often do this, although we vote on it every day, would read the CONGRESSIONAL RECORD, especially the day that we debated the tax bill in this House for the first time. Because included in that CONGRESSIONAL RECORD was a historic first. The bipartisan Joint Committee on Taxation analyzed this tax bill, and they said it was going to create jobs, more than 900,000 jobs over the next several years. Read it.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, since everybody liked to quote President Kennedy, I would like to quote President Reagan: ''Facts are a stubborn thing.''

After the 2001 tax cut, 2.5 million Americans have lost their jobs, 5 million Americans have lost their healthcare, $1 trillion worth of corporate assets have been foreclosed on, and 2 million Americans have walked out of the middle class into poverty. Facts are stubborn things.

We can produce economic growth if we reduce the deficit, open up markets to American-made products and invest in education and healthcare. That is what we proved collectively in the 1990s, both the government, the private sector and the American people. They invested in their economic future. They invested in their children. We gave college education grants and tax credits so they can do that. That is an approach that is proven time and again.

Rather than change course and invest in our future, we are putting our foot on the accelerator pedal to get the same results that we have produced to date: 2.5 million Americans without work. And on June 6 a new unemployment number will come out, and we will get 3 million people without work. That will be the net result. Facts are stubborn things.

Mr. THOMAS. Mr. Speaker, I yield 2½ minutes to the gentleman from Georgia (Mr. COLLINS), a member of the Committee on Ways and Means.

Mr. COLLINS. Mr. Speaker, I thank the chairman for yielding me this time.

Mr. Speaker, I never have met Mr. Buffett. But if he is going to get $358 million out of this tax bill, I hope he will sign the check on the back, give me a call, and I will go pick it up and bring it back and give it to Mr. Snow at Treasury. That will maybe please him and please a lot of other folks.

Let me tell the Members about a young couple in Georgia, making about $40,000 a year, three children. The wife does not work. She is raising the children. She called today and said, Momma, I heard on the radio that we are going to get a refund check on the child tax credit. Is that true? We sure could use it.

It is true. But not only is that true, but the bottom line of her husband's paycheck will be better because of the repeal of the marriage penalty, because of the reduction in the marginal rate, and they are going to enjoy those few extra dollars that they earn whether Mr. Buffett enjoys his or not, but I bet he will invest it. He will not send it back.

There are millions of families like that across this country that are going to benefit from this tax bill, this growth and jobs bill. And it is a jobs bill. It is a workers' bill. Because we are changing provisions of the tax law that will make us more competitive with foreign nations, and our workforce in this country competes with the

workforce in those nations. This is going to benefit millions of people who get up every day and go to work. They work hard to provide for their families. They work hard to provide to the community and to contribute to their church. They pay their taxes. They play by the rules, millions of families like that just like the girl that called today and said, Momma, is it true? We sure could use the money. And my wife says, yes, it is.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

There is a whole lot to this bill I did not see, but if that wife is going to benefit from the marriage penalty and she is not working, this is an exciting tax bill.

Mr. Speaker, I yield 1 minute to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the distinguished gentleman from New York, the ranking member, for yielding me this time.

For the history of this Congress, may I remind you that in the spring of 2001, because of President William Jefferson Clinton, we had a $5.6 trillion surplus that you have busted. I rise to oppose the job bust tax program of 2003.

Many of you think I may not know that you say that you have a $350 billion tax cut. That is because it is smoke and mirrors. There is a 50 percent increase in the loss of jobs in the United States. You only create two jobs per $1 million. If you did the Democratic plan and invested in transportation, it would be 13 jobs; invested in rail, it would be 15 jobs; invested in healthcare, 26 jobs; public education, 28 jobs; and other, 27 jobs, first responders, police.

All you are doing is taking the money and putting it in the pockets of the rich folks so they can run to the vacation spots of the world.

I want to create jobs. Vote against the bust job program of 2003.

Mr. Speaker, the American people are suffering right now. Unemployment is up 50 percent, with millions of jobs being lost in our ''jobless recovery.'' Even the new 6 percent unemployment figure is a gross underestimate of the problem, since it does not include the millions of people who have been out of work for long periods of time, or who have given up on finding work until the situation improves.

Coupled to the unemployment is the fact that every year 75 million Americans find themselves without health insurance for some part of that year. That is a disgrace.

Our States have billions of dollars of budget shortfalls. We have states that are firing teachers while politicians in D.C. are on stage talking about ''leaving no child behind.''

We have states that are cutting kids out of SCHIP programs to provide mental health care, dental care, all kinds of medical treatment to children. In my District in Houston, mental health clinics are shutting down. What kind of compassionate conservatism is that?

We have about 200,000 young soldiers fighting for this nation in Iraq and Afghanistan, who will soon be Veterans. And we are cutting Veterans benefits.

There are 40 million people suffering with HIV/AIDS in Africa and we have offered them $15 billion, which is a good start but is just a fraction of what they need.

We have made commitments to the people of Afghanistan and Iraq to get them on the road to stability and prosperity, and that will cost money.

And what is the Republican answer to all of these pressing needs? A massive tax cut, skewed toward the richest in America.

During the Presidential Campaign, then Governor Bush proclaimed that the economy was perfect, the Dow and NASDAQ were off the charts, unemployment was low, and growth good, and we were generating surplus revenues. Therefore, he said it was the perfect time for a $1.6 trillion dollar tax cut. Then once he was elected, President Bush informed us that the markets were crashing, we were entering a recession, and therefore it was the perfect time for a $1.6 trillion dollar tax cut.

Regardless of the question, the answer is the same. That frightens me. One journalist I heard last week suggested that if an asteroid were about to strike the planet, the Republicans would suggest tax cuts.

Last month, we were told by the President's press secretary Ari Fleischer that tax cuts for the rich were the way to support the troops. This week, they are the way to create jobs. This argument does not hold water. Let's look at the numbers on this chart. Of course these are last week's numbers, since only one or two Members in this Chamber have actually had a chance to see the bill that we are now being forced to vote on. According to the President himself, a $550 billion tax cut would produce 1 million jobs. That is $550,000 per job! What kinds of jobs are these? That translates to only 2 jobs for every $1 million dollars of federal investment. And that is a terrible return.

On the other hand, $1 million invested in state/local health care programs supports 26 jobs, instead of just 2. In public education, $1 million creates 28 jobs. In other state and local programs such as homeland security, police, fire—1 million dollars can produce 27 jobs. These programs thus create more than 10 times as many jobs as the Republican plan. I keep hearing from my Republican colleagues that we have to give rich people money, because poor people don't give people jobs.

This is exactly wrong. When you give money to people who really need it, they spend it. They buy food, and clothes, and health care, cars, even homes if they are lucky. Who do they buy those things from? Businesses of all sorts. And those businesses grow, and that makes jobs. Why wait for a trickle down, when we can shoot a geyser up and stimulate this economy?

And in addition to the jobs, these programs improve quality of life, they make our neighborhoods safer, they help our children grow up happy, and healthy, and well-educated.

Instead, here we are in the wee hours of the night watching our colleagues across the aisle rubber-stamping another poorly-thought-out plan from the President. As usual, it does not help the people who need it. As with the last tax cut, economists predict that it will not stimulate growth.

This tax-cut focuses almost all of the benefits on the rich, which didn't work last time. More than half of the cuts go to the richest 5 percent of Americans. The lower 60 percent of Americans get a more 8.1 percent of the benefits. The people who need it, and who will spend it, get almost nothing.

And what makes it worse is the gimmicks. The Republicans used smoke and mirrors to make this tax cut look cheaper than it really is. It is really almost the same as the $550 billion cut from last week. They did it by making their tax cuts expire in a few years. Of course they assume that the tax cuts will be extended, because if you cut taxes on dividends and then raise them again, a lot of people might dump their stocks before taxes come back to normal and that would hurt the markets. As many economists have noted, uncertainty about the future of taxes is worse than taxes, so this is a dangerous strategy. Adding insult to injury, they make the tax cuts on dividends—the ones that help the rich—expire in 6 years, but they make the child care credits, marriage penalty relief, and relief for low-income taxpayers—which help the middle class and working poor—expire in 2 years.

Again, their priorities are all wrong. And the Republicans found no room for smart provisions that would have helped those truly suffering. For example, I offered an amendment to protect honest workers losing their jobs due to dishonest corporations. The amendment would have helped thousands in Houston whose lives were ravaged by the Enron scandal, by exempting from taxes funds paid in severance packages from corporations going into bankruptcy due to corporate malfeasance or criminal activity. People who are blind-sided like that deserve a break, but the Republicans chose to deny them.

Mr. Speaker, I will vote against this bill. Let's put federal money to work for all of the American people—in schools, in health care, in homeland security, in paying down the debt. Let's not give the rich a lavish gift on the credit of our children and grand-children. Let's make a plan that will really stimulate confidence and growth, and jobs for the American people. First, let us vote this bill down. We can wait a week to do this right.

Mr. THOMAS. Mr. Speaker, I yield myself 1 minute.

I do so try to explain to some folks here apparently that currently in the Tax Code, if we have two people in the 15-percent bracket, their combined tax obligation, and they are both single, is less than two people in the same tax bracket that are married. There is no requirement under current law that they both work. One cannot work and one can work. But when they are married, they are filing a joint return. In filing a joint return, they actually pay more in taxes than they do with two single returns.

And I make this statement with some shock and awe that the ranking member of the tax writing committee apparently does not understand that.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

It is really great if someone can get in the 15-percent bracket and not have a job. The IRS is really working overtime.

But I know you are not really trying to take care of these people. Basically, this is a Republican plan that came

long before the gentleman became chairman of the committee. It has very, very little to do with taxes. It is just the Republican belief that the Federal Government should not be in the business of providing service to American citizens, that they should just take care of national defense and to provide the wealth and protection for the investors. And for those people who are less fortunate, they should rely on local and State governments. For that reason, we find this enormous increase in taxes for working people that work in our cities and work in our States.

We also find our charitable organizations in deep trouble as the Federal Government will be providing less assistance to them in Medicaid and Medicare. And even our heroic veterans who come home will find that the benefits will be sharply reduced for them. Leave No Child Behind? Take a look at the budget and see how many people are left behind.

We know that some of these programs have been described as ''third rails.'' We do not want to touch them. Leave Social Security alone. But at the end of the day, when we see that you borrowed all of the money that you can and that our great Nation is now paying interest on the debt that you have caused not only tonight but you promise that you will come back again and again and again and we will find ourselves in more debt, we will be okay, those of us in this Chamber. But what about our children and our children's children? Do we not owe it to them to at least provide the same type of America that our fathers and grandfathers provided for us?

What happened with the surplus that we have? How did we have such a tremendous swing from $5 trillion there with our hopes and our dreams where we could do something? What do you leave us with now? A deficit as far as we can see, programs that we will never be able to initiate? And what will you say? The money is just not there?

You say that this tax bill is going to create jobs. Why do we not pull the RECORD about what you said the last time you came with a $1 trillion tax bill and find out where are the jobs that you promised then?

□ 0130

We know there is a philosophical difference between Republicans and Democrats. We believe the people should be served, and not just the investor class.

Is it class warfare? You bet your life. But you declared it against the working people.

The SPEAKER pro tempore (Mr. LAHOOD). The time of the gentleman from New York has expired.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield the balance of my time to the gentleman from Texas (Mr. DELAY), the majority leader.

Mr. DELAY. Mr. Speaker, this has been a real interesting debate. It certainly laid out clearly the differences between the two parties, and I appreciate that. I think it is good for America, to lay out the differences between the two parties.

But one of the things I noticed in the debate is the differences in interpretation of history. Let me just start by saying, the gentleman from Maryland laid out the history all the way back from Jack Kennedy's time. I would just as soon do it in my time in the legislative body.

The gentleman talked about the fact that Ronald Reagan cut taxes in 1981 and the deficits went through the roof. The problem was there was a Democrat Senate, a Democrat House, and they spent $2 for every $1 cut in taxes; and the deficits went through the roof.

Mr. THOMAS. Mr. Speaker, will the gentleman yield?

Mr. DELAY. I yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, I believe the gentleman understands that when President Reagan became President, under the Constitution the purse strings are controlled by the House of Representatives, and the Democrats were in control of the House.

Mr. DELAY. Mr. Speaker, reclaiming my time, following this history, I did not hear all the claims of the born-again deficit hawks about deficits during those periods of time. They just wanted to keep spending money.

Then, I have to admit, I voted against President Bush's tax increase. Do you know what happened after Bush's tax increase? We had a recession that cost him his election.

I can always remember who won that election and came in, never talking about balancing the budget, who was not a born-again deficit hawk like those we have seen tonight. It was a President that wanted to keep spending it. So he passed another tax increase in 1993. Now, that one I voted against too. I am very proud of that.

The problem was for this side of the aisle, as the American people did not like all the spending in 1993 and 1994, they did not like the vision laid out for the American people, so they gave the Republicans the responsibility of being in the majority in the House of Representatives.

The born-again deficit hawks say that the 1993 increase gave them surpluses. I do not remember it that way. What I remember was we came in and we told the American people in the Contract with America that we would balance the budget. We did. We had the Balanced Budget Act of 1997. None of you born-again deficit hawks voted for that, if I remember, or some did. I take that back, some of you did. The vast majority of you did not, and told us that there would be just horrible things; we will not be able to spend any more, crying, tears coming down your faces, We cannot spend anymore; we cannot spend any more.

Yet we balanced the budget and deficits were going down, and the debt went down, because we paid off over $1 trillion on the debt on our children.

Now, for the first time in my legislative career, when George W. Bush took over, revenues to the government actually turned down. Revenues had been going up ever since I have been in the legislative body. But for the first time the revenues actually turned down, which created the problem that we face.

Now, if you would have worked with us, you new budget deficit hawks, and made permanent that tax cut in 2001, maybe we would not be losing the jobs that you quote that we are losing, and if those tax cuts would have been implemented immediately, rather than stretching them out, we would have had a better economy than we find now. So we have to come back to the well.

What is really interesting to me is the ranking member was very concerned about the fact that there is a conspiracy out there, that this is not the only tax cut that there is going to be this year.

There is no conspiracy. We are very, very proud of the fact that this House of Representatives has passed tax cuts every year we have been in the majority. Every year. And do you know what? In 8½ years there has not been a Federal increase in taxes in this country. That is even more meaningful. And do you know what? This year, this ain't the end of it. We are going to have some more, because our budget says we can do $1.3 trillion in tax relief for the American people, and you bet we are coming back with more tax cuts.

So there has been a lot of talk in this Chamber about this bill and what it would do to the government. In fact, one Member of the other side of the aisle said cutting taxes hurts the government. I heard her say that, cutting taxes hurts the government.

But the American people want to know what this bill will do for them, because we are here for them. And do you know what? We have an answer to that. The jobs and growth package will create more than 1 million new jobs. It is not as large as some of us wanted; but I remind you, it is just the first step.

At any rate, the proof is in the policy, not the price tag. As many of you know, I used to be a small businessman; and I know, as you do, that tax relief for small business means expansion, and to most small businesses, that means one thing, hiring new people.

The accelerated rate reductions will increase the purchasing and hiring power of millions of small businesses this year. Add the expensing and depreciation reforms, and you are looking at the circulation of billions of dollars, this year; and these billions of dollars will be in the hands of small business men and women responsible for creating over 70 percent of all new jobs.

Now, the $500 increase in the child tax credit invested over the course of 18 years could actually enable a high

school senior to look at colleges instead of want-ads. The dividend and capital gains reforms will help steady the stock market and encourage new investment at the very moment that working Americans will start taking home, start taking home, more of what they earn.

Economist Lawrence Kudlow said this today about this package. He said it would contribute mightily to the rebuilding of capital and wealth that was decimated in the nearly 3-year stock market plunge, 3 long years.

In that time, the American people have faced unprecedented challenges; but they have persevered, and now they are poised to fuel an unprecedented recovery. Interest rates and inflation remain low, anxiety about the war in Iraq have been eased and consumer confidence is on the rise. All the American people need right now is the opportunity that they deserve, not the government, that they deserve. They deserve that opportunity to get this economy going again.

So I urge my colleagues to do the right thing. Pass this jobs and growth package and give Americans that chance.

Mr. HASTERT. Mr. Speaker, I rise in strong support of this jobs bill and I urge all my colleagues to support it.

Earlier today, we voted to extend unemployment compensation once again. I favored that legislation because I think that was the right thing to do. But it was not the only thing to do. We also must pass this jobs bill. Because most unemployed Americans don't want another unemployment check. They want a payroll check. They want a job. Some of my Democratic colleagues will oppose this jobs bill and support even more unemployment compensation. They will oppose this bill because it increases the deficit as they demand that we spend trillions of dollars in bigger government. This misguided philosophy will lead us only to bigger government, bigger deficits and no jobs. When will you learn that it is the private sector that creates jobs in this country? That cutting taxes on investment will lead to more investors and more jobs? That putting more money in the hands of the people means putting more people back to work? When I was a high school teacher, I used to teach these simple lessons. Now, it is time to apply these lessons to the task at hand.

This bill doesn't go far enough, but it is a strong start. It cuts investment taxes by more than half, so that investors are not penalized for their efforts. It increases small business expensing and increases bonus depreciation, so that small businesses can hire more workers. It accelerates earlier tax cuts so that real money will go to middle class taxpayers. This helps families pay for home improvements, college education, or anything else then want.

These tax cuts are front-loaded so the economy will get the biggest bang for the buck. Some of them are phased out in a couple of years in order to fit into the $350 billion budget requirement. We will have plenty of time to discover if these tax cuts are popular enough to extend. My guess is they will be, but Democrats who want to raise revenues to pay for bigger government will have their chance to make their case. I look forward to that debate. But for now, we have a job to do. And that job is to create jobs. Vote for this bill. Vote to put the American people back to work.

Mr. BLUMENAUER. Mr. Speaker, when facing a 2003 budget deficit that will likely exceed a record $400 billion, Congress should be looking for ways to cut red ink. Instead the Republican leadership is cutting taxes by $350 billion and adding more to our debt. Neutral observers agree this tax cut package will do little to stimulate our sagging national economy and do little to help the 139,800 unemployed Oregonians. This tax cut package and the new budget is leading us towards a $1 trillion deficit over the next 10 years.

My constituents are clear about their priorities as witnessed by a difficult decision to raise taxes that will provide the necessary local revenues to help fund education, social services and safety programs. Oregon understands that targeted infrastructure investments can put people to work tomorrow and better our communities. Oregon's crumbling bridges, which jeopardize the economy and safety, will cost over $4 billion to repair but would provide 190,000 jobs and $25 billion in economic activity. The Federal Government should be helping States and communities address these types of needs with targeted investments and programs.

The budget gimmicks, sunsets, and deficits created by this bill prevent me from supporting it. I will continue to fight for a sample course of fiscal responsibility and domestic security that can be achieved by taking common sense actions. We should not mortgage the future by playing fast and loose with the truth today and the economy tomorrow.

Mr. UDALL of Colorado. Mr. Speaker, I have tried to review the provisions of this conference report, so far as that has been possible in the very brief time available. I did so in the hope that I would find it enough of an improvement over the bill the House passed by the House earlier this month that I would be able to support it.

Regrettably, however, I have decided that it does not meet that test.

I do think the conference report is better than the House-passed bill in several respects. I am especially glad to note that, unlike the House bill, it provides for giving Colorado and the other States some much-needed assistance with meeting Medicaid costs and paying for other services. And it also includes some other things I support, including the refundable increase in the child credit and the elimination of the ''marriage penalty'' aspects of the income tax.

However, these good features of the conference report are outweighed by its major shortcomings.

For one thing, the aid to the states comes with a price—a number of States will lose some State revenue as a result of the depreciation and small business expensing provisions, due to linkages between federal and state tax codes. In fact, according to one estimate I have seen, if those provisions are extended and remain in effect through 2013, States will lose an estimated $15 billion over the decade as a result of the provisions.

Further, even the child-credit provisions could be better. The conference report evidently drops a Senate provision that was targeted on working families with children with incomes in the $10,000 to $30,000 range. This jettisoned Senate provision would have benefited 11.9 million low-income children and their families—one of every six children in the Nation. As it is, data compiled by the Urban Institute-Brookings Institution Tax Policy Center show that while under the Senate bill 18 percent of married and head-of-household filers with children would have received no tax cut in 2003, under the conference report that will rise to 29 percent. To put it another way, married filers with two children and incomes between $10,500 and $21,325 will receive no tax cut under the conference agreement—although all such households would have received a tax cut under the Senate bill.

And, like the House-passed bill, the conference report will do little to increase jobs in the near future.

The Urban Institute-Brookings Institution Tax Policy Center estimates that 36 percent of all U.S. households would receive no tax cut whatsoever in 2003 under the conference agreement, and 53 percent of households would receive a tax cut of $100 or less. They also say the average tax cut in 2003 for households in the middle of the income spectrum, i.e., the middle fifth of Households, would be $217. Based on this, it seems clear that the conference report, being so focused on high-income filers, is likely to be limited effectiveness in boosting the economy in the near term. That's because high-income households are likely to spend a smaller share of their tax cuts than households of more modest means—and only if tax cuts are spent will they boost the economy in the near term.

On the other hand, it seems beyond dispute that the conference report will lead to a very large increase in the federal deficit and thus to a very large, long-term increase in the national debt.

So, like the House-passed bill, it does too little to address the real needs of the economy and the country, and it does too much to make our budgetary problems worse.

Just as they did when the House debated its bill, its supporters are reciting from the White House's cue cards that say it will create jobs. They know that is what the American people want to hear—because we need to begin to make up for the millions of jobs that have disappeared over the last two years.

But I am not persuaded, because no analysis I have seen—whether by the Congressional Budget Office, Federal Reserve Chairman Alan Greenspan, or any other expert—supports the claim that enacting this conference report will help put very many people back to work anytime soon.

On the other hand, there is no doubt about how the bill will affect the Federal budget—it will throw it further out of balance and lead to much deeper deficits.

Like the House-passed bill, the conference report includes many gimmicks that cloak its true cost. Every provision in the bill but one is designed to expire between the end of 2004 and the end of 2008. More provisions expire at earlier points in time than under either the House or Senate bills. If the provisions scheduled to terminate in a few years are extended—and I am confident that the bill's supporters will be pushing for that—its total cost will be much greater that the amounts its supporters have claimed.

In fact, according to one estimate I have seen, if the bill's provisions (except the one providing relief through the Alternative Minimum Tax) ultimately are extended, the cost

through 2013 will be $810 billion to $1.06 trillion, depending on how one measures the cost of extending the bill's business depreciation tax cut.

But even if I were to suspend my disbelief and take it at face value, I would think the cost of the conference report—in terms of the deficit and the debt—exceeded its benefits.

As I said when the House first considered this tax bill, I think we need to take deficits seriously—as Chairman Greenspan reminded us again earlier this week, and as was earlier spelled out by Peter G. Peterson, President of the Concord Coalition, to the Committee on Financial Services.

As Mr. Peterson put it, ''A future of mounting deficits is a cause for grave concern. Mounting deficits can slow and even halt the steady growth in material living standards that has always nourished the American Dream. When such deficits are incurred in order to fund a rising transfer from young to old, they also constitute an injustice against future generations . . . This policy, after all, constitutes an explicit decision by today's adults to collectively shift the current cost of government from themselves to their children and grandchildren.''

In other words, by leading to deeper deficits and bigger debts, this bill would do just what President Bush, in his State of the Union address, said we should not do—instead of meeting today's challenges, it would simply create new problems for our children.

I don't think that is sound policy—especially when a better alternative is available. That is why I objected to the Republican leadership's refusal to allow the House to consider the alternative developed by Representative RANGEL.

That alternative included very meaningful tax cuts. It included an increase in the child tax credit to $800 per child, an immediate expansion of the 10-percent tax-rate bracket to levels that under the 2001 tax will would be reached in 2008, and immediate elimination of the ''marriage penalty'' aspect of the income tax. It also included investment tax credits for small businesses, such as business expensing up to $75,000 and bonus depreciation. Those cuts would immediately put money into the pockets of middle-income Americans, who are the people most likely to spend it promptly, boosting consumer demand and thus helping set the stage for an increase business investment needed to meet that demand.

The alternative also had other important provisions to respond to the immediate needs of our country and the American people, including a provision to create a permanent, revenue-neutral corporate tax deduction to encourage American manufacturing companies to expand their operations, as well as a new tax incentive to provide a tax credit of up to $2,400 to businesses that hire people who now are unemployed.

And, just as important as everything else, the alternative was fiscally responsible—fully paid for over 10 years. So, it would have added as many as a million new jobs without adding anything to the deficit.

Mr. Speaker, I still don't know why the Republican leadership refused to let the House even consider that alternative. Instead, they insisted on pushing through a bill that I could not support. And, unfortunately, this conference report, while better, is not enough better to deserve enactment. So, I must vote ''no.''

Mr. LEACH. Mr. Speaker, tax cut initiatives must meet two tests: appropriateness and fairness.

On appropriateness grounds, the question is whether the country can afford $400 billion a year deficits over the next decade, $600 billion a year if Social Security is removed from the equation.

On fairness grounds, the question is whether the $93,000, which will be saved by an individual with a million dollars of income, is credible when the savings for a middle income carpenter is likely to be substantially less than 1 percent of this amount.

While tax cuts, of course, benefit those who pay taxes, higher income individuals particularly, the approach the House is advancing today may be the most regressive in American history.

For the past century the American consensus has been that our tax system should have graduation. The well-to-do should pay a somewhat higher rate than the less well-to-do.

This tax cut reverses this consensus. The middle class will pay more than the poor, but the rich will pay at a lower rate than the middle class and in some cases the working poor.

This is not fair. Indeed, it is unconscionable. Wealth divisions in America will be accentuated by this tax approach and the burden of supporting government will be so shifted that according to Warren Buffet, it will amount to class welfare for high income Americans.

There are in this bill certain attractive features. But on balance and on the whole, the case for it is thoroughly uncompelling. It may be good politics, but it is dubious economics.

Mr. PASTOR. Mr. Speaker, I rise this evening to express my opposition to this Conference Agreement.

This country needs jobs. Since Inauguration Day in January, 2001, more than 2.7 million people in this country have lost their jobs. Though we took the important step today in this House to extend unemployment benefits for those still unable to find work, the most important piece of legislation we will pass today, the duplicitously named Jobs and Growth Reconciliation Tax Act, is one that will do nothing to help them get another job. It will do nothing to stimulate the economy. It will do nothing to cause the large corporations in this country to create jobs. It will do nothing to convince the small businessman to add a position or two to his payroll.

The only thing this bill will do is put this nation further in debt and create bitter fiscal hardships for future generations. I suppose if there is a bright side to this bill it is that it increases the debt by only $350 billion, whereas the President initially wanted to add another $726 billion in deficit spending.

But, don't be fooled. This $350 billion still comes at the cost of the Social Security Trust Fund. It still comes at the cost of missing another opportunity to help elder Americans buy their prescription drugs. It still comes at the cost of falling down schools and the falling down dreams of the working single mother trying to find a way to put her children through college.

The President has once again found a way to take care of the people who need taking care of the least. He has promoted a tax bill that makes the wealthy wealthier, while doing nothing for the working men and women of America. And, while the working class is left further behind, the people who are unable to find work, the unemployed, are completely abandoned.

Difficult economic times require bold and innovative solutions. This bill is only bold in its unfairness, and only innovative in its injustice.

I urge my colleagues to reject this misguided legislation.

Mr. CASTLE. Mr. Speaker, I rise in support of the conference report on H.R. 2, the Jobs and Economic Growth Reconciliation Tax Act of 2003. This bill is a responsible effort to address the economic needs and concerns of all Americans. This bill is a dramatic improvement over the tax legislation previousl considered by the House, which I opposed. It is more targeted to help American workers and families now and it is lower in cost and more fiscally responsible.

This bill will provide $330 billion in tax relief to American taxpayers and $20 billion in fiscal aid to the States. More than 272,000 households in Delaware will receive tax relief and hundreds of millions of dollars will be pumped into the Delaware economy to create jobs. To complement this effort, at my urging, Congress has also just voted to extend unemployment benefits for an additional 13 weeks bringing another $16.5 million to our State and much needed relief to Delawareans looking for work.

The final agreement is a fair compromise that reduced the overall cost of the legislation to a level that is fiscally responsible. This final tax relief legislation meets the key tests that I urged the House and Senate to achieve.

First, I urged that this tax relief be better targeted to provide an immediate boost to the economy. The final compromise will provide immediate relief to working Americans to put more money in their pockets now to help strengthen the economy this year. As soon as this legislation is enacted, American workers will have fewer taxes withheld from their paychecks, giving 88,000 Delaware households more money for the daily needs of their families. In addition, this bill will increase the child tax credit from $600 to $1,000 giving 77,000 Delaware families with dependent children a rebate check this summer of up to $400 per child. This additional disposable income spent by families will in turn help our businesses, communities and the economy this year.

The legislation will provide tax relief to all working Americans. It speeds the reduction in tax rates for all Americans to give them more income as soon as possible. By expanding the 10 percent tax bracket immediately, this legislation will benefit 212,000 Delaware households, including low and moderate income workers by taxing the first $14,000 of income for couples and $7,000 for single people at a lower 10 percent rate. In addition, it accelerates relief from the marriage penalty tax to 105,000 Delaware marriaged couples.

The bill will help small businesses by immediately increasing the amount they can deduct for new equipment and other expenses. That will encourage business owners to buy equipment now and make other investments that will build their businesses and create new jobs.

The tax relief provisions in this revised legislation are geared to have the most immediate impact in the next 2 years. I had urged that these changes be made to help boost the economy now without adding unnecessary long-term costs to our government.

Second, the final bill also recognizes that there are other pressing needs in our Nation

that must be addressed in addition to tax relief. This compromise will provide our states with financial assistance that will support programs to help individuals in need. Most states, including my home State of Delaware, are experiencing difficult budgetary times that has caused them to limit spending on important programs. This legislation will provide $20 billion in aid to the States over the next 2 years. This aid includes $10 billion for essential government services, of which Delaware is estimated to receive $50 million, and $10 billion specifically for Medicaid, the federal-state partnership to provide important medical care to low-income individuals. Delaware's share of the Medicaid funds could be as high as $28 million. This $78 million in aid to Delaware was not included in the original House-passed bill and I am pleased it was added in this final version.

Third, I had urged that the original proposal to eliminate the double taxation of dividends be modified to have a greater immediate economic stimulus and to limit the impact of this tax cut on the federal budget deficit. This issue has been addressed. I opposed the original proposal to eliminate the taxation of dividends because I did not believe we could afford the original $395 billion cost of that single proposal at this time. This compromise would not eliminate the tax on dividends, but it would reduce the rates on capital gains and dividends through 2008. This will provide an incentive for investment, at a much lower cost than the original proposal. With new investment in business ventures, new jobs will be created.

Finally, I am pleased that the cost this final legislation has been significantly reduced from earlier proposals and represents a more fiscally responsible effort to provide tax relief to create jobs and strengthen our economy. This was a top priority for me because I am a strong advocate of balancing the federal budget, and I believe that any effort to stimulate the economy must be weighed against other needs and the importance of returning the federal budget to balance. I opposed the original House Budget Resolution which called for $750 billion in tax relief because I did not believe it was affordable at a time when we have critical new national security requirements and other needs. That budget plan called for a $750 billion tax cut as well as unfair and unsustainable reductions in important programs like health care, education and the environment. I opposed those and was pleased that the final budget plan did not include those cuts. I also opposed the first tax relief bill passed by the House because its cost of $550 billion was still too great for our current budget limits. In response to the concerns expressed by me and others in the Senate and House, a fair compromise has been reached that will provide $330 billion in tax relief to all working Americans, as well as $20 billion in direct aid to the States.

Some of the tax relief in this bill is temporary, to stimulate the economy now and reduce the long-term cost of the legislation. Those provisions are part of the compromise and are certainly not a perfect solution. Some argue that if future Congresses extend these provisions, the long-term costs of the tax relief to the government are far higher. The sunsets act as a budget trigger that will force Congress to revisit these issues with new information and debate the best course of action on whether to extend the tax cuts beyond the years contained in this bill.

Earlier this month, I called on Congress to put together a bill that would provide tax relief now to individual Americans, families and small businesses in a fiscally responsible manner. I stressed that a package could be assembled that did not exceed $350 billion. Those tests have been met. As I stated, effective governing requires careful decisions and painful compromises. All of us involved in the debate have had to make compromises. That effort has produced a bill that will return more of their hard-earned money to working Americans, create jobs for unemployed Americans, and help our state governments meet the budget challenges they are facing. I am proud to have worked hard to ensure that this bill fairly addresses the need to provide tax and financial relief now, while recognizing that we must not jeopardize our efforts to maintain fiscal responsibility in our government in the future. This bill is a fair effort to meet those tests and I support its passage to help all Americans and our nation.

Ms. McCARTHY of Missouri. Mr. Speaker, our economy is on the ropes, with unemployment rising, investments eroding, and families feeling increasingly insecure about their futures. We have serious problems. But they will not be solved by wrong remedies.

I will vote against this bill tonight for two reasons: First, it is bad tax policy and questionable politics. And second, it is reckless and irresponsible fiscal policy, and we can't afford it.

Basic principles of tax policy include certainty and fairness.

This bill isn't certain. It undermines rational tax planning or responsible budgeting. It shoehorns a size ten tax cut into a size three budget. That may be impressive acrobatics, with enough twists and turns to rival a pretzel. But it's bad policy, as even the sponsors candidly acknowledge.

To fit under the budget caps, the bill has more sunsets than a Florida vacation: now you see the tax break; now you don't. Here for two years; gone tomorrow. Every provision but one in the bill expires between 2004 and 2008, sinking beneath the horizon.

Taxpayers are confused now by our Tax Code. This adds complexity. Indeed, it's complexity on stilts. How can taxpayers plan with disappearing provisions? They can't. That's an antigrowth policy.

One thing is certain, however. The bill invites tax shelters. It's a bonanza for them. The Senate's curb on tax shelter abuses by corporations vanished in the conference. And loophole hunters will surely shift income from wages to capital gains when possible to take advantage of lower rates.

Nor is the bill fair. Look at the numbers. Over half of the tax cuts go to the wealthiest five percent of taxpayers. Almost two-thirds goes to the top 10 percent. But the bottom 60 percent of taxpayers get only 8 percent of the tax cuts, averaging less than $100 a year over the next 4 years.

An Urban-Brookings Institution Tax Policy Center analysis shows that 36 percent of all U.S. households would receive no tax cut at all in 2003 under the conference bill, and 53 percent of households would receive a tax cut of $100 or less.

For households in the middle of the income spectrum—the middle fifth of households—the average tax cut in 2003 would be $217. But taxpayers with incomes about $1 million a year would average over $90,000. That's not fair.

Someone once said that you need to set a banquet table for the rich to get a few crumbs for the poor. This isn't even a few crumbs.

The child credit increases from $600 to $1,000 in the bill. But the refundable part of the child tax credit, targeted to working families with incomes between $10,000 and $30,000, isn't accelerated. Twelve million low-income children and their families—one of every six children in the Nation—were dropped by the conferees.

Fair? Here's what the Center for Budget and Policy Priorities said: ''The final agreement is, in fact, tilted against lower-income working families with children. The conference agreement accelerates all of the child tax credit and marriage penalty relief provisions of the 2001 tax-cut legislation that benefit middle- and upper-income families, while failing to accelerate either of the child tax credit and marriage penalty relief provisions enacted in 2001 that are targeted on low- and moderate-income working families. The consequence is that low-income working families—the very group most likely to spend rather than save any tax-cut dollars they receive—are largely left out of the legislation.''

There was also case to be made for eliminating the double taxation of dividends—also good tax policy, if we could afford it. But this bill skipped that, too.

So it is bad tax policy, lacking fairness or certainty, and missing the reforms and balance so essential to good legislation.

And I will vote against this bill also because it's irresponsible fiscal policy.

I think America knows we're borrowing money to pay for this, that it deepens our budget deficit, that it risks our future. And the polls reflect that. So America understands.

But our citizens may not realize how reckless this tax cut really is. President Bush proposed a $726 billion tax cut over 10 years. We couldn't afford that since our surpluses have evaporated. But this bill will cost far, far more. It's a Trojan Horse of hidden costs.

This bill is advertised as costing $350 billion, less than half of Mr. Bush's cuts. But if the bill's provisions, except the Alternative Minimum Tax brief relief, are extended, as all observers seem to expect, the cost through 2013 will be $807 billion to $1.06 trillion. And we clearly can't afford that—deficits as far as the eye can see, as we hand the bill to our children and grandchildren.

Mr. Speaker, the goals originally set for this bill are noble, and needed: jobs, growth, tax relief. Unfortunately, the result in this conference bill fall short. There are measures we could have passed that would have provided the right balance and the right help. But this isn't one of them. Instead, it is the height of fiscal folly.

And so, Mr. Speaker, this bill is bad tax policy, bad fiscal policy, unfair, and unwise. It helps those who don't need help. It hurts those who do. And we can't afford it.

I urge my colleagues to vote no on H.R. 2.

Mr. FALEOMAVAEGA. Mr. Speaker, I want to thank my distinguished friend and colleague from New York, the Ranking Member of the Ways and Means Committee, for giving me this opportunity to define the congressional intent of the temporary fiscal relief fund for American Samoa.

Congressman RANGEL, based on our discussions and as a result of our bi-partisan efforts, it is my understanding that American Samoa will receive a temporary payment of approximately $5 million in fiscal year 2003 and $5 million in fiscal year 2004 under the provisions of the Jobs and Growth Reconciliation Tax Act of 2003 to improve education, health care services, transportation, law enforcement and for maintaining other essential government services.

Based on my discussions with the gentleman from New York and distinguished members of the Ways and Means Committee, it is also my understanding that in the case of American Samoa it is the intent of Congress that these temporary funds should be used for the following purposes and in the following way. For fiscal year 2003, $1 million shall be used for feasibility studies for harbor renovations at Tau and Anuu, $1.5 for village water renovation projects in Leone, Olosega/Sili, and Tau, $1 million for the LBJ Medical Center to train nurses and doctors, and $1.5 million to improve high school libraries. For fiscal year 2004, $5 million shall be used to purchase a ferry to transport passengers and cargo between the islands of Manua and Tutuila.

I want to thank the gentleman from New York and I also want to thank the Chairman, the gentleman from California, for offering me this time to clarify the intended use of American Samoa's temporary fiscal relief funds.

Again, I appreciate and thank the gentleman from New York and the gentleman from California for supporting my request to include the intent of the Collins amendment in the conference report which was helpful in providing flex aid to the States and Territories. I am also appreciative to you both for clarifying the intended use of American Samoa's funds.

Mr. ETHERIDGE. Mr. Speaker, I rise in strong opposition to this Republican tax bill that will add a trillion dollars to the national debt, raise interest rates and will do nothing to create jobs, build schools, expand health care or jump-start our Nation's economy. The American people deserve better. The Democratic plan will responsibly create one million jobs and provide for a strong economic recovery and a prosperous America.

Let me state that I strongly support some provisions of this bill. The child tax credit increase to $1,000 has been a priority of mine, and the marriage penalty relief, expanding the lowest tax bracket and some of the small business incentives are good public policy. But, although I strongly support these provisions, they cannot overcome the fundamental flaws of this bill.

Mr. Speaker, too many people in my home state are hurting. More than 129,000 North Carolina workers have lost their jobs in the past 2 years. The Raleigh News and Observer reported this morning that as many as 60 percent of North Carolina families do not make enough money to meet even basic living standards. The story cites a report titled, ''Working Hard Is Still Not Enough'' that describes an economy split between well-paid, well-educated workers on the one hand, and low-paid, low-skilled workers on the other. We need a responsible plan to jump-start the economy now, create new jobs and provide for prosperity for hard-working Americans.

One of my first votes as a Member of this House was to put the federal government on the path to a balanced budget. I am very proud that the fiscal discipline we demonstrated in my first term helped to balance the budget for the first time in generation and contributed to the economic strength of the 1990s that included 22 million new jobs created and the greatest migration of American families from poverty to the middle class in our nation's history. Unfortunately, the record of the last several years has been a dramatic movement in the wrong direction. We've lost nearly 3 million jobs since the beginning of 2001, and a million people have fallen out of the middle class and into poverty. We can do better, and the American people deserve better than that sorry record.

I have joined my Democratic colleagues in support of a better plan. The fiscally responsible Rebuilding America Through Jobs Act will provide real help to those who have lost their jobs, help families weather this economic storm and jump-start the economy to create new jobs and generate greater prosperity for all Americans.

Specifically, the Democratic bill will continue and expand extended unemployment benefits for nine months, providing 26 weeks of federal benefits for dislocated workers. It expands the work opportunity tax credit to give up to a $2,400 credit to employs for hiring long-term unemployed workers. It increases the child tax credit and expands the number of families receiving the credit. It accelerates the marriage penalty relief and the widening of the 10 percent tax rate bracket to allow more taxpayers to pay at the lower rate.

The Democratic bill provides $18 billion in assistance to the states for Medicaid and provides $26 billion for homeland security, transportation infrastructure and education. It expands to $75,000 for 2 years the amount of new investments small businesses can deduct from their taxes, allows all firms an accelerated bonus depreciation of 50 percent for 12 months and reduces the corporate tax rate by 3.5 percentage points. And the Democratic bill maintains fiscal responsibility by suspending future tax cuts for the wealthiest few in this country.

Mr. Speaker, with the national debt spiraling out of control, the first step Congress should take is to stop the hemorrhaging. Today the national debt stands at $6.4 trillion, and this Republican tax bill will immediately add $350 billion to that debt. That $350 billion could be used to hire 32,369 teachers in my state or provide health care to 921,620 North Carolina children. Today's Charlotte Observer called the tax bill ''as Texans might say, all hat and no cattle.''

Finally, Mr. Speaker, as leaders of our national government, our job is to honor the values of the American people by being responsible stewards of our society, nurturing our children and building a stronger America. This bill fails on all counts. It is a massively irresponsible giveaway of the public treasury. It leaves our children and grandchildren a crushing national debt that condemns them to endless struggle. And it handcuffs our ability to address national priorities like providing national security, protecting the homeland, building quality schools, providing health care for our families and creating jobs for American workers.

America deserves better. I urge my colleagues to vote against this bill.

Ms. SCHAKOWSKY. Mr. Speaker, I rise in strong opposition to H.R. 2, the so-called Jobs Growth Tax Act. This legislation embraces President Bush's failed economic policies that have damaged the economy. This legislation is in fact a job killing package put forth by the Republican job killing machine that has already cost our country over 2 million jobs and $7 trillion.

When President Bush first came to office to promote his $1.2 trillion tax cut he promised that it would create jobs and help strengthen our economy. Now 2 years later, it is clear that the President has failed to deliver on his promises. The numbers prove that his economic policies have completely failed our country.

Since President Bush came to office we have lost 2.7 million private sector jobs. Illinois has lost over 109,000 jobs since Bush took office—93,000 from the Chicago area. Nationwide, the number of people who have been out of work for 6 months or more has tripled under the President's leadership.

Our State and local governments are paying the price for the President's failures. States budget shortfalls are expected to reach as high as $80 billion in 2004. In Illinois the figure is $5 billion, it may actually be higher. State and local governments have been forced to raise sales and property taxes to keep their schools open and to pay for the most basic of services. Working families and seniors are forced to pay more in taxes to pay for Republican tax cuts.

When President Bush took office we had a $5.6 trillion 10-year surplus. We now have a $2 trillion deficit over the same period of time. According to CBO, the President's tax cut not the war on terrorism accounts for the growth in deficit.

Corporate greed and conflicts of interest have hurt our economy. Approximately $4.6 trillion in stock market wealth has evaporated since President Bush took office. Many workers and retirees have lost all their savings. Meanwhile, politically connected CEO's have escaped with billions. Corporate fraud and greed have undermined confidence in our financial markets.

Given all of these facts, it should come as no surprise that consumer confidence is at its lowest level in a decade. It should also come as no surprise that the chairman of SEC, Secretary of the Treasury, and director of the OMB have all stepped down.

So how do the President and Republican leaders in Congress respond to this crisis? By proposing more of the same failed policies that put us in this predicament in the first place. It is often said that insanity is defined as doing the same thing over and over again and hoping for a different result.

History has proven time and time again that the Republican tax plan will do nothing to help those who really need it and it will fail to give the economy the immediate boost it needs. The proposal to lower taxes on dividends will only generate nine cents of stimulus for every dollar spent. This is a sham growth package. It will cost us in dollars and in jobs.

Over 400 economists oppose cutting taxes on dividends, including many Nobel laureates. Republicans and Democrats alike have criticized the proposal to lower taxes on dividends. Former Federal Reserve Chairman Volker and former Treasury Secretaries Peter G. Peterson and Robert Rubin have called the

proposal to reduce taxes in dividends, ''ill-logical'' and ''not useful for short-term fiscal stimulus . . . nor would (the tax cuts) spur long-term economic growth.''

Meanwhile this legislation fails to embrace policies that will stimulate the economy. For example, extending unemployment produces at least $1.73 of spending for every dollar spent. But this plan provides no aid for the unemployed who have exhausted their benefits. In contrast, the Democratic alternative, which the Republican majority did not allow us to debate a few weeks ago an alternative that would include $27 billion for extending unemployment. Our plan would create 1 million jobs over 10 years without increasing debt.

This conference report does little to help working families. According to the Wall Street Journal, 53 percent of taxpayers would get less than $100. This legislation provides only $20 billion for the States over the next 2 years. When this bill was passed a few weeks ago, House Democrats wanted to provide $44 billion in State aid for health care, education, infrastructure improvements and homeland security. Once again, we were denied an opportunity to vote on our plan, and the American people will pay the price.

The Republican plan does nothing to close corporate loopholes. Corporate taxes are only 1.3 percent of GDP. This is the lowest they have been since the early 1980s. Last year, less than half of actual total corporate profits were subject to corporate income tax. CSX, under Treasury Secretary Snow's leadership, paid no Federal income taxes on its $934 million in profits; instead it got a tax rebate of $164 million. And Secretary Snow will benefit from this legislation to the tune of $100,000.

This conference report is yet another reckless plan to cut taxes for the rich and do nothing for the rest. It is class warfare with the Bush class waging war against the middle class.

This ill-conceived plan will place more of a burden on working families who are struggling to make ends meet to pay for housing, prescription drugs, and other necessities. I agree with my Republican colleague, STEVE LATOURETTE, who recently said, ''Nobody in my district is screaming for tax cuts, they are screaming for a prescription drug benefit.'' In the 9th Congressional District my constituents will tell you they want jobs and prescription drug coverage any day over tax cuts for the wealthiest Americans.

I would like to remind my colleagues on the other side of the aisle, that you cannot have it both ways. By spending money on tax cuts for the wealthiest 1 percent of earners and tax dodging corporations we will raise the debt and have less money to pay for prescription drugs, veterans' health, and keeping Social Security solvent.

I urge all my colleagues to vote against this conference report and to instead support the Democratic plan to create jobs and spur economic growth. Democrats want to help our economy by putting money in the hands of people that will spend it. I urge all my colleagues to oppose this conference report.

Ms. KILPATRICK. Mr. Speaker, I rise tonight in opposition to H.R. 2, the conference report that gives a tax cut to people earning over $300,000 per year, and robs the Federal Treasury of needed revenue to fund health care, education, and unemployment opportunities for millions of Americans.

The conference report does nothing to significantly improve the financial plight of destitute and dispirited unemployed and underemployed workers. Over 2.7 million jobs have been lost over the past 2 years, and H.R. 2 will not provide relief to them. The conference report is still terribly skewed towards the wealthy. The measure before us contains a useful provision that increases the child credit from $600 to $1,000. The increase is premised on the flawed notion that a tax credit is equivalent to disposable income. The bottom line is, unemployed and poor people need employment and disposable income, not the expansion of a tax credit.

I also want to emphasize that States around the country, and in particular, Michigan, will still have to confront the reality of escalating budget deficits and fewer dollars from the Federal Government to fund needed services.

As we debate the issues before us, I must emphasize that I do not subscribe to supply-side economic theory, and apparently, neither does Federal Reserve Chairman Alan Greenspan, who has criticized the efficacy and timing of the tax cut that is about to be enacted.

Mr. Speaker, I continue to be outraged that the majority persists in engaging in backroom negotiations devoid of input from Democratic conferees. Democrats have been marginalized at every juncture in the conference process. I remain resolute in my refusal to yield. I also want to advise my colleagues and the American public of a critical point—Republicans are making grandiose promises that will never be realized. In the near future, we will all witness the folly of H.R. 2, and experience the inevitable economic pain that will befall our Nation in the aftermath of this massive and ill-advised tax cut. For these reasons, I urge my colleagues to vote no on H.R. 2.

The SPEAKER pro tempore. All time has expired.

Pursuant to House Resolution 253, the previous question is ordered.

The question is on the conference report.

Pursuant to House Resolution 253, the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 231, nays 200, not voting 4, as follows:

[Roll No. 225]

YEAS—231

Aderholt
Akin
Alexander
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole
Collins
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Hall
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (KY)
Lucas (OK)
Manzullo
Marshall
Matheson
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Scott (GA)
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NAYS—200

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clay
Clyburn
Conyers
Cooper
Costello
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gephardt
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Leach
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lynch
Majette
Maloney
Markey
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell

Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOT VOTING—4

Boehner
Bonilla
Combest
Emerson

□ 0156

Mrs. CUBIN changed her vote from ''nay'' to ''yea.''

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PROVIDING FOR AN ADJOURNMENT OR RECESS OF THE TWO HOUSES

Mr. DELAY. Mr. Speaker, I send to the desk a privileged concurrent resolution (H. Con. Res. 191) and ask for its immediate consideration.

The Clerk will report the concurrent resolution.

The Clerk read as follows:

H. CON. RES. 191

Resolved by the House of Representatives (the Senate concurring), That when the House adjourns on the legislative day of Thursday, May 22, 2003, Friday, May 23, 2003, or Saturday, May 24, 2003, on a motion offered pursuant to this concurrent resolution by its Majority Leader or his designee, it stand adjourned until 2 p.m. on Monday, June 2, 2003, or until Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first; and that when the Senate recesses or adjourns on Friday, May 23, 2003, or Saturday, May 24, 2003, on a motion offered pursuant to this concurrent resolution by its Majority Leader or his designee, it stand recessed or adjourned until noon on Monday, June 2, 2003, or at such other time on that day as may be specified by it Majority Leader or his designee in the motion to recess or adjourn, or until Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first.

SEC. 2. The Speaker of the House and the Majority Leader of the Senate, or their respective designees, acting jointly after consultation with the Minority Leader of the House and the Minority Leader of the Senate, shall notify the Members of the House and the Senate, respectively, to reassemble at such place and time as they may designate whenever, in their opinion, the public interest shall warrant it.

The SPEAKER. The resolution is not debatable.

The question is on the resolution.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. HOYER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 213, nays 195, not voting 27, as follows:

[Roll No. 226]

YEAS—213

Aderholt
Akin
Bachus
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Castle
Chabot
Chocola
Coble
Cole
Collins
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Dreier
Duncan
Dunn
Ehlers
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastert
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
Leach
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Pearce
Pence
Peterson (PA)
Petri
Pickering
Platts
Pombo
Porter
Portman
Putnam
Quinn
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Stearns
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)

NAYS—195

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Berry
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Clyburn
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dingell
Doggett
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gephardt
Gonzalez
Gordon
Green (TX)
Grijalva
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Larsen (WA)
Larson (CT)
LaTourette
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Nadler
Napolitano
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Snyder
Solis
Spratt
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Visclosky
Waters
Watson
Watt
Weiner
Wexler
Whitfield
Woolsey
Wu
Wynn

NOT VOTING—27

Baker
Bonilla
Clay
Combest
Dicks
Dooley (CA)
Doolittle
Emerson
Fossella
Gutierrez
Jones (NC)
Lantos
Lipinski
Matsui
Murtha
Neal (MA)
Paul
Pitts
Pryce (OH)
Radanovich
Schrock
Smith (WA)
Stark
Tiahrt
Velazquez
Waxman
Young (FL)

□ 0214

So the concurrent resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. DELAY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the conference report on H.R. 2.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Texas?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY, JUNE 4, 2003

Mr. DELAY. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday, June 4, 2003.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

□ 0215

CONDITIONAL ADJOURNMENT OF THE HOUSE TO TUESDAY, MAY 27, 2003

Mr. DELAY. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 2 p.m. on Tuesday, May 27, 2003, unless it sooner has received a message from the Senate transmitting its concurrence in House Concurrent Resolution 191, in which case the House shall stand adjourned pursuant to that concurrent resolution.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from Texas?

There was no objection.

APPOINTMENT OF THE HONORABLE TOM DAVIS OF VIRGINIA, OR THE HONORABLE MIKE PENCE, TO ACT AS SPEAKER PRO TEMPORE TO SIGN ENROLLED BILLS AND JOINT RESOLUTIONS THROUGH JUNE 2, 2003

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
May 23, 2003.

I hereby appoint the Honorable TOM DAVIS or, if not available to perform this duty, the Honorable MIKE PENCE to act as Speaker pro tempore to sign enrolled bills and joint resolutions through June 2, 2003.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

The SPEAKER pro tempore. Without objection, the appointment is approved.

There was no objection.

DECLARATION OF NATIONAL EMERGENCY TO PROTECT THE DEVELOPMENT FUND FOR IRAQ AND CERTAIN OTHER PROPERTY IN WHICH IRAQ HAS AN INTEREST—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 108–76)

The Speaker pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on International Relations and ordered to be printed.

To the Congress of The United States:

Consistent with section 204(b) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(b) (IEEPA), section 5 of the United Nations Participation Act (22 U.S.C. 287c) (UNPA), and section 301 of the National Emergencies Act, 50 U.S.C. 1631, I hereby report that I have exercised my authority to declare a national emergency to deal with the unusual and extraordinary threat posed to the national security and foreign policy of the United States by the threat of attachment or other judicial process against the Development Fund for Iraq, Iraqi petroleum and petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale or marketing thereof, and interests therein.

A major national security and foreign policy goal of the United States is to ensure that the newly established Development Fund for Iraq and other Iraqi resources, including Iraqi petroleum and petroleum products, are dedicated for the well-being of the Iraqi people, for the orderly reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, for the costs of indigenous civilian administration, and for other purposes benefiting the people of Iraq. The Development Fund for Iraq and other property in which Iraq has an interest may be subject to attachment, judgment, decree, lien, execution, garnishment, or other judicial process, thereby jeopardizing the full dedication of such assets to purposes benefiting the people of Iraq. To protect these assets, I have ordered that, unless licensed or otherwise authorized pursuant to my order, any attachment, judgment, decree, lien, execution, garnishment, or other judicial process is prohibited, and shall be deemed null and void, with respect to the following:

(a) the Development Fund for Iraq, and

(b) all Iraqi petroleum and petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale and marketing thereof, and interests therein, in which any foreign country or a national thereof has any interest, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons.

In addition, by my memorandum to the Secretary of State and Secretary of Commerce of May 7, 2003 (Presidential Determination 2003–23), I made inapplicable with respect to Iraq section 620A of the Foreign Assistance Act of 1961, Public Law 87–195, as amended, and any other provision of law that applies to countries that have supported terrorism. Such provisions of law that apply to countries that have supported terrorism include, but are not limited to, 28 U.S.C. 1605(a)(7), 28 U.S.C. 1610, and section 201 of the Terrorism Risk Insurance Act.

I also have ordered that Executive Order 12722 of August 2, 1990, and Executive Order 12724 of August 9, 1990, which blocked property and interests in property of the Government of Iraq, its agencies, instrumentalities and controlled entities and the Central Bank of Iraq that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons, including their overseas branches, and Executive Order 13290 of March 20, 2003, which confiscated and vested certain Government of Iraq accounts, shall not apply to the Development Fund for Iraq or to Iraqi petroleum or petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale and marketing thereof, and interests therein.

I have delegated to the Secretary of the Treasury, in consultation with the Secretary of State and the Secretary of Defense, the authority to take such actions as may be necessary to carry out the purposes of the Executive Order, including the promulgation of rules and regulations. I have also authorized the Secretary of the Treasury to employ all powers granted to the President by IEEPA and UNPA to carry out the purposes of the Executive Order. I am enclosing a copy of the Executive Order I have issued.

GEORGE W. BUSH.

The White House, *May 22, 2003.*

PRESIDENT BUSH'S TAX CUT PROPOSAL

(Mr. EMANUEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous material.)

Mr. EMANUEL. Mr. Speaker, under the new tax cut agreement, some investors could cut their tax liability to zero.

I want to read a few excerpts today from the Wall Street Journal:

''After Congress gets through with President Bush's tax cut proposal, some rich investors may be able to avoid paying almost any taxes . . . ''

'' . . . This relatively simple strategy could become more attractive and convenient for wealthy investors because investors could obtain tax advantages . . . ''

These quotes provided by one of our papers, major papers, the Wall Street Journal.

I would like to read the headline: ''Some Investors Could Trim Their Tax Bills to Near Zero.''

It will give rich investors tax advantages that the rest of us do not enjoy. So if they are not part of the select elite, they will see their taxes, property taxes and others, go up to make up the difference for the privileged few. If they do not pay zero this year, they actually end up paying taxes. They should know that a tax bill was never intended to help them.

So I would like to submit into the RECORD the Wall Street Journal article and its headline ''Some Investors Could Trim Their Taxes to Near Zero.'' Others of us will not be able to have that advantage.

[From the Wall Street Journal, May 22, 2003]

SOME INVESTORS COULD TRIM THEIR TAX BILLS TO NEAR ZERO

(By John D. McKinnon and Ann Davis)

After Congress gets through with President Bush's tax proposal, some rich investors may be able to avoid paying almost any taxes.

The latest tax-cut proposal being honed by House and Senate leaders Wednesday night would reduce tax rates for most investors to 15 percent from the current 38.6 percent maximum for dividends; the typical 20 percent for capital gains would also shrink to 15 percent. A Senate plan would go further, allowing taxes on dividends to disappear, at least temporarily.

Those are juicy breaks by themselves, but some experts warned the potent changes could combine with other existing tax-law provisions—particularly the deductibility of interest on funds borrowed for capital investments—to give some investors very low effective tax rates or even no tax. For example, well-to-do taxpayers could borrow large sums, sheltering much of their income from personal-tax rates that would run as high as 35 percent under the bill, and invest the money in stocks paying dividends that would be taxed at very low rates. (Taxpayers may have to review some other popular investment plans.)

''I guarantee it produces very, very low [tax] rates,'' possibly even zero, says Ronald Pearlman, a tax-law professor at Georgetown University.

The strategy is available not for investors willing to borrow and invest in growth stocks that produce capital-gains income. Deductions are somewhat limited by current tax rules. Still, without changes in the rules, this relatively simple strategy could become more attractive and convenient for wealthy individuals, because investors could obtain tax advantages from investing in dividend-paying stocks as well.

And experts warned of still-more-complicated games. Officials estimated that for 2003, about $290 billion in capital-gains income and $120 billion in dividends would be subject to the new 15 percent rate. Pamela Olson, the assistant Treasury secretary for tax policy, dismissed many of the concerns as ''hyperventilating'' by congressional critics opposed to the bill.

Other experts also played down the risk of gaming the new tax rules under the emerging House-Senate compromise. Much of current tax-shelter alchemy involves trying to turn ordinary income like dividends—now taxed at the highest rates—into capital gains, which enjoy a preferential tax rate. Equalizing the rate for dividends and capital gains at 15 percent would eliminate much of that gaming and could actually simplifying the tax code somewhat.

But Ms. Olson said there are specific avoidance schemes that could be of concern in the new system, without citing examples. The Treasury might need broad authority to write rules to prevent abuses, she said. Wednesday, congressional aides were working on language that would deny the tax break for some foreign personal holding companies, which often are located in tax havens. Foreign companies with U.S. shareholders generally were going to get the break, but some further exceptions were possible.

Another potential loophole, some experts said, would allow shareholders to significantly reduce their capital-gains taxes. That would happen because the proposal as now envisioned wouldn't limit companies to distribute their current earnings. For example, a company might issue new shares as dividends until all its historical earnings and profits are distributed. Under the tax code, shareholders could be able to avoid tax on future cash dividends. This is because dividends are taxable as income only to the extent a company has any accumulated earnings and profits.

Ms. Olson said she doubted many companies would try such a move because investors would shun firms whose dividend payouts gyrated enormously from year to year.

''I just don't see how that would happen in the real world,'' she said. During debate in Congress, the administration embraced a provision that would allow companies to accumulate earnings over several years that could be used to pay out tax-free dividends, but would impose some limit on the fund.

Meanwhile, many ordinary investors also could realize more garden-variety tax savings, for example by trading in their taxable bonds for tax-advantaged stock. That would also generate a new wave of business for investment banks, whose underwriting business has been moribund.

''All manner of preferred stocks will become more popular for the retail investor'' if the plan becomes law, because of their newly tax-advantaged dividends, said Robert Willens, managing director and tax and accounting analyst for Lehman Brothers. And many companies will consider replacing their debt with equity to take advantage of the demand.

One of the products that could get a boost, he said, is convertible preferred. Another product he expects to see, which he says hasn't been issued recently, is called ''discounted preferred stock.'' It is a product similar to a zero-coupon bond, where an investor buys preferred stock at, say, $25 and can redeem it at $50 after a seven-year maturation period. The difference between the purchase price and the redemption price is treated as dividend income. In the old tax scheme, this wasn't attractive because the ''phantom'' income of $25 had to be taxed on an ''economic accrual basis'' over the seven-year period at high rates. ''But at 15%, it begins to look a lot more attractive,'' he said.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. BONILLA (at the request of Mr. DELAY) for today and the balance of the week on account of family reasons.

Mrs. EMERSON (at the request of Mr. DELAY) for today after 4:30 p.m. and the balance of the week on account of attending the graduation of her stepson at West Point, New York.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 515. An act to provide additional authority to the Office of Ombudsman of the Environmental Protection Agency; to the Committee on Energy and Commerce.

ENROLLED BILL SIGNED

Mr. Trandahl, Clerk of the House, reported and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 1298. An act to provide assistance to foreign countries to combat HIV/AIDS, tuberculosis, and malaria, and for other purposes.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 330. An act to further the protection and recognition of veterans' memorials, and for other purposes.

ADJOURNMENT

Mr. ROHRABACHER. Mr. Speaker, pursuant to House Concurrent Resolution 191, 108th Congress, I move that the House do now adjourn.

The motion was agreed to.

Accordingly, pursuant to the previous order of the House of today, the House stands adjourned until 2 p.m. on Tuesday, May 27, 2003, unless it sooner has received a message from the Senate transmitting its adoption of House Concurrent Resolution 191, in which case the House shall stand adjourned pursuant to that concurrent resolution.

Thereupon (at 2 o'clock and 17 minutes a.m., Friday, May, 23, 2003), pursuant to the previous order of the House of today, the House adjourned until 2 p.m. on Tuesday, May 27, 2003, unless it sooner has received a message from the Senate transmitting its adoption of House Concurrent Resolution 191, in which case the House shall stand adjourned pursuant to that concurrent resolution.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

2344. A letter from the Director, Regulatory Review Group, Department of Agriculture, transmitting the Department's final rule — 2002 Farm Bill — Conservation Reserve Program — Long-Term Policy (RIN: 0560-AG74) received May 19, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

2345. A communication from the President of the United States, transmitting a request to make available funds for the disaster relief program of the Department of Homeland Security; (H. Doc. No. 108—75); to the Committee on Appropriations and ordered to be printed.

2346. A letter from the Secretary, Department of Energy, transmitting the Department's Annual Report for the Strategic Petroleum Reserve, covering calendar year 2002, pursuant to 42 U.S.C. 6245(a); to the Committee on Energy and Commerce.

2347. A letter from the Chair, Commission on International Religious Freedom, transmitting the Commission's 2003 Annual Report, pursuant to 22 U.S.C. 6412 Public Law 105—292 section 102; to the Committee on International Relations.

2348. A letter from the Assistant Secretary for Legislative Affairs, Department of State, transmitting notification of intent to obligate funds for purposes of Nonproliferation and Disarmament Fund (NDF) activities; to the Committee on International Relations.

2349. A letter from the Secretary, Department of Health and Human Services, transmitting the semiannual report on the activities of the Office of Inspector General for the

period October 1, 2002 through March 31, 2003, pursuant to 5 U.S.C. app. (Insp. Gen. Act) section 5(b); to the Committee on Government Reform.

2350. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-92, ''Fiscal Year 2003 Budget Support Temporary Act of 2003'' received May 22, 2003, pursuant to D.C. Code section 1—233(c)(1); to the Committee on Government Reform.

2351. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-91, ''Disposal of District Owned Surplus Real Property Temporary Amendment Act of 2003'' received May 22, 2003, pursuant to D.C. Code section 1—233(c)(1); to the Committee on Government Reform.

2352. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-90, ''Operation Enduring Freedom and Operation Iraqi Freedom Active Duty Pay Differential Extension Temporary Amendment Act of 2003'' received May 22, 2003, pursuant to D.C. Code section 1—233(c)(1); to the Committee on Government Reform.

2353. A letter from the Chairman, Council of the District of Columbia, transmitting a copy of D.C. ACT 15-81, ''Central Detention Facility Monitoring Temporary Amendment Act of 2003'' received May 22, 2003, pursuant to D.C. Code section 1—233(c)(1); to the Committee on Government Reform.

2354. A letter from the Director of Human Resources Management, Department of Energy, transmitting a report pursuant to the Federal Vacancies Reform Act of 1998; to the Committee on Government Reform.

2355. A letter from the Secretary, Department of Housing and Urban Development, transmitting the Department's FY 2002 Report on Performance and Accountability; to the Committee on Government Reform.

2356. A letter from the Chairman and Chief Executive Officer, Farm Credit Administration, transmitting the semiannual report on the activities of the Office of Inspector General for the period October 1, 2002 through March 31, 2003, pursuant to 5 U.S.C. app. (Insp. Gen. Act) section 8G(h)(2); to the Committee on Government Reform.

2357. A letter from the Human Resources Officer, Selective Service System, transmitting a report pursuant to the Federal Vacancies Reform Act of 1998; to the Committee on Government Reform.

2358. A letter from the Acting Assistant Secretary for Fish and Wildlife and Parks, Department of the Interior, transmitting the Department's final rule — Endangered and Threatened Wildlife and Plants; Establishment of Nonessential Experimental Population Status and Reintroduction of Black-Footed Ferrets in South-Central South Dakota (RIN: 1018-AI60) received May 20, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2359. A letter from the Deputy Assistant Administrator for Regulatory Programs, NMFS, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule — Fisheries of the Exclusive Economic Zone Off Alaska; Steller Sea Lion Protection Measures Correction [Docket No. 020718172-3062-03; I. D. 051402C] (RIN: 0648-AQ08) received May 15, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2360. A letter from the Acting Director, Office of Sustainable Fisheries, NMFS, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule — Fisheries of the Exclusive Economic Zone off Alaska; Pacific Cod by Catcher Vessels less than 60 Feet Length Overall Using Hook-and-line or Pot Gear in the Bering Sea and Aleutian Islands [Docket No. 021212307-3037-02; I.D. 041803C] received May 15, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2361. A letter from the Acting Director, Office of Sustainable Fisheries, NMFS, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule — Fisheries of the Exclusive Economic Zone Off Alaska; Pacific cod by Vessels Catching Pacific Cod for Processing by the Offshore Component in the Western Regulatory Area of the Gulf of Alaska [Docket No. 021122286-3036-02; I.D. 042203A] received May 15, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2362. A letter from the Acting Director, Office of Sustainable Fisheries, NMFS, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule — Pacific Halibut Fisheries; Catch Sharing Plan; Correction [Docket No. 030124019-3040-02; I.D. 010703B] (RIN: 0648-AQ67) received May 15, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2363. A letter from the Acting Director, Office of Sustainable Fisheries, NMFS, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule — Fisheries of the Exclusive Economic Zone Off Alaska; Yellowfin Sole by Vessels Using Trawl Gear in the Bering Sea and Aleutian Islands Management Area [Docket No. 021212307 3037-02; I.D. 042903A] received May 15, 2003, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

2364. A letter from the Director, National Oceanic and Atmospheric Administration, transmitting the 2002 report on the Status of Fisheries of the United States; to the Committee on Resources.

2365. A letter from the Director, Administrative Office of the U.S. Courts, transmitting two reports on the 2002 Activities of the Administrative Office of the United States Courts and the 2002 Judicial Business of the United States Courts, pursuant to 28 U.S.C. 604(a)(4), (h)(2), and 2412(d)(5); to the Committee on the Judiciary.

2366. A letter from the Secretary, Department of Health and Human Services, transmitting the Department's report pursuant to the Assets for Independence Act of the Community Opportunities, Accountability, and Training and Educational Services Act of 1998, Pub. L. 105-285, as amended; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SENSENBRENNER: Committee on the Judiciary. H.R. 1086. A bill to encourage the development and promulgation of voluntary consensus standards by providing relief under the antitrust laws to standards development organizations with respect to conduct engaged in for the purpose of developing voluntary consensus standards, and for other purposes (Rept. 108–125). Referred to the Committee of the Whole House on the State of the Union.

Mr. THOMAS: Committee of Conference. Conference report on H.R. 2. A billion to amend the Internal Revenue Code of 1986 to provide additional tax incentives to encourage economic growth (Rept. 108–126). Ordered to be printed.

Mr. BOEHNER: Committee on Education and the Workforce. H.R. 1119. A bill to amend the Fair Labor Standards Act of 1938 to provide compensatory time for employees in the private sector (Rept. 108–127). Referred to the Committee of the Whole House on the State of the Union.

Mr. BOEHLERT: Committee on Science. H.R. 238. A bill to provide for Federal energy research, development, demonstration, and commercial application activities, and for other purposes; with an amendment (Rept. 108–128 Pt. 1). Ordered to be printed.

Mr. REYNOLDS: Committee on Rules. House Resolution 253. Resolution waiving points of order against the conference report to accompany the bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004 (Rept. 108–129). Referred to the House Calendar.

TIME LIMITATION OF REFERRED BILL PURSUANT TO RULE XII

Pursuant to clause 2 of rule XII the following action was taken by the Speaker:

H.R. 238. Referral to the Committee on Resources extended for a period ending not later than June 27, 2003.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XII, public bills and resolutions were introduced and severally referred, as follows:

By Ms. ESHOO (for herself, Mr. ENGLISH, Ms. DELAURO, Mr. GEORGE MILLER of California, Mrs. NAPOLITANO, Ms. BALDWIN, Mr. UDALL of New Mexico, Ms. SLAUGHTER, Ms. CORRINE BROWN of Florida, Mr. BROWN of Ohio, and Mr. WAXMAN):

H.R. 2203. A bill to clarify the authority of the Secretary of Agriculture to prescribe performance standards for the reduction of pathogens in meat, meat products, poultry, and poultry products processed by establishments receiving inspection services and to enforce the Hazard Analysis and Critical Control Point (HACCP) System requirements, sanitation requirements, and the performance standards; to the Committee on Agriculture, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. MANZULLO:

H.R. 2204. A bill to amend the provisions of titles 5 and 28, United States Code, relating to equal access to justice, award of reasonable costs and fees, and administrative settlement offers, and for other purposes; to the Committee on the Judiciary, and in addition to the Committee on Small Business, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. LEWIS of Georgia (for himself and Mr. KINGSTON):

H.R. 2205. A bill to establish within the Smithsonian Institution the National Museum of African American History and Culture, and for other purposes; to the Committee on House Administration, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CALVERT (for himself, Mr. LEWIS of California, Mrs. BONO, Mr. ISSA, and Mr. BACA):

H.R. 2206. A bill to designate a Prisoner of War/Missing in Action National Memorial at Riverside National Cemetery in Riverside, California; to the Committee on Veterans' Affairs.

By Mr. MARKEY (for himself, Mr. GEORGE MILLER of California, Mr. PASCRELL, Mr. FRANK of Massachusetts, Mr. PALLONE, Mr. NEAL of Massachusetts, Ms. SCHAKOWSKY, Mr. MCGOVERN, Mrs. MALONEY, and Mr. TIERNEY):

H.R. 2207. A bill to restore the jurisdiction of the Consumer Product Safety Commission over amusement park rides which are at a fixed site, and for other purposes; to the Committee on Energy and Commerce.

By Mr. DELAY (for himself, Mr. HILL, Mr. ALEXANDER, Mr. BALLENGER, Mr. BALLANCE, Mr. BARRETT of South Carolina, Mr. BARTON of Texas, Mr. BEAUPREZ, Mr. BELL, Mr. BILIRAKIS, Mr. BISHOP of Georgia, Mrs. BLACKBURN, Mr. BOEHNER, Mr. BOUCHER, Mr. BRADY of Texas, Ms. GINNY BROWN-WAITE of Florida, Mr. BURGESS, Mr. BURR, Mr. BURTON of Indiana, Mr. BUYER, Mr. CAMP, Mr. CARSON of Oklahoma, Ms. CARSON of Indiana, Mr. CARTER, Mr. CHOCOLA, Mr. COBLE, Mr. COLLINS, Mr. COMBEST, Mr. CONYERS, Mr. CULBERSON, Mr. DAVIS of Florida, Mr. DAVIS of Tennessee, Mr. DEAL of Georgia, Mr. DEMINT, Mr. LINCOLN DIAZ-BALART of Florida, Mr. DINGELL, Mr. DOGGETT, Mr. EDWARDS, Mr. EHLERS, Mr. ETHERIDGE, Mr. FEENEY, Mr. FERGUSON, Mr. FOLEY, Mr. FORBES, Mr. FORD, Mr. FROST, Mr. FRANKS of Arizona, Mr. GILLMOR, Mr. GINGREY, Mr. GOODE, Mr. GORDON, Mr. GOSS, Mr. GREEN of Texas, Mr. HALL, Ms. HARRIS, Mr. HASTINGS of Florida, Mr. HAYES, Mr. HENSARLING, Mr. HINOJOSA, Mr. HOEKSTRA, Mr. HOSTETTLER, Mr. ISAKSON, Mr. JEFFERSON, Mr. JENKINS, Mr. JOHN, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. SAM JOHNSON of Texas, Mr. JONES of North Carolina, Mr. KELLER, Mr. KILDEE, Ms. KILPATRICK, Mr. KINGSTON, Mr. KNOLLENBERG, Mr. KOLBE, Mr. LAMPSON, Mr. LATOURETTE, Mr. LEVIN, Mr. LEWIS of Kentucky, Mr. LINDER, Mr. MCCOTTER, Mr. MCINTYRE, Ms. MAJETTE, Mr. MARSHALL, Mr. MEEK of Florida, Mr. MILLER of North Carolina, Mrs. MILLER of Michigan, Mr. MILLER of Florida, Mr. MORAN of Virginia, Mrs. MYRICK, Mr. NEY, Mr. NORWOOD, Mr. ORTIZ, Mr. OXLEY, Mr. PAUL, Mr. PENCE, Mr. PORTMAN, Mr. PRICE of North Carolina, Mr. PUTNAM, Mr. RODRIGUEZ, Mr. ROGERS of Michigan, Ms. ROS-LEHTINEN, Mr. SANDLIN, Mr. SCHROCK, Mr. SCOTT of Georgia, Mr. SESSIONS, Mr. SHAW, Mr. SMITH of Texas, Mr. SMITH of Michigan, Mr. SOUDER, Mr. SPRATT, Mr. STENHOLM, Mr. STEARNS, Mr. STRICKLAND, Mr. STUPAK, Mr. TANNER, Mr. TAUZIN, Mr. TAYLOR of North Carolina, Mr. THORNBERRY, Mr. TIBERI, Mr. TURNER of Texas, Mr. TURNER of Ohio, Mr. UPTON, Mr. VISCLOSKY, Mr. WAMP, Mr. WATT, Mr. WEXLER, Mr. WILSON of South Carolina, and Mr. WOLF):

H.R. 2208. A bill to amend title 23, United States Code, relating to the minimum guarantee program; to the Committee on Transportation and Infrastructure.

By Mr. DINGELL:

H.R. 2209. A bill to require that diesel fuel sold in the United States meet specifications designed to facilitate the widespread introduction of clean diesel vehicles in the United States, and for other purposes; to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CASTLE (for himself, Mr. BOEHNER, Mr. REGULA, Mr. WILSON of South Carolina, Mr. CUNNINGHAM, Mr. MURPHY, Mr. ISAKSON, Mr. MCKEON, and Mr. BROWN of South Carolina):

H.R. 2210. A bill to reauthorize the Head Start Act to improve the school readiness of disadvantaged children, and for other purposes; to the Committee on Education and the Workforce.

By Mr. GINGREY (for himself, Mr. BOEHNER, Mr. MCKEON, and Mr. WILSON of South Carolina):

H.R. 2211. A bill to reauthorize title II of the Higher Education Act of 1965; to the Committee on Education and the Workforce.

By Mr. CONYERS (for himself, Mr. HINCHEY, Ms. JACKSON-LEE of Texas, Mr. CUMMINGS, Mr. CASE, Ms. SLAUGHTER, Ms. LEE, Mr. FILNER, Ms. WATSON, Ms. SOLIS, Mr. MICHAUD, Mr. MCDERMOTT, Mr. PETERSON of Minnesota, Mrs. JONES of Ohio, and Mr. WATT):

H.R. 2212. A bill to require the Federal Communications Commission to comply with the Administrative Procedures Act and to adhere to the policies and purposes of Communications Act of 1934 favoring diversity of media voices, vigorous economic competition, technological advancement, and promotion of the public interest, convenience, and necessity, and for other purposes; to the Committee on Energy and Commerce, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CONYERS (for himself, Mr. BERMAN, Mr. DELAHUNT, Mr. WATT, Ms. WATERS, Ms. JACKSON-LEE of Texas, Ms. LINDA T. SANCHEZ of California, Mr. SANDERS, Ms. LEE, Mr. MCDERMOTT, Mr. FILNER, Ms. MILLENDER-MCDONALD, Mrs. JONES of Ohio, and Mr. HONDA):

H.R. 2213. A bill to study the incidence of downward departures in criminal cases and repeal provisions of the PROTECT Act that do not specifically deal with the prevention of the exploitation of children; to the Committee on the Judiciary.

By Mr. BURR (for himself, Mr. SENSENBRENNER, Mr. TAUZIN, Mr. GOODLATTE, Mr. UPTON, Ms. HART, Mr. STEARNS, and Mr. CANNON):

H.R. 2214. A bill to prevent unsolicited commercial electronic mail; to the Committee on Energy and Commerce, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. BISHOP of New York (for himself, Mr. GRIJALVA, Mrs. MALONEY, Mr. ISRAEL, Mr. ACEVEDO-VILA, Mrs. MCCARTHY of New York, Mr. PALLONE, Mr. LANTOS, Ms. LEE, Mr. CONYERS, and Mr. MARKEY):

H.R. 2215. A bill to amend the Federal Water Pollution Control Act to ensure that sewage treatment plants monitor for and report discharges of raw sewage, and for other purposes; to the Committee on Transportation and Infrastructure.

By Mr. BACA:

H.R. 2216. A bill to provide for greater recognition of Veterans Day each year; to the Committee on Veterans' Affairs.

By Ms. BERKLEY:

H.R. 2217. A bill to amend title 38, United States Code, to increase burial benefits for veterans, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. BOOZMAN (for himself, Mr. WAXMAN, Mr. NORWOOD, Mr. SNYDER, Mr. FLETCHER, Mr. WELDON of Florida, Mr. BURGESS, and Mr. BILIRAKIS):

H.R. 2218. A bill to amend the Federal Food, Drug, and Cosmetic Act to provide for the regulation of noncorrective contact lens as medical devices, and for other purposes; to the Committee on Energy and Commerce.

By Mr. BOSWELL:

H.R. 2219. A bill to amend title 38, United States Code, to permit Department of Veterans Affairs pharmacies to dispense medications on prescriptions written by private practitioners to veterans who are currently awaiting their first appointment with the Department for medical care, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. BURGESS (for himself and Ms. EDDIE BERNICE JOHNSON of Texas):

H.R. 2220. A bill to amend the Transportation Equity Act for the 21st Century with respect to NAFTA corridor planning and development and coordinated border infrastructure and safety; to the Committee on Transportation and Infrastructure.

By Mr. BURR (for himself, Mr. TAUZIN, Mr. SENSENBRENNER, and Mr. MATHESON):

H.R. 2221. A bill to provide for availability of contact lens prescriptions to patients, and for other purposes; to the Committee on Energy and Commerce.

By Mr. BUYER:

H.R. 2222. A bill to amend title I of the Employee Retirement Income Security Act and the Internal Revenue Code to allow for alienation of benefits to satisfy court judgments, decrees, or orders requiring restitution for embezzlement of State or local government funds; to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CAMP:

H.R. 2223. A bill to amend title XVIII of the Social Security Act to provide adequate coverage for immunosuppressive drugs furnished to beneficiaries under the Medicare Program that have received an organ transplant; to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mrs. CAPITO (for herself, Mr. GOODE, and Mr. CAMP):

H.R. 2224. A bill to provide for the payment of claims of United States prisoners of war in the First Gulf War, and for other purposes; to the Committee on the Judiciary, and in addition to the Committee on International Relations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mrs. CAPPS (for herself, Mr. WAXMAN, Mr. TURNER of Ohio, Ms. WOOLSEY, Mr. RYAN of Ohio, Ms. DELAURO, Mr. SCHIFF, Ms. LOFGREN, Mr. WYNN, Mr. ISRAEL, Mr. MCNULTY, Mr. GONZALEZ, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. SANDERS, Mr. HINCHEY, Ms. NORTON, Mr. ABERCROMBIE, and Mr. KUCINICH):

H.R. 2225. A bill to authorize the Director of the Centers for Disease Control and Prevention to make grants to local educational agencies to support the purchase or lease and use of vending machines that offer for sale healthy foods and beverages in schools; to the Committee on Education and the Workforce, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CASE (for himself and Mr. ABERCROMBIE):

H.R. 2226. A bill to amend title XVIII of the Social Security Act to permit reasonable cost reimbursement for emergency room services provided by Federally qualified health centers; to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CASTLE:

H.R. 2227. A bill to encourage innovative school-based activities to help reduce and prevent obesity among children, and for other purposes; to the Committee on Education and the Workforce, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. CRANE (for himself, Mr. MATSUI, Mr. SHAW, Mr. RANGEL, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. HERGER, Mr. RAMSTAD, Mr. SAM JOHNSON of Texas, Mr. COLLINS, Mr. PORTMAN, Mr. ENGLISH, Mr. HULSHOF, Mr. MCINNIS, Mr. LEWIS of Kentucky, Mr. FOLEY, Mr. BRADY of Texas, Mr. MCNULTY, Mr. BECERRA, and Mr. POMEROY):

H.R. 2228. A bill to amend the Internal Revenue Code of 1986 to permit the consolidation of life insurance companies with other companies; to the Committee on Ways and Means.

By Mr. CRANE:

H.R. 2229. A bill to amend the Internal Revenue Code of 1986 to allow nonitemizers a deduction for a portion of their charitable contributions; to the Committee on Ways and Means.

By Mr. CRANE:

H.R. 2230. A bill to amend the Internal Revenue Code of 1986 to waive the income inclusion on a distribution from an individual retirement account to the extent that the distribution is contributed for charitable purposes; to the Committee on Ways and Means.

By Mr. CRANE:

H.R. 2231. A bill to amend the Internal Revenue Code of 1986 to exempt the deduction for charitable contributions from the phase-out of itemized deductions; to the Committee on Ways and Means.

By Mrs. EMERSON (for herself and Mr. BERRY):

H.R. 2232. A bill to amend the Federal Food, Drug, and Cosmetic Act relating to the distribution chain of prescription drugs; to the Committee on Energy and Commerce.

By Mr. FRANK of Massachusetts (for himself, Mr. PAUL, Mr. ROHRABACHER, Ms. SCHAKOWSKY, Mr. ANDREWS, Ms. BALDWIN, Mr. BLUMENAUER, Mr. CAPUANO, Mr. CASE, Mr. CONYERS, Mr. DELAHUNT, Ms. ESHOO, Mr. FARR, Mr. HINCHEY, Mr. HONDA, Ms. LEE, Mr. MCDERMOTT, Mr. GEORGE MILLER of California, Mr. NADLER, Ms. NORTON, Mr. SANDERS, Mr. STARK, Mr. THOMPSON of California, Mr. WAXMAN, and Ms. WOOLSEY):

H.R. 2233. A bill to provide for the medical use of marijuana in accordance with the laws of the various States; to the Committee on Energy and Commerce.

By Mr. FRANKS of Arizona (for himself, Mr. BOEHNER, Mrs. MUSGRAVE, Mr. DOOLITTLE, Mr. KING of Iowa, Mr. CANTOR, Mr. FEENEY, Mr. AKIN, Mr. TANCREDO, Mr. VITTER, Mr. HOEKSTRA, Mr. DEMINT, Mr. SOUDER, Mr. GARRETT of New Jersey, Mr. BARRETT of South Carolina, Mr. BARTLETT of Maryland, Mr. BEAUPREZ, Mr. PAUL, Mr. PITTS, Mr. RENZI, Mr. HAYWORTH, and Mrs. MYRICK):

H.R. 2234. A bill to amend the Internal Revenue Code of 1986 to provide for a credit which is dependent on enactment of State qualified scholarship tax credits and which is allowed against the Federal income tax for charitable contributions to education investment organizations that provide assistance for elementary and secondary education; to the Committee on Ways and Means.

By Mr. GRAVES:

H.R. 2235. A bill to suspend certain nonessential visas, in order to provide temporary workload relief critical to the successful reorganization of the immigration and naturalization functions of the Department of Homeland Security, to ensure that the screening and monitoring of arriving immigrants and nonimmigrants, and the deterrence of entry and settlement by illegal or unauthorized aliens, is sufficient to maintain the integrity of the sovereign borders of the United States, and for other purposes; to the Committee on the Judiciary.

By Mr. GREEN of Texas (for himself, Mr. FLETCHER, Mr. WAXMAN, Mr. SERRANO, Mr. RODRIGUEZ, Mr. BELL, Mr. WELDON of Pennsylvania, Ms. JACKSON-LEE of Texas, Mr. FROST, Mr. TOWNS, Mr. HINOJOSA, Mr. GUTIERREZ, Ms. KAPTUR, Mr. KILDEE, Mr. ACKERMAN, Mr. MCNULTY, Mr. GEORGE MILLER of California, Mr. HOEFFEL, Ms. SLAUGHTER, Mr. HALL, Mr. PAUL, Mr. NETHERCUTT, Ms. ESHOO, Mr. BECERRA, Mr. REYES, Mr. BURGESS, Mr. WYNN, Mr. MENENDEZ, Ms. LEE, Mr. BOSWELL, Mr. SANDERS, Mr. BOOZMAN, Ms. DEGETTE, and Mr. KENNEDY of Rhode Island):

H.R. 2236. A bill to amend title XVIII of the Social Security Act to provide coverage under the Medicare Program for diabetes laboratory diagnostic tests and other services to screen for diabetes; to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. HINCHEY (for himself, Mr. NEAL of Massachusetts, Mr. BOEHLERT, Mr. MCNULTY, and Mrs. JO ANN DAVIS of Virginia):

H.R. 2237. A bill to establish within the National Park Service the 225th Anniversary of the American Revolution Commemorative program, and for other purposes; to the Committee on Resources.

By Mr. HINOJOSA (for himself, Mr. ACEVEDO-VILA, Mr. BACA, Mr. BECERRA, Mr. CARDOZA, Mr. GONZALEZ, Mr. GRIJALVA, Mr. GUTIERREZ, Mr. MENENDEZ, Mrs. NAPOLITANO, Mr. PASTOR, Mr. ORTIZ, Mr. REYES, Mr. RODRIGUEZ, Ms. ROYBAL-ALLARD, Ms. LINDA T. SANCHEZ of California, Ms. LORETTA SANCHEZ of California, Mr. SERRANO, Ms. SOLIS, Ms. VELAZQUEZ, Mr. ALLEN, Mr. ANDREWS, Mr. BELL, Mr. BISHOP of New York, Mr. BONILLA, Mr. CAPUANO, Mr. CONYERS, Mr. DAVIS of Illinois, Mr. DEFAZIO, Ms. DEGETTE, Mr. LINCOLN DIAZ-BALART of Florida, Mr. MARIO DIAZ-BALART of Florida, Mr. GREEN of Texas, Mr. FILNER, Mr. FROST, Mr. HOEFFEL, Mr. HOLT, Mr. ISRAEL, Ms. JACKSON-LEE of Texas, Mr. KILDEE, Mr. LANGEVIN, Ms. LOFGREN, Mr. MCGOVERN, Mr. GEORGE MILLER of California, Mr. NUNES, Mr. PAYNE, Ms. ROS-LEHTINEN, Ms. SCHAKOWSKY, Mr. TIERNEY, Mr. UDALL of New Mexico, Ms. WATERS, Mrs. WILSON of New Mexico, Ms. WOOLSEY, Mr. VAN HOLLEN, Mr. SCHIFF, Mr. ROTHMAN, Mr. UDALL of Colorado, Mr. WU, Mr. SHERMAN, Mr. SNYDER, Mrs. CAPPS, Mr. BERMAN, Mr. CROWLEY, Mr. MORAN of Virginia, Mr. NADLER, Mr. LARSON of Connecticut, Mr. FARR, Mr. DELAHUNT, Mr. FRANK of Massachusetts, Ms. MCCARTHY of Missouri, Mr. WAXMAN, Mrs. MALONEY, Mr. OWENS, Ms. MILLENDER-MCDONALD, Mr. KENNEDY of Rhode Island, Mr. MEEK of Florida, Mr. BOSWELL, Mr. THOMPSON of California, Mr. CRAMER, and Mr. COSTELLO):

H.R. 2238. A bill to expand and enhance post-baccalaureate opportunities at Hispanic-Serving Institutions, and for other purposes; to the Committee on Education and the Workforce.

By Mr. HOLT:

H.R. 2239. A bill to amend the Help America Vote Act of 2002 to require a voter-verified permanent record or hardcopy under title III of such Act, and for other purposes; to the Committee on House Administration.

By Ms. HOOLEY of Oregon (for herself and Mr. WALDEN of Oregon):

H.R. 2240. A bill to amend the Internal Revenue Code of 1986 to assist individuals who have lost their 401(k) savings to make additional retirement savings through individual retirement account contributions, and for other purposes; to the Committee on Ways and Means.

By Mr. KENNEDY of Rhode Island (for himself, Mr. HOYER, Mr. SERRANO, Ms. JACKSON-LEE of Texas, Mr. KILDEE, Mr. WYNN, Mrs. NAPOLITANO, Mr. FROST, Mr. MCNULTY, Mr. ACEVEDO-VILA, Mr. LIPINSKI, Ms. LEE, Mr. MENENDEZ, and Mr. WAXMAN):

H.R. 2241. A bill to amend the Public Health Service Act with respect to mental health services for elderly individuals; to the Committee on Energy and Commerce.

By Mr. KENNEDY of Rhode Island (for himself, Mr. CAMP, Mr. KILDEE, Mr. PALLONE, Mr. BACA, Ms. NORTON, Mr. CARSON of Oklahoma, Mr. FOLEY, Mr. HAYWORTH, Mr. FROST, Mr. UDALL of New Mexico, Mr. RANGEL, Mr. FILNER, Ms. LEE, Mr. GEORGE MILLER of California, Ms. BORDALLO, Mr. FALEOMAVAEGA, and Mr. FRANK of Massachusetts):

H.R. 2242. A bill to amend the Homeland Security Act of 2002 to include Indian tribes among the entities consulted with respect to activities carried out by the Secretary of Homeland Security, and for other purposes; to the Committee on Resources, and in addition to the Committees on the Judiciary, the Budget, Intelligence (Permanent Select), and Homeland Security (Select), for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. KING of New York (for himself and Mrs. MALONEY):

H.R. 2243. A bill to provide for the participation of the United States in the thirteenth replenishment of the resources of the International Development Association, the seventh replenishment of the resources of the

Asian Development Fund, and the ninth replenishment of the resources of the African Development Fund, and for other purposes; to the Committee on Financial Services.

By Mr. LOBIONDO (for himself, Mr. FERGUSON, Mr. SMITH of New Jersey, and Mr. SAXTON):

H.R. 2244. A bill to prohibit the Secretary of the Interior from issuing oil and gas leases on portions of the Outer Continental Shelf located off the coast of New Jersey; to the Committee on Resources.

By Mr. LOBIONDO (for himself and Mr. LAMPSON):

H.R. 2245. A bill to amend the Water Resources Development Act of 1986 to limit the non-Federal share of the cost of shore protection projects; to the Committee on Transportation and Infrastructure.

By Mr. LOBIONDO (for himself, Mr. FROST, Mr. SAXTON, Mr. BRADLEY of New Hampshire, Mr. MCNULTY, Mr. PALLONE, Mr. PAYNE, Mr. SMITH of New Jersey, Mr. MENENDEZ, Mr. GARRETT of New Jersey, Mr. ANDREWS, and Mr. NEAL of Massachusetts):

H.R. 2246. A bill to direct the Secretary of Health and Human Services to modify treatment categories for qualification as a rehabilitation hospital or unit for purposes of reimbursement under the Medicare prospective payment system for inpatient rehabilitation facilities; to the Committee on Ways and Means.

By Ms. LOFGREN (for herself, Mr. ROTHMAN, Mr. CONYERS, Ms. SLAUGHTER, Mr. TOWNS, Mr. FILNER, Mr. GEORGE MILLER of California, Mr. FROST, Mr. FRANK of Massachusetts, Mr. OLVER, Ms. CARSON of Indiana, and Ms. LORETTA SANCHEZ of California):

H.R. 2247. A bill to provide additional punishment for certain crimes against women when the crimes cause an interruption in the normal course of their pregnancies, and for other purposes; to the Committee on the Judiciary, and in addition to the Committee on Armed Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Ms. MCCOLLUM (for herself, Mr. ABERCROMBIE, Ms. EDDIE BERNICE JOHNSON of Texas, Mrs. CHRISTENSEN, Mrs. DAVIS of California, Mr. HINOJOSA, Mr. HOEKSTRA, Ms. MCCARTHY of Missouri, Mr. MCGOVERN, Mr. MENENDEZ, Mr. NADLER, Mr. SABO, and Ms. SLAUGHTER):

H.R. 2248. A bill to expand coverage under the Arts and Artifacts Indemnity Act; to the Committee on Education and the Workforce.

By Mr. MCHUGH (for himself, Mr. DAVIS of Illinois, Mr. TOM DAVIS of Virginia, Mr. BURTON of Indiana, Mr. VAN HOLLEN, Mr. MANZULLO, Mr. PETERSON of Minnesota, Mr. TERRY, Mr. ENGLISH, Mr. TANCREDO, Mr. LARSEN of Washington, Mr. LOBIONDO, Mrs. MALONEY, Mrs. MILLER of Michigan, Mr. JANKLOW, Mr. MURPHY, Mr. SCHROCK, Mr. OWENS, and Mr. CLAY):

H.R. 2249. A bill to amend chapter 10 of title 39, United States Code, to include postmasters and postmasters' organizations in the process for the development and planning of certain personnel policies, schedules, and programs of the United States Postal Service, and for other purposes; to the Committee on Government Reform.

By Mr. MEEK of Florida (for himself, Mr. TURNER of Texas, Mr. THOMPSON of Mississippi, Ms. ROS-LEHTINEN, Mr. REYES, Mrs. LOWEY, Ms. NORTON, and Ms. LEE):

H.R. 2250. A bill to amend the Homeland Security Act of 2002 to direct the Secretary of Homeland Security to develop and implement the READICall emergency alert system; to the Committee on Energy and Commerce, and in addition to the Committee on Homeland Security (Select), for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. MORAN of Kansas:

H.R. 2251. A bill to amend the Internal Revenue Code of 1986 to treat as a qualified use for purposes of section 2032A land rented on a net cash basis to any member of the decedent's family; to the Committee on Ways and Means.

By Ms. NORTON:

H.R. 2252. A bill to amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for alcohol abuse prevention programs; to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. POMBO:

H.R. 2253. A bill to amend section 211 of the Clean Air Act to prohibit the use of certain fuel additives; to the Committee on Energy and Commerce.

By Mr. PORTER (for himself, Mr. GIBBONS, and Ms. BERKLEY):

H.R. 2254. A bill to designate the facility of the United States Postal Service located at 1101 Colorado Street in Boulder City, Nevada, as the ''Bruce Woodbury Post Office Building''; to the Committee on Government Reform.

By Mr. PRICE of North Carolina:

H.R. 2255. A bill to extend the suspension of certain payments to be made by noncommercial webcasters under sections 112 and 114 of title 17, United States Code, and for other purposes; to the Committee on the Judiciary.

By Mr. RAMSTAD:

H.R. 2256. A bill to amend the Employee Retirement Income Security Act of 1974, Public Health Service Act, and the Internal Revenue Code of 1986 to provide parity with respect to substance abuse treatment benefits under group health plans and health insurance coverage; to the Committee on Energy and Commerce, and in addition to the Committees on Education and the Workforce, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. REHBERG:

H.R. 2257. A bill to convey the Lower Yellowstone Irrigation Project, the Savage Unit of the Pick-Sloan Missouri Basin Program, and the Intake Irrigation Project to the appurtenant Irrigation Districts; to the Committee on Resources.

By Mr. RODRIGUEZ (for himself, Ms. SOLIS, Mr. GONZALEZ, Mr. BACA, Mr. PASTOR, Mr. GUTIERREZ, Mrs. NAPOLITANO, Ms. ROYBAL-ALLARD, Mr. ORTIZ, Mr. BECERRA, Mr. CARDOZA, Mr. REYES, Mr. ACEVEDO-VILA, Mr. SERRANO, Ms. VELAZQUEZ, Mr. HINOJOSA, Ms. LINDA T. SANCHEZ of California, Mr. MENENDEZ, Ms. DEGETTE, Mr. PALLONE, Mrs. CHRISTENSEN, and Mr. ISRAEL):

H.R. 2258. A bill to provide for programs and activities to improve the health of Hispanic individuals, and for other purposes; to the Committee on Energy and Commerce.

By Mr. ROHRABACHER:

H.R. 2259. A bill to prohibit funds appropriated for the Export-Import Bank of the United States, any international financial institution, or the North American Development Bank from being used for loans to a country, or for a project or activity in a country, and to prohibit the Overseas Private Investment Corporation from supporting projects in a country, until the government of the country has honored all United States requests to extradite criminals who have committed a crime punishable by life imprisonment or death; to the Committee on Financial Services, and in addition to the Committee on International Relations, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Ms. ROS-LEHTINEN (for herself, Mr. BOUCHER, Ms. CORRINE BROWN of Florida, Mr. CONYERS, Mr. LINCOLN DIAZ-BALART of Florida, Mrs. JONES of Ohio, Mr. LATOURETTE, Mr. LYNCH, Mr. MATHESON, Mr. MEEK of Florida, Mrs. NAPOLITANO, Mr. POMEROY, Mr. SESSIONS, Mr. WELLER, Mr. WEXLER, and Ms. WOOLSEY):

H.R. 2260. A bill to amend subchapter III of chapter 83 and chapter 84 of title 5, United States Code, to include assistant United States attorneys within the definition of a law enforcement officer, and for other purposes; to the Committee on Government Reform.

By Ms. LINDA T. SANCHEZ of California:

H.R. 2261. A bill to amend the Small Business Act to increase the maximum amount for which a loan can be made under the Microloan Program; to the Committee on Small Business.

By Mr. SANDERS (for himself, Mr. NEY, Mr. HOLDEN, Mrs. EMERSON, Mr. FILNER, Mr. GEORGE MILLER of California, Mr. BROWN of Ohio, Mr. BOSWELL, Mr. RODRIGUEZ, Mr. MCNULTY, Mr. HOEFFEL, Mr. HINCHEY, Ms. ROYBAL-ALLARD, Ms. CORRINE BROWN of Florida, Mr. FRANK of Massachusetts, Mr. COSTELLO, Mrs. MCCARTHY of New York, Mr. GREEN of Texas, Mr. INSLEE, Ms. KAPTUR, Ms. NORTON, Mr. FARR, Mr. LYNCH, Mr. LATOURETTE, Ms. WATSON, Mr. STARK, Mr. ISRAEL, Mr. ENGLISH, Mr. KILDEE, Mr. KANJORSKI, Mr. ROSS, Mr. FROST, Mr. PALLONE, Mr. OLVER, Mr. MCHUGH, Ms. SOLIS, Mr. WEXLER, Mr. LUCAS of Kentucky, Mr. KUCINICH, Mr. DEFAZIO, Mr. DEUTSCH, Mr. ROTHMAN, Mr. WAXMAN, Mr. OBERSTAR, Mr. MCINTYRE, Mr. MARKEY, Ms. SLAUGHTER, Mr. HOLT, Ms. LEE, Mrs. LOWEY, Mr. SIMMONS, Ms. JACKSON-LEE of Texas, Mr. DOYLE, Ms. SCHAKOWSKY, Mr. PASCRELL, Mr. MURTHA, Mr. GORDON, Mrs. NAPOLITANO, Mr. TOWNS, Mrs. JO ANN DAVIS of Virginia, Mr. LANTOS, Ms. MCCOLLUM, Ms. LORETTA SANCHEZ of California, Mr. DUNCAN, Mr. PAYNE, Mr. ABERCROMBIE, Mr. HALL, Mr. DAVIS of Illinois, Mr. CROWLEY, Mr. RYAN of Ohio, Ms. KILPATRICK, Ms. WOOLSEY, Mr. JACKSON of Illinois, Mr. MARSHALL, Mr. THOMPSON of Mississippi, Mr. WEINER, Mr. GONZALEZ, Mr. CUMMINGS, Ms. LINDA T. SANCHEZ of California, and Mr. MCGOVERN):

H.R. 2262. A bill to require the establishment of a Consumer Price Index for Elderly Consumers to compute cost-of-living increases for Social Security and Medicare benefits under titles II and XVIII of the Social Security Act; to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and Education and the Workforce, for a period to be

subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. SESSIONS:

H.R. 2263. A bill to amend the Fair Labor Standards Act of 1938 to provide an exemption from minimum wage and maximum hours requirements for certain seasonal fireworks employees; to the Committee on Education and the Workforce.

By Mr. SHAW (for himself, Mr. ROYCE, and Mr. HOUGHTON):

H.R. 2264. A bill to authorize appropriations for fiscal years 2004 and 2005 to carry out the Congo Basin Forest Partnership (CBFP) program, and for other purposes; to the Committee on International Relations.

By Mr. SHAW (for himself, Mr. TANNER, Mr. SANDLIN, Mr. FOLEY, Mr. LOBIONDO, Mr. ENGLISH, Mrs. JONES of Ohio, Mrs. MUSGRAVE, Mr. LEWIS of Georgia, Mr. LEWIS of Kentucky, Mr. KLECZKA, Mr. STARK, Mr. LEVIN, Mr. MATSUI, Mr. GRIJALVA, Mr. COLLINS, Mr. DEUTSCH, and Mr. RAMSTAD):

H.R. 2265. A bill to amend the Internal Revenue Code of 1986 to provide for the treatment of certain expenses of rural letter carriers; to the Committee on Ways and Means.

By Mr. SIMPSON (for himself and Mr. OTTER):

H.R. 2266. A bill to clarify the intent of Congress with respect to the continued use of established commercial outfitter hunting camps on the Salmon River; to the Committee on Resources.

By Mr. SMITH of Washington (for himself and Mr. DOOLEY of California):

H.R. 2267. A bill to extend certain trade benefits to countries of the greater Middle East; to the Committee on Ways and Means.

By Mr. STRICKLAND (for himself, Mr. NEY, Mrs. NAPOLITANO, Mr. TOWNS, Mrs. CHRISTENSEN, Mr. MCNULTY, and Mr. FARR):

H.R. 2268. A bill to amend titles XIX and XXI of the Social Security Act to expand or add coverage of pregnant women under the Medicaid and State children's health insurance program, and for other purposes; to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. SULLIVAN:

H.R. 2269. A bill to preserve open competition and Federal Government neutrality towards the labor relations of Federal Government contractors on Federal and federally funded construction projects; to the Committee on Government Reform.

By Mr. THORNBERRY:

H.R. 2270. A bill to amend the Agricultural Marketing Act of 1946 to extend the country of origin labeling requirements of such Act to additional agricultural commodities, to provide for the implementation of such requirements to certain covered commodities, and for other purposes; to the Committee on Agriculture.

By Mr. TIAHRT (for himself and Mr. BOSWELL):

H.R. 2271. A bill to enable the United States to maintain its leadership in aeronautics and aviation; to the Committee on Science, and in addition to the Committee on Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. TOWNS (for himself, Mr. SCOTT of Virginia, Mr. BISHOP of Georgia, Ms. WATSON, Ms. JACKSON-LEE of Texas, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. OWENS, Mr. DAVIS of Illinois, and Ms. MILLENDER-MCDONALD):

H.R. 2272. A bill to establish a digital and wireless network technology program, and for other purposes; to the Committee on Science, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. UDALL of New Mexico (for himself, Mrs. MCCARTHY of New York, Mr. BLUMENAUER, Mr. RYAN of Ohio, and Mr. GEORGE MILLER of California):

H.R. 2273. A bill to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to order the recall of meat and poultry that is adulterated, misbranded, or otherwise unsafe; to the Committee on Agriculture.

By Mr. UDALL of New Mexico (for himself, Mr. SERRANO, Mr. GRIJALVA, Mr. REYES, Mr. MENENDEZ, Ms. SOLIS, Mr. RODRIGUEZ, and Mr. PASTOR):

H.R. 2274. A bill to designate the United States courthouse at South Federal Place in Santa Fe, New Mexico, as the ''Santiago E. Campos United States Courthouse''; to the Committee on Transportation and Infrastructure.

By Mr. VAN HOLLEN (for himself and Mrs. MCCARTHY of New York):

H.R. 2275. A bill to reinstate the requirement that firearms dealers comply with the Freedom of Information Act by providing information about firearms purchasers; to the Committee on Government Reform.

By Mr. VAN HOLLEN (for himself, Mr. TOM DAVIS of Virginia, Mr. WAXMAN, Mrs. JO ANN DAVIS of Virginia, Mr. DAVIS of Illinois, Ms. NORTON, Mr. WYNN, Mr. CARDIN, Ms. JACKSON-LEE of Texas, Mr. MCDERMOTT, Mr. FROST, Mr. KILDEE, and Mr. BISHOP of New York):

H.R. 2276. A bill to provide for the establishment of the National Institutes of Health Police, and for other purposes; to the Committee on Energy and Commerce, and in addition to the Committee on Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. WAXMAN (for himself and Ms. SCHAKOWSKY):

H.R. 2277. A bill to amend the Toxic Substances Control Act to reduce the health risks posed by asbestos-containing products; to the Committee on Energy and Commerce.

By Mr. YOUNG of Alaska:

H.R. 2278. A bill to establish the Kenai Mountains-Turnagain Arm National Heritage Corridor in the State of Alaska, and for other purposes; to the Committee on Resources.

By Ms. ROYBAL-ALLARD (for herself, Mr. ROHRABACHER, Mr. BACA, Mr. BECERRA, Mr. BERMAN, Mrs. BONO, Mr. CALVERT, Mrs. CAPPS, Mr. CARDOZA, Mr. COX, Mr. CUNNINGHAM, Mrs. DAVIS of California, Mr. DOOLEY of California, Mr. DOOLITTLE, Mr. DREIER, Ms. ESHOO, Mr. FARR, Mr. FILNER, Mr. GALLEGLY, Ms. HARMAN, Mr. HERGER, Mr. HONDA, Mr. HUNTER, Mr. ISSA, Mr. LANTOS, Ms. LEE, Mr. LEWIS of California, Ms. LOFGREN, Mr. MATSUI, Mr. MCKEON, Ms. MILLENDER-MCDONALD, Mr. GARY G. MILLER of California, Mr. GEORGE MILLER of California, Mrs. NAPOLITANO, Mr. NUNES, Mr. OSE, Ms. PELOSI, Mr. POMBO, Ms. LINDA T. SANCHEZ of California, Ms. LORETTA SANCHEZ of California, Mr. RADANOVICH, Mr. SCHIFF, Mr. SHERMAN, Ms. SOLIS, Mr. STARK, Mrs. TAUSCHER, Mr. THOMAS, Mr. THOMPSON of California, Mr. ROYCE, Ms. WATERS, Ms. WATSON, Mr. WAXMAN, and Ms. WOOLSEY):

H.J. Res. 57. A joint resolution expressing the sense of the Congress in recognition of the contributions of the seven Columbia astronauts by supporting establishment of a Columbia Memorial Space Science Learning Center; to the Committee on Science.

By Mr. TANCREDO:

H.J. Res. 58. A joint resolution disapproving the rules submitted by the Secretary of the Treasury relating to section 326(a) of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001; to the Committee on Financial Services.

By Mr. DREIER (for himself and Mr. FROST):

H. Con. Res. 190. Concurrent resolution to establish a joint committee to review House and Senate rules, joint rules, and other matters assuring continuing representation and congressional operations for the American people; to the Committee on Rules.

By Mr. DELAY:

H. Con. Res. 191 A Concurrent resolution providing for a conditional adjournment of the House of Representatives and a conditional recess or adjournment of the Senate; considered and agreed to.

By Mr. BOEHLERT (for himself, Mr. LAMPSON, Mr. TOWNS, Mrs. MCCARTHY of New York, Mr. HINCHEY, Mr. MEEKS of New York, Mr. SERRANO, Mr. KING of New York, Mr. HOUGHTON, Mr. RANGEL, Mr. FOSSELLA, Mr. MCNULTY, Mr. BISHOP of New York, Mrs. MALONEY, Mr. MCHUGH, Mr. OWENS, Mr. QUINN, Mr. ISRAEL, Mr. WALSH, Mr. SWEENEY, Mr. ENGEL, Mrs. LOWEY, Mr. NADLER, Ms. SLAUGHTER, Mr. REYNOLDS, Mrs. KELLY, Mr. CROWLEY, Ms. VELAZQUEZ, Mr. WEINER, Ms. LOFGREN, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. WELDON of Pennsylvania, Mr. GORDON, Ms. JACKSON-LEE of Texas, Ms. WOOLSEY, Ms. NORTON, Mr. PALLONE, Mr. FOLEY, Ms. DELAURO, Mr. GREEN of Texas, Mr. BRADLEY of New Hampshire, Mr. FROST, Mr. LANGEVIN, Mr. WAMP, Mr. PAYNE, Ms. DUNN, Mr. SANDLIN, Mr. ROSS, Mr. ACEVEDO-VILA, Mr. LATOURETTE, Mrs. JOHNSON of Connecticut, Mr. MORAN of Virginia, Mr. TERRY, and Mr. GUTIERREZ):

H. Con. Res. 192. Concurrent resolution expressing the sense of the Congress that a postage stamp should be issued as a testimonial to the Nation's tireless commitment to reuniting America's missing children with their families, and to honor the memories of those children who were victims of abduction and murder; to the Committee on Government Reform.

By Mr. BROWN of South Carolina (for himself, Mr. DEMINT, Mr. WILSON of South Carolina, and Mr. BARRETT of South Carolina):

H. Con. Res. 193. Concurrent resolution encouraging employers who employ members of the National Guard and Reserve components of the Armed Forces to provide a pay differential benefit and an extension of employee benefits to such members while they serve on active duty, and commending employers who already provide such benefits; to the Committee on Education and the Workforce.

By Ms. CORRINE BROWN of Florida (for herself, Mr. ABERCROMBIE, Ms. BALDWIN, Mr. BISHOP of New York, Mr. BOEHLERT, Mr. BRADY of Pennsylvania, Mrs. CHRISTENSEN, Mr. CONYERS, Mr. CUMMINGS, Mr. DAVIS of Illinois, Mr. EMANUEL, Mr. ENGEL, Mr. ETHERIDGE, Mr. FOLEY, Mr. FROST,

Mr. GRIJALVA, Mr. GUTIERREZ, Mr. HAYWORTH, Mr. HOLDEN, Mr. HOYER, Mr. HYDE, Mr. JACKSON of Illinois, Ms. KILPATRICK, Mr. LAHOOD, Mr. LANTOS, Ms. LEE, Mrs. MALONEY, Mr. MCNULTY, Ms. MILLENDER-MCDONALD, Mr. MORAN of Virginia, Mr. NEY, Mr. OWENS, Mr. PASTOR, Mr. PAYNE, Mr. RANGEL, Ms. ROS-LEHTINEN, Mr. SANDLIN, Mr. STARK, Mr. TOWNS, and Mr. WAXMAN):

H. Con. Res. 194. Concurrent resolution supporting the goals and ideals of ''National Epilepsy Awareness Month'' and urging funding for epilepsy research and service programs; to the Committee on Energy and Commerce.

By Mr. CLAY (for himself, Mr. ACEVEDO-VILA, Mr. PAYNE, Mrs. CHRISTENSEN, Mr. PALLONE, Mr. OBERSTAR, Mr. COSTELLO, Mrs. EMERSON, Ms. LINDA T. SANCHEZ of California, Ms. KAPTUR, Mr. BERRY, Mr. FROST, Mr. SANDLIN, Mr. ROSS, Mr. GRAVES, Ms. JACKSON-LEE of Texas, and Mr. STRICKLAND):

H. Con. Res. 195. Concurrent resolution expressing the sense of Congress that a minute of silence should be observed annually at 11:00 a.m. on Veterans Day, November 11, in honor of the veterans of all United States wars and to memorialize those members of the Armed Forces who gave their lives in the defense of the United States; to the Committee on Veterans' Affairs.

By Ms. EDDIE BERNICE JOHNSON of Texas (for herself and Mr. HOBSON):

H. Con. Res. 196. Concurrent resolution expressing the sense of Congress that the United States should provide assistance for women and women's organizations in Iraq in order to strengthen and stabilize the emerging Iraqi democracy; to the Committee on International Relations.

By Mr. KOLBE (for himself, Mr. NEAL of Massachusetts, Mr. DAVIS of Florida, Mr. DOOLEY of California, Mr. FROST, Mr. HOYER, Mr. GARY G. MILLER of California, Mr. MOORE, Mr. GREEN of Texas, Mr. DREIER, Mr. BASS, Mr. BILIRAKIS, Mrs. BONO, Mr. BRADY of Texas, Mr. CUNNINGHAM, Mrs. KELLY, Mr. KNOLLENBERG, Mr. MANZULLO, Mr. PRICE of North Carolina, Mr. RAMSTAD, Mr. TERRY, and Mr. WELLER):

H. Con. Res. 197. Concurrent resolution expressing the sense of Congress regarding housing affordability and urging fair and expeditious review by international trade panels to ensure a competitive North American market for softwood lumber; to the Committee on Ways and Means.

By Mrs. LOWEY:

H. Con. Res. 198. Concurrent resolution expressing the sense of the Congress that a commemorative postage stamp should be issued in honor of Helen Hayes; to the Committee on Government Reform.

By Mr. ROGERS of Michigan (for himself, Mr. QUINN, Mr. UPTON, Mrs. MILLER of Michigan, Mr. MCCOTTER, Mr. EHLERS, Mr. CAMP, and Mr. REYNOLDS):

H. Con. Res. 199. Concurrent resolution recognizing and affirming the efforts of the Great Lakes Governors and Premiers in developing a common standard for decisions relating to withdrawal of water from the Great Lakes and urging that management authority over the Great Lakes should remain vested with the Governors and Premiers; to the Committee on International Relations.

By Ms. LORETTA SANCHEZ of California (for herself, Mr. BECERRA, Mr. REYES, Mr. RODRIGUEZ, Mr. FROST, Mr. CASE, Mr. CAPUANO, Ms. LINDA T. SANCHEZ of California, Ms. JACKSON-LEE of Texas, Mrs. NAPOLITANO, Mr. GONZALEZ, Mr. LINCOLN DIAZ-BALART of Florida, Mr. HINOJOSA, Mr. BROWN of Ohio, Mr. LARSON of Connecticut, Mr. MEEKS of New York, Mr. MENENDEZ, Mr. ORTIZ, Mr. GRIJALVA, Mr. PASTOR, Ms. SOLIS, Mr. KIND, Mr. UDALL of New Mexico, Mr. UDALL of Colorado, Ms. MILLENDER-MCDONALD, Mr. SERRANO, Mr. FARR, Mr. GEORGE MILLER of California, Mr. HINCHEY, Ms. MAJETTE, Ms. KAPTUR, Mr. DELAHUNT, Mr. SANDLIN, Mr. FORD, and Mr. SCOTT of Virginia):

H. Con. Res. 200. Concurrent resolution recognizing Gonzalo and Felicitas Mendez for ending segregation in schools in Orange County, California, and for setting the precedent for the historic Brown v. Board of Education case, which ended segregation in schools across the United States; to the Committee on the Judiciary.

By Mr. WELDON of Pennsylvania (for himself and Mr. WILSON of South Carolina):

H. Con. Res. 201. Concurrent resolution congratulating the Russian Federation and the citizens of St. Petersburg on the 300th anniversary of the founding of the city; to the Committee on International Relations.

By Mr. LANTOS (for himself and Mr. BLUNT):

H. Res. 250. A resolution condemning the terrorist bombings in Saudi Arabia, Morocco, and Israel, urging strengthened efforts in the fight against terrorism, and calling upon the Palestinian Authority to take effective action against terrorism; to the Committee on International Relations.

By Mr. MARSHALL:

H. Res. 251. A resolution providing for consideration of the bill (H.R. 303) to amend title 10, United States Code, to permit retired members of the Armed Forces who have a service-connected disability to receive both military retired pay by reason of their years of military service and disability compensation from the Department of Veterans Affairs for their disability; to the Committee on Rules.

By Mr. BLUNT (for himself, Mr. HASTERT, Mr. DELAY, Ms. PRYCE of Ohio, Mr. GOODLATTE, Mr. STENHOLM, and Mr. CARDOZA):

H. Res. 252. A resolution expressing the sense of the House of Representatives supporting the United States in its efforts within the World Trade Organization (WTO) to end the European Union's protectionist and discriminatory trade practices of the past five years regarding agriculture biotechnology; to the Committee on Ways and Means.

By Mr. PALLONE (for himself, Mr. LAMPSON, Mr. FOLEY, Mr. ACEVEDO-VILA, Ms. CORRINE BROWN of Florida, Mr. FROST, Ms. MILLENDER-MCDONALD, Ms. KAPTUR, Mr. PAYNE, Mr. ROTHMAN, Mr. SCHIFF, Mr. WILSON of South Carolina, and Mr. WEXLER):

H. Res. 254. A resolution recognizing the ''Code Adam'' child safety program, commending retail businesses and public establishments that have implemented programs to protect children from an abduction or lost scenario, and urging retail businesses and public establishments that have not implemented such programs to consider doing so; to the Committee on Energy and Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 3 of rule XII, private bills and resolutions of the following titles were introduced and severally referred, as follows:

By Mr. ANDREWS:

H.R. 2279. A bill for the relief of Mohammed Manir Hossain, Ferdous Ara Manir, and Maish Samiha Manir; to the Committee on the Judiciary.

By Ms. ESHOO:

H.R. 2280. A bill for the relief of Yevgeniya Dobrovolska and Mykola Dobrovolskyy; to the Committee on the Judiciary.

By Mr. MCNULTY:

H.R. 2281. A bill for the relief of Asad Mohamed Alkurabi; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 7 of rule XII, sponsors were added to public bills and resolutions as follows:

H.R. 20: Mrs. JOHNSON of Connecticut.

H.R. 25: Mr. WILSON of South Carolina.

H.R. 44: Mr. LATHAM and Mr. WILSON of South Carolina.

H.R. 57: Mr. RAMSTAD, Mr. GILCHREST, Mr. LAMPSON, Mrs. BLACKBURN, Mr. NUNES, Mr. HYDE, Mr. OSE, Mr. GOODLATTE, Mrs. BIGGERT, Mr. CHABOT, and Mr. DELAY.

H.R. 91: Mr. BARTON of Texas, Mr. BELL, Mr. BRADY of Texas, Mr. BURGESS, Mr. CARTER, Mr. CULBERSON, Mr. DOGGETT, Mr. EDWARDS, Mr. FROST, Mr. GONZALEZ, Ms. GRANGER, Mr. GREEN of Texas, Mr. HALL, Mr. HINOJOSA, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. SAM JOHNSON of Texas, Mr. LAMPSON, Mr. PAUL, Mr. REYES, Mr. RODRIGUEZ, Mr. SESSIONS, Mr. SANDLIN, Mr. SMITH of Texas, Mr. STENHOLM, Mr. THORNBERRY, Mr. TURNER of Texas, Mr. ORTIZ, and Mr. HENSARLING.

H.R. 106: Mr. BISHOP of Utah.

H.R. 107: Mr. PRICE of North Carolina.

H.R. 120: Mr. GARRETT of New Jersey and Mr. FRANKS of Arizona.

H.R. 125: Ms. WATSON, Ms. NORTON, Mr. INSLEE, Mr. LEWIS of Georgia, Mr. BERMAN, and Mr. STARK.

H.R. 130: Mr. ANDREWS, Ms. LINDA T. SANCHEZ of California, and Mr. THOMPSON of Mississippi.

H.R. 148: Mr. MEEKS of New York.

H.R. 149: Mr. PETERSON of Minnesota.

H.R. 208: Ms. SLAUGHTER and Mr. EMANUEL.

H.R. 218: Mr. GARRETT of New Jersey and Mr. MARIO DIAZ-BALART of Florida.

H.R. 223: Mr. FRANKS of Arizona.

H.R. 235: Mr. ROGERS of Michigan, Mr. LAHOOD, Mr. FLAKE, Mr. WELDON of Pennsylvania, and Mr. NEY.

H.R. 277: Mr. CALVERT, Ms. GINNY BROWN-WAITE of Florida, and Mr. BARRETT of South Carolina.

H.R. 278: Mr. CHABOT.

H.R. 282: Mr. LUCAS of Kentucky and Mr. FRANKS of Arizona.

H.R. 284: Mr. EHLERS, Mrs. LOWEY, Mr. FRANK of Massachusetts, Mr. CROWLEY, Mr. QUINN, Mr. ANDREWS, Mr. TAYLOR of North Carolina, Mr. MATHESON, Mr. BARRETT of South Carolina, and Mr. GREEN of Wisconsin.

H.R. 290: Mr. CARDIN.

H.R. 296: Mr. PALLONE.

H.R. 300: Mr. CHOCOLA.

H.R. 303: Mr. KIND and Mr. SWEENEY.

H.R. 328: Mr. SHERMAN, Mr. DINGELL, Mr. HAYES, Mr. COLLINS, Ms. MCCOLLUM, and Mr. HINOJOSA.

H.R. 336: Mr. MCCOTTER and Mr. ABERCROMBIE.

H.R. 347: Mr. GREEN of Texas.

H.R. 348: Mr. GREEN of Texas and Mr. PALLONE.
H.R. 375: Ms. KILPATRICK.
H.R. 401: Mr. RYUN of Texas.
H.R. 414: Mr. RYAN of Ohio, Mr. DEFAZIO, Ms. KILPATRICK, Mr. PASCRELL, Mr. BROWN of Ohio, and Ms. WOOLSEY.
H.R. 424: Mr. SOUDER and Mr. WEXLER.
H.R. 433: Mr. HONDA.
H.R. 434: Mr. CULBERSON, Ms. GINNY BROWN-WAITE of Florida, Mr. HENSARLING, and Ms. PRYCE of Ohio.
H.R. 438: Ms. GINNY BROWN-WAITE of Florida.
H.R. 442: Mr. BOUCHER.
H.R. 466: Ms. LORETTA SANCHEZ of California, Ms. LINDA T. SANCHEZ of California, Mr. BASS, Mr. DOOLEY of California, Mr. VAN HOLLEN, Mr. MEEK of Florida, and Mr. DAVIS of Florida.
H.R. 490: Mr. MORAN of Virginia.
H.R. 502: Mr. OTTER.
H.R. 513: Mrs. NORTHUP.
H.R. 527: Mr. BERMAN.
H.R. 528: Mr. GARRETT of New Jersey.
H.R. 548: Ms. ROYBAL-ALLARD, Mr. CANTOR, Mr. BISHOP of Utah, Mr. KIRK, Mr. COOPER, and Mr. KIND.
H.R. 574: Mr. WILSON of South Carolina.
H.R. 583: Mr. WHITFIELD.
H.R. 586: Mr. GINGREY, Mr. HALL, Mr. GORDON, and Mr. MICHAUD.
H.R. 589: Mr. VISCLOSKY.
H.R. 591: Mr. FROST.
H.R. 594: Ms. DEGETTE, Mr. CROWLEY, and Mr. QUINN.
H.R. 615: Mr. BARRETT of South Carolina.
H.R. 645: Mr. LEACH, Mr. PETERSON of Minnesota, Mr. BAKER, Mr. TANNER, and Mr. SIMPSON.
H.R. 660: Mr. DELAY, Mr. BRADY of Texas, Mr. BARTON of Texas, Mr. THORNBERRY, Mr. CULBERSON, Mr. PAUL, and Mr. RENZI.
H.R. 661: Ms. BALDWIN.
H.R. 664: Mrs. DAVIS of California and Mr. MCDERMOTT.
H.R. 669: Mr. MCINTYRE, Mr. CRAMER, Mr. HILL, Mr. DICKS, and Mr. GALLEGLY.
H.R. 687: Mr. TANCREDO.
H.R. 713: Mr. REHBERG.
H.R. 714: Mr. VITTER.
H.R. 720: Mr. COX.
H.R. 721: Mr. PAUL.
H.R. 736: Mr. PASCRELL.
H.R. 742: Mr. OSE, Mr. ISAKSON, Mr. GRIJALVA, Mr. WALDEN of Oregon, Mr. CANNON, Mr. VITTER, Mr. GINGREY, and Mr. KIND.
H.R. 806: Mr. SIMPSON, Mr. DAVIS of Illinois, and Mrs. DAVIS of California.
H.R. 819: Mr. HINOJOSA.
H.R. 834: Ms. LINDA T. SANCHEZ of California and Ms. SOLIS.
H.R. 839: Mr. GIBBONS, Mr. CARSON of Oklahoma, Mrs. BIGGERT, Mr. JOHNSON of Illinois, Mr. CUNNINGHAM, and Mr. WHITFIELD.
H.R. 847: Mr. PETERSON of Minnesota and Mr. JANKLOW.
H.R. 871: Mr. BOOZMAN.
H.R. 876: Mr. COBLE.
H.R. 882: Mr. HALL and Mr. WILSON of South Carolina.
H.R. 898: Mr. PAYNE, Mr. OLVER, Mr. SCHIFF, Mr. RYAN of Ohio, Mr. MURTHA, Mr. PASCRELL, Mr. JEFFERSON, Mr. FRANKS of Arizona, Mr. SABO, Mr. ACKERMAN, Mr. SHERMAN, Mr. BOOZMAN, Mr. GEPHARDT, and Ms. WATERS.
H.R. 919: Mr. VISCLOSKY, Mr. BOEHLERT, Mr. MURTHA, Mr. SNYDER, Mr. BRADY of Texas, Mr. BURNS, Mr. BRADY of Pennsylvania, and Mr. DINGELL.
H.R. 926: Mr. BARRETT of South Carolina.
H.R. 932: Mr. REHBERG.
H.R. 937: Mr. BISHOP of Georgia.
H.R. 956: Ms. LINDA T. SANCHEZ of California.
H.R. 970: Mr. MICHAUD and Mr. ALLEN.
H.R. 977: Mr. DOOLEY of California.
H.R. 983: Mr. LEWIS of California.
H.R. 990: Mr. WICKER, Mr. BONILLA, Mr. FRANKS of Arizona, Mr. BILIRAKIS, Mr. ROSS, Mr. JONES of North Carolina, Mr. YOUNG of Alaska, and Mr. ALEXANDER.
H.R. 996: Mr. SANDLIN, Mr. BONILLA, Mr. WAMP, Mr. VITTER, Mr. SHIMKUS, Mr. BALLENGER, Mr. LINCOLN DIAZ-BALART of Florida, Mr. NETHERCUTT, Mr. HULSHOF, Mr. ENGLISH, Mr. BURGESS, Mr. COOPER, Mr. LEACH, and Mr. HALL.
H.R. 1008: Mrs. EMERSON.
H.R. 1031: Mr. MEEKS of New York, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. OBERSTAR, and Mr. MARIO DIAZ-BALART of Florida.
H.R. 1032: Mr. CASE.
H.R. 1043: Mr. WYNN.
H.R. 1046: Ms. HARMAN and Mr. COBLE.
H.R. 1059: Mr. GARRETT of New Jersey.
H.R. 1063: Mr. THORNBERRY, Mr. HOSTETTLER, and Mr. JONES of North Carolina.
H.R. 1068: Mr. LYNCH, Mrs. NORTHUP, and Mr. WEXLER.
H.R. 1096: Mr. NETHERCUTT.
H.R. 1102: Mr. PICKERING, Ms. LORETTA SANCHEZ of California, Ms. MAJETTE, Mr. VISCLOSKY, and Mr. WU.
H.R. 1105: Mr. GONZALEZ, Mr. COOPER, and Mr. DAVIS of Florida.
H.R. 1111: Mr. WAMP.
H.R. 1119: Mr. COX, Mrs. CUBIN, Mr. GIBBONS, Mr. BURR, Mr. COBLE, Mr. GOSS, Mr. HERGER, Mr. KNOLLENBERG, Mr. TURNER of Ohio, Mr. FOLEY, Mr. SESSIONS, Mr. GARY G. MILLER of California, Mr. RADANOVICH, Mr. BEREUTER, Mr. SHAW, Mr. SMITH of Texas, and Ms. HARRIS.
H.R. 1120: Mr. MEEKS of New York, Mr. GOODE, and Mr. KINGSTON.
H.R. 1130: Mr. KILDEE.
H.R. 1157: Mr. YOUNG of Alaska.
H.R. 1162: Mr. HONDA.
H.R. 1196: Ms. LINDA T. SANCHEZ of California.
H.R. 1209: Ms. LORETTA SANCHEZ of California and Mr. MCGOVERN.
H.R. 1210: Mr. BAIRD.
H.R. 1213: Mr. HOLDEN.
H.R. 1229: Mr. LIPINSKI.
H.R. 1250: Mr. CRANE.
H.R. 1264: Mr. WYNN and Mr. PALLONE.
H.R. 1275: Mr. SCHIFF.
H.R. 1288: Mr. GONZALEZ, Mr. WEXLER, Mr. SCHROCK, and Ms. WOOLSEY.
H.R. 1294: Mr. MARKEY, Mrs. CAPPS, Mr. ENGEL, Ms. MCCARTHY of Missouri, Mr. LANTOS, and Mr. MCGOVERN.
H.R. 1304: Mr. SANDLIN.
H.R. 1305: Mr. NETHERCUTT and Mr. CHABOT.
H.R. 1306: Mr. DEUTSCH and Mr. SANDLIN.
H.R. 1323: Mr. OWENS.
H.R. 1336: Mr. BEAUPREZ.
H.R. 1345: Ms. LEE.
H.R. 1347: Mr. DOYLE.
H.R. 1348: Mr. STRICKLAND.
H.R. 1367: Mr. COOPER and Mr. GORDON.
H.R. 1377: Mr. GARRETT of New Jersey and Mr. RUSH.
H.R. 1381: Mr. BISHOP of Georgia, Mr. JEFFERSON, Mr. HOEFFEL, Ms. LORETTA SANCHEZ of California, and Mr. CLAY.
H.R. 1385: Ms. WATSON, Mrs. DAVIS of California, Mr. PASTOR, Mr. MOORE, Mr. BOYD, and Mr. PRICE of North Carolina.
H.R. 1406: Mr. TERRY, Mr. ANDREWS, and Mr. FROST.
H.R. 1414: Mr. DAVIS of Illinois and Mr. TIERNEY.
H.R. 1421: Mr. KENNEDY of Rhode Island.
H.R. 1422: Mr. EMANUEL, Mr. FATTAH, and Mr. WEXLER.
H.R. 1425: Mr. PASCRELL.
H.R. 1429: Ms. LINDA T. SANCHEZ of California.
H.R. 1430: Mr. BLUMENAUER and Mr. LANTOS.
H.R. 1472: Mr. PETERSON of Pennsylvania, Mr. DEUTSCH, and Ms. BALDWIN.
H.R. 1479: Mr. NEAL of Massachusetts.
H.R. 1510: Mr. REYES.
H.R. 1511: Mr. CUNNINGHAM, Mr. OSE, Mr. ROGERS of Kentucky, Mr. ADERHOLT, Mr. BARTON of Texas, Mr. BONILLA, Mr. SANDLIN, Mr. DICKS, Mr. BERMAN, Mr. GEPHARDT, Mr. LIPINSKI, Ms. MAJETTE, Mr. FROST, Mr. CLAY, Mr. TOWNS, Mr. BOWSELL, Mr. MURTHA, and Mrs. MCCARTHY of New York.
H.R. 1543: Mr. SENSENBRENNER.
H.R. 1551: Ms. SLAUGHTER, Ms. KAPTUR, Ms. JACKSON-LEE of Texas, Mr. WAXMAN, Mr. DAVIS of Illinois, Ms. LEE, Mr. GRIJALVA, Mr. LANTOS, Ms. MILLENDER-MCDONALD, and Mr. KILDEE.
H.R. 1554: Mr. KILDEE.
H.R. 1592: Mr. GRIJALVA, Mr. SOUDER, Mr. EVANS, Mr. BROWN of Ohio, and Mr. FROST.
H.R. 1606: Mrs. JO ANN DAVIS of Virginia.
H.R. 1622: Mr. HALL, Mr. DAVIS of Illinois, Mr. WAMP, Mr. OWENS, Mr. WOLF, Mrs. NORTHUP, Mr. SANDERS, Mr. ABERCROMBIE, Mr. INSLEE, Mr. TANNER, Mr. THOMPSON of Mississippi, Mr. ENGLISH, Mr. THORNBERRY, Mr. MORAN of Virginia, Mr. FRANK of Massachusetts, Mr. EMANUEL, Mr. DEAL of Georgia, Mr. LIPINSKI, and Mr. DUNCAN.
H.R. 1628: Mr. YOUNG of Alaska.
H.R. 1634: Mr. HOLT.
H.R. 1643: Mr. HOBSON.
H.R. 1653: Mr. WAMP and Mr. PLATTS.
H.R. 1657: Mr. MCNULTY, Mr. BOSWELL, Mr. FROST, Ms. MILLENDER-MCDONALD, Ms. HARMAN, and Ms. JACKSON-LEE of Texas.
H.R. 1675: Mr. HALL and Mr. RYUN of Kansas.
H.R. 1676: Ms. SCHAKOWSKY.
H.R. 1688: Mr. LARSEN of Washington, Ms. VELAZQUEZ, Mr. ROTHMAN, Mrs. JONES of Ohio, and Mr. RYAN of Ohio.
H.R. 1694: Mr. EMANUEL, Mr. TIERNEY, and Mr. SNYDER.
H.R. 1710: Mr. PLATTS, Mr. LYNCH, Mr. DELAHUNT, Mr. WEINER, and Mr. PETERSON of Minnesota.
H.R. 1717: Ms. SOLIS.
H.R. 1721: Mr. MARKEY.
H.R. 1738: Mr. RUSH and Mr. STRICKLAND.
H.R. 1746: Mr. HOUGHTON and Mr. WATT.
H.R. 1749: Mr. WEXLER.
H.R. 1767: Mr. RENZI, Mr. KINGSTON, and Mr. CANTOR.
H.R. 1769: Mr. NEY, Mr. MCHUGH, Mr. GRAVES, and Mr. MORAN of Kansas.
H.R. 1776: Mr. ROYCE.
H.R. 1779: Mr. FOLEY.
H.R. 1783: Mr. FRANKS of Arizona.
H.R. 1784: Mr. KILDEE, Mr. UPTON, Ms. BERKLEY, and Mr. MATSUI.
H.R. 1787: Mr. STEARNS.
H.R. 1811: Ms. KAPTUR, Mr. POMEROY, Mr. COOPER, Mr. REHBERG, Mr. FRANK of Massachusetts, Mr. WEXLER, Mr. SNYDER, Mr. LOBIONDO, Mr. TIERNEY, and Ms. LOFGREN.
H.R. 1813: Mr. WALSH and Mr. DELAHUNT.
H.R. 1824: Mr. CLAY, Mr. HINCHEY, Mrs. LOWEY, Mr. OWENS, Mr. BOEHLERT, Mr. MCNULTY, Ms. WOOLSEY, Mr. SOUDER, and Mr. PETERSON of Minnesota.
H.R. 1828: Mr. KNOLLENBERG, Mr. WYNN, Mr. SCHROCK, Ms. MAJETTE, Mr. COSTELLO, Mr. OLVER, Mr. CRAMER, Mrs. MILLER of Michigan, Mr. BRADLEY of New Hampshire, Mr. GREEN of Texas, Mr. ENGLISH, Mr. HOYER, Mr. STUPAK, Mr. SOUDER, Mr. GUTIERREZ, Mr. WAMP, Mr. SHADEGG, Mrs. MUSGRAVE, Mr. COLE, and Mr. LAMPSON.
H.R. 1873: Mr. FRANKS of Arizona and Mr. PAUL.
H.R. 1886: Mr. SCOTT of Georgia.
H.R. 1889: Mr. BAIRD, Mr. FRANK of Massachusetts, Ms. DEGETTE, Ms. LEE, Mr. DELAHUNT, Ms. JACKSON-LEE of Texas, Mr. BISHOP of New York, Mr. WU and Ms. LOFGREN.
H.R. 1902: Mr. QUINN, Mr. OWENS, and Mr. WEXLER.

H.R. 1905: Mr. DOYLE.

H.R. 1910: Mr. WATT, Mr. WU, Mr. PAYNE, and Mr. ANDREWS.

H.R. 1913: Mr. MCHUGH.

H.R. 1917: Mr. FROST and Mr. RAHALL.

H.R. 1918: Mr. FROST and Mr. RAHALL.

H.R. 1919: Mr. FROST, Mr. RAHALL, and Mr. ANDREWS.

H.R. 1933: Mr. ABERCROMBIE and Ms. LEE.

H.R. 1951: Mrs. MCCARTHY of New York.

H.R. 1956: Mr. HOEFFEL, Mr. PETERSON of Minnesota, and Mr. WEXLER.

H.R. 1963: Mr. BACHUS and Mr. BOSWELL.

H.R. 1981: Mr. DELAHUNT.

H.R. 1990: Ms. BALDWIN.

H.R. 1997: Mr. BISHOP of Utah, Mr. ALEXANDER, Mr. BOOZMAN, Mr. SESSIONS, Mr. KNOLLENBERG, Mr. PUTNAM, Mr. DAVIS of Tennessee, and Mr. REHBERG.

H.R. 2000: Mr. GREEN of Texas, Mr. DAVIS of Florida, Mr. WYNN, and Ms. SOLIS.

H.R. 2011: Mrs. CAPPS, Ms. MCCARTHY of Missouri, Ms. SLAUGHTER, Mr. STUPAK, Mr. PLATTS, Mr. SANDERS, Mr. BOYD, and Ms. SCHAKOWSKY.

H.R. 2023: Ms. GINNY BROWN-WAITE of Florida and Mr. PAUL.

H.R. 2030: Mr. OSE and Mr. BURTON of Indiana.

H.R. 2035: Mr. HOLT and Mr. BLUMENAUER.

H.R. 2046: Mr. MEEHAN.

H.R. 2047: Mr. GREEN of Texas.

H.R. 2052: Mr. ETHERIDGE, Mrs. WILSON of New Mexico, Mr. MILLER of North Carolina, Mr. JENKINS, Mr. HOLT, Mr. BALLENGER, Mr. FARR, Mr. WAMP, Mr. BOUCHER, Mr. PITTS, Mr. LUCAS of Kentucky, Mr. JONES of North Carolina, Mr. STUPAK, Mr. HAYES, Mr. WYNN, Mr. WICKER, Mr. ALLEN, Mr. PLATTS, Mr. DAVIS of Florida, Mr. GRIJALVA, Mr. CASE, Mr. GORDON, Ms. DEGETTE, Ms. SLAUGHTER, Mr. STRICKLAND, Mr. CONYERS, Ms. SCHAKOWSKY, Mr. WAXMAN, Ms. CARSON of Indiana, Mr. JOHN, Mr. MCINTYRE, Mr. KIND, Ms. ESHOO, Mr. CARDOZA, Mr. CARSON of Oklahoma, Mr. NUNES, and Mr. BROWN of Ohio.

H.R. 2079: Mr. CRAMER and Mr. DICKS.

H.R. 2085: Mr. PAUL.

H.R. 2114: Mr. PAUL and Mr. SESSIONS.

H.R. 2118: Mr. RUSH, Mr. ANDREWS, and Mr. BERMAN.

H.R. 2120: Mr. WATT.

H.R. 2125: Mr. EMANUEL, Mrs. LOWEY, and Mr. RYAN of Ohio.

H.R. 2127: Ms. SCHAKOWSKY, and Ms. SOLIS.

H.R. 2131: Mr. CALVERT, Mr. SIMMONS, and Mr. BACA.

H.R. 2134: Mr. ROSS and Mr. STRICKLAND.

H.R. 2156: Mr. HASTINGS of Florida.

H.R. 2161: Mr. GUTKNECHT.

H.R. 2169: Ms. LORETTA SANCHEZ of California.

H.R. 2180: Mr. ROTHMAN.

H.R. 2185: Mr. LOBIONDO, Mr. SHIMKUS, and Mr. WALDEN of Oregon.

H.R. 2197: Mr. STARK, Ms. DELAURO, and Ms. LEE.

H.J. Res. 4: Mr. POMEROY, and Mr. HASTINGS of Washington.

H. Con. Res. 21: Mr. CULBERSON.

H. Con. Res. 49: Mr. LANGEVIN, Mr. BAIRD, Mr. TERRY, Mr. PORTER, Mr. SAXTON, Mr. FATTAH, and Mr. SESSIONS.

H. Con. Res. 93: Mr. NORWOOD and Mr. ROHRABACHER.

H. Con. Res. 94: Mr. TIERNEY and Mr. OLVER.

H. Con. Res. 99: Mr. WATT, Mr. SERRANO, and Mr. LANTOS.

H. Con. Res. 116: Mr. PLATTS.

H. Con. Res. 152: Mr. ETHERIDGE.

H. Con. Res. 155: Mr. RYAN of Ohio and Mr. ABERCROMBIE.

H. Con. Res. 175: Mr. KENNEDY of Rhode Island.

H. Res. 38: Ms. MILLENDER-MCDONALD and Mr. STARK.

H. Res. 136: Mr. PAYNE.

H. Res. 193: Mr. WILSON of South Carolina, Mr. ABERCROMBIE, Ms. WOOLSEY, Mr. FROST, Mr. DEFAZIO, Mr. BISHOP of New York, Mr. DEUTSCH, and Mr. RYAN of Wisconsin.

H. Res. 199: Mr. ENGEL, Mr. FORD, Mr. MARIO DIAZ-BALART of Florida, Mr. STARK, Ms. ROS-LEHTINEN, and Mr. SOUDER.

H. Res. 218: Mr. SANDLIN, Mr. LAMPSON, Mr. OBEY, Mr. COOPER, Mr. LEVIN, Ms. LOFGREN, Mr. BOEHLERT, Mr. LARSON of Connecticut, Mr. BAIRD, Mr. MOORE, Mr. BALLANCE, Mr. WU, Mr. CLYBURN, Mr. LYNCH, Mr. HONDA, Mr. MOLLOHAN, Mr. KLECZKA, Mr. UDALL of Colorado, Mrs. TAUSCHER, Ms. MAJETTE, Mr. MARKEY, Mr. PAYNE, Mr. RUSH, Mr. ISRAEL, Mr. CUMMINGS, Mr. DAVIS of Florida, and Mr. BLUMENAUER.

H. Res. 228: Mr. HASTINGS of Florida, Mr. SCHROCK, Mr. BOYD, Mr. MCGOVERN, and Mr. MCNULTY.

H. Res. 234: Mr. LEVIN, Mr. FROST, Mr. UDALL of New Mexico, Ms. LEE, Mr. FRANK of Massachusetts, and Mr. ROHRABACHER.

H. Res. 237: Mr. ROYCE.

H. Res. 242: Mr. KNOLLENBERG.

H. Res. 244: Mr. PAYNE.

H. Res. 246: Mr. GEORGE MILLER of California, Mr. FROST, Mr. MCDERMOTT, Ms. LEE, Ms. JACKSON-LEE of Texas, and Mr. MCNULTY.

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Senate

THE FAIR ACT

Mr. HATCH. Mr. President, today I rise to introduce S. 1125, the bipartisan Fairness in Asbestos Injury Resolution Act of 2003, the FAIR Act. I am joined by my colleagues Senators BEN NELSON, DEWINE, MILLER, VOINOVICH, ALLEN, and CHAMBLISS who share my concern on this important issue and have worked very hard to help bring about a resolution up to this point. They have all felt the impact of this situation in their home States and have shown the courage that we need to move forward to legislate a solution.

I also commend the interests of my good friend and Judiciary partner, Senator LEAHY, as well as Senators DODD and CARPER, whom I would hope will continue to work with us to improve this important legislation.

I also want to recognize and commend my colleague from Oklahoma, Senator NICKLES, who has also been a leader on this issue and recognizes the harm the current system poses to our workers and to our economy.

There can be no doubt that our Nation faces an asbestos litigation crisis. We have all heard the statistics, but they bear repeating. The RAND Institute for Civil Justice tells us that, to date, over 60 companies—I have been informed almost 70 companies—have been forced into bankruptcy—at least three with operations in my own home State of Utah.

The number of claims continues to rise, as does the number of companies pulled into the web of this abusive litigation, often with little, if any, culpability. More than 600,000 people have filed claims, and more than 8,400 companies have been named as defendants in asbestos litigation, some of them for no good reason at all but who are now stuck with horrendous defense costs, even though they would win every case.

This has become such a gravy train for some abusive trial lawyers—just some—that over 2,400 additional companies were named in the last year alone. RAND also notes that ''about two-thirds of the claims are now filed by the unimpaired, while in the past they were filed only by the manifestly ill.'' Two-thirds of the complaints are filed by people who are not even sick. Former Attorney General Griffin Bell, amongst many others, has denounced this type of ''jackpot justice.''

There is broad support for a comprehensive solution, and I believe that our legislation is a major step in the right direction. I have been and will continue working with my colleagues on both sides of the aisle to resolve this issue. We need to ensure that the truly sick get paid, while providing stability to our economy by stemming the rampant litigation that has resulted in a tidal wave of bankruptcies, endangering jobs and pensions and health care and almost everything else that workers need in these companies. This crisis reaches far and wide, and it hurts everyone.

I am pretty pleased with what we have been able to accomplish to date. I have worked with all kinds of companies. I have worked with the unions. I have worked with some trial lawyers. And I have worked with insurance companies, reinsurers. You name them—they have been to Senator NELSON's office and my office. And Senator NELSON has worked long and hard and diligently side by side with me to be able to come up with what we have right now, which is a pretty darn good package and a good bill.

I am proud of the product we are putting forth today, but we are not done. We know that. But we have made significant progress.

Let me tell you what this bill does. We pay victims faster. The FAIR Act creates a fair and efficient system to resolve claims of asbestos victims in a reasonable way that enables legitimate claimants to obtain recovery much faster and easier than the current system. A new specialized court will pay eligible claimants through a no-fault system within just a few months. Asbestos victims will no longer have to wait several years or more to be paid.

Our proposal will streamline the process and decrease the need for attorneys so that claimants will be able to retain more of their awards, without huge attorney's fees or transaction costs. Transaction costs—most specifically, attorney's fees—have drained essential resources in the current system, to the point where there will not be resources for those who are truly ill, unless we do this bill.

Non-sick claimants will no longer deplete resources that should pay the truly sick victims. In order to direct the resources to those most in need, the FAIR Act implements measured medical criteria and fair dollar values for claimants so that all those who are sick will be able to get compensation. The medical criteria are modeled on the 2002 Manville Trust Distribution Process. These standards were intensely negotiated with the plaintiff's bar before they were enacted, and they represent a fair guideline for determining the respective diseases, and for determining who is impaired and who is not. For those who are not sick, we provide medical monitoring. If and when they become sick, they are ensured access to the fund. This is the FAIR approach.

Payments in the new court process will be fair and reasonable. Claimants will have a reasonable expectation of the amount they will receive. There will not be any more runaway jury awards for people who have never actually been sick, draining the resources away from the victims who truly need our help.

We provide stability and certainty. In order to get the stability we need for victims and the economy, the Fair Act is the exclusive remedy for asbestos personal injury claims. There will be no more ''forum shopping'' abuses that have made a mockery of our justice

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

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system where some legitimate victims are currently left with no recourse while others with no illness at all receive windfalls.

We have taken great pains to ensure adequate funding for claim awards. Awards to claimants are paid out of a newly created fund consisting of contributions over a 25-year period from both the bankrupt and solvent defendants with asbestos liabilities and insurance and reinsurance companies with policies covering asbestos personal injury claims.

The business community receives the certainty they need to protect jobs and pensions. In our legislation, we set out mandatory funding of $90 billion from industry and insurers, with an additional $4 to $6 billion or more available from current asbestos trusts, and the authority to assess another $14 billion from companies that may be avoiding future liability. I am really pleased that the various companies and industry have come together on this. Defendant companies have reached an agreement on allocating their $45 billion in contributions. I am encouraged that the insurers continue to work toward a similar agreement. For now, we have in place a Blue-Ribbon commission that can make those determinations should the insurers be unable to resolve their shares. Overall, the business community has really made tremendous progress to provide funds that are projected to compensate victims appropriately and for the next 50 years.

They haven't been happy to do that but they are going to have to do that. They are not happy with this $108 billion trust fund. It is at least $18 billion more than what they were willing to pay. But I believe that they will, in the end, have to come along with this bill. And many of them are saying that right now. They are not happy but they realize that we are trying to resolve this in a way that is fair to everybody.

We all want to ensure that there is enough money in the fund to compensate claimants. Toward that end, I have included provisions such as a payment guarantee surcharge account and an orphan share account where additional funds will be set aside to grow and be available in the unlikely event of a shortfall. In addition, I provide for contribution obligations to be a priority in bankruptcy and for Attorney General enforcement of contribution obligations.

Over the last few days since I circulated the FAIR Act, I have received a lot of helpful feedback. As a result, we have made a number of changes in response to reasonable concerns. I expect we will make more down the road. All we have to do is have reasonable people work with us in good faith, and we are going to try to improve this bill every step of the way. But we have a limited time in which to get this done. Anybody who does not understand that is going to be somebody who destroys or at least attempts to destroy the only game in town, the only way we can resolve these problems.

We have received some suggestions from Senators LEAHY and DODD. I commend their interest in and leadership on this issue. They have provided some valuable suggestions which we will study. We have already incorporated some of their suggestions in the bill we introduce today.

First, we have included language that permits the Administrator of the fund to refer to the Attorney General for enforcement any information received regarding violations of EPA or OSHA regulations.

Second, we specify that life insurance will not be counted as a collateral source offset to any award granted to victims.

Third, as a further safeguard against imbalance in the appellate procedure, we ensure that the judges of the en banc panel of the new U.S. Court of Asbestos Claims are assigned randomly.

We are considering other proposed suggestions that will further our progress on this issue. Again, I want to thank my colleagues on the other side of the aisle who have been engaged in this issue over the last several months, especially my cosponsors, Senators NELSON and MILLER, as well as Senators LEAHY, DODD, CARPER, LEVIN, and FEINSTEIN, who are contemplating cosponsorship down the line but have not been able to do so as of this date. I encourage them to stay involved and work with us during this process.

I also want to thank the leadership of Senators DEWINE, VOINOVICH, BROWNBACK, NICKLES, and ZELL MILLER in particular, who all share my view that this asbestos crisis must be resolved. I know there are other issues that remain. The issue of a potential shortfall in funding at the end is certainly an important one. I think we can work together to address this issue, although it is premature to come up with a solution to that right now. Perhaps exploring private insurance mechanisms or some other avenue may be the way to go. I don't know. But we are willing to listen.

We have to start now, or we don't have a chance of getting a bill through that will help all of those concerned in this area, from the unions to the smallest company and the largest company. As I have said before, I oppose making taxpayers responsible for any potential mismanagement of the fund. If we employ appropriate medical criteria to ensure that those who are actually sick receive the compensation, that will go a long way toward increasing the manageability of this fund so that we don't have to worry about a shortfall. With our funding levels set at the highest level of current projection, I do not expect a shortfall to occur, and I don't think others do as well who have done the accounting work on this. But we can find a way to give more comfort to those who believe that even the highest level may underestimate the number of claims. If the medical criteria are reasonable, then it will be much easier to resolve the issue of ensuring that there will be enough funds to redress future claimants.

As I have mentioned to my colleagues, if the desire for a legislative solution is genuine, then we must take a position and move forward with the legislative process. This complex legislation will require our collective efforts and our serious cooperation.

I would like to go to this chart. This chart is on the effects of asbestos bankruptcies on workers. A lot of people don't realize, a lot of union members don't realize how serious this is. According to a study by the notable Nobel-winning economist, Joseph Stiglitz, commissioned by the American Insurance Association, entitled ''The Impact of Asbestos Liabilities on Workers in Bankrupt Firms'' in December of 2002, bankruptcies led to a loss of an estimated 52,000 to 60,000 jobs. That was in 2002. It is higher now. Each displaced worker at the bankrupt firms will lose on average an estimated $25,000 to $50,000 in wages over his or her career because of periods of unemployment and the likelihood of having to take a new job paying a lower salary. The average worker at an asbestos-elated bankrupt firm with a 401(k) plan suffered roughly $8,300 in pension losses, which represented on average roughly a 25-percent reduction in the value of the 401(k) account.

That is important. If we don't solve this problem within the next month, I believe we will have many more companies headed towards bankruptcy with a loss of jobs, a loss of high-paying jobs, a loss of union members' jobs. I believe in the end, the unions will go broke, too. Because if they have any guts at all and any desire to help their members, they will have to help pick up the health costs for these people among other things. But the pensions are going to be gone. The union jobs will be gone. That is why we have to do something now, not keep trying to get blood out of a stone. Unfortunately, we have some who want to do that.

Let me go to this next chart, which is the New York Times. This shows the surge in asbestos suits, many by healthy plaintiffs. The ones who are very injured, cancer ones, are represented by the red line on the bottom. Look at the black line, which is noncancer victims, many of whom have never suffered a sick day in their lives who are now approaching 70,000 claims, many of whom show no signs of being sick at this point. We provide medical monitoring for them during the lifetime of this trust. We pay for it. If they get sick at any time, they can come in and on a no-fault basis get their compensation without having to pay exorbitant attorney's fees or transactional costs. This is something I think every worker should be cheering and hoping for.

The impact of bankruptcy on employment: After adjusting for the changes in industry employment, the firms for which we have data lost 51,970 jobs in the 5 years prior to bankruptcy.

That is a couple years ago. It is a lot worse than that now. Assuming that employment losses at the firms for which we lack data were proportionate to those for which we have data, the implied total employment loss would be roughly 60,000.

Now, with regard to the change in employment in 5 years prior to bankruptcy, after accounting for changes in industry employment, in firms filing for bankruptcy before January 1998, was 24,551, the number of jobs lost. Firms filing for bankruptcy after January 1998, 27,419 jobs. Total for firms with data, 51,970. The estimated total for all bankrupt firms is 60,000 as of the day that was done. I believe it is now over 70,000.

This is a serious issue. We have to get serious about it. I have tried to work in good faith on behalf of everybody involved. I am calling on all parties—from the unions to the reinsurers—to get together with us and help us to improve this bill.

But realize there is only so much blood you can get out of this stone. If we don't do that, there are going to be hundreds of thousands of union jobs and other jobs lost that literally are going to be devastating to this country and to the individuals involved; and we would deserve the blame in the Congress because this bill would go a long way toward solving it.

Having said that, I praise my colleague, Senator NELSON of Nebraska, and the other cosponsors of this bill. Without Senator NELSON and his encouragement over the last number of months, I don't think we would have reached this far. He has had the guts to cosponsor this bill at this time, and I have nothing but respect for him, and also Senator MILLER as well on his side, and the others on our side, who are willing to stand up. I haven't talked to a lot of Senators about cosponsoring, but I will. I pay tribute to my colleague for his stalwart support in trying to do something about this tremendous set of problems we have in our society today.

I yield the floor.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. NELSON of Nebraska. Mr. President, thank you for the opportunity to appear here with my colleague from Utah to say how much I appreciate the opportunity to cosponsor with him and others this very important legislation.

I should also say that when I went to the ranking member, Senator LEAHY, a year or so ago and talked about how difficult an issue this was and how difficult it was becoming, he was gracious and granted a hearing, and he has worked very diligently to make certain this issue gets the kind of exposure it should. He has also worked toward finding solutions to it. Senator DODD has also worked tirelessly on this issue, and they both remain very interested in finding a solution.

My colleague from Utah has outlined very clearly much of the statistical support for this kind of legislation. Historically, in the early 1970s, lawsuits against the asbestos manufacturers opened the door for victims suffering from asbestos-related diseases to be justly compensated for their issues, and they were.

When Johns-Manville—the largest asbestos manufacturer—filed for bankruptcy in 1982, there were fewer than 20,000 asbestos cases, most on behalf of individuals with severe asbestosis or mesothelioma—a vicious asbestos-related cancer. The system worked. Sick people and their families were given the financial security they deserved.

But then the system stopped working. A flood of cases overwhelmed it—some from individuals who were not yet sick but could potentially get sick in the future. We don't want to prevent these individuals from recovering down the road, but we also need to work toward allowing those who are sick now to recover now. With the current docket load, that just isn't happening. Over 90,000 new asbestos lawsuits were filed in 2001 alone, representing an increase of 30,000 from the previous year. However, the American Academy of Actuaries estimates that there are only about 2,000 new mesothelioma cases filed each year, another 2,000 to 3,000 cancer cases that are likely attributable to asbestos, and a smaller number of serious asbestosis cases. As a result, we need to work toward finding a way to address the lawsuits of seriously ill individuals immediately without eliminating the ability for those who may become sick in the future to have their case addressed at the appropriate time.

The unfortunate result of these tens of thousands of lawsuits is that people who are seriously sick and dying from asbestos must wait longer to recover less money than they deserve—if they can recover anything at all. After transaction costs and fees for both plaintiff and defense lawyers, only about one-third of the money spent on asbestos litigation will actually reach the claimants.

Moreover, as insurance is depleted and an increasing number of these defendants declare bankruptcy, it is inevitable that many asbestos victims who develop cancer in the future will go uncompensated, unless we take the action this bill will provide.

The economic fallout from this situation, though, extends beyond sick victims. Because every company that manufactured asbestos is now bankrupt, plaintiffs have been forced to seek alternative defendants to take their place. According to the Rand Institute for Civil Justice, 300 firms were listed as defendants in asbestos cases in 1983. But by 2002, Rand estimates that more than 6,000 independent entities have been named as asbestos liability defendants. More recently, another Rand Institute study has estimated that there is about $200 billion in pending asbestos claims. Many of these new defendants are small businesses located in every community across the country, with little or no actual connection to asbestos.

I have heard from scores of small businesses in my State—local hardware stores, plumbing contractors, auto parts dealers, lumber yards—and none of these businesses manufactured it. Many did not sell it or install it. But these businesses and the jobs they represent are at stake. They are now afraid that as primary asbestos defendants declare bankruptcy, they will be next in line for the thousands of cases being filed and their businesses will not, therefore, survive.

As the Wall Street Journal reported recently:

> Lawsuits are now piling up against consultants, engineering firms, plant owners, and maintenance and construction contractors, all of whom are being blamed for workers' exposure to asbestos.

Also, part of this litigation is now being targeted at insurance providers. As the same story states:

> Many of the smaller [companies] lack resources to defend thousands of lawsuits or pay huge verdicts. But the companies do have one thing in common: plentiful insurance.

As the number of asbestos claims filed each year has nearly tripled in the last 5 years, the pace of asbestos-related bankruptcies has also accelerated dramatically.

Since 1998, more companies have filed for bankruptcy protection than in the previous 20 years combined; and in the first 7 months of 2002 alone, 12 companies facing significant asbestos liability went bankrupt—more than in any other 3-year period before 1999. Firms declaring bankruptcy since 1998 employed more than 120,000 workers prior to their filing, many of whom were significantly invested in their company's stock, pension, and 401(k) plans.

According to Fortune magazine, for example:

> [A]t the time of the Federal-Mogul's bankruptcy filing [in 2001], employees held 16 percent of the company's stock, which had lost 99 percent of its value since January 1999.

It was reported that Federal-Mogul employees lost over $800 million in their 401(k). Similarly,

> [A]bout 14 percent of Owens Corning's shares—which lost 97 percent of their value in the two years before its filing—were owned by employees.

I think we can all agree that those individuals with legal claims who are truly very sick need to be taken care of in the most timely and equitable manner possible. That must be our No. 1 priority. We must also work to ensure that those who are not sick now, but may become sick in the future, are not precluded from recovery and that there are still funds available for such a recovery.

Mr. President, this bill, as it is currently, begins the process of doing just that. And as indicated by my colleague, it is a work in progress. There are many opportunities yet to modify and to improve it as we go through this

process. That is what the hearing will be about, and that is what the negotiation would be about.

I am a strong believer that every American has a right to their day in court, but I also believe people dying of asbestos-related disease deserve just compensation for themselves and their families. Fortunately, we are coming closer to being able to restore balance to the system. The fund is in the process of being created that will, I hope, provide a pool of lasting benefits for those with meritorious claims. At the same time, this fund will spread the burden of the cost more evenly and ensure the financial impact will not solely be directed at some parties due to their ability to pay rather than their true liabilities.

There are a number of task that remain to be done, and we recognize that, and we welcome the opportunity to bring all those folks together to make sure we come together with the best possible bill that will do the best possible job for those who are truly sick and those who will become sick.

We are now at a time, I believe, when this issue can be and should be resolved, perhaps not once and for all, as some would hope, but for a good long while, giving us a chance to restore stability and certainty to a very uncertain issue.

While this may not be a perfect bill, as they say, we must not let our desire for the perfect become the enemy of the good. Much work remains to be done, but I hope the parties, the stakeholders, will come together and work with us to refine the bill.

I look forward to working with Members on all sides who truly are striving to ensure that those who have been injured the most have an opportunity to make their cases heard.

I thank the Chair and I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

TAX CUT BILL

Mr. BAUCUS. Mr. President, sometime in the near future—near is in the eyes of the beholder—we are going to vote on the conference report to the tax cut bill. When that does come up before the Senate, I will oppose the bill and recommend the conference report not be adopted.

The conference report, which will be before us soon, is, first, not fiscally responsible. It is not fair to working Americans, and is not likely to succeed in rebuilding the American economy.

First, fiscal responsibility: Two years ago when we considered the 2001 tax cut, the Congressional Budget Office projected trillions of dollars of surpluses well into the future. In fact, $5.6 trillion was projected as budget surpluses over the next 10 years. Today, that same neutral, independent body, the Congressional Budget Office, projects deficits well into the future, and the rough estimate is about $2 trillion of deficits, a swing of close to $7 trillion to $8 trillion over just 2 years.

The fiscal environment has dramatically changed since 2002. If that is the case, I believe our tax policies should also change. Whereas in 2001 it made sense to cut taxes, today we should look much more carefully at any potential tax cut.

The fiscal environment has changed very much today compared to where it was in 2001. Consequently, we should be carefully examining our tax policies and asking whether our tax policies should change accordingly.

The Senator from Ohio, Mr. VOINOVICH, kept his word and forced the conferees to keep the conference report, at least on its face, within the $350 billion Senate agreement. Unfortunately, this tax cut bill busts through that $350 billion ceiling through a series of gimmicks that hide the true cost of the bill, and in this time of increasing deficits, I believe we must live within our limits, and this conference report fails to do so.

Instead, it uses phase-ins and sunsets to shoehorn large tax cuts into a small budget window. Republicans have designed a tax cut that is one big yo-yo. Now you see it, now you don't. Here again, on again, off again. It is one big yo-yo which I will explain in a few minutes.

The child credit, for example, has increased for the years 2003 and 2004, and then guess what. It is taken away. That is one yo-yo.

Part of the marriage penalty is eliminated for the years 2003 and 2004. Guess what again. The penalty comes back again after 2004.

The 10-percent bracket is expanded for 2003 and 2004. Then it reverts back.

Even the dividend tax cut disappears after 2008.

Individual taxpayers and corporate taxpayers, I believe, want certainty. They want some predictability. They want to be able to plan for their families, and companies want to plan for the future. Individuals want to know whether they can plan for vacations, education, and companies want to know whether to invest or not invest. We certainly do not give them that certainty and predictability in this bill.

As for planning, this bill tells American taxpayers, for example, to get married in the year 2003 or 2004, have a child in 2003 or 2004, and then get divorced in 2005. This bill is simply full of way too many gimmicks.

Last year, Members of Congress and the President expressed their outrage at the accounting gimmicks and manipulations of income and expenses by Enron, WorldCom, Adelphia. In fact, legislation was enacted last year to put the brakes on the use of accounting gimmicks by corporate America.

If these accounting gimmicks and financial statement manipulations are so intolerable in corporate America, then why are they not intolerable for the U.S. Congress? Why should Congress be allowed to deceive the American public?

What is really going on here? What is really going on is that the majority intends to extend these tax cuts beyond the budget window. That is what is really going on here. That is the accounting gimmick. That is what is hidden. But if we extend the tax cuts, they will only add to the long-term budget problem. That is, if they are extended as intended by the majority party, they will add to the fiscal nightmares just as we face budget strains brought on by the baby boom generation. Congress should come clean with what is really going on, what it is really up to.

Second, this conference report is not fair to working Americans. The benefits of this bill are skewed heavily to the elite in this country. It mistakenly directs less of its resources to working American families—much less. In this sluggish economy, that is also not good economic policy. Working American families are more likely to spend tax cuts quickly; that is, tax cuts directed at working American families will more likely help rebuild the American economy, but that is not what this bill does.

Take, for example, the tax cuts for dividends. This tax cut alone is heavily weighted to the elite. Three out of four American taxpayers have no dividend income, and half of those who do have dividend income have less than $500 in dividend income. That is about one out of eight at $500 or less in dividend income. So the overwhelming majority of Americans will get little or no benefit from this provision. But look how much this single provision will benefit the elite who do profit from it.

A taxpayer who had a million dollars in dividend income will get a tax break of $236,000. In contrast, $118 or less in tax cuts for the seven-eighths of taxpayers who receive $500 or less in dividend income and $236,000 for the dividend millionaire. That is simply not fair.

Let's look at priorities. The dividends provision is the single largest provision in the bill. That means the bill imposes a penalty on wage earners by definition.

Under the bill, the maximum tax on investment income, that is, dividends and capital gains, is 15 percent. The tax on the wages, however, continues to be heavy. A single fireman earning $35,000 per year pays 40 percent of his marginal income in Federal taxes, 15 percent in payroll taxes, plus 25 percent in income taxes.

In contrast, a retired investment banker living off the dividends on a $1 million portfolio of stocks pays only 15 percent of his marginal income in Federal taxes. Again, this is not fair.

Whatever happened to the argument that we need to eliminate the double taxation of dividends? I thought that is what this bill was supposed to be primarily about. This conference report does not do that. It does not eliminate the double taxation of dividends. Rather, in many cases it would eliminate not only the double taxation of dividends, but it eliminates even the one-

time taxation of dividends income. That means zero taxation on dividends.

In many cases, as a consequence of the way this conference report is written, there will be no taxation on many dividends offered by corporations. The corporation will not pay the tax, and the shareholder will not pay the tax.

So this bill lowers the tax for dividends. It lowers the tax for capital gains. The bill says it is a priority of the majority party and the President, apparently, to ensure that the only people who need to pay full freight are those hard-working Americans who earn their income in wages.

The American way is to work hard, to earn income, to do well. There is much more opportunity and mobility in America than any other country, by far. Foreigners who come to America to live and start a business are astounded at the opportunity and mobility in this country compared to the country from which they came.

I do not criticize—in fact, I applaud—anybody who works hard and can earn an income and do well in America. At least they have a much better chance in this country compared with any other country. So I am not being critical of those who make a lot of money. That is great. I wish all Americans could make a lot of money. In fact, that is my underlying goal, certainly in my home State of Montana, to do what we can to get more people to earn more money and get higher paying jobs so more Americans are able to make ends meet.

In this bill, all of America is not being treated alike. We are not being treated together as Americans. This bill is tilted very heavily toward the elite, the extremely wealthy. They are the ones who get the big tax breaks, whereas the average American does not. That is not fair. The benefits of this bill should be evenly distributed among all Americans. That is not what has happened in this bill.

I am not being critical of tax breaks for the wealthy. They should get tax breaks, but I am saying as Americans we should pass legislation that treats Americans equally. That is not what is happening in this bill.

Basically, this bill is not fair. It is not good tax policy, and it does nothing to encourage the work ethic that built this Nation.

I might ask now, how did the conference committee pay for this nontaxation of dividends? The conference committee turned to the Americans today who otherwise would receive the relief under the marriage penalty to, in effect, pay for these tax-free dividends. To say it differently, the marriage penalty tax cuts were scaled back to pay for the dividend proposal in this bill; that is, couples are going to be penalized under this bill to pay for the huge breaks in dividend income for the elite of this country.

What about the marriage penalty for lower income families? No, this conference report does not find the resources to speed up the elimination of the marriage penalty for recipients of the earned-income tax credit, but it does find the money for the dividend tax break. Once again, that is not good tax policy. It is not fair. It does illustrate priorities but I think the wrong priorities for our country.

So this bill increases the budget deficit and lays the bill at the door of our children and grandchildren. I think those of us who seek public office have a moral responsibility to represent people in our home States. That moral responsibility is to do our best to leave this country in as good a shape or better shape than we found it. We have that responsibility because we are not going to be here forever.

We are going to have children and grandchildren and they will have children and grandchildren. We would like the United States of America to continually be strong and be the country that most people in the world look up to. That is our responsibility because we are not going to be here forever. This bill does not fulfill that moral responsibility. It leaves a huge additional burden on our children and grandchildren. That is another reason to not pass this bill.

By the time the baby boomers start to retire, when there will be huge budget pressures to help reform Medicare, to make sure that our senior citizens have the health care benefits they need and, in addition, Social Security, make sure that our senior citizens have the retirement benefits, at least the basic minimum benefits, a safety net, we should not pass this bill because this bill, in effect, makes that problem much more difficult. It adds a huge burden that Members of Congress are going to have to face when those years come up in about 5, 10, or 15 years from now.

This bill increases the budget deficit and lays the bill at the door of our children and grandchildren. It inappropriately targets its tax breaks at the elite instead of those more likely to spend it. This bill is simply not structured to be effective in rebuilding the American economy. I believe it would be irresponsible to enact this legislation, especially at this time.

I might add, there is an interesting article—in fact, it is a bit of an alarming article—in the Financial Times printed on Wednesday, just yesterday. On the front page of the Financial Times, they reported their interview of Federal Reserve Chairman Alan Greenspan. Mr. Greenspan aised concerns about the impact of further tax cuts and spending increases.

According to the Times, Mr. Greenspan:

> [E]xpressed dismay at what he characterized as a breakdown in budget discipline in Washington. He reminded lawmakers that the U.S. Government was facing a ''significant'' budget problem as the baby-boom population ages and draws on more healthcare and retirement benefits.

Mr. Greenspan added that he would:

> [L]ike to see that addressed more seriously than it is.

In his words:

> The silence is deafening.

I will not be part of that silence. I strongly urge Members of this body to do what is right, to consider what they are doing today.

In return for a short-term gain, they will be creating a long-term, much greater problem if they vote for this bill. I urge my colleagues to vote against the conference report.

I yield the floor.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM of Florida. Mr. President, I, too, wish to speak on the tax bill which will soon be before us. I rise in opposition. There are many reasons to oppose this reckless proposal. I will mention three.

No less an authority than Warren Buffett pointed out in written op-eds and television appearances the obvious fact. The obvious fact is that this legislation, as it relates to the tax-free status of corporate dividends, will create zero new jobs. Why will it create zero new jobs? It will do so because there is no additional money in the system to generate new jobs. If the corporations that are induced to pay dividends or increase the dividends that they are currently paying as a result of the tax-free status to the stockholder remove those funds from the corporate treasury, there is actually less chance that it will be invested in productive matters.

Since generally only the wealthiest of Americans will benefit by this proposal to make the remainder of dividends which are subject to taxation free of taxes, the practical effect is going to be to have these high-income Americans put the money into some account, not to spend it, and create the demand that our economy needs. Conversely, if the funds stay at the corporate level, the corporation has ongoing needs which are likely to be met by those funds. If the economic theory behind the nontaxability of dividends is that it will stimulate the economy—and the title of this bill indicates that is the objective—it is likely to have just the opposite effect.

The second concern which causes me to speak this evening is the fact that this legislation belies congressional concern for honest accounting. We have spent a lot of time in the last few months berating corporate America for its inappropriate and in some cases duplicitous accounting procedures. Now we are about to pass legislation which makes those shenanigans pale in comparison to what we are about to do.

It is hard to believe this Senate has already passed a version of this tax cut which said for the first year taxation of dividends could be cut by 50 percent; for the second year taxation of corporate dividends would be cut 100 percent; for the third year corporate dividends tax could be cut by 100 percent; and in the fourth year we would go back to the current level of taxation of

corporate dividends—an absurd proposition. Clearly, the only rationale for such cooked accounting books is to allow what appears at the most superficial level to be a $350 billion tax cut, in fact, balloon into a tax cut of between $800 billion and $1 trillion. This is according to the Center for Budget and Policy Priorities.

I wanted to talk about a third reason. That is that this agreement, filled with many irresponsible policies and tax cuts, undermines our efforts to adequately fund homeland security. As a candidate for the Presidency, George Bush, when asked what would be his priorities for the use of the $5 billion surplus that lay ahead in the 10 years after January 20, 2001, said the first would be to meet our priority domestic challenges—at that time, he particularly focused on providing a prescription drug benefit for Medicare; certainly today he would include homeland security—the second, to pay down the national debt, and third, if there was any money left over, to return it to the American taxpayers in the form of tax reductions.

Subsequent events have made the President's choices easier. We do not have a $5 billion surplus to consider allocating among domestic priorities, paying down the national debt and, if funds are left over, returning them to the American taxpayer because there is no surplus. The surplus has magically, in 28 months, been converted into one of the largest deficits that our Nation has ever suffered. And the 10-year projection of those deficits is $2 trillion. When you add those two numbers together, the $5 trillion surplus that was thought to be in hand as recently as January of 2001, and now the $2 trillion addition to our national debt that we face over the next 10 years, we have in excess of a $7 trillion swing in our Nation's fiscal well-being in the course of barely over 2 years.

One of the areas in which this change in fiscal fortune has been particularly pronounced has been homeland security. The Transportation Security Administration has told the appropriators that the agency is facing a $913 million shortfall. This situation is so dire that the administration is now requesting authority to shift funds from one security program to another.

Our Nation's seaports stand out as an example of the administration's blind eye to the vulnerabilities faced by our Nation. Our Presiding Officer represents a State with one of America's great seaports. Because of the vulnerability of our Nation's 361 seaports, Congress passed the Maritime Transportation Security Act in November of last year. The Senate attempted to include in that legislation provisions that would guarantee the funding of maritime security. That effort, regrettably, failed.

But the failure did not stop there. The administration has ignored the need to improve security at our Nation's seaports, requesting little to no seaport security funds in fiscal years 2002, 2003, and again in 2004. The majority of funding which has been made available in seaport security grants has come at the action and the behest of Congress: $92 million in fiscal year 2002 through an emergency supplemental; $125 million in fiscal year 2002 through yet another supplemental; and $150 million in fiscal year 2003 in the omnibus appropriations bill. Of these amounts, only $92 million, those funds appropriated by the emergency supplemental in fiscal year 2002, has actually been distributed.

Recently, in my State of Florida, two of our ports received approximately $11 million of this $92 million. While this funding is a step in the right direction, it is clearly inadequate. According to the Coast Guard, port security improvements are estimated to cost $963 million in the first year and $4.4 billion over the next 10 years. The need is clear. The fiscal year 2002 $92 million garnered grant request that totaled $695 million, the local governments, administrators, and users of our seaports, found there were needs of $695 million but we decided that $92 million was sufficient funding to meet those needs.

For the next $125 million—these are the funds that were appropriated in the supplemental appropriations of fiscal year 2002—for $125 million in funds available, there were $997 million of requests. According to information from the intelligence community, the threat is clear.

Although a great deal of information is necessarily classified, the Associated Press is reporting today that the FBI arrested a New York City cabdriver who had conducted surveillance on bridges in Miami, FL, after he attempted to buy enough explosives to blow up a mountain from an undercover law enforcement agent, as well as purchasing bulletproof vests and night vision goggles.

Few can forget the recent tragedy of October 6, 2002, when the supertanker Lindberg was attacked by a small boat packed with explosives off the coast of Yemen.

Despite these threats, the administration has consistently reduced levels of funding for homeland security. For example, the White House refused to designate $2.5 billion in homeland security money as a budgetary emergency in fiscal year 2002. This resulted in a loss to the Transportation Security Administration of $480 million.

This should not be an either/or choice. We should not have to decide whether to protect our airports or protect our seaports. We should not have to decide whether to go on the offensive against international terrorists by effectively carrying the war to where they are as opposed to adequately defending the homeland from terrorist attacks.

Why are these programs, vital to our homeland security, struggling for funding, while we enact tax cuts which are projected over the next 10 years to cost $1 trillion? Why are we doing this? This tax cut is supposed to stimulate the economy. As Mr. Buffett has so eloquently pointed out, the major component of the tax cut, which is the removal of taxation on corporate dividends, is unlikely to stimulate even the first job. But imagine the impact on our economy if we had to close America's seaports due to a terrorist incident. Just as a point of reference, the cost last year of a labor strike at the seaports on the west coast was estimated at more than $1 billion a day. What will be the economic price for closing all 361 of our seaports?

A recent Booz Allen Hamilton port security analysis concluded that if the Government were unable to open U.S. seaports within 20 days after an attack, the New York Stock Exchange would have to halt all trading.

In June of 2002, a White House press release on homeland security stated:

> The President's most important job is to protect and defend the American people.

Regrettably, this rhetoric has not been matched by performance. It is wrong that the price of these tax cuts may be our homeland security.

It does not have to be. In October, during the debate on the Iraq war resolution, I spoke about how the lives of millions of Americans are literally in our hands. We will determine whether the level of security is that which our Nation is committed to do by the President's statement that the most important job is to protect and defend the American people, or if the only thing that stands between the American people and additional and more lethal terrorist attacks is the rhetoric of the President.

We are making the false choice in favor of tax cuts as opposed to Americans' security here at home.

I urge my colleagues to oppose the conference agreement on this tax bill, to oppose creating the artificial impression that this is going to actually improve the economy by creating new jobs, to oppose the criticism that will legitimately be raised against the Congress for setting one standard in terms of proper accounting for corporate America but applying quite a different standard to ourselves.

We should oppose this conference report because it is denying to America the resources necessary to truly protect our people.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I compliment our colleague from Florida on an outstanding statement. The Senator from Florida, who sits next to me on the Senate Finance Committee, has long been a voice of fiscal responsibility. His record is clear. I very much hope people across the country were listening to his excellent statement.

I also want to take a moment to thank our ranking member on the Finance Committee, the Senator from Montana. Earlier this evening, he gave outstanding statement describing the

problems with what is being proposed here. This is not a growth package. This is not a package that is going to lift the economy. In fact, the evidence is increasingly clear that, in the long term, this is going to hurt economic growth in this Nation.

The ranking member also made clear the unfairness of this package. This is as unfair a package as I have seen in the 17 years I have served in the Senate.

All of those who vote for this package are going to have a lot of explaining to do in the future because, as a former tax commissioner, I guarantee you are going to see one scandal after another as a result of the passage of this tax bill.

This is going to provide lots of fodder for lots of writers, as they examine the consequences of this tax bill because it is going to produce, I predict on the floor of the Senate tonight, some of the most perverse tax outcomes we have ever seen as a result of legislation to pass the Congress.

As Warren Buffett observed, in commenting on the President's proposed repeal of taxes on dividends, his receptionist was going to pay a rate of taxes 10 times what he pays. He is the second richest man in the United States, and his receptionist is going to pay taxes at a rate 10 times what he pays.

Let me be clear. The measure we will vote on tomorrow morning is not quite the same measure as he was critiquing in his op-ed piece in the Washington Post. Instead of his paying one-tenth of what his receptionist pays, it may be down to one-eighth of what his receptionist pays.

I tell you, this is a scandal, and it is going to explode, and it is going to explode right in the faces of those who vote for it.

Here is the reality. We were told 2 years ago by the President that we could expect almost $6 trillion of surpluses—$5.6 trillion, to be absolutely precise—over the next decade. Now we know, instead of nearly $6 trillion of surpluses, if we enact the President's plan, we can look forward to $2 trillion of deficits. That is the hard reality confronting this Nation.

This chart shows what is happening to budget deficits year by year. The President said, once we went into deficit, after he told us, you do not have to worry about that, that is not going to happen: My program with big tax cuts is going to lift the economy; it is going to produce more jobs, more economic growth; we are going to be able to pay off the debt; we are going to be able to protect Social Security, protect Medicare.

Here are the results. The deficits are exploding. The deficit this year, on an operating basis, is going to be between $500 and $600 billion. It is going to be about $400 billion before you deal with Social Security. Under the President's plan, every penny of Social Security surplus money is going to be taken this year to pay for tax cuts and other expenses of the Government—every single dime.

The President said the deficits will be small and short lived. Wrong again. These deficits are massive, and we see no end in sight. We have $550 billion of deficits on a $2.2 trillion budget? That is large by any calculation. We do not see deficits on an operating basis below $300 billion a year anytime for the next decade.

The President told us 2 years ago, if we adopted his plan, we would be able to virtually eliminate the national debt. He said he would be able to retire all of the debt that was available to retire. He said by 2008 we would be down to $36 billion of publicly held debt. Now, after adopting his plan, we see that by 2008 we will not be down to $36 billion.

Instead, the debt is going to be $5.2 trillion. That is the publicly held debt. That is just part of the story. The gross debt of the United States is even worse. The gross debt of the United States at the end of this year will be approximately $6.7 trillion. If we adopt the President's plan, at the end of this decade it is going to be $12 trillion. The deficits and debt are exploding. They are exploding at the worst possible time.

Why is it the worst possible time? Here is the reason it is the worst possible time.

This chart shows the Medicare trust funds, the Social Security trust funds, and the cost of the tax cut the President has proposed. The blue bar is the Medicare trust fund, the green bar is the Social Security trust fund, and the red bars are the tax cuts. You can see that right now the trust funds are throwing off big surpluses. In fact, just this year, Social Security will produce a surplus of $13 billion. But look at what happens later on in this decade and in the next decade when the baby boomers start to retire. Then the trust funds turn cash negative. At the very time they go cash negative, the cost of the tax cuts explodes, dragging us deep into deficit and debt in a way that is totally unsustainable—over $1 trillion a year in deficits.

This isn't my projection. These are the President's own projections. This is page 43 of his analytical perspectives from the budget.

Here is his long-term outlook on the deficit as a percentage of the gross domestic product. Economists like to use that measurement because it is an apples-to-apples comparison over time. It takes out the effect of inflation.

This is the President's projection of where we are headed. If we adopt his tax plan and his spending plan, we never get out of deficits. These deficits that look relatively small compared to where we are headed according to the President are, in fact, record deficits. The deficit we are going to run this year is going to be the largest deficit ever in the history of America. The previous largest deficit we ran on a unified basis where all the money is put into the same pot and all the expenses come out of that pot—the largest deficit we ever had on the unified basis was $290 billion. On a unified basis this year, the deficit is going to be over $400 billion. That is here. As a percentage of gross domestic product, you can calculate it yourself—$400 billion on a $1.5 trillion economy. That is about 3.6 percent or 3.7 percent of gross domestic product deficit. But look at where we are headed. Again, this is the President's assessment of where we are headed if we adopt his plan.

Deficits as a percentage of gross domestic product of over 12 percent. Twelve percent on the economy of today would be a deficit of over $1.2 trillion this year.

Who is going to loan us the money? America is going to become a deadbeat. Why has the dollar plunged 20 percent in value in just the last several months? Why are economists saying it is poised to plunge perhaps another 10 percent? What are the implications for foreigners who are buying dollar-denominated investments today when they see the dollar dropping like a rock? Do you think they want to hold American bonds? Do you think they want to hold American stocks when the value of the dollar is dropping like a rock? What happens to the American economy if they start to pull their money out of our stock market and out of our bond market? Do you want to see interest rates jump and see equity values plunge? Just have this dynamic continue, and it will rattle the eyeteeth of the markets in this country. The idea that this is going to increase markets—I am afraid it is going to be painful.

This year alone, revenues are running $100 billion below forecasts—forecasts made only 7 months ago. Yet it is running $100 billion below what was forecast. If that continues, we are going to have the lowest revenue as a percentage of our gross domestic product since 1959, the lowest revenue in 44 years.

Remember when the President told us 2 years ago when revenue was the highest percentage of gross domestic product it has been in 40 years, he said we had to have a big tax cut to give the money back to the people. And we did. Now revenue is poised to be the lowest it has been in more than 40 years, and the President's answer is the same: Let's have another big tax cut. Give the money back to the people. He says it is the people's money. He is right about that. That is exactly whose money it is. It is the people's money.

Do you know what else? It is the people's debt. It is the people's Social Security. It is the people's Medicare. And this President is running up the debt in an unprecedented way and at the worst possible time. He is running up the debt right before the baby boomers start to retire.

If there is any question about his running up the debt, we are going to have it in our face tomorrow. We are

going to have it before us tomorrow. He is asking not only for one of the biggest tax cuts ever, but he is asking for one of the biggest increases in debt ever. In fact, it is the biggest increase in debt in the history of our country.

The last time he increased the debt, it was a $450 billion increase in June of 2002. But by April of 2003, the President is back asking Congress to increase the debt by $984 billion in one fell swoop—almost $1 trillion of added debt.

This is an economic plan that is not working. It is failing. It is dangerous to the future of our country. The plan before us isn't going to work.

How can I be so sure? I just said we have a $10.5 trillion economy, and this tax cut will provide $55 billion of lift in a $10.5 trillion economy. That is less than one-half of 1 percent of gross domestic product. If all of it translates into increased economic activity, the most it can affect is one-half of 1 percent of gross domestic product.

This is a $350 billion package. At least it is advertised to be, despite the gimmicks it has. It is the most gimmick-laden package we have ever considered on the floor of the Senate. It costs $350 billion. Only 16 percent of it is effective this year to give stimulus to the economy. It is an upside-down plan. It provides too little lift now when we need it, and it costs too much in future years when we can't afford it. It is totally an upside-down plan.

If you took out the gimmicks, all the sunsets, and the phase-ins, and the dodging around that is in this plan, it doesn't cost $350 billion. It costs $1 trillion.

Those who are the most fervent advocates of this plan have no intention to sunset the various elements of this tax plan. If you do not sunset it, the true cost is $1 trillion.

We go to the question of, Will this stimulate the economy? This is the answer of the people who were hired by the White House and hired by the Congressional Budget Office to answer that question. This is their answer, as shown on this chart. This black line is the President's policy. The green line is the base; that is, if you do nothing.

What this shows is, you get that one-half of 1 percent increase in GDP in the early years, but after 2004 this plan is worse than doing nothing—worse than doing nothing in terms of economic growth. Why?

Well, the people who do that analysis—and, again, they are hired by the White House; they are hired by the Congressional Budget Office to do this kind of analysis—this is what they say:

> Initially the plan would stimulate aggregate demand significantly by raising disposable income, boosting equity values, and reducing the cost of capital. However, the tax cut also reduces national saving directly while offering little new, permanent incentive for either private saving or labor supply. Therefore, unless it is paid for with a reduction in Federal outlays—

which it is not—

> the plan will raise equilibrium real interest rates, ''crowd out'' private-sector investment, and eventually undermine potential GDP.

That is what Macroeconomic Advisers say. They are not alone.

This is from the Joint Committee on Taxation with a macroeconomic analysis of the House bill, which is the basis of the conference agreement we will have before us to vote on tomorrow:

> The simulations indicate that eventually the effects of the increasing deficit will outweigh the positive effects of the tax policy, and the buildup of private non-residential capital stock will likely decline.

I do not know how many of our own experts we have to have tell us that we are going down the wrong path, but let's say you don't put any stock in the people we have hired to advise us. Let's say you don't trust the Joint Committee on Taxation. Let's say you don't trust Macroeconomic Advisers.

How about 250 of the most prominent CEOs in America, the Council on Economic Development? They say current budget projections seriously understate the problem. While slow economic growth has caused much of the immediate deterioration in the deficit, the deficits in later years reflect our tax-and-spending choices. And the inevitable conclusion: deficits do matter.

Those who are running around this town now telling us that deficits do not matter are the folks who, for years, made political careers in saying deficits did matter. Well, deficits do matter. Anybody who tells the American people they don't is shoveling smoke.

The final point they made is the aging of our population compounds the problem. They could not be more right.

Of course, they are not alone. Here are 10 Nobel laureates in economics, 10 people who have had the greatest achievement, the greatest recognition in economics. What do they say?

> The tax-cut plan proposed by President Bush is not the answer to our problems. Regardless of how one views the specifics of the plan, there is wide agreement that its purpose is permanent change in the tax structure, not the creation of jobs and growth in the near term.

''Not the creation of jobs and growth in the near term.'' They need to change the title of this bill from the ''Jobs and Growth Package'' to the ''Not Jobs and Growth Package'' because that is what it is because it explodes the deficits and debt. It is all financed with borrowed money. The dead weight of those deficits and debt will reduce economic growth, not improve it.

The economists go on to say—again, 10 Nobel laureates—

> Passing these tax cuts will worsen the long-term budget outlook, adding to the Nation's projected chronic deficits.

It is not just them. This is the head of the Federal Reserve Board, Chairman Alan Greenspan, who endorsed the President's last round of tax cuts. Now he is saying we have to start paying attention to the growth of these deficits.

He says:

> There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended to.

But he said more. He said the tax cuts that the President is proposing should be paid for. The President has no proposal to pay for these tax cuts. He is not offsetting them by reducing spending. In fact, he is increasing spending by over $600 billion above the baseline at the same time he is recommending $1.6 trillion of additional tax cuts, when we already have record deficits.

My grandmother told me: If somebody tells you something is too good to be true, it probably is. When the President told us, 2 years ago, you could have it all, you could have a major defense buildup, you could have a massive tax cut, you could protect Social Security and Medicare fully, and in addition, you would be able to pay off the national debt, that sounded awfully good. But do you know what? It was not true. It was not close to being true.

We have already seen that instead of paying off the debt by 2008, it is going to be over $5 trillion. We also know now, instead of protecting Social Security, the President's plan is going to take and loot virtually every penny of the Social Security surplus every year for the rest of the decade. This year, he is going to take every dime. Next year, he is going to take every dime; the next year, every dime; the next year, every dime.

There are real consequences to the decision that is going to be made on this floor tomorrow. These are consequential decisions.

Chairman Greenspan said: If, however, in the process of cutting taxes you get significant increases in deficits, which induce a rise in long-term interest rates, you will be significantly undercutting the benefits that would be achieved from the tax cuts.

Again, it is not just Chairman Greenspan or 10 Nobel laureates or any of the others we have cited. Here are people at McKinsey & Co., one of the foremost consulting firms in the Nation, in fact, in the world. Mr. Koller and Ms. Foushee noted in a recent report that, as of last year, owners of 61 percent of all common stock were not subject to tax. They were not even subject to tax.

Anybody who is listening: If you have a 401(k), you do not pay taxes on dividends. In fact, 61 percent, according to their analysis, of all common stock owners were not subject to tax. So markets are driven by investors who are not concerned with the tax treatment of dividends. Thus ''the proposed tax cut'' on dividends ''seems unlikely to have a significant or lasting effect on U.S. share prices.''

It is not just consultants from one of the most prominent consulting firms or 10 Nobel laureates or the Chairman of the Federal Reserve who are warning us about the danger of the direction we are taking. But here is Warren Buffett. I think he is the second most wealthy

man in America. He calls this ''dividend voodoo.'' He calls dividend tax relief ''welfare for the rich.'' He said:

When you listen to tax-cut rhetoric, remember that giving one class of taxpayer a ''break'' requires—now or down the line—that an equivalent burden be imposed on other parties.

Now, obviously, that is true because we are in deficits. Remember, all of this money that is going out for a tax cut is being borrowed. In whose name is it being borrowed? It is being borrowed in all of our names.

This is not out of surplus funds. This is out of borrowed funds. Every dime of this tax cut is being financed with borrowed money. When the President says it is the people's money, he is right. It is also the people's debt. That is how this is being financed. It is being financed by debt. Mr. Buffett goes on to say:

Government can't deliver a free lunch to the country as a whole. It can, however, determine who pays for lunch. And last week the Senate handed the bill to the wrong party.

Supporters of making dividends tax-free like to paint critics as promoters of class warfare. The fact is, however, that their proposal promotes class welfare. For my class.

Mr. Buffett is referring to himself and other extraordinarily wealthy individuals.

Where is a big chunk of the money coming from? Here it is. We are going to run, in Social Security, $2.7 trillion in surpluses over the next decade. Under the President's plan, $2.698 trillion is being taken to pay for these tax cuts and other expenses. This is the biggest raid on Social Security that has ever been conducted. It is being done right on the eve of the retirement of the baby boom generation. What a profound mistake.

This plan is also deeply unfair. As Mr. Buffett said: His class is the biggest beneficiary. But he has that right. For those earning over $1 million a year, their tax cut for this year alone will be over $93,000. Let me say that again. If you are fortunate enough to be earning over $1 million a year in 2003, this package will give you on average a tax cut this year of over $93,000. If you are a middle-income person, if you are in the 20 percent of taxpayers who are right in the middle of the income distribution, your average benefit will be $217. Do you think that is fair? Our friends on the other side will say: Well, rich people pay more taxes. Indeed, they do. That is how our tax system works. But they don't pay that disproportionate a share of the taxes. No. No. They pay about 23 or 24 percent of the taxes. They are getting almost 40 percent of the benefit out of this plan. That is what is going on here. Don't let anybody tell you this is a fair plan, evenly distributed, based on what people pay in taxes, because it is not. It is not even close to being evenly distributed.

It doesn't end there. This tax bill produces gimmick after gimmick after gimmick to hide its true cost. This is a ''now you see it, now you don't'' tax plan that comes and goes. Taxes are lower. Taxes are raised. Taxes are jumping all around because they have to hide the true cost of this plan.

Here is how they propose fixing the standard deduction marriage penalty. The marriage penalty is eliminated when you get to a standard deduction for joint filers of $9,500. So for 2003 and 2004, they are at $9,500. Then in 2005, they drop it down to $8,265, representing a huge tax increase for those couples for 2005. Then they jump it up to $8,740 for 2006; $8,883 for 2007; then in 2009 and 2010, it goes back up to $9,500. Then look what happens in 2011, 2012, 2013. I mean this thing is embarrassingly bad. Then it goes down to the standard deduction to $7,950—meaning another big tax increase for people facing the marriage penalty. They don't just do it with the marriage penalty.

Here is what they do with the child tax credit: it was $600 in 2002; they increase it to $1,000 in 2003 and 2004. Then they cut it to $700 for 4 years. Then they raise it to $800. Then in 2010 they raise it to $1,000. Then they cut it in 2011, 2012, and 2013 back down to $500.

Does this make any sense to anybody watching or listening; this kind of tax policy? The ranking member calls this a yo-yo tax plan. It is at least a yo-yo. And it doesn't end with the marriage penalty or the child tax credit. Here is the 10-percent bracket. It shrinks for 2 years, then disappears altogether in 2011. Look at this plan. I don't know. It is not a pretty thing. From $12,000, it goes up to $14,000 for 2 years, then back down to $12,000 for 3 years, then it jumps for 3 years up to $14,000. Then it goes down to zero for 3 years. Who is kidding who about this plan?

This thing is absurd on its face. Here is the small business expensing limit. From $25,000 in 2002, they increase it to $100,000 for 2003, 2004, 2005. Then they cut it back to $25,000 all the rest of the time. Top rate on dividends, same pattern, jumping all around: 38.6, then they cut it to 15 percent for 6 years. Then they jump it back up to 35 percent for 5 years.

Our ranking member has called it a yo-yo tax plan. There is the yo-yo, up and down and all around. Economists say this is going to create such confusion, such chaos, such a lack of predictability in the tax system that in and of itself, the unpredictability will cost the economy substantially.

The top rate on capital gains, same thing, jumping all around: 20 percent, then down to 15 percent for 6 years, then it is back up to 20 percent for 5 years.

This is a tax policy that not even a mother would love, if this were a child.

We can do better than this. This is a policy that is irresponsible fiscally. It is ineffective in terms of stimulus, and it is totally unfair. Those are the best things I can think to say about it.

This is a tax policy that is going to plunge us right off the cliff into deficits and debt as far as the eye can see, and it is going to hurt this economy.

I urge my colleagues to vote against the conference report. I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. CORZINE. Mr. President, as always the Senator from North Dakota has made an eloquent presentation, a graphic presentation, an intellectually honest presentation of where we stand with regard to the economic policies before us in the Senate. I appreciate his strong effort in trying to educate our colleagues and the public with a graphic demonstration of many of the weaknesses which I will discuss tonight with regard to the conference report, the so-called tax relief program.

Tomorrow, this body will in all probability pass two pieces of legislation which will have tremendous economic impact on the American people and our economy. In my view, they will have a negative economic impact. I do not consider this a jobs and growth package. I believe it is antigrowth, and I will go through some of the reasons that is the case.

One thing for sure is, I know when we pass that debt limit tomorrow—that $984 billion debt limit, just a little smidgen under $1 trillion. It's like pricing something at $99.95, just under $100. It is so we don't have to say it is by $1 trillion we are increasing the debt limit tomorrow. We are increasing, for every single American who is watching this tonight, their debt load $3,500. That is how much we are increasing it as we spend out that debt limit increase over the next year or 15 months.

By the way, that is $28 billion of debt we are laying on the people of the State of New Jersey. I think they ought to know that. That is a huge cost and a big implication over time. I don't want to talk about the debt limit tonight because we will have time to go through that tomorrow. It is really indicative of the problem; it is not the problem. The underlying economic policy is what has allowed that to happen.

The conference report that will be before us—I hope we get a chance to read it so we don't have $70 billion errors that show up after the fact because of how we have framed it. But I know from the outlines of what we have been able to see this is going to have a dramatic impact on the future of our economy and the quality of life for every American, because in this tax program we are making enormous choices. I think this legislation is going to lead to—well, we already have massive deficits. I am hearing estimates from people in the private sector that we are now well over $400 billion this year—north of 4 percent GDP. That is deepening the debt as we go forward. I think this will weaken the economy in the long term. I will try to say some of the reasons why. I almost certainly know it is going to reduce the quality of life for the people of the United States.

Before I talk about the economic implications, I think this needs to be

framed in the context of the values we are speaking to while we go through this tax cut legislation. It says a lot about us as Senators, Americans, and about what our priorities are.

Here we have a huge set of tax breaks for the privileged few, some would say elite: $93,000 is the estimate for people making over $1 million, with 53 percent of all taxpaying Americans only getting $100 or less. Let's hear that again. Less than 1 percent of taxpayers make over a million dollars, but they get a $93,000 tax break, and 53 percent of the taxpaying Americans get less than $100.

What are we trading that off against with our ability to invest back in America? I don't think investing in America is really the issue. The administration is calling for deep cuts in education. We are not fulfilling our mandate on Leave No Child Behind. We gave them the test, but not the money. We are talking about limiting the benefits for our veterans. We are cutting back on the number of people who have access to veterans hospitals and clinics in my home State—a number of veterans who have access to a prescription drug benefit they were promised. We are talking about limiting the dollars we can invest in homeland security.

We are now at level orange, and every State and community now has their law enforcement and local folks on overtime, running up huge tabs. In New Jersey, I think the figure is about $1.2 million a week, with the way they calculated it the last time. If it is wrong, it is a lot more. These are incredible burdens we are putting on them. Frankly, I think what really is a mistake is that we are going to lose our ability to protect Social Security and make sure Medicare is there for future generations. We have 37 million Americans now who are over 65 and in another 10, 15 years, we will have about 75 million, give or take. We will not, with tax policies that we have in place today, be able to secure Social Security and Medicare as we know it today. You are going to hear the term ''reform'' all the time. All that is about is not having the capacity to deal with the demands Medicare is going to place on our system of Social Security in the years ahead. Some of us think there is a real attempt to undermine the basic social safety net programs that are very much a part of the values of the American way of life.

Maybe the President and my colleagues on the other side of the aisle believe in this tax cut, or that tax breaks for a very limited number of folks are more important than education. I don't think people feel that way in New Jersey. Maybe they believe it is more important to force cuts in Social Security or guaranteed benefits on Social Security down the road. Maybe we need to privatize it because we don't have the resources. I don't think I am hearing that from constituents in New Jersey, and that is not what I will fight for on the floor as we go ahead.

Most of my constituents strongly disagree with those priorities and the values of placing these tax breaks that are heavily loaded and benefiting those who are already doing well in our society versus having the ability to invest back in America the way I think so many believe—at least my constituents. I think it will be a hard sell when they get the fundamental facts out about what this tax cut program is all about.

Having said what I had to say about values, the problem with this legislation goes well beyond those issues. The key problem is very simple. I don't think it works. I just think it is flat out not intended to revive our economy. There is no indication it is going to create jobs. Actually, it might well do the opposite because we are undermining the tax base of our State and local governments. They have to raise taxes. We are taking money off the balance sheets of corporations by giving them encouragement to pay dividends. I don't know how companies go out and hire people, invest in plant and equipment, or put projects together on research and development when they don't have cash. I think that is actually what drives and gives incentive to the corporations to operate. So I have a hard time understanding even the theory of this program.

I know the administration and my colleagues on the other side of the aisle disagree. I know they have a theory about how these tax breaks work. They seem to really believe that huge windfalls or large tax breaks for a limited number of investors eventually will trickle their way through the system to working Americans. They seem to believe cutting taxes will actually increase flows of revenue to the Federal Government. They have to believe that. I believe they are sincere; they must be. I didn't come to the floor to question anybody's motivations or sincerity. But their arguments don't stand up to serious analysis and scrutiny by anyone who stands back and asks: Does this work? What does history tell us? It contradicts these views; it directly contradicts the basic principles of economics as expressed in the past by some of the administration's own policymakers, which I will cite as we go down the road.

We have tried radical supply-side economics before; we tried them back in the 1980s. We certainly got the massive deficits. Then we had the crash of 1987, and we had all kinds of serious dislocations and a sustained period of slow economic growth in the late 1980s and early 1990s. We tried them just 2 years ago when President Bush and Congress pushed through the first tax cut. Where are the results? Tell me what has happened to employment since we passed the first tax cut. I think it is something like we have lost 2 million jobs since then. We have had 2.7 million private sector jobs lost since we have been implementing and debating these kinds of policies. So it didn't work the first time, and we are going to try the second time.

We have to also understand our fiscal position does have something to do with what happens in the economy. We have moved, in the 2 years and 4 months since this administration has been in office, from a projected surplus of $5.6 trillion to a deficit projection of $1.8 trillion.

It is mind-boggling how big these numbers are, but a $7 trillion swing in the cash position of the Federal Government is a big deal. It is not just a little bit of money. That is not $1. That is $1 trillion, $2 trillion, all the way up to $7 trillion of negative cash swing for the Federal Government in 2 years and 4 months.

If you were running a business and you had that kind of cash swing, I guess you would be scrambling to find someone to lend you money. Maybe that is what we are seeing with respect to our dollar today, which has had a 20-percent depreciation. Maybe people are a little less enthusiastic about holding dollar assets outside the United States.

As I said, we lost 2.7 million private sector jobs. Two million people today have been unemployed for over 6 months. Frankly, this administration is on track for the worst job creation record in over 50 years, and we are trying to do the same thing over and over.

The history is clear, at least to this reader of history. Large tax breaks, privileged few, massive deficits, and massive debt simply do not work. They do not make the pie expand; they make it shrink. They do not lift all boats; they drain the economy and hurt everyone, including, by the way, many of those who get the bulk of the tax breaks.

I do not understand why we thought policies were so bad in the 1990s. There was a great expansion of wealth at all levels across the economic spectrum in this country. Probably more millionaires were made in the 1990s than any time in the history of the United States.

That is the history that I know, and it should not come as a surprise because economists have been arguing against these kinds of policies for years. Which economists? The Senator from North Dakota talked about the 10 Nobel Prize winners, and there are 450 economists from academic institutions across America, 250 business folks, economists such as Alan Greenspan, major economists on Wall Street—across the economy—who speak out against these policies. I will add, and this is the hard one, economists from the Bush administration.

Let me read from the book authored by President Bush's nominee—I guess he has not yet been confirmed by the Senate, but the nomination has been reported out of the Senate Banking Committee—to be head of the Council of Economic Advisers, Greg Mankiw. He is a great economist from Harvard. He wrote the textbook for Economics 101 that is being used at most colleges

across America today. It is called ''The Essentials of Economics.'' I usually bring it with me and read it but I did not do that tonight.

In this book, obviously written before joining the Bush administration, Professor Mankiw, in effect, points out the fundamental fallacies of this tax policy, this fiscal policy. I will take, for example, the argument from many administration officials that deficits do not matter. This happens to be on page 401. I do not have the book. I used to cite it regularly. Professor Mankiw says:

> When the Government reduces national savings by running a budget deficit—

I think that is what we are doing now—

> the interest rate rises and investment falls because investment is important for long run economic growth. Government budget deficits reduce the economy's growth rate.

That is Professor Mankiw at page 401 of his textbook, ''The Essentials of Economics.''

What about claims that cutting taxes will actually lead to higher levels of revenue? That is the supply-side dynamic scoring. What does Professor Mankiw say about that? This is another quote:

> Some supplysiders push their arguments to ridiculous extremes claiming, for instance, that tax cuts would generate so much growth that they would be self-financing. The experience of the Reagan years puts this theory to rest.

Professor Mankiw is obviously right about the bankruptcy of supply-side economics, at least from my perspective. Fortunately, he is wrong about one thing. The Reagan years did not prove it to somebody or a whole bunch of folks because we are trying it all over again. It is alive and well right here in Washington, DC, and we are not following what I think are the essentials of economics, and we are practicing ideological economics, politics, as opposed to dealing with the real world as I think most folks know it.

The truth is deficits do matter. They matter for our economy, just as they matter for ordinary American families, just as they do for our State and local governments, just as they do for everyone who operates in an economic context.

According to one analysis, by lowering national savings and increasing long-term interest rates, the incomes of working Americans would be reduced by about 2 percent, or about $1,000 per person. That is the economic analysis that is often an accepted rule of thumb. While the tax breaks would go primarily to the few of the best-off Americans, most Americans will suffer from this reduction in their income. Most Americans will.

Keep in mind, the Federal debt does not come free. It leads to increases in interest payments that must be paid by ordinary American taxpayers. Over 10 years, spending on interest on additional debt, what might be called a debt tax, in my view—and I would like to get that out—of the increase of the deficit that is projected in the years ahead would amount to $2.4 trillion for the tax cut that we are going to probably sign off on tomorrow.

That, by the way, is $30,000 in interest burden for a family of four. I don't know, that sort of offsets a lot of this talk about the kind of benefit this is supposedly going to have in the pockets of individuals. Somehow or another, those interest expenses for the Federal Government are going to have to get paid by the taxpayer. Somehow or another they are going to have to show up. For a family of four, that is the interest burden.

The impact of higher interest rates is not limited to higher taxes that our taxpayers will have to pay to service the Federal debt. It is also going to impact the debt payments they are going to have to make. It has been estimated that for every 1-percent increase in the deficit as a percentage of GDP, other things being equal, interest rates go up to where they would have been otherwise one-half to 1 percent.

We have a weak economy right now, so we have very low interest rates. Maybe they would be lower if we did not have huge deficits, and if we happened to get back into a more rapidly growing economy, then the increase in interest rates will be very rapid and the cost for ordinary families will be very real.

For instance, on a $100,000 30-year mortgage, the increase in mortgage payments by that 1-percent increase would be a $860 per year payment. That is out of pocket. That is a tax.

Consider what you are going to be paying in additional dollars on car loans, something approaching $100 a year if you had a $10,000 car loan; multiply it out by 30,000, you get $300 or $400 on car loan payments, and then on a $20,000 student loan or maybe it is a $100,000 student loan, and you get another $500. Cumulative, if the economic analysis is right by people who have been doing this over and over, we have families paying something like $2,000 more in higher interest costs than they would pay if we did not have these kinds of deficits.

The Bush debt tax would take a real bite out of family budgets. Remember, 53 percent of Americans are going to get $100 or less, and I just went through how somebody could end up paying $2,000 more in interest expense, which I call a debt tax.

This bill will not really result in tax cuts for many, if not most, Americans, and it will result in a massive tax burden shift with a handful of elite investors paying far fewer Federal taxes and other taxpayers eventually having to make up the difference somehow or another.

Somehow or another it often is at the State and local level. Rising property taxes, sales taxes, State income taxes, and gas taxes all are likely to be going up. I should not say likely; they are going up. New Jersey property taxes at the local level went up 7 percent this year. Across the river in New York City they went up 18 percent.

We are putting a burden on State and local governments that is going to more than make up for anybody's average—pick the number. We are going to end up paying more in taxes at the State and local level than anybody could argue someone is making on the kinds of tax breaks we are doing, other than the very top income earners in America.

This does not do very much for average Americans, for people who are middle income, working hard, trying to make things happen with a solid budget. This is a massive tax shift from those who are doing well to middle-income folks, lower income folks.

Four out of five Americans pay more in payroll taxes than they pay in income taxes. Why we did not think about payroll taxes or wage tax credits is hard for me to understand. That is where the real tax burden is. If we are going to protect Social Security and Medicare as we go forward, I wonder where we are going to get those dollars. Probably right back in the payroll taxes.

In my view, this is not a tax cut; it is a tax shift. Frankly, this should not come as a surprise to anyone. One does not need an economics degree to be skeptical about promises based on the premise that we have a free lunch; that if we cut taxes, revenues are going to grow so much that we do not have to worry about our budget deficit.

The truth is, we pass these tax breaks out to a very narrow segment of society. Everybody else ends up paying. I suppose there might be an argument for the Bush debt tax if it were being used somehow to create jobs and strengthen the economy, but it will not. According to one respected firm, Economy.com, the White House plan, which is similar to the legislation before us in many ways, causes the loss of 750,000 jobs over the next 10 years. That is on top of the 2.7 we have already lost.

In my view, the Republican plan will depress economic growth not only because it will dramatically increase Federal debt but because of its failure to address the worst fiscal crisis facing our States in 50 years.

I am glad we put $20 billion into this program. I am glad that in the negotiations we have provided some help. But with the dividend exclusion and the capital gains tied to State income tax rates, in most instances they are going to be losing, if it were pure dividend exclusion, $10 billion. I do not really know how this is going to apply to the States, but it is not going to be a healthy benefit to our State governments.

Unfortunately, there are a lot of people who do not care. Again, there is this ideological policy as opposed to an economic policy. I will only quote one leading supporter of this proposal who is very strong in supporting most of

the things the administration does, and that is Grover Norquist. He has stated, I guess, what we are trying to practice: I hope the State goes bankrupt.

Well, some of my colleagues may hope that States go bankrupt. I do not think many of them do. The truth is, when States face problems, it is not just State officials who suffer. It is working families. It is kids on CHIPS, the Children's Health Insurance Program. It is Medicare beneficiaries. It is our hospitals. It is our roads. It is all that holds us together as a society.

I go full circle and come back. This is about values as well as about economic numbers: Who gets what and what is going to happen to the economy? I think we are missing it and missing it big time in understanding that for the benefit of a very few, we are actually walking away from helping those in whom I think many of us believe we ought to be investing.

I could go on and on about other elements, but I see the ranking member who has fought so hard for reasonable economic policies, Senator BAUCUS. He has talked about this as a yo-yo or shell game, whatever one wants to call it, with sunsets. We have made sunsets, which should be a beautiful thought in American minds, into something that is almost silly in the context of this particular package. The $350 billion is really $800 billion to $1 trillion. I am sure those who have proposed this think this is a program that is going to stay on the books. If we are going to stay with this program, including even some of the middle-class income tax breaks on marriage penalty, child tax credits and other things, this will amount to $800 billion to $1 trillion.

This is bad fiction. This is not even a fair representation of the reality of the cost. So not only is it bad economic policy, I think it also challenges the basic values that we should be representing in the Senate. It is not even truthful.

Some could argue that it is Enron-like accounting. I think it is not the right way to deal with the American people to say we have a $350 billion tax cut when we really have a $1 trillion tax cut, at best. It may be a little less, may be a little more, depending on how things work out.

This is going to bring on a new age in tax shelters, a new opportunity that people are going to be working on. They are probably working on it right now on Wall Street. The differential between earned income and dividend and capital gains income creates an enormous bonanza of opportunity for the creative mind to translate current earnings, wage earnings, into capital gains.

There will be more midnight oil burned in the next 3 months figuring out tax shelter strategies than we have ever been able to imagine. From what I understand—again I have not seen the detail of it—we took out all of the closing of loopholes that were a positive part of the Senate bill. I find some of the values that we are reflecting there an enormously disturbing element from what I understand about this conference report.

The saying is, fool me once, shame on you. Fool me twice, shame on me. I think that is what we are doing with this proposal. I do not think it does what it says it is going to do about growing the economy. I do not think it reflects our values. I sure do not think the American people are getting a tax break. What they are getting is a debt tax laid on them that is going to overwhelm any of the benefits. In the long run, we threaten ourselves and our ability to invest in education, invest in Social Security.

I do not get it. I think it is a bad thing to do. I hope my colleagues will have a good night's sleep, think a little bit about how some of this works, come back and be honest with the American people, rid ourselves of some of these gimmickries, and get on with an effective fiscal policy and economic policy that really does work for working families.

I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, the order is what?

The PRESIDING OFFICER (Mr. TALENT). We are in morning business.

JOBS AND GROWTH PACKAGE

Mr. GRASSLEY. Mr. President, I use morning business as a forum to discuss some of the issues that are going to be coming up tonight and tomorrow morning before we vote on the tax bill conference, the jobs bill, the growth package—whatever you want to call it. I take my opportunity to speak to the conference report that was agreed to this afternoon.

There has been a great deal of hard work that has taken place in the last few days to bring the reconciliation conference agreement to completion. I thank all of my colleagues and the House for their hard work and their cooperation in meeting our goal of getting a jobs and growth bill to the President by this Memorial Day recess.

We all agree the economy needs a shot in the arm. Although our economy is growing, it is not growing fast enough to create jobs. The difference is it has been growing for about a year and a half at 2 percent, roughly. We do not create jobs at 2 percent even though the economy is growing. It takes growth of about 3 to 3.5 percent to create jobs. We believe this bill will bring about the proper growth.

Some estimates, some versions of the growth package, although not necessarily this compromise before the Senate, is that it will create 1.4 million new jobs. A major cause of the sluggish economy is the bursting of the stock market bubble created in the 1990s. This bill will address the ailing stock market. It will help create jobs. It will grow the economy. It will put money back into the hands of families, consumers, investors, and businesses that will help fuel our economic engines that create those jobs that we hope will be created from this legislation.

It is often said that various bills before the Congress might be historic in nature, and I don't want to overplay this one, but I do want to use the term about this being an historic agreement in this sense: It will amount to the third largest tax cut in history. President Bush should be highly praised for initiating two out of the last three largest tax relief packages passed by the Congress in that period of time.

The packages before the Senate abide by the budget agreement of the Senate side limiting the overall number to $350 billion. It includes the speeding up of all rate reductions, as well as the House's innovative version of the President's dividend proposal that will not only reduce dividend tax but also reduce the capital gains rate, as well.

Capital gains and dividends will be taxed when this bill becomes law at 15 percent and 5 percent depending upon the level of income. The 5 percent eventually will be phased down to reach zero level of taxation in the year 2008.

This happens to be the lowest level of capital gains tax since 1934. Dividends will also be taxed at historic lows, and those figures would be the same rates of taxation as apply to capital gains.

We also included in this package an expenditure of $20 billion in aid to States that was in the Senate bill, which I know my fellow Senate colleagues, including Senator Rockefeller, who was a conferee, will appreciate.

In addition, the bill includes further child tax credit and marriage penalty relief. Some may argue that we did not do enough regarding the two problems. This bill will greatly improve current law. If Senators vote for this measure, they are voting to put approximately an extra $1,000 in the pockets of a family of four if that family has two children. They are going to do this for the next couple of years compared to current law. That is going to be retroactive to January 1 of this year, and it would presume a rebate of $400 per child back to any family who reported children on their income tax. That check should be in the mail later this summer or very early in the fall. So a family with two children would get an $800 rebate check from the Federal Treasury later this year.

As chairman of the Finance Committee, I certainly intend to continue and enhance improvements in marriage penalty and child tax credit in the coming years. In other words, we should get to that goal of continuing

the $1,000 credit as permanent legislation, not as temporary legislation. We should resume our goal of eliminating the paper right now rather than down the road a few years when it is slated to be phased out.

I happen to be very disappointed about an aspect of the conference report I and a lot of other people from rural States worked on, to bring some equity in Medicare reimbursement to our respective rural States. My amendment had 86 votes in the Senate. We addressed the Medicare rural equity. This is what was not included in the final agreement.

Here is where the House comes from. They did not have a similar provision in their bill. They argued in the other body that this tax relief bill and the Medicare issues should be addressed in the Medicare legislation coming up for consideration in just 2 weeks. What I heard was this is a tax bill, not a Medicare bill, and why can't this wait an additional 2 weeks and take it up in an environment very closely related to the subject of Medicare reimbursement and not isolate it in a tax bill.

My answer to that is, I know this bill before the Senate will be signed by the President. I hope later on this summer or early fall we have a Medicare prescription drug bill for the President to sign. But, obviously, I am not as sure of that as I am of this bill going to the President. There are obviously a lot of things about the reimbursement of Medicare for our health care providers in rural America that are very unequal to that of urban areas.

On this very issue of Medicare rural equity, President Bush weighed in strongly supporting my efforts in the context of the Medicare bill, and this is a continuation of things that he spoke about at two or three different events over a period of months in Iowa just in the last year. It is a continuation of discussions I have had with the President on this very same subject during the month of December, last year, and the month of April, this year, when I had very private meetings with the President on the subject of Medicare.

Given the President's strong endorsement of my proposal, and the strong support in the Congress evidenced by the 86 votes in the Senate, and the fact we will be considering Medicare very soon, and also Chairman Thomas's willingness to consider these issues, I am encouraged we will succeed before the end of summer.

I ask unanimous consent to print a copy of the President's letter in the RECORD, wherein the President speaks about support for my efforts.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, May 22, 2003.

Senator CHARLES GRASSLEY,
Committee on Finance,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN GRASSLEY, I want to congratulate you on Senate passage of the jobs and growth bill, and also on the passage of your amendment to that bill which increased federal assistance to rural providers through the Medicare program.

When we met in the Oval Office in early April, we discussed our concerns that rural Medicare providers need additional help, and we committed to addressing their problems. We agreed on the need to address issues faced by rural hospitals, skilled nursing facilities, home health agencies, and physicians.

You demonstrated your commitment by passing your amendment last week with tremendous bipartisan support, and by pushing hard for it in the conference negotiations on the jobs and growth bill.

I will support the increased Medicare funding for rural providers contained in your amendment as a part of a bill that implements our shared goal for Medicare reform.

Sincerely,

GEORGE W. BUSH.

Mr. GRASSLEY. Mr. President, some are going to say during this debate on this reconciliation compromise tax relief for working men and women that we cannot afford to give money back to the American people. You get the impression from people who say that this is the Government's money and not the people's money. It is the people's money that comes to Washington. We spend it for them—a lot of times not as they would. But it is never the Government's money. No government creates wealth. Only working men and women, either through their labor or the use of their genius and using that in a productive manner, is what creates wealth in America.

It is not right to assume in this body or any other legislative body that the resources of the American people belong to Government and we let them keep some of their own resources to use as they want, but it all belongs to us. This attitude is that we in Government are smarter and know better than other people how to spend other people's money.

This bill before us underscores the President's, and the majority's, belief that this is the people's money first. The people will spend and invest their money in more productive ways than government ever will. This bill reinforces that philosophy. I commend the President for his leadership, his perseverance, and his ability to get things done.

I am still going to speak on the issue of the conference committee report before us, but I want to concentrate now for just a few minutes on the accuracy and intellectual honesty in the debate over our bipartisan tax relief package. This mostly would address who benefits and who does not benefit. Too many people on the other side of the aisle want you to believe this legislation only benefits the wealthy or high-income people of America. In fact, what this bill is about is not worrying just about income, but it is an effort through what we do on capital gains and what we do on dividend taxation to encourage the creation of wealth.

We are not starting from ground zero here in the creation of wealth. This was started by the people themselves over the last now maybe a couple of decades. Because just 20 years ago, maybe less than that, about 12 percent of the people in the country had money invested in the stock market or had pensions and 401(k)s that were dependent upon the stock market. Today that is about 55 percent of the people in the country. So there is an expansion of instruments leading to the creation of wealth. There is a broader range of people in the United States now, compared to 10 years ago, or let's say 20 years ago, who have an interest in the stock market. So I want to discuss the importance of the accuracy of the data in the debate over the bipartisan tax relief package before us.

In this and all tax policy debates, it is very important to have accurate data and to debate the issues in an intellectually honest manner. Involved is the key question of whether a tax relief package is fair. In evaluating fairness, we frequently look at whether a proposal retains or improves the progressivity of our tax system.

We have critics of President Bush's growth plan who attempt to use what we call distribution tables to show that a certain proposal—in this case President Bush's proposal—disproportionately benefits upper-income taxpayers. Let me say flat out this is factually inaccurate. But more importantly, it misses the point of this legislation for several reasons I want to present to my colleagues.

Make no bones about it, this is not a tax relief package for the sole purpose of just giving more money back to the taxpayers. It is for the purpose of doing that with the end result that it will lead to the creation of jobs and it will cause our economy to grow, which is necessary to create jobs. As such, the proposal attempts to promote investment incentives so that companies will purchase capital and labor. Although the package is balanced between consumption and investment, it is the investment-side incentive that will result in long-term economic growth.

What we are trying to do is enhance the capital-to-labor ratio. When there is a surplus of capital, that is when labor benefits. When there isn't capital to invest, there is a surplus of labor and consequently labor cannot advance up the economic ladder the way we want all Americans to be able to do. But when you bring in a surplus of capital that is invested, there is an increase in demand for labor. When there is an increase in the demand for labor, wages and benefits go up for working men and women. This bill is all about increasing—or at least a good part of it; some of it is oriented toward consumer spending, but a good part of this is oriented towards encouragement for capital and enhancing that capital-to-labor relationship.

Those who criticize this plan for benefiting wealthy taxpayers assume the rich stay rich and the poor stay poor through a lifetime. It is almost ''born rich, you are always rich; born poor, you are always poor.'' That is not

America. America is all about economic mobility, the dynamics of the free marketplace. That gives people opportunity to improve themselves and that is what America is all about.

Recent studies, including one produced by the National Center for Policy Analysis, indicate this is untrue, that the rich are always rich and the poor are always poor. The study measures income mobility by breaking same-age workers into five income levels and monitoring their movement between the income quintiles over a period of 15 years. The study shows there is considerable economic mobility in America and that large numbers of people move up and down the economic ladder in relatively short periods of time.

Moreover, in recent years, earnings mobility has in fact increased. The study demonstrates that within a single 1-year timeframe, one-third of the workers in the bottom quintile moved up and, in fact, one-fourth of the workers in the top 20 percent of our population moved down. One-half of the remaining labor force changed quintiles within that year, and 60 percent of the workers are upward mobile within 10 years.

The University of Michigan study also concluded that taxpayers tend to move between income groups during their lifetime. It is quite obvious how much sense this makes. It makes a lot of sense.

Taxpayers are likely to be lower income earners early and late in life, but are likely to be higher income earners during their midpoints of life.

My colleagues, just think of your own lifetime starting out in your first job out of high school or your first job out of college. Hasn't there been a great deal of movement during your lifetime, both up and down? We hope most of it is up. But for some, it is down. What allows these people to escape the lowest-income quintile and start earning more money is a college education and acquiring necessary skills on the job.

Interestingly, anecdotal evidence shows that 80 percent of the individuals in the Forbe's 400 list were self-made as opposed to those who inherited fortunes. Again, this underlies the importance of taking advantage of educational opportunities. Education allowed these people to overcome differences in income, increase their chances to escape low-wage jobs, and determine the success of their future earnings.

These findings are backed by a third study produced by the Financial Services Roundtable by the same organization I have been quoting, the NCPA. This study confirms that there is substantial economic mobility between generations. Almost 60 percent of the sons whose parents' incomes were in the bottom 20 percent are in higher income groups. Thirty-one percent have incomes in the top 60 percent.

Therefore, whoever is saying that once rich, Americans always stay rich and once poor, they always stay poor are purely mistaken.

I welcome this data on this important matter for one simple reason. It sheds light on what America really is all about. We are a nation of vast opportunities. We are a nation of tremendous economic mobility by people from all over the world. Our country truly provides unique opportunities for everyone. These opportunities include better education, health care services, financial security but, most importantly, our country provides people with freedom to obtain necessary skills to climb the economic ladder and to live better lives.

We are a free nation. We are a mobile nation. We are a nation of hard-working, innovative, skilled, and resilient people who like to take risks when necessary in order to succeed.

We have an obligation as lawmakers to incorporate these fundamental principles into our tax system, and this bill succeeds in doing that.

If I could, I would like to continue on an item that was in the Senate bill more specifically than I have spoken about the bill in the past. I want to speak about a provision that was, in fact, dropped in conference. It was very important to ZELL MILLER, the Senator from Georgia.

On a preliminary point, I express my appreciation to Senator MILLER for his support of the President's package. It has not been easy for a person from the other side of the aisle to be so consistent in their support. But he has been a fearless man with the Marine courage and conviction that is in his background.

Senator MILLER discussed a proposal regarding CEOs to sign a corporate tax return. This measure has been in the tax shelter curtailment proposal passed by the Senate Finance Committee. I support the proposal.

I share Senator MILLER's commonsense view of this proposal. As does Senator MILLER, I think CEOs ought to be accountable on their companies tax returns just as individuals are. Unfortunately, I was not able to secure Senator MILLER's position in conference. I faced two barriers. One was a potential procedural problem. The other, the opposition of the House to any proposals that raised revenue.

Despite my effort, I was not able to deliver this provision back to the Senate for Senator MILLER. But I would like to make clear to downtown lobbyists and to corporate America that Senator MILLER and I will be back on this very important provision.

Chairman Thomas and his staff know the importance of this issue to Senator MILLER and to me. I have let them know that we will be back at it in legislation that has passed the Senate called the CARE Act—that is a charitable giving act—or if we don't do it there, we will do it in other tax legislation this year.

At a later point in this debate, Senator MILLER and I may engage in a colloquy on this very important subject to all of us; but very important for Senator MILLER because of his instigation of it, the CEO signature provision.

I yield the floor.

The PRESIDING OFFICER. Who seeks recognition?

The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I wish to make a few comments regarding the bill.

First, I compliment the chairman of the Finance Committee for his leadership. Passing a budget has not been an easy process. If we had not passed a budget, we wouldn't be passing a tax bill.

Senator GRASSLEY was a very strong supporter of us getting a budget. He showed great courage in doing that. Some people criticised him for it. I take issue with that. Senator GRASSLEY, in bringing to the floor the tax provision reconciliation bill that we are going to be voting on tomorrow, frankly, made a commitment, as any chairman would, that he didn't want to bring a bill back to the floor of the Senate that wouldn't have the necessary votes to pass. He is exactly right. He, as I, count votes.

We are passing the biggest, best growth package we could get through the Senate. Both of us would like for it to be more. We met with our colleagues in the House. They would like for it to be more. The President would like for it to be more. This is the best we can do with the votes we have. With the package, I think we have done a good job, which we have, in loading up front, doing the best job we can to create jobs and create growth in our economy.

I compliment Senator GRASSLEY because if he hasn't shown leadership, we wouldn't have a budget and we wouldn't be voting on a tax bill. Tomorrow, we will be passing one of the best that this Congress has passed—maybe not just this Congress but in a long time.

I wish to talk about some of the provisions that are in the tax bill.

Senator GRASSLEY complimented Senator MILLER. Senator MILLER and I introduced the President's tax bill several months ago. It was $696 billion. The tax bill we are voting on tomorrow, most people say, is $350 billion. Actually, the tax portion of it is significantly less than that. It is closer to $315 billion.

Somebody might ask, What is the difference? There are outlays. We had to pay for the outlays. When we passed this bill in the Senate, we passed $430 billion worth of tax cuts. We had some offsets, user fees, and other things that were extended to make the bill come out at a net of $350 billion, which was consistent with the budget resolution.

Now, let me just make a couple other comments.

I have heard some of our colleagues say that $350 billion is outlandish, such a large tax cut. It is $350 billion over 10 years when the total revenue to be received by the Federal Government will

probably be $25, $26, maybe $27 trillion, so it is really a very small percent, maybe 1.3 percent or thereabouts. Granted, we loaded more of it upfront so it is a greater percentage the first couple of years. We did that because we wanted to have more positive impact on the economy. We want to grow the economy. We want to create jobs.

The economy is very soft, some people would say very stagnant. It is not growing to near the potential we want it to be. We have lost a lot of jobs, so we want to do some things, and we believe we can do some things, in the Tax Code that will create an environment that will be a lot more conducive to creating jobs.

I have been in the Senate a long time. I have seen us pass tax bills that encouraged growth, and I have seen us pass tax bills that, frankly, discouraged growth. I might touch on those just for a minute.

But I remember, in 1997—frankly, the Clinton administration was not in favor of it at the time—I remember negotiating this provision reducing the capital gains rate from 28 percent to 20 percent. President Clinton eventually signed the bill. By doing that, we created a lot of jobs. That created a lot of economic activity. That was a positive thing to do. That generated revenue. That helped our economy. That is just an example.

If you go back a little further in history, when Ronald Reagan came into office, in 1981, the maximum tax rate was 70 percent. When he left, 8 years later, it was 28 percent, and we had one of the longest periods of economic growth in our Nation's history and created millions of jobs. Phenomenal. Incidentally, the Government revenues increased substantially over that period of time.

Well, what are we doing in the tax bill today that will help this economy of ours grow? There are several provisions in it. I look at this bill, and I am amazed we were able to do as much as we did. I compliment our friends and colleagues in the House. We worked together, and we fashioned a pretty good bill.

I will also say, it is not perfect, and it is not exactly what I would have written, but we make compromises to pass legislation in legislative bodies. I think the Senate reported out a good bill. I am proud of the bill we reported out on the floor of the Senate just last week. We have compromised with the House. I will touch on several of these provisions.

Both the House and the Senate accelerated the rate reductions we passed in 2001. What does that mean? It means somebody who was paying the maximum rate of 38.5 percent will be paying 35 percent. It just so happens 35 percent is the same rate that General Electric pays, corporations pay. Why should individuals—many of them have their own business—why should they be paying personal rates higher than the largest corporations in America? So that was a positive stop.

I have heard some of our colleagues say: Wait a minute, these are tax cuts for the wealthy and the rich, and so on. For the wealthy, the maximum tax rate was 39.6 percent. We passed that in 2001. To date, it has only been reduced 1 percentage point, from 39.6 percent to 38.6 percent.

Now, we will finally get it to 35 percent, the same rate as corporations. People who were paying 35 percent will pay 33 percent; people who were paying 30 percent will pay 28 percent; people who were paying 27 percent will pay 25 percent; and a lot of the people who were paying 15 percent, when we passed the bill in 2001, will have a rate reduction to 10 percent. So they got the entire rate reduction in 2001 retroactive. I just mention those facts so people will be aware of them.

We put in a provision to allow small business expensing. We raised that from $25,000 to $100,000. I used to own and operate a small business. This will help a lot of small businesses. We had that in the Senate bill. The House had it in their bill. That sunsets after a couple years.

Bonus depreciation was not in the Senate bill. It was in the House bill. I compliment the House. That increased the bonus depreciation segment we had in the 2001 tax bill from 30 percent to 50 percent through the end of next year. This will encourage all corporations, large and small, to make more significant investment. When they make significant investment, they will be able to recoup half that investment over a much shorter period of time.

We also did something that dealt with dividends and capital gains. The bill that passed the Senate was basically a 100-percent exemption for dividends for 4 years. Some people say: Wait a minute, it was only 50 percent the first year. That was for 2003 that we passed in the Senate. Frankly, we are halfway through 2003, so I am looking at this, and at least from this point on it would have been a total elimination of double taxation on dividends for the remainder of 2003, 2004, 2005, and 2006. I thought that was superior to the House provision that said: Let's tax dividends at 15 percent.

What came out of conference was the House provision. Again, we make compromises. The House provision has a lot of merits. It says: Let's tax capital gains and dividends at 15 percent. Well, for capital gains, that are presently taxed at 20 percent, to go to 15 percent is a 25-percent reduction. That is pretty significant.

I mentioned earlier in my statement, when we reduced capital gains from 28 percent to 20 percent, we reduced the tax on financial transactions, and we turned over a lot more transactions. That had a very positive impact on the economy. I expect we will have a positive impact on the economy by reducing the rate on capital gains again. And I think there is a lot of merit in saying we should have the tax on dividends be the same as the tax on capital gains. That was the House provision. That is a 15-percent rate. That is maybe a little more than a 50-percent exclusion.

Now, if you looked at the chart—I do not have the chart with me today—we tax dividends higher than any other country in the world. If we want to create a climate that is going to be productive for investment, we should not tax the proceeds or profits from those investments higher than anybody else in the world. We consider ourselves the ''free enterprise mecca'' of the world, but yet we tax the distribution of those profits higher than anybody. We are basically tied with Japan for taxing corporate dividends higher than anybody. We tax them higher than Great Britain, we tax them higher than France, and we tax them higher than Germany. It makes no sense.

Well, this is going to be a big step toward probably putting us about in the middle range of countries as far as taxation is concerned. It still has double taxation. I still would much prefer the Senate provision. We did not prevail in conference. Again, it's the art of compromise.

This is a giant step forward. If you asked me 3 months ago, could you get a 50-percent exclusion, I probably would have said: Let's take it. That is a giant step forward.

Let me just give a couple of personal examples on corporate dividends.

I think a lot of people have tried to construe this as only benefiting the wealthy, and so on. That is hogwash. That is absolute hogwash. Over half of Americans today have some ownership of stock. Maybe they own it. Maybe they don't own the shares in their name, but they are participants in a retirement plan. Maybe they are in a teachers retirement plan. Maybe they are in a retirement plan for firemen. Maybe they are in a Teamsters retirement plan. Maybe they are in a civil service Federal employees retirement plan. Maybe they have a portion—maybe all, maybe some—of their retirement based in stocks. A lot of those stocks pay dividends. This is going to help the value of their account. This will cause the market to go up.

The stock market has been on a significant decline for the last 3 years. Some people want to say: Well, that was President Bush's recession. I hate to remind them, but the stock market collapse or decline—rapid decline—started in March of 2000. The Nasdaq fell by 50 percent between March of 2000 and the end of 2000. So we have seen a precipitous decline in the stock market.

I believe the proposal we have before us—certainly the one that passed the Senate, and I also believe the one that we will be passing tomorrow—will help the stock market. It will be positive because we are not going to tax the proceeds or distributions from gains in an investment so high. We are basically going to cut the tax rate on those investments in half. That is a positive, giant step forward.

So I again compliment our colleagues. I think we are doing something that will encourage investment, not discourage it.

Let me give you another example. I used to run a corporation. A corporation makes money. It wants to distribute some of the proceeds or profits of that money to their stockholders. In doing so, let's just say the figure is $100,000. If they do so today, they have to pay corporate tax on it. That is $35,000. Then they have $65,000 left to give to their stockholders. They give the $65,000 to the stockholders and—guess what—they are taxed today, and they might be taxed at 38 percent, they might be taxed at 30 percent. Regardless, you add the two rates together and they are taxed at about 65 percent, in some cases 70 percent, in some cases more than 70 percent. So out of that $100,000, the Government is getting about $60,000, and the owner of the corporation is getting about $30,000.

That is not a good deal. That is not a prudent investment. As a matter of fact, as a result of that, anybody who is managing a corporation says: wait a minute, let's not give money to the owners through dividends. Let's do it in the form of bonuses or through other means. And you come up with a lot of schemes—some are very legitimate; some are not so legitimate—to avoid this enormous Government take on the proceeds of distribution of gains from a corporation.

They should be taxed once. Once is enough. Thirty-five percent is enough. Again, our provision, which will hopefully pass tomorrow, is a giant step in the right direction. This provision cuts capital gains from 20 percent to 15 percent and, I might mention, from 8 percent to 5 percent for lower income taxpayers. Again, this is a 25-percent reduction, and it eliminates the long-term/short-term capital gains. If you want income tax in capital gains simplification, we do it. Right now you have long-term and short term capital gains. Anybody who has an investment in anything, they have to keep track: How long did you own this? Does it qualify for a 20-percent or 18-percent rate? We are saying we will not do that. The rate for capital gains is 15 percent, and it has to be the same rate on dividends.

There is another advantage to this. If somebody who has a portfolio invests today, the present Tax Code says, let's make a lot of investments in growth stocks because they pay capital gains, and the tax rate on capital gains is 20 or 18 percent. That is about half of the present rate on dividends, on ordinary income tax. That is the present law. A lot of people, because of the Tax Code, were encouraged to go to more growth-oriented stocks, i.e., stocks that don't pay dividends, to make their investments. Many of those stocks are a lot more volatile, a lot riskier, a lot more subject to variations in prices. Again, having a policy that at least taxes dividend distribution and capital gains on an equal basis will take the bias out that presently exists for growth stocks as compared to dividends or more oriented stocks that pay dividends. That is good. That will change corporate behavior, and that is good.

So when you add all these things together, we have done some things for families. Somebody says, this is just going to benefit corporations and small businesses. That is not correct. We have done something for families. Individuals and married couples who have kids are going to get a $1,000-per-child tax credit. Present law is $600. That is a $400 increase. If you have four kids, that is an increase of $1,600. I have four children. My kids are a little old so they don't qualify, but this will help families all across America. That is $1,000 per child that they don't have to pay in taxes. Frankly, most families need that extra money to raise their kids. So it is family friendly.

We did something on marriage penalty. We doubled, basically, the 15-percent bracket for couples. Let me give an example. It is kind of wonkish. People move from a 15-percent bracket in present law to a 27-percent bracket. I think now it is $28,000. So if they have taxable income above $28,000, they move from a 15-percent bracket to a 27-percent bracket. That bracket is almost twice as high. So what is the bracket for couples? If you look at couples, under our provision we say we should double the individual bracket for couples. So if the break line of going from 15 percent to 27 percent under current law is $28,000, we say it should be $56,000 for a couple. Right now it is 40-some thousand. The difference of that is about $1,200.

Let me make sure people understand that. If you have a married couple who has a combined taxable income of $56,000, their savings under this provision is $1,200. If they have two kids, that is an additional savings of $800. That is over $2,000 that a family of four with income of $56,000 will save. That is significant. That is family friendly. That eliminates the marriage penalty for those couples.

Again, we have some positive measures in this bill, positive for families, positive for companies, positive to grow the economy, incentives for people to hire, for people, frankly, to make investments because they can recoup them earlier. Instead of amortizing over 10 years, they might be able to amortize them immediately or maybe half in the first year. Those are significant, positive changes.

We will eliminate at least partially this very high rate of double taxation in current law for corporate distribution.

Both the House and the Senate have done some good work. I compliment Senator GRASSLEY for his leadership. It has not been easy. It has not been easy through the budget or tax process. When we marked up this tax bill last week, we had, I believe, 33 or 34 amendments. I believe the majority of those amendments were decided by one vote. Senator GRASSLEY is to be complimented for his leadership. This tax bill, unlike many, is 43 pages. We have seen tax bills before that are hundreds of pages.

So this is simple. It is clean. It does not have a lot of Members' add-ons that touch on one page and deal with rewriting the Tax Code. This is simplified. We make it much simpler on capital gains. We will tax capital gains and dividends at the same rate. It is simplified because we will accelerate the rate cuts already in the tax law so somebody won't defer income from one year to the next year so there will be a lower tax rate. It is simplified because we will allow small business to be able to expense items in some cases 100 percent of the cost of the item up to $100,000, so they don't have to amortize it over years.

There are a lot of positive things in here that will help the economy, help American families, and create a much better environment both for investment and creating jobs.

I thank my colleagues, particularly Senator GRASSLEY and Senator MILLER, for their support and their hard work. The American taxpayer and the economy will be a lot better off by passing this legislation.

I yield the floor.

The PRESIDING OFFICER. Who seeks recognition?

Mr. NICKLES. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. FRIST. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ALEXANDER). Without objection, it is so ordered.

Mr. FRIST. Mr. President, tonight we debate and tomorrow we act on legislation that will help set a course for a stronger national economy in the coming months. Next month, we will begin to address issues in the health care sector. We will look at ways to strengthen and improve Medicare. We will also begin the appropriations process, funding education, training, and other critically important programs that make contributions to our future economic growth. These issues and others are fundamental to the overall objective of maintaining stable, sustained economic growth that creates jobs and opportunities for all our citizens.

For today we must act on the conference agreement we worked so hard on throughout this week, the Jobs and Growth Tax Relief Reconciliation Act of 2003. This is legislation that justly deserves the expedited consideration it was given over the last month and the special procedures afforded it under the Budget Act.

It is, simply put, must-do legislation. The good things we enjoy as Americans

come, in large part, from the wealth of our vast human and natural resources. They come from a political and economic system that rewards hard work, rewards the entrepreneurial spirit, rewards personal initiative—all conducted within a framework of fair, just, and equitable laws of commerce.

History is replete with governments that have failed because of failed economies. Our responsibility as elected officials to do whatever is necessary to maintain economic growth is real not only for today but for future generations. I am concerned about our economy not only because of its current sluggishness in creating jobs but also because of the new risk—the risk of disinflation.

But you don't have to take my word. Recently, the Federal Open Market Committee decided to keep the target for the Federal funds rate at 1¼ percent, the lowest level in nearly 40 years. But more importantly, the committee concluded that:

The probability of an unwelcome substantial fall in inflation, though minor, exceeds that of a pickup in inflation from its already low level and the balance of risks . . . is weighted toward weakness over the foreseeable future.

I hope my colleagues are listening. The Fed is raising the specter of both continued economic weakness and disinflation—something that we have not experienced in this country. While the economy continued to grow in the first quarter of this year, although at a lackluster rate, it was not sufficient to generate enough demand to encourage businesses and employers to create new jobs. The result is that the unemployment rate has risen to 6 percent.

Now the Fed has added another concern. With insufficient growth, the economy lacks the momentum to stop inflation from falling further.

I continue to meet with economists and business groups to better understand the policies and programs that best address weak economic growth and a jobless recovery. Most all agree that economies are like ships—they cannot be turned around quickly. But while this economy doesn't need to be turned around, it is headed in the right direction. It just needs to pick up its pace. Indeed, that is what the jobs and growth package is all about.

In order to achieve growth sufficient to create jobs, to reduce unemployment, and to stem this potential disinflation phenomena, there must be a substantial injection of new demand into our economy, and it must be now. This is for the job security of the American people. We need to stoke the boilers on this ship. The tax bill before us represents an immediate opportunity to inject new demand in the economy, as much as $60 billion immediately. Of the $350 billion stimulus and growth provided in this conference agreement, 60 percent of that stimulus is provided this year and next.

Equally as important, this stimulus translates directly into money in the pockets of American families. As an example, a married couple with two children and an income of $40,000 will see their taxes decline this year nearly 96 percent—from $1,978 to $45.

The legislation provides for immediate and retroactive to the beginning of this year tax relief to millions of American families by increasing the tax credit for each child to $1,000 each year. The legislation accelerates all the tax rates we enacted 2 years ago, providing in total nearly $31 billion in tax relief this year, immediately. The legislation provides incentives for businesses by providing a 50-percent bonus depreciation for capital investments, up from 30 percent enacted last year—a powerful known stimulus to the economy.

The legislation will increase expensing for small businesses from $25,000 today up to $100,000. As we all know, these small businesses are the real engines of job creation and economic growth.

On the proposal to reduce taxes on dividends and capital gains, this, of course, has generated much discussion in this body and in the House of Representatives. While the Senate passed a different measure than what is in the underlying reconciliation tax bill, the compromise provides significant reduction in taxes on dividends immediately, a nearly 60-percent reduction, and makes reductions in capital gains tax rates to further stimulate investment and growth.

Finally, the legislation does address aid to our fiscally strapped States by providing over $20 billion in direct fiscal relief immediately.

It is clear that we must act, and we must act quickly if we are to ensure that the economy continues on a course of stronger growth and job creation. I ask my colleagues to join me in doing our job.

The House has acted and now it is time for us to act. We must present to the President a strong job creation, anti-inflation economic growth bill. The American economy needs a boost. The American people need jobs, and that duty falls inescapably to us right here and now.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. TALENT. Mr. President, I am looking forward to voting for the jobs and growth package when it comes out of conference and reaches the Senate floor. One of the lessons of the last few years is that we cannot do anything that any of us want to do without prosperity. We cannot do education the way we would like; we cannot improve the quality of health care the way we want to; we cannot protect our Nation's borders the way we would like to; and we cannot provide for our defense the way we would like to without prosperity.

Prosperity means jobs. The way to get jobs, among other things, is to put more money into the hands of people who save, spend, and invest, and that means tax relief. That is what the jobs and growth package is about.

It is not the only way, though, to increase jobs and create economic growth in our country. Another way to do that is by opening up markets abroad. One of the ways we do that is by getting our competitors to end tariffs, end the nontariff obstacles they have placed on importing our products.

For too long we have let the European Union get away with illegal, unwarranted, and protectionist trade policies regarding agricultural biotechnology. I strongly support the President and the administration in the case before the WTO against the European Union. I want to take a few moments to talk about that situation this evening.

For the past 5 years—half a decade—the European Union has effectively blocked our agricultural trade into Europe through their moratorium on the approval of new biotechnology products entering the European market.

Since its implementation in October 1998, the moratorium has blocked more than $300 million annually in U.S. corn exports to the European Union countries. When you look at the total cost of the moratorium, our corn producers have lost $1.5 billion in exports to the European Union.

This moratorium clearly violates WTO rules requiring measures regulating imports to be based on ''sufficient scientific evidence'' and mandating countries to operate regulatory approval procedures without ''undue delay.'' And as far as sufficient scientific evidence is concerned, they have zero standing. Moreover, their policies are holding back products that hold tremendous promise for improving the food supply, advancing human health and preventing famine in the developing world.

The actions of the EU not only violate laws established by the WTO, but also, the EU is violating its own laws requiring science-based regulatory decisionmaking.

The EU policy decisions on biotechnology are being driven by people disdainful of science and its capacity for solving problems facing mankind and critical of the leading role of the United States in scientific advancement.

It is likely that nearly every American has eaten a meal made with corn and soybeans enhanced through biotechnology. These products have been sold and served in restaurants, local grocery stores and farmers' markets for years, without any adverse health consequences ever being reported.

Additionally, agriculture biotechnology, contrary to what the EU may say, is good for the environment. In 2001 alone, biotechnology reduced the application of pesticides by 46 million pounds, in addition to reducing soil erosion and creating an environment more hospitable to wildlife.

However, the facts have not stopped the EU from propping up their moratorium on a flimsy foundation. In addition to their anti-American policies, the EU has more recently pursued policies to undermine the development and support of genetically engineered products around the world, including in countries facing famine, and that was the turning point in this case.

About 40 million people in Africa's famine-stricken nations are at risk of starvation and diseases brought about by incessant hunger. Additionally, 800 million children are starving worldwide. Ongoing droughts and famines have devastated these countries, leaving them without options, and much too often, without hope.

Last fall, three African countries—Zambia, Zimbabwe and Mozambique—were pressured to turn down shipments of safe, nutritious, U.S. humanitarian biotech food aid by the EU. The EU even threatened their export markets if they accepted biotechnology food aid. To do that to a country threatened with famine is nothing less than extortion.

This is the same food that we eat here in the United States. It is unconscionable to me that the EU would promote these anti-humanitarian, anti-development policies.

The EU should try honesty for once. They should try explaining the real reason they do not like American biotechnology: they want to protect their market from competition. They want to protect European markets by ignoring the scientific evidence, which makes clear the safety and nutritional advantage of biotechnology.

Our agriculture producers are leading the biotech revolution and providing us with the most affordable, most abundant and safest food supply in the world. And Missouri's producers are among the leaders in the country.

When the U.S. wins this lawsuit, it will be a victory for our producers who have lost more than $300 million annually in corn exports, and also for science, the environment and everyone who wants to win the war against famine and world hunger.

I applaud the President for filing this suit in the WTO. In doing so, he is once again demonstrating the kind of leadership and courage we have come to expect from him I appreciate our leadership working so quickly on this important issue.

Senator BOND and I, along with several others, have submitted a resolution in support of the action in the WTO against the European Union. I urge my colleagues to consider this resolution expeditiously, to support it, and to give the administration the ammunition they need to prosecute this lawsuit successfully.

I yield the floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, I wish to take an opportunity just before we close down tonight to express some disappointment on my part that none of the specific small business and agricultural provisions survived the final conference agreement.

I truly believe there are many provisions in the final agreement that will be generally good for small business, but there are several specialty areas that continue to need tax relief in a special way to address the particular concerns of some industries.

Many of the items included in the original Senate bill are important to the bipartisan membership of the Senate. It previously passed the Finance Committee as well as the Senate. Again, I stress bipartisanship.

I plan to continue to work on a bipartisan basis with Senator BAUCUS, the ranking member of the committee, to assure that we are able to address the tax needs of S corporations, cooperatives, particularly farm cooperatives, small business excise tax problems, livestock drought relief through the tax efforts, and historic rehabilitation, just to name a few areas of concern.

As we finalize this growth package for the Senate's final vote and the President's signature, we will review the upcoming Finance Committee schedule and move forward with these important small business and agricultural provisions, all of which have bipartisan support.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I thank my good friend, the chairman of the committee, Senator GRASSLEY, for making that statement. We both agreed. Those are provisions that are very important, particularly to certain parts of America. These are provisions that we have been working on in the past to try to get included in law, and I very much appreciate the chairman of the committee making that statement to that effect just now. I join with him and look forward to working with him as we get these measures passed.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, in case I do not get an opportunity tomorrow—or who knows, maybe even forget it—I am reminded by the Senator's statement that even though we have disagreed on the substance of this legislation, the Senator from Montana, the ranking member of the committee, has very cooperatively helped us move this legislation along. We have entered into several agreements to help us get amendments out of the way. A couple of times when there were some political differences, he helped smooth my path to move this bill along. That is all within the tradition of the Senate Finance Committee, and I say it not only to bring attention to the cooperative effort of Senator BAUCUS and also of the committee but also to demonstrate to the people of the country who might be watching this debate on the Senate Finance Committee bill and feel, well, it is just all the Republicans on one side and all the Democrats on the other side, that we are always that way and very seldom is a product from the Senate Finance Committee not a bipartisan product.

I thank Senator BAUCUS for helping us move this bill along, even though he is not in agreement with the substance of the legislation.

I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. FRIST. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS CONSENT AGREEMENT—CONFERENCE REPORT TO ACCOMPANY H.R. 2

Mr. FRIST. Mr. President, I ask unanimous consent that when the Senate proceeds to the consideration of the conference report to accompany H.R. 2 at 8:30 a.m. on Friday, May 23, there be 1 hour for debate remaining divided as follows: Senator GRASSLEY, 25 minutes; Senator BAUCUS, 5 minutes; Senator CONRAD, 10 minutes; Senator DAYTON, 10 minutes; Senator DASCHLE, 5 minutes; Senator FRIST, 5 minutes.

I further ask consent that following the use or yielding back of the debate time, the Senate proceed to a vote on or in relation to the conference report, without further intervening action or debate. Finally, I ask consent that following the vote on the adoption of the conference report the Senate then begin consideration of H.J. Res. 51, the debt limit extension.

The PRESIDING OFFICER. Is there objection?

The Senator from Montana.

Mr. BAUCUS. Reserving the right to object, all this assumes, I take it from the majority leader, that we actually do get the conference report in time for the debate and then the vote.

Mr. FRIST. Mr. President, that is a correct assumption. We do expect it sometime between now and then, and we plan on having received it to start at 8:30. If we do not receive it, we will alter these best laid plans.

Mr. BAUCUS. Mr. President, given that assurance, which I trust will occur, I do not object.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. FRIST. I ask unanimous consent that the Senate proceed to a period for morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

HONORING OUR ARMED FORCES

SALUTE TO THE 147TH FIELD ARTILLERY

Mr. DASCHLE. Mr. President, yesterday the 5th U.S. Army demobilized Battery C, 1st Battalion of the South Dakota National Guard's 147th Field Artillery. This unit, headquartered in Yankton was among more than 20 Guard and Reserve units from my State called to active duty in support of Operation Iraqi Freedom.

Today, these soldiers and their service become a part of South Dakota's military heritage. Like those who served in the two world wars, in Korea, in Vietnam and numerous other places, this new generation has answered the call. They have offered to make every sacrifice, including life itself, to protect our freedom and security. We must never forget them or the honor with which they served.

This unit participated in a mobilization with few precedents in South Dakota history. Nearly 2,000 Guard and Reserve troops were called to active duty in our State, by far the largest mobilization since World War II. At the time the fighting began, units from more than 20 communities had been called up, from Elk Point in the south to Lemmon in the north, from Watertown in the east to Custer in the west. Indeed, our State's mobilization rate ranked among the highest of all the States on a per capita basis.

These soldiers were proud to serve, and their communities are proud of them. Across the State, thousands of citizens pitched in to participate in send-off parades, to lend a hand for families who suddenly had to get by without a mom or dad, and even to assist with financial hardships caused by the mobilization. This mobilization was a statewide effort, in many ways.

South Dakota's Guard and Reserve units provided our Active-Duty Forces in Iraq with invaluable support. Many units did not participate directly in combat, which ended more quickly than anyone expected. But we all know that the battle would have been waged much differently if our Guard and Reserve units had not been ready to deploy as needed. Furthermore, we know that some units will play an important role in the work of restoring peace and order to Iraq, as well as rebuilding basic infrastructure. These tasks will be vital to ensuring that Iraq becomes a stable nation, hopefully with a prosperous economy and democratic government. This is how we can win the peace—and save future generations from another conflict.

In addition to the service of this particular unit, I want to acknowledge the sacrifices and dedication of the families who stayed home. They are the unsung heroes of any mobilization. They motivate and inspire those who are far from home, and they, too, deserve our gratitude.

Today, I join these families and the State of South Dakota in celebrating the courage, commitment, and success of the members of the 147th Field Artillery, and I honor their participation in this historic event in our Nation's history. Welcome home. Thanks to all of you for your courage, your sacrifice, and your noble commitment to this country and its ideals.

HEADQUARTERS SERVICE BATTERY

Mr. DASCHLE. Mr. President, yesterday the 5th U.S. Army demobilized the Headquarters and Headquarters Service Battery, 1st Battalion of the South Dakota National Guard's 147th Field Artillery. This unit, which operates the battalion's headquarters in Sioux Falls, was among more than 20 Guard and Reserve units from my State called to active duty in support of Operation Iraqi Freedom.

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Today, I join these families and the State of South Dakota in celebrating the courage, commitment, and success of the members of the 147th Field Artillery, and I honor their participation in this historic event in our Nation's history. Welcome home. Thanks to all of you for your courage, your sacrifice, and your noble commitment to this country and its ideals.

BATTERY A

Mr. DASCHLE. Mr. President, yesterday the 5th U.S. Army demobilized Battery A, 1st Battalion of the South Dakota National Guard's 147th Field Artillery. This unit, headquartered in Mitchell, was among more than 20 Guard and Reserve units from my State called to active duty in support of Operation Iraqi Freedom.

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This unit participated in a mobilization with few precedents in South Dakota history. Nearly 2,000 Guard and Reserve troops were called to active duty in our State, by far the largest mobilization since World War II. At the time the fighting began, units from more than 20 communities had been called up, from Elk Point in the south to Lemmon in the north, from Watertown in the east to Custer in the west. Indeed, our State's mobilization rate ranked among the highest of all the States on a per capita basis.

These soldiers were proud to serve, and their communities are proud of them. Across the State, thousands of citizens pitched in to participate in send-off parades, to lend a hand for families who suddenly had to get by without a mom or dad, and even to assist with financial hardships caused by the mobilization. This mobilization was a statewide effort, in many ways.

South Dakota's Guard and Reserve units provided our Active Duty Forces in Iraq with invaluable support. Many units did not participate directly in combat, which ended more quickly than anyone expected. But we all know that the battle would have been waged much differently if our Guard and Reserve units had not been ready to deploy as needed. Furthermore, we know that some units will play an important role in the work of restoring peace and order to Iraq, as well as rebuilding basic infrastructure. These tasks will be vital to ensuring that Iraq becomes a stable nation, hopefully with a prosperous economy and democratic government. This is how we can win the

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Today, I join these families and the State of South Dakota in celebrating the courage, commitment, and success of the members of the 147th Field Artillery, and I honor their participation in this historic event in our Nation's history. Welcome home. Thanks to all of you for your courage, your sacrifice, and your noble commitment to this country and its ideals.

BATTERY B

Mr. DASCHLE. Mr. President, yesterday the 5th U.S. Army demobilized Battery B, 1st Battalion of the South Dakota National Guard's 147th Field Artillery. This unit, from Sioux Falls and Salem, was among more than 20 Guard and Reserve units from my State called to active duty in support of Operation Iraqi Freedom.

Today, these soldiers and their service become a part of South Dakota's military heritage. Like those who served in the two world wars, in Korea, in Vietnam and numerous other places, this new generation has answered the call. They have offered to make every sacrifice, including life itself, to protect our freedom and security. We must never forget them or the honor with which they served.

This unit participated in a mobilization with few precedents in South Dakota history. Nearly 2,000 Guard and Reserve troops were called to active duty in our State, by far the largest mobilization since World War II. At the time the fighting began, units from more than 20 communities had been called up, from Elk Point in the south to Lemmon in the north, from Watertown in the east to Custer in the west. Indeed, our State's mobilization rate ranked among the highest of all the States on a per capita basis.

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Today, I join these families and the State of South Dakota in celebrating the courage, commitment, and success of the members of the 147th Field Artillery, and I honor their participation in this historic event in our Nation's history. Welcome home. Thanks to all of you for your courage, your sacrifice, and your noble commitment to this country and its ideals.

BATTERY C

Mr. DASCHLE. Mr. President, yesterday the 5th U.S. Army demobilized Battery C, 1st Battalion of the South Dakota National Guard's 147th Field Artillery. This unit, headquartered in Yankton, was among more than 20 Guard and Reserve units from my State called to active duty in support of Operation Iraqi Freedom.

Today, these soldiers and their service become a part of South Dakota's military heritage. Like those who served in the two world wars, in Korea, in Vietnam and numerous other places, this new generation has answered the call. They have offered to make every sacrifice, including life itself, to protect our freedom and security. We must never forget them or the honor with which they served.

This unit participated in a mobilization with few precedents in South Dakota history. Nearly 2,000 Guard and Reserve troops were called to active duty in our State, by far the largest mobilization since World War II. At the time the fighting began, units from more than 20 communities had been called up, from Elk Point in the south to Lemmon in the north, from Watertown in the east to Custer in the west. Indeed, our State's mobilization rate ranked among the highest of all the States on a per capita basis.

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AN OKLAHOMA LOSS IN OPERATION IRAQI FREEDOM

Mr. NICKLES. Mr. President, over the past few weeks we have seen dramatic proof that the brutal regime of Saddam Hussein is over and that a new day is dawning for the Iraqi people.

President Bush has announced that major military combat operations in Iraq have ended, and that America and her Allies are turning our efforts toward helping the Iraqi people build a free society.

Like many Americans, I was thrilled and heartened by the dramatic images of U.S. troops helping Iraqi citizens tear down statues and paintings of Saddam Hussein. The Iraqi people needed our help, our tanks, our troops, and our commitment to topple Saddam Hussein.

For the first time in their lives, many Iraqis are tasting freedom, and like people everywhere, they think it is wonderful. I am proud of our military and America's commitment to make the people of the Middle East more free and secure.

Our military men and women may face more difficult days in Iraq, and the Iraqi people will be tested by the responsibilities that come with freedom. The thugs who propped up the previous regime and outside forces with goals of their own may cause problems, stir up trouble, and initiate violence. Freedom is messy—nowhere more so than in a country that has just shaken off a brutal dictatorship.

But today I rise to honor a man who made the ultimate sacrifice one can make for his country. LCpl Thomas Alan Blair was Oklahoma's first known casualty in Operation Iraqi Freedom.

This 24-year old Broken Arrow native was killed on March 23 in a fierce battle near Nasiriyah when an enemy rocket propelled grenade hit his amphibious assault vehicle.

Tommy graduated from Broken Arrow High School in 1997 but had decided long before then that he would be a marine. He chose his career nearly a decade ago when he watched his older brother SSgt Al Blair graduate from boot camp. In a way he followed in his brother's footsteps, but his family will tell you that he would have been a marine no matter what. His brother recalled that Tommy ''truly wanted to help people.''

As we watch the dawn of a new day in Iraq, let us never forget that the freedom we enjoy every day in America is bought at a price.

Lance Corporal Blair did not die in vain. He died so that many others could live freely. For that sacrifice, we are forever indebted. Our thoughts and prayers are with him and his family today and with the troops who are putting their lives on the line in Iraq.

Mr. President, recently we have seen dramatic proof that the brutal regime of Saddam Hussein is over and that a new day is dawning for the Iraqi people.

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But today I rise to honor a man who made the ultimate sacrifice one can make for his country. LTC Dominic R. Baragona, 42, was stationed at Fort Sill. He was killed in Iraq on May 19, when a tractor-trailer lost control and hit his Humvee near Safwan.

Colonel Baragona was assigned to and commander of the 19th Maintenance Battalion. He was deployed to CENTCOM in support of Operation Iraqi Freedom on March 16 with about 100 other members of his battalion.

Colonel Baragona's cousin Anthony said, ''wherever they needed him, that's where he went.'' Baragona, like so many of our military men and women, placed the call to duty above self.

Our prayers and debt of appreciation now go to his family, who had expected him to come home in June. He is survived by his parents who live in St. George Island, FL.

As we watch the dawn of a new day in Iraq, let us never forget that the freedom we enjoy every day in America is bought at a price.

Lieutenant Colonel Baragona did not die in vain. He died so that many others could live freely. For that sacrifice, we are forever indebted. Our thoughts and prayers are with him and his family today and with the troops who are putting their lives on the line in Iraq.

Mr. NICKLES. Mr. President, over the past few weeks we have seen dramatic proof that the brutal regime of Saddam Hussein is over and that a new day is dawning for the Iraqi people.

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But today I rise to honor a man who made the ultimate sacrifice one can make for his country. Sgt Randall Rehn died April 3 amid fierce fighting for control of what is now Baghdad International Airport. He is survived by his wife Raelynn and daughter Megan of Lawton, as well as his family in Colorado.

As we watch the dawn of a new day in Iraq, let us never forget that the freedom we enjoy every day in America is bought at a price.

Sergeant Rehn did not die in vain. He died so that many others could live freely. For that sacrifice, we are forever indebted. Our thoughts and prayers are with him and his family today and with the troops who are putting their lives on the line in Iraq.

Mr. President, over the past few weeks we have seen dramatic proof that the brutal regime of Saddam Hussein is over and that a new day is dawning for the Iraqi people.

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But today I rise to honor a man who made the ultimate sacrifice one can make for his country. One of eight brothers and sisters, Todd Robbins, 33, who was stationed at Fort Sill, served in the Navy for the first gulf war before joining the Army. He leaves behind a wife at Fort Sill and a 13-year-old son. ''He always wanted to be in the Army,'' said his father Dale Robbins. ''He lived, ate, and slept the Army. He loved it.''

Tragically, the death of Sergeant Robbins was said to be a result of friendly fire in the form of coalition bombs. While our military always works to prevent such accidents, they always occur during war fighting.

The fact that his death was accidental in no way diminishes his sacrifice. He gave his life to protect us, and our freedoms, and to make people he had never met, half way around the world, free in their own country.

As we watch the dawn of a new day in Iraq, let us never forget that the freedom we enjoy every day in America is bought at a price.

Sergeant Robbins did not die in vain. He died so that many others could live freely. For that sacrifice, we are forever indebted. Our thoughts and prayers are with him and his family today and with the troops who are putting their lives on the line in Iraq.

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But today I rise to honor a man who made the ultimate sacrifice one can make for his country. Donald Oaks, who was stationed at Fort Sill, would have turned 21 on April 26. He was a bright young man who was good at math and computers. Also, he enjoyed playing baseball and fishing with his dad. He joined the Army to get money for a college education after his service. His mother Laurie Oaks said, ''He was my best friend and was always my hero. He still is.'' He was engaged to be married.

Tragically, the death of Specialist Oaks was said to be a result of friendly fire in the form of coalition bombs. While our military always works to prevent such accidents, they always occur during warfighting.

The fact that his death was accidental in no way diminishes his sacrifice. He gave his life to protect us, and our freedoms, and to make people he had never met, halfway around the world, free in their own country.

As we watch the dawn of a new day in Iraq, let us never forget that the freedom we enjoy every day in America is bought at a price.

Specialist Oaks did not die in vain. He died so that many others could live freely. For that sacrifice, we are forever indebted. Our thoughts and prayers are with him and his family today and with the troops who are putting their lives on the line in Iraq.

TRIBUTE TO CMSGT RET. LOUIS BROWN

Mr. ALLARD. Mr. President, I just received word that a dear friend of mine, the Air Force Academy, and the State of Colorado passed away last night and I would like to take this opportunity to recognize retired Chief Master Sergeant Louis Brown Jr. One of Colorado's finest citizens, CMSgt, Ret., Louis Brown Jr., has made numerous contributions to the young men and women—past, present and future—of the United States Air Force Academy. Chief Brown has been a steadfast proponent and volunteered more than 10 years of service to recruit, advise, interview, and mentor cadets for the Air Force Academy with my congressional office. Additionally, he has spent over 30 years of tireless interaction with some of the Air Force's finest officers and Academy graduates.

Chief Brown has made a difference to the Air Force, the Air Force Academy, and to Colorado as a whole. Specifically, he has worked countless hours with members of my staff since my tenure in the United States Congress helping to interview potential candidates to the academy, educating them on the appointment process, and encouraging these young men and women to contribute to the United States armed forces. He has been a mentor and a role model to countless cadets who have gone forward to become Air Force officers.

I want to honor the life of Chief Brown who served the Air Force first as an enlisted Airman and later in life as an advocate for recruitment of future officers. His contributions to the State of Colorado and the United States Air Force will not be forgotten. I ask the Senate now to join me in thanking Chief Brown and his family for these contributions and also to pray for his loved ones in their time of mourning.

MEMORIAL DAY: HONORING OUR FALLEN HEROES

Mr. AKAKA. Mr. President, I rise today to pay tribute to the many individuals who have died in defense of our great Nation. Next week we will all return to our States to join our constituents in honoring those who gave their lives to ensure that we enjoy the principles of liberty and justice as Americans.

One of my constituents, Mr. Keith Haugen, has written a song entitled ''Walking Through the Memories, A Requiem to the Fallen.'' Mr. Haugen served in the U.S. Army and has been honored by a number of organizations for songs he has written to honor military members and veterans. Mr. Haugen will perform this song on Memorial Day at the National Memorial of the Pacific.

I have reviewed the lyrics to this melody and have Mr. Haugen's permission to share them with my colleagues. I ask unanimous consent to print a copy of these lyrics in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

WALKING THROUGH THE MEMORIES, A REQUIEM TO THE FALLEN

(By Keith Haugen, ASCAP)

The peace they fought for is right here, between the rows of crosses
They died to save our freedom, they're numbered among our losses
Although they came from far and wide, this place is now their home
A peaceful, final resting place, where they'll never be alone
And I'm walking through the memories, where honor knows no end
That unmarked grave is special, for I know that he's my friend
We were comrades on a foreign shore, buddies to the end
In the distance I hear a bugle call, as I stroll alone with God
It's haunting voice is singing ''Taps'' for those beneath the sod
And I'm walking through the memories of those who gave their all
Walking, walking, walking, past graves both old and new
Their sun has set, their day is done, they were the chosen few
We salute and pay our tribute, flags and flowers all abound
They all came back to make their home in this hallowed ground
And I'm walking through the memories of those who gave their all
Yes, I'm walking through the memories where honor knows no end

Mr. PRYOR. Mr. President, this Memorial Day is an especially meaningful time for our Nation. It comes as the images of defending freedom and democracy are still fresh in our minds.

This weekend, we remember and honor the men and women who paid the ultimate price for their country. Flags fly at half-mast, relatives and friends place wreaths and flowers on the graves of their loved ones, and communities host parades adorned in red, while, and blue. In actuality, these tributes are small acts we perform in an effort to express our gratitude to those who have served the cause of freedom.

Since the time of the Civil War, communities have paid tribute to fallen soldiers with spontaneous gestures of remembrance. In May of 1868, GEN. John A. Logan officially recognized the public's desire to honor those who died in pursuit of liberty by declaring May 30 of each year a day to decorate the graves of fallen soldiers. A century later, President Lyndon B. Johnson signed legislation declaring, in part, that Memorial Day be held the last Monday of May every year.

Memorial Day weekend has since become a signal for family gatherings, barbeques, sales at the mall, trips to the beach, and the opening of community pools. We should celebrate our freedom but we must also remember that freedom is not free—it comes to us at a great cost. In our Nation's history, upwards of 40 million Americans have risked life and limb to defend our country and make the world a safer place. More than a million service men and women have died for our country. Moreover, 140,000 were taken as prisoners of war and many of them have never been accounted for. They are our Nation's heroes who acted selflessly throughout our history to bring forth freedom and opportunity for generations.

We also honor the families who bear the heaviest burden of liberty. Our fallen and missing soldiers were moms,

dads, brothers, sisters, sons, and daughters. They are not statistics but empty voids in their families' hearts. While the grief and pain for some may not have faded, I hope it is comforting for them to know that their fallen loves ones' cause was just.

In addition, let us remember that thousands of service men and women will spend this Memorial Day stationed in other countries defending our freedoms far away from their families. I join Americans today in a prayer for peace so that we can reunite them with their loves ones soon.

We take 1 day out of the year to honor our fallen soldiers but we benefit from their sacrifice each and every day. I hope that Arkansans will take a break from their Memorial Day activities to remember and honor our fallen soldiers. Let us display the noble patriotism for our country that our Armed Forces exemplify each day.

HONORING SERGEANT RICHARD CARL OF KING HILL, IDAHO

Mr. CRAPO. Mr. President, I rise today to mark a sad occasion that is underway in my home State of Idaho. We are burying one of our soldiers who was killed during the war in Iraq, and I wanted to take a few moments to share my thoughts with you about SGT Richard Carl. While I was not privileged to know him personally during his short 26 years, he has come alive for me through the memories that you have shared in the past few days. He is remembered as a son to Richard and Karen, a husband to Audrey, a father to 3-year-old Ealy Ann and 18-month-old Dominick, and a friend to many, many others.

It is a weighty job—the one we, as a nation, ask of people like Sergeant Carl. It brings uncertainty and sacrifice, not just for the troops, but for their families and loved ones. But our Nation is built on the foundations laid by good people like Sergeant Carl, and it is through their sacrifice, that their children and our children will inherit a free nation.

Such lofty language pales against the stark reality that confronts us today at this service. In the last few days, news articles have brought a quiet, brave family man to the attention of many Idahoans. I have been touched by the memories of good deeds, unheralded kindness, and a good heart. One memory frequently mentioned was that he was always helping someone else, and that is a remarkable legacy to leave. In his duty to his country, he died helping someone else—in this case, an injured Iraqi child who needed to be taken to a hospital. We cannot find the words to express the full extent of the debt that we owe to Sergeant Carl and so many other young men and women who have served our country to the fullest measure.

In his wife Audrey's words, ''Our family is dealing with this loss as well as can be expected. Richard was a good man, and while he was not known to the world, he played an important role. We are so proud of his contributions to our nation and his role in making the world a better place. He will never be forgotten.''

We are honored to have him remembered as an Idahoan. We are blessed to have had him here, even for the short time, and I am confident that those who knew him will make certain that his children have the opportunity to know their father through those memories. Sergeant Carl and so many others who have sacrificed for our freedoms will continue in my thoughts and prayers and in our Nation's grateful hearts.

NATIONAL FORMER PRISONER OF WAR RECOGNITION DAY

Mr. GRAHAM of Florida. Mr. President, today I rise with my colleague Senator PATTY MURRAY to sponsor a resolution federally acknowledging April 9, 2003, and recognizing April 9, 2004, as National Former Prisoner of War Recognition Day.

As we watch the overjoyed faces of soldiers returning home from Iraq on television, we also remember those taken hostage by enemy forces. In this age of technology, we watched the images of brave soldiers from Operation Iraqi Freedom, courageous in the face of physical and mental hardships most of us can only imagine. I am outraged and saddened that, in clear violation of international treaties, opposing troops have taken even one of our fighting American men and women against their will.

Our thoughts and prayers are with the families and friends of all of these soldiers, from recent as well as past conflicts. It is my sincere hope that the still-captive prisoners from previous wars will be home to participate in the celebrations next April, and I have faith that they will be.

At this time, it is appropriate that we pause and reflect on the bravery and sacrifice made by all of our Nation's former prisoners of war, and to remember that tens of thousands of our friends and neighbors have endured unthinkable brutality fighting throughout America's history.

The men and women who braved captivity and imprisonment gave up months and years of their lives to ensure the continuation of the freedom we enjoy today. Their service has taught us about patriotism, perseverance, and character. There is little we can do to repay these men and women but we can recognize their invaluable contribution.

I urge my colleagues to join Senator MURRAY and myself in cosponsoring this important resolution honoring our former prisoners of war.

CONGRESSIONAL BUDGET ACT COMPLIANCE

Mr. NICKLES. Mr. President, pursuant to section 313(c) of the Congressional Budget Act of 1974, I submit for the RECORD a list of material in the conference agreement on H.R. 2 considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313. The inclusion or exclusion of material on the following list does not constitute a determination of extraneousness by the Presiding Officer of the Senate.

To the best of my knowledge, H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, contains no material considered to be extraneous under subsections (b)(1)(A), (b)(1)(B), and (b)(1)(E) of section 313 of the Congressional Budget Act of 1974.

SUBMITTING CHANGES TO COMMITTEE ALLOCATIONS AND BUDGETARY AGGREGATES

Mr. NICKLES. Mr. President, section 310(c)(2) of the Congressional Budget Act, as amended, provides the chairman of the Senate Budget Committee with authority to revise committee allocations, functional levels, and budgetary aggregates for a reconciliation conference report which fulfills an instruction with respect to both outlays and revenues. The chairman's authority under section 310(c) may be exercised if the following conditions have been satisfied:

1. The conferees report a bill which changes the mix of the instructed revenue and outlay changes by not more than 20 percent of the sum of the components of the instruction, and,

2. The conference agreement still complies with the overall reconciliation instruction.

I find that the conference report on H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, satisfies the two conditions above and pursuant to my authority under section 310(c), I hereby submit revisions to H. Con. Res. 95, the 2004 Budget Resolution. The attached tables show the revised committee allocations and budgetary aggregates.

I ask unanimous consent they be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2004—H. CON. RES. 95 REVISIONS TO THE CONFERENCE AGREEMENT PURSUANT TO SECTION 310(c)(2)(A)

For the Jobs and Growth Tax Relief Reconciliation Act of 2003, Conference Report

[In billions of dollars]

Section 101	
(1)(A) Revenues (on-budget):	
FY 2003	1310.347
FY 2004	1331.000
FY 2005	1499.842
FY 2006	1656.090
FY 2007	1788.688
FY 2008	1900.567
FY 2009	2053.762
FY 2010	2167.937
FY 2011	2270.540
FY 2012	2403.572
FY 2013	2547.546
(1)(B) Changes in Federal Revenues:	
FY 2003	−49.487
FY 2004	−135.370

Section 101

FY 2005	−117.184
FY 2006	−84.582
FY 2007	−64.478
FY 2008	−62.410
FY 2009	−24.568
FY 2010	−25.105
FY 2011	−156.956
FY 2012	−246.207
FY 2013	−256.664
(2) Budget Authority (on-budget):	
FY 2003	1873.975
FY 2004	1873.459
FY 2005	1990.721
FY 2006	2118.756
FY 2007	2229.650
FY 2008	2346.329
FY 2009	2454.814
FY 2010	2555.986
FY 2011	2669.845
FY 2012	2751.637
FY 2013	2871.677
(3) Budget Outlays (on-budget):	
FY 2003	1826.134
FY 2004	1896.973
FY 2005	1982.080
FY 2006	2085.890
FY 2007	2187.270
FY 2008	2304.531
FY 2009	2420.227
FY 2010	2528.260
FY 2011	2651.603
FY 2012	2721.116
FY 2013	2852.255

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT, BUDGET YEAR TOTAL 2003

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations:				
General Purpose Discretionary	843,550	808,891	0	0
Memo:				
on-budget	*839,738*	*805,053*	0	0
off-budget	*3,812*	*3,838*		
Highways	0	31,264	0	0
Mass Transit	1,436	6,551	0	0
Mandatory	391,344	378,717	0	0
Total	1,236,330	1,225,423	0	0
Agriculture, Nutrition, and Forestry	19,359	14,964	52,763	40,712
Armed Services	73,996	73,473	275	233
Banking, Housing, and Urban Affairs	12,558	1,599	118	16
Commerce, Science, and Transportation	10,590	7,255	885	814
Energy and Natural Resources	2,879	2,539	48	63
Environment and Public Works	30,830	2,372	0	0
Finance	766,693	770,464	286,512	286,509
Foreign Relations	13,595	11,366	183	183
Governmental Affairs	66,931	65,426	16,564	16,564
Judiciary	6,509	6,441	534	527
Health, Education, Labor, and Pensions	5,328	4,805	2,814	2,801
Rules and Administration	82	85	104	103
Intelligence	0	0	223	223
Veterans' Affairs	1,171	1,109	30,321	29,969
Indian Affairs	456	444	0	0
Small Business	864	769	0	0
Unassigned to Committee	(371,644)	(358,647)	0	0
Total	1,876,527	1,829,887	391,344	378,717

Revisions Pursuant to Section 310(c)(2)(A) of the Congressional Budget Act for the Job and Growth Tax Relief Reconciliation Act of 2003, Conference Report.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT, BUDGET YEAR TOTAL 2004

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations:				
General Purpose Discretionary	783,214	822,895	0	0
Memo:				
on-budget	*778,957*	*818,688*		
off-budget	*4,257*	*4,207*		
Highways	0	31,555	0	0
Mass Transit	1,461	6,634	0	0
Mandatory	426,949	410,619	0	0
Total	1,211,624	1,271,703	0	0
Agriculture, Nutrition, and Forestry	20,801	16,826	55,536	39,472
Armed Services	77,560	77,326	357	376
Banking, Housing and Urban Affairs	13,946	2,251	120	12
Commerce, Science, and Transportation	10,908	6,518	827	843
Energy and Natural Resources	2,669	2,390	64	70
Environmental and Public Works	35,654	2,312	0	0
Finance	769,846	773,735	315,856	315,780
Foreign Relations	9,787	11,689	179	179
Governmental Affairs	68,533	67,000	17,362	17,362
Judiciary	7,883	7,230	511	523
Health, Education, Labor, and Pensions	5,232	4,439	2,888	2,872
Rules and Administration	82	246	109	109
Intelligence	0	0	226	226
Veterans' Affairs	1,311	1,260	32,914	32,795
Indian Affairs	475	472	0	0
Small Business	3	(23)	0	0
Unassigned to Committee	(371,280)	(355,315)	0	0
Total	1,865,034	1,890,059	426,949	410,619

Revisions Pursuant to Section 310(c)(2)(A) of the Congressional Budget Act for the Jobs and Growth Tax Relief Reconciliation Act of 2003, Conference Report.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT, 5-YEAR TOTAL 2004–2008

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	109,330	91,951	288,857	206,256
Armed Services	417,330	416,461	2,992	3,047
Banking, Housing and Urban Affairs	71,267	7,231	626	(104)
Commerce, Science, and Transportation	60,492	38,575	4,538	4,541
Energy and Natural Resources	11,991	10,905	320	333
Environmental and Public Works	190,317	10,561	0	0
Finance	4,504,397	4,513,658	1,824,189	1,823,275
Foreign Relations	59,034	55,412	876	876

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT, 5-YEAR TOTAL 2004–2008—Continued
[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget authority	Outlays	Budget authority	Outlays
Governmental Affairs	372,971	365,695	93,701	93,701
Judiciary	25,585	25,756	2,629	2,640
Health, Education, Labor, and Pensions	32,738	29,056	15,226	15,126
Rules and Administration	408	574	588	588
Intelligence	0	0	1,230	1,230
Veterans' Affairs	6,561	6,382	176,815	176,196
Indian Affairs	2,587	2,569	0	0
Small Business	6	(59)	0	0

Revisions Pursuant to Section 310(c)(2)(A) of the Congressional Budget Act for the Job and Growth Tax Relief Reconciliation Act of 2003, Conference Report.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT, 10-YEAR TOTAL 2004–2013
[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	209,130	178,892	600,618	446,118
Armed Services	910,879	909,159	7,129	7,273
Banking, Housing and Urban Affairs	141,433	1,859	1,318	(176)
Commerce, Science, and Transportation	113,446	69,687	10,252	10,232
Energy and Natural Resources	22,263	20,458	640	653
Environment and Public Works	393,698	19,403	0	0
Finance	10,591,162	10,606,226	4,487,111	4,485,223
Foreign Relations	127,160	116,399	1,733	1,733
Governmental Affairs	833,756	819,817	206,453	206,453
Judiciary	42,068	41,692	5,459	5,455
Health, Education, Labor, and Pensions	71,126	64,104	32,601	32,468
Rules and Administration	803	1,025	1,309	1,309
Intelligence	0	0	2,648	2,648
Veterans' Affairs	12,781	12,501	373,770	372,651
Indian Affairs	5,805	5,765	0	0
Small Business	6	(76)	0	0

Revisions Pursuant to Section 310(c)(2)(A) of the Congressional Budget Act for the Job and Growth Tax Relief Reconciliation Act of 2003, Conference Report.

FCC VOTE ON OWNERSHIP RULES

Mr. JEFFORDS. Mr. President, I want to state my opposition to the Federal Communications Commission's scheduled June 2nd vote to overhaul current broadcast media ownership rules of newspapers, television ,and radio stations. I am disappointed that FCC Chairman Michael Powell has refused to hold a single public hearing regarding the proposed changes to these rules, or to entertain further public comment on what is turning out to become a historic rulemaking.

The public needs to be heard from, and the public needs to know what will happen if the changes that Chairman Powell has proposed become reality. The biennial review required by the 1996 Telecommunications Act requires the FCC to review its rules every 2 years, but this review should not be used as an excuse to radically alter the way our constituents receive their news from the media.

Not only am I disappointed at how this situation has come to pass, but I am also dismayed at what the FCC proposes. There are a number of changes that I disagree with—and this is just from what we have learned last week.

For instance, we have learned that the FCC is considering to allow the major broadcast networks to purchase more television stations and strip them of local control. The FCC is also proposing to ease ''cross-ownership'' rules and allow a media company to own a newspaper and television company in the same community.

I urge everyone to reflect on this and how this will impact communities throughout this country. In my State of Vermont, we have a very proud tradition of grassroots activism. Our local Vermont media knows this and reports the day's events with a Vermont audience in mind. If more Vermont media companies are controlled by out-of-state, or out-of-country owners, I fear a significant deterioration in the coverage of local news.

The Vermont Press Association and the Vermont State Legislature have concerns similar to mine. The Vermont Press Association has written a letter to the FCC explaining its position, and the Vermont State Legislature passed unanimously a joint resolution regarding this matter.

I ask unanimous consent that both documents be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

VERMONT PRESS ASSOCIATION
Colchester, VT, May 16, 2003.

Hon. MICHAEL POWELL
Chairman, Federal Communications Commission, Washington, DC.

DEAR CHAIRMAN POWELL: The Board of Directors of the Vermont Press Association, which represents the interests of the 10 dailies and four dozen non-dailies circulating in Vermont, endorses a Joint Resolution passed May 13th by the Vermont Legislature. The resolution, which I include at the end of this letter (an official copy is to be sent to you by Vermont Secretary of State Deborah Markowitz), urges the Federal Communications Commission to provide for a public comment period prior to the adoption of any changes to the broadcast media ownership rules.

We urge you to give serious consideration to this Joint Resolution and allow for a public comment period, including Congressional hearings, prior to issuing any new rules concerning cross ownership.

Although FCC rules are a federal matter, what we read in newspapers, hear on the radio and see on television is a local and state issue. There is too much consolidation in the news business and too few independent voices; relaxing cross ownership rules even more will hurt all citizens. As a board, we support increased diversity in media ownership, not less.

Thank you for your consideration of this press association's viewpoint, and for taking into account the resolution passed by the Vermont Legislature. We would appreciate it if you would enter this resolution into the public record on this issue.

Sincerely,

ROSS CONNELLY,
President, Vermont Press Association,
Editor & Co-publisher,
The Hardwick Gazette.

JOINT HOUSE RESOLUTION 18

Whereas, pursuant to the provisions of 47 C.F.R. §73.3555, the Federal Communications Commission (FCC) has established a series of ownership rules for radio and television stations in a designated market area (DMA), and

Whereas, these rules were intended to prevent a monopolization of media voices within a community, and

Whereas, over the last several decades, the number of commercial radio stations a single entity may own in a DMA has risen dramatically, from the former universal limit of one AM and one FM, to, depending on the total number of local radio stations in the DMA, as many as eight, with no more than five on either the AM or FM broadcast band, and

Whereas, the number of local television stations a single entity may own in a DMA has risen from one to two, depending on technical considerations, and nationally, the number has risen from a total of 7–35 percent of the aggregate national audience, and

Whereas, the significant relaxation of multiple broadcast media ownership restrictions has led to the creation of a small number of national media conglomerates, including Viacom (owner of CBS), General Electric (owner of NBC), Disney (owner of ABC), and Clear Channel Communications, each of which owns large numbers of broadcast stations, often including multiple radio stations

in the same DMA in addition to national programming services, and

Whereas, this concentration in the corporate ownership of commercial broadcast media, both locally and nationally, has severely limited the diversity of perspectives offered on important issues, and also has resulted in a significant reduction in local radio news coverage, and

Whereas, in an unusual, but nevertheless poignant, impact of concentrated media ownership in a single community, public safety officials in Minot, North Dakota, where all six commercial radio stations are owned now by the same national chain, were unable to reach anyone at the designated emergency radio station when a train derailment resulted in anhydrous ammonia fertilizer being released over the city, and

Whereas, until now, the existing prohibition on daily newspapers owning an AM, FM, or television station whose primary signal serves ''the entire community in which such newspaper is published,'' 47 C.F.R. §73.3555(d), has remained in place, and

Whereas, under §212(h) of the Telecommunications Act of 1996, P.L. No. 104–104 as amended, the FCC is directed to review biennially all of the broadcast media ownership rules, and

Whereas, there are strong indications the commission's current review will result in the further relaxation of the existing ownership rules, possibly allowing newspapers to purchase radio or television stations in their publication communities, and

Whereas, FCC Chair, Michael Powell, has announced the newly revised ownership rules will be released in final form on June 2 without an opportunity for public or congressional comment, and

Whereas, a bipartisan group of U.S. Senators, Olympia Snowe, Republican of Maine, Byron Dorgan, Democrat of North Dakota, Ernest Hollings, Democrat of South Carolina, and Trent Lott, Republican of Mississippi, has written to Chairman Powell requesting that Congress and the public be afforded an opportunity to review any proposed changes before they take effect, and

Whereas, both the potential substantive changes in the media ownership rules and the lack of a public comment period are greatly disturbing, now therefore be it

Resolved by the Senate and House of Representatives: That the General Assembly strongly urges the Federal Communications Commission to refrain from relaxing further the restrictions on broadcast media outlet ownership, and be it further

Resolved: That the General Assembly urges the Federal Communications Commission to provide for a public comment period prior to the adoption of any changes to the broadcast media ownership rules, and be it further

Resolved: That the Secretary of State be directed to send a copy of this resolution to Michael Powell, Chair of the Federal Communications Commission, and to each member of the Vermont Congressional Delegation.

LOCAL LAW ENFORCEMENT ACT OF 2003

Mr. SMITH. Mr. President, I rise today to speak about the need for hate crimes legislation. On May 1, 2003, Senator KENNEDY and I introduced the Local Law Enforcement Act, a bill that would add new categories to current hate crimes law, sending a signal that violence of any kind is unacceptable in our society.

I would like to describe a terrible crime that occurred in Fresno, CA. On September 20, 1998, the apartment of transgender female Chanel Chandler was set ablaze. Inside the apartment the authorities discovered Chandler's body, stabbed repeatedly with a broken beer bottle. According to a police spokesperson, Chandler's gender identity and expression was a primary motivation for the attack. The fire, which did not reach the room where Chandler's body was found, was likely a failed attempt to hide Chandler's murder.

I believe that government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Act is a symbol that can become substance. I believe that by passing this legislation and changing current law, we can change hearts and minds as well.

OP-ED BY SENATOR GEORGE McGOVERN

Mr. LEAHY. Mr. President, the delineation between an ''internationalist'' and ''isolationist'' has too often been drawn at the doctrine of preemption. Those who supported the war in Iraq are considered ''internationalists'' while those who did not, are shunted as ''isolationists.'' This classification is unprecedented in the more than two centuries of American foreign policy. Opposition to an unprovoked invasion is not isolationism. And internationalism is more than merely waging war.

On May 12, the Washington Post published an op-ed by my friend and our former colleague, Senator George McGovern. As he has done many times in the past, Senator McGovern has provided important and timely insights on U.S. foreign policy.

The debate over U.S. policy towards Iraq over the past several months has been littered with references to ''internationalists'' and ''isolationists.'' Senator McGovern has penned some important reflections about how these labels have been used in previous foreign policy debates.

I ask unanimous consent that a copy of the op-ed by Senator McGovern in the Washington Post on May 12, be printed in the RECORD so that all Senators and staff have an opportunity to review his comments.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From The Washington Post, May 12, 2003]

A MORE CONSTRUCTIVE INTERNATIONALISM

(By George S. McGovern)

In his May 1 op-ed piece, Will Marshall praised presidential candidates Dick Gephardt, Joe Lieberman, John Kerry and John Edwards as ''Blair Democrats''—internationalists who are willing ''to use force in the national interest.'' He rejoiced that the Democratic Party ''is moving away from McGovernism and back to its international roots.''

One wonders why Marshall went to Britain for an example of how American Democrats ought to behave. It is more puzzling why he concluded that I'm opposed to internationalism and the ''use of force in the national interest.'' I first used force in the national interest during World War II, when I flew 35 combat missions in Europe.

American involvement in that war was clearly in our national interest, and that is why I volunteered at the age of 19 to be part of it.

It is true that I opposed the American war in Vietnam, but not because I had ceased to be an internationalist. That war was a disastrous folly, as all literate people now acknowledge. We were never more isolated from the international community than when our troops were deepest in the Vietnam jungle. A close second in isolating us from the international community was the invasion of Iraq, a largely defenseless little desert state that posed no threat to us and had taken no action against us.

The best way to support our troops is to keep them out of needless wars such as Iraq and Vietnam. The best way for America to play a constructive role internationally is to support the United Nations and to work toward expanding international trade, aid and investment while protecting our workers and the environment. An internationalist would also support the Kyoto Protocol on global warming, the International Criminal Court, the Anti-Ballistic Missile Treaty and an international ban on land mines.

An internationalist also would support the International Food for Peace Program, which I directed during the Kennedy administration, as well as the efforts I carried forward to reduce global hunger during my service as a Clinton administration ambassador to the U.N. Food and Agriculture agencies in Rome. Former senator Bob Dole and I have teamed up to press for an international school lunch program that would reach 300 million elementary school children who are not being fed.

I am opposed to the Bush doctrine of ''preemptive war''—what heretofore has been known as aggression or invasion. I am also opposed to congressional resolutions that give the president a blank check to go to war when he pleases.

I have always thought America to be the greatest country on earth. One of the reasons I think so is because of our great founding fathers, including Thomas Jefferson, who spoke of ''a decent respect to the opinions of mankind.'' Is there any doubt that the opinion of mankind was overwhelmingly against our wars in Vietnam and Iraq?

We don't measure a nation's internationalism by the number of troops it sends to other countries. But that test, Adolf Hilter would be the greatest internationalist of the 20th century. I might add for Marshall's edification that I would not have won the Democratic presidential nomination in 1972—winning 11 primaries, including two largest states, New York and California—if I had been perceived as an isolationist. I also believe that if the disgraceful conduct of President Richard Nixon during that campaign had been known before the election, I would have been elected. If so, I would have led as an internationalist unafraid to use force in the national interest.

The writer was a Democratic senator from South Dakota from 1963 to 1981 and his party's presidential nominee in 1972.

SUPPORT FOR DURBIN AMENDMENT TO S. 3

Ms. MIKULSKI. On March 12, 2003, during the debate on S. 3, the Partial Birth Abortion Ban Act, I made the following statement in support of the Durbin amendment:

Mr. President, I rise to express my strong support for the Durbin amendment.

I support the Durbin amendment because it is consistent with my four principles. These are my principles: It respects the constitutional underpinnings of Roe v. Wade. It prohibits all post-viability abortions, regardless of the procedure used. It provides an exception for the life and health of a woman, which is both intellectually rigorous and compassionate. And it leaves medical decisions in the hands of physicians—not politicians.

The Durbin alternative addresses this difficult issue with the intellectual rigor and seriousness of purpose it deserves. We are not being casual. We are not angling for political advantage. We are not looking for cover.

The Durbin amendment offers the Senate a sensible alternative, one that would prohibit post-viability abortions while respecting the Constitution and protecting women's lives. I believe it is an alternative that reflects the views of the American people.

I support the Durbin amendment because it is a stronger, more effective approach to banning late term abortions. The Durbin amendment respects the Constitution and the Supreme Court's ruling in Roe v. Wade.

The Santorum bill before us does not. It is unconstitutional.

In fact, the Supreme Court ruled in Stenberg v. Carhart just 3 years ago that a Nebraska State law that bans certain abortion procedures is unconstitutional. The Supreme Court ruled it was unconstitutional for two reasons. First, it did not include an exception for a woman's health. Second, it does not clearly define the procedure it aims to prohibit and would ban other procedures, sometimes used early in pregnancy.

The bill before us, the Santorum bill, is nearly identical to the Nebraska law the Supreme Court struck down. The proponents of this legislation say they have made changes to the bill to address the Supreme Court's ruling. They have not. It still does not include an exception to protect the health of the woman. It still does not clearly define the procedure it claims to prohibit. Let me be clear about this. The Santorum bill is unconstitutional.

The Santorum bill violates the key principles of Roe v. Wade and other Court decisions. When the Court decided Roe, it was faced with the task of defining, ''When does life begin?'' Theologians and scientists differ on this. People of good will and good conscience differ on this.

So the Supreme Court used viability as its standard. Once a fetus is viable it is presumed to have not only a body, but a mind and spirit. Therefore it has standing under the law as a person.

The Roe decision is quite clear. States can prohibit abortion after viability so long as they permit exceptions in cases involving the woman's life or health. Under Roe, states can prohibit most late term abortions. And 41 states have done so.

In my own state of Maryland, we have a law that does just that. It was adopted by the Maryland General Assembly. It prohibits post viability abortions. It provides an exception to protect the life or health of the woman, as the Constitution requires. It also provides an exception if the fetus is affected by a genetic defect or a serious abnormality. This law reflects the views of Marylanders. It was approved by the people of Maryland by referendum.

Like the Maryland law, the Durbin alternative is consistent with Roe. It is a compassionate, Constitutional approach to prohibiting late term abortions.

It says that after the point of viability no woman should be able to abort a viable fetus. The only exception can be when the woman faces a threat to her life or serious and debilitating risk to her health as required by the Constitution.

The Durbin amendment is stronger than the Santorum bill. It bans all post viability abortions. Unlike the Santorum bill, the Durbin amendment doesn't create loopholes by allowing other procedures to be used.

I believe there is no Senator who thinks a woman should abort a viable fetus for a frivolous, non-medical reason. It does not matter what procedure is used. It is wrong, and we know it. The Durbin alternative bans those abortions. It is a real solution.

On the other hand, Senator SANTORUM's bill does not stop a single abortion. It does not ban all late term abortions. It bans certain procedures and diverts doctors to other procedures. This approach is both hollow and ineffective. It bans procedures that may be the safest for a woman's health. But let me be clear. Under Santorum, late term abortions would still be allowed to happen.

It does not make late term abortions more rare. It makes them more dangerous. And for that reason, the Santorum approach is ineffective.

The Durbin amendment provides a tough and narrow health exception that is both intellectually rigorous and compassionate. It will ensure that women who confront a grave health crisis late in a pregnancy can receive the treatment they need. The Durbin amendment defines such a crisis as a ''severely debilitating disease or impairment caused or exacerbated by pregnancy'' or ''an inability to provide necessary treatment to a life-threatening condition.''

And we don't leave it up to her doctor alone. We require that a second, independent physician also certify that the procedure is the most appropriate for the unique circumstances of the woman's life.

I want to be very clear in this. The Durbin amendment does not create a loophole with its health exception. We are not loophole shopping when we insist that an exception be made in the case of serious and debilitating threats to a woman's physical health. This is what the Constitution requires—and the reality of women's lives demands.

Let's face it. Women do sometimes face profound medical crises during pregnancy. Breast cancer, for example, occurs in one in 3,000 pregnancies. In some unfortunate circumstances, pregnant women in their second trimester discover lumps in their breasts and are diagnosed with invasive breast cancer. Continuing the pregnancy—and delaying medical treatment—would put a woman's health in grave danger.

The Durbin amendment recognizes that to deny a woman in a situation like this access to the abortion that could save her life and physical health would be unconscionable. To deny her other children a chance to know a healthy mother would be unconscionable.

When the continuation of the pregnancy is causing profound health problems, a woman's doctor must have every tool available to respond. I readily acknowledge that the procedure described by my colleagues on the other side is a grim one. I do not deny that. But there are times when the realities of women's lives and health dictates that this medical tool be available.

I support the Durbin alternative because it leaves medical decisions up to doctors, not legislators. It relies on medical judgement, not political judgement about what is best for a patient.

Not only does the Santorum bill not let doctors be doctors, it criminalizes them for making the best choice for their patients.

Under this bill, a doctor could be sent to prison for up to two years for doing what he or she thinks is necessary to save a woman's life or health. I say that's wrong.

In fact, those who oppose the Durbin amendment say it is flawed precisely because it leaves medical judgements up to physicians. Well, who else should decide? Would the other side prefer to have the government make medical decisions?

I disagree with that. I believe we should not substitute political judgement for medical judgement. We need to let doctors be doctors. This is my principle whether we are talking about reproductive choice or any health care matter.

Physicians have the training and expertise to make medical decisions. They are in the best position to recommend what is necessary or appropriate for their patients. Not bureaucrats. Not managed care accountants. And certainly not legislators.

The Durbin amendment provides sound public policy, not a political soundbite. It is our best chance to address the concerns many of us have about late term abortions.

Today we have an opportunity today to do something real. We have an opportunity to let logic and common sense win the day. We have an opportunity to do something that I know reflects the views of the American people. Today, we can pass the Durbin amendment.

We can say that we value life, and that we value our Constitution. We can make clear that a viable fetus should not be aborted. We can say that we want to save women's lives and protect women's health.

The only way to do this is to vote for the Durbin amendment. I urge my colleagues to support it.

WYNONA WARD OF ''HAVE JUSTICE—WILL TRAVEL''

Mr. LEAHY. Mr. President, I rise today to speak about a truly remarkable Vermonter who delivers ''justice on wheels'' to victims of domestic abuse.

Wynona Ward is the founder and director of Have Justice—Will Travel, HJWT, an innovative, mobile, multi-service program that assists rural victims of domestic violence through the legal process. She accomplishes this by combining her present profession as an attorney with her experiences as a truck driver to provide a variety of services—including free legal aid, in-home counseling, and transportation to and from court hearings and other social service appointments to rural families trapped in the generational cycle of abuse.

Based on her pioneering and inspirational work on behalf of domestic violence victims and their families, Wynona has been selected by Lifetime Television to be honored in ''Lifetime's Achievement Awards: Women Changing the World,'' which will air tonight. An independent panel of judges reviewed thousands of nominations before selecting six women for the honor. Wynona received the ''Champion Award,'' presented to a woman who overcame ''seemingly insurmountable odds to create a positive change for herself or others.''

Wynona was born into a poor family where alcoholism and abuse was routine—her father beat her mother and his 5 children, and sexually assaulted his daughters. Family violence was an accepted way of life then in rural Vermont. Local doctors treated the black-and-blues and other injuries that

frequently appeared on the bodies of Wynona, her mother and her siblings, but they never once asked how those bruises got there. No law required that they be reported, and even if suspected abuse were reported, law officials would hesitate to interfere with goings on in the home. The family had no choice but to suffer in secret.

To escape her abusive father, Wynona married young and then worked 15 years with her husband, Harold, in their own trucking business driving their 18-wheeler tractor-trailer unit cross-country. Years later, she received word from home that the abuse she had known was beginning for the next generation of her family. Wynona decided to take action by revealing the family secret so that her family could no longer deny that abuse existed, and volunteered as the victim's advocate for the child who had been sexually abused. Her experience led her to her current career after realizing how traumatizing and confusing the legal system can be for victims and their families.

After she turned 40, Wynona entered the Adult Degree Program at Vermont College of Norwich University. She and Harold continued to run their trucking business, and as they crossed the U.S., she completed her B.A. on a laptop in the living compartment of their truck. She then entered Vermont Law School, and in April 2000, she passed the bar and was sworn in as a licensed Vermont Attorney.

Drawing on her personal experience as a survivor of childhood domestic abuse, Wynona created a new way to bridge the legal, geographical, psychological, cultural and economic gaps that exist for battered women and their children. She came up with the concept of Have Justice—Will Travel from the knowledge that battered rural women living in isolation often lack education or job skills and access to telephones and transportation. They need comprehensive assistance in achieving self-reliance and independence. HJWT serves about 50 clients a year, and offers assistance to several hundred more women not only in Vermont but those in rural areas throughout the United States.

''Have Justice—Will Travel'' has been successful in serving women and children throughout the State of Vermont. It is a shining example for grassroots domestic violence assistance on a national level. I have met this extraordinary woman many times, and I never fail to be inspired and humbled by her dramatic personal story and her venture into a non-traditional career. I salute Wynona Ward today as a true champion.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT THAT DECLARES A NATIONAL EMERGENCY TO DEAL WITH THE UNUSUAL AND EXTRAORDINARY THREAT POSED TO THE NATIONAL SECURITY AND FOREIGN POLICY OF THE UNITED STATES BY THE THREAT OF ATTACHMENT OR OTHER JUDICIAL PROCESS AGAINST THE DEVELOPMENT FUND FOR IRAQ, IRAQI PETROLEUM AND PETROLEUM PRODUCTS, AND INTERESTS THEREIN, AND PROCEEDS, OBLIGATIONS, OR ANY FINANCIAL INSTRUMENTS OF ANY NATURE WHATSOEVER ARISING FROM OR RELATED TO THE SALE OR MARKETING THEREOF, AND INTERESTS THEREIN—PM 36

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report, which was referred to the Committee on Banking, Housing, and Urban Affairs.

To the Congress of the United States:

Consistent with section 204(b) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(b) (IEEPA), section 5 of the United Nations Participation Act (22 U.S.C. 287c) (UNPA), and section 301 of the National Emergencies Act, 50 U.S.C. 1631, I hereby report that I have exercised my authority to declare a national emergency to deal with the unusual and extraordinary threat posed to the national security and foreign policy of the United States by the threat of attachment or other judicial process against the Development Fund for Iraq, Iraqi petroleum and petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale or marketing thereof, and interests therein.

A major national security and foreign policy goal of the United States is to ensure that the newly established Development Fund for Iraq and other Iraqi resources, including Iraqi petroleum and petroleum products, are dedicated for the well-being of the Iraqi people, for the orderly reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, for the costs of indigenous civilian administration, and for other purposes benefiting the people of Iraq. The Development Fund for Iraq and other property in which Iraq has an interest may be subject to attachment, judgment, decree, lien, execution, garnishment, or other judicial process, thereby jeopardizing the full dedication of such assets to purposes benefiting the people of Iraq. To protect these assets, I have ordered that, unless licensed or otherwise authorized pursuant to my order, any attachment, judgment, decree, lien, execution, garnishment, or other judicial process be prohibited, and shall be deemed null and void, with respect to the following:

(a) the Development Fund for Iraq, and

(b) all Iraqi petroleum and petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale and marketing thereof, and interests therein, in which any foreign country or a national thereof has any interest, that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons.

In addition, by my memorandum to the Secretary of State and Secretary of Commerce of May 7, 2003 (Presidential Determination 2003–23), I made inapplicable with respect to Iraq section 620A of the Foreign Assistance Act of 1961, Public Law 87–195, as amended, and any other provision of law that applies to countries that have supported terrorism. Such provisions of law that apply to countries that have supported terrorism include, but are not limited to, 28 U.S.C. 1605(a)(7), 28 U.S.C. 1610, and section 201 of the Terrorism Risk Insurance Act.

I also have ordered that Executive Order 12722 of August 2, 1990, and Executive Order 12724 of August 9, 1990, which blocked property and interests in property of the Government of Iraq, its agencies, instrumentalities and controlled entities and the Central Bank of Iraq that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons, including their overseas branches, and Executive Order 13290 of March 20, 2003, which confiscated and vested certain Government of Iraq accounts, shall not apply to the Development Fund for Iraq or to Iraqi petroleum or petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale and marketing thereof, and interests therein.

I have delegated to the Secretary of the Treasury, in consultation with the Secretary of State and the Secretary of Defense, the authority to take such actions as may be necessary to carry out the purposes of the Executive Order, including the promulgation of rules and regulations. I have also authorized the Secretary of the Treasury to employ all powers granted to the President by IEEPA and UNPA to carry out the purposes of the Executive Order. I

am enclosing a copy of the Executive Order I have issued.

GEORGE W. BUSH.

THE WHITE HOUSE, *March 22, 2003.*

MESSAGES FROM THE HOUSE

ENROLLED BILL SIGNED

At 11:57 a.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the Speaker has signed the following enrolled bill:

S. 330. An act to further the protection and recognition of veterans' memorials, and for other purposes.

The enrolled bill was signed subsequently by the President pro tempore (Mr. STEVENS).

At 12:18 p.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the house disagrees to the amendment of the Senate to the bill (H.R. 2) to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, and agrees to the conference asked by the Senate on the disagreeing of the two Houses thereon; and appoints the following as managers of the conference on the part of the House:

For consideration of the House bill and the Senate amendment, and modifications committed to conference: Mr. THOMAS, Mr. DELAY, and Mr. RANGEL.

The message also announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1170. An act to protect children and their parents from being coerced into administering a controlled substance in order to attend school, and for other purposes.

H.R. 1911. An act to amend title 38, United States Code, to enhance cooperation and the sharing of resources between the Department of Veterans Affairs and the Department of Defense.

The message further announced that the House has agreed to the following concurrent resolution, with an amendment:

S. Con. Res. 46. Concurrent resolution to correct the enrollment of H.R. 1298.

At 2:22 p.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1257. An act to amend title 38, United States Code, to make permanent the authority for qualifying members of the Selected Reserve to have access to home loans guaranteed by the Secretary of Veterans Affairs and to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for such home loans.

H.R. 1683. An act to increase, effective as of December 1, 2003, the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans, and for other purposes.

At 9:35 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 2185. An act to extend the Temporary Extended Unemployment Compensation Act of 2002.

MEASURES REFERRED

The following bills were read the first and the second times by unanimous consent, and referred as indicated:

H.R. 1170. An act to protect children and their parents from being coerced into administering a controlled substance in order to attend school, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

H.R. 1257. An act to amend title 38, United States Code, to make permanent the authority for qualifying members of the Selected Reserve to have access to home loans guaranteed by the Secretary of Veterans Affairs and to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for such home loans; to the Committee on Veterans' Affairs.

H.R. 1683. An act to increase, effective as of December 1, 2003, the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans, and for other purposes; to the Committee on Veterans' Affairs.

H.R. 1911. An act to amend title 28, United States Code, to enhance cooperation and the sharing of resources between the Department of Veterans Affairs and the Department of Defense; to the Committee on Veterans' Affairs.

MEASURES READ THE FIRST TIME

The following bill was read the first time:

S. 1104. A bill to amend title 10, United States Code, to provide for parental involvement in abortions of dependent children of members of the Armed Forces.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, May 22, 2003, she had delivered to the President of the United States the following enrolled bill:

S. 330. An act to further the protection and recognition of veterans' memorials, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, and were referred as indicated:

EC–2407. A communication from the Regulations Officer, Federal Motor Carrier Safety Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Limitations on the Issuance of Commercial Driver's Licenses With a Hazardous Materials Endorsement (2126-AA70)'' received on May 15, 2003; to the Committee on Commerce, Science, and Transportation.

EC–2408. A communication from the Senior Attorney, Research and Special Programs Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Final Rule; Notice of Information Collection Approval (2137-AD67)'' received on May 15, 2003; to the Committee on Commerce, Science, and Transportation.

EC–2409. A communication from the Chief, Regulations and Administrative Law, U.S. Coast Guard, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ''Drawbridge Regulations; Raccoon Creek, NJ (CGD05-02-065)''; to the Committee on Commerce, Science, and Transportation.

EC–2410. A communication from the Chief, Regulations and Administrative Law, U.S. Coast Guard, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ''Safety/Security Zone Regulations; Captain of the Port Chicago Zone [CGD09-03-203]''; to the Committee on Commerce, Science, and Transportation.

EC–2411. A communication from the Chief, Regulations and Administrative Law, U.S. Coast Guard, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ''Safety/Security Zone Regulations: (Including 3 Regulations) [COTP Western Alaska 03-002] [CGD09-03-212] [CGD09-03213] (1625-AA00) (2003-0018)''; to the Committee on Commerce, Science, and Transportation.

EC–2412. A communication from the Chief, Regulations and Administrative Law, U.S. Coast Guard, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ''Safety/Security Zone Regulations: (Including 71 regulations) (1625-AA00) (2003-0019)''; to the Committee on Commerce, Science, and Transportation.

EC–2413. A communication from the Regulations Officer, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Railroad Highway Projects (2125-AD86)'' received on May 15, 2003; to the Committee on Environment and Public Works.

EC–2414. A communication from the Regulations Officer, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, the report of a rule entitled ''Indian Reservation Road Bridge Program (2125-AE57)'' received on May 15, 2003; to the Committee on Environment and Public Works.

EC–2415. A communication from the Secretary of Commerce, transmitting, pursuant to law, the report of a draft bill entitled ''Economic Development Administration Reauthorization Act of 2003'' received on May 15, 2003; to the Committee on Environment and Public Works.

EC–2416. A communication from the Rule Administration, Office of General Counsel, Federal Bureau of Prisons, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Public Works and Community Service Projects, final rule published April 18, 2003'' received on May 15, 2003; to the Committee on the Judiciary.

EC–2417. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedule of Controlled Substances: Exempt Anabolic Steroid Products'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2418. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedules of Controlled Substance: Temporary Placement of Benzylpiperazine and

Trifluoromethylpiperazine Into Schedule I'' received May 19, 2003; to the Committee on the Judiciary.

EC–2419. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedules of Controlled Substances: Rescheduling of Buprenorphine From Schedule V to Schedule III'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2420. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Dispensing of Controlled Substances to Assist Suicide (AG Order No. 2534-2001)'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2421. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedules of Controlled Substances: Temporary Placement of 2.5 dimeethoxy-4(n)-propylthiophenethylanmine into Schedule I'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2422. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedules of controlled substances; Temporary Placement of Alpha-methyltryptamine and 5-methoxy-N, N-diisopropyltryptamine into Schedule I'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2423. A communication from the Deputy Assistant Administrator, Office of Diversion Control, Drug Enforcement Administration, Department of Justice, transmitting, pursuant to law, the report of a rule entitled ''Schedules of Controlled Substances: Excluded Veterinary Anabolic Steroid Implant Products'' received on May 19, 2003; to the Committee on the Judiciary.

EC–2424. A communication from the Secretary of Defense, transmitting, pursuant to subsection 111(b) of division M of the Consolidated Appropriations Resolution, 2003 (Public Law 108–7), the report relative to the Terrorism (nee Total) Information Awareness program, received on May 19, 2003; to the Select Committee on Intelligence.

EC–2425. A communication from the Acting Deputy General Counsel, Office of Size Standards, Small Business Administration, transmitting, pursuant to law, the report of a rule entitled ''Small Business Size Standards; Tour Operators (3245–AE98)'' received on May 19, 2003; to the Committee on Small Business and Entrepreneurship.

EC–2426. A communication from the Acting Deputy General Counsel, Office of Size Standards, Small Business Administration, transmitting, pursuant to law, the report of a rule entitled ''Small Business Size Regulations; Petroleum Refiners (3245–AE84)'' received on May 15, 2003; to the Committee on Small Business and Entrepreneurship.

EC–2427. A communication from the Secretary of Veterans Affairs, transmitting, pursuant to law, the report of a draft rule entitled ''To amend titled 38, United States Code, to improve benefits for Filipino veterans of World War II and survivors of such veterans, and for other purposes'' received on May 19, 2003; to the Committee on Veterans' Affairs.

EC–2428. A communication from the Secretary of State, transmitting, pursuant to law, the report of the Department of State Performance Plan for FY 2004, received on May 15, 2003; to the Committee on Governmental Affairs.

EC–2429. A communication from the General Counsel, Executive Office of the President, transmitting, pursuant to law, the report of a vacancy and nomination for the position of Deputy Director for Management of the Office of Management and Budget, received on May 15, 2003; to the Committee on Governmental Affairs.

EC–2430. A communication from the Director, Financial Management and Assurance, General Accounting Office, transmitting, pursuant to law, the report of document entitled ''Financial Audit: Congressional Award Foundation's Fiscal Years 2002 and 2001 Financial Statements'' received on May 15, 2003; to the Committee on Governmental Affairs.

EC–2431. A communication from the President and Chief Executive Officer, Overseas Private Investment Corporation (OPIC), transmitting, pursuant to law, OPIC's Management Report, the Annual Performance Plan, and the Annual Program Performance Report for Fiscal Year 2002; OPIC's Report on Development and U.S. Effects of Fiscal Year 2002 Projects, and a Report on Cooperation with Private Insurers; OPIC's Report on the Environment, received on May 15, 2003; to the Committee on Governmental Affairs.

EC–2432. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to law, the report relative to Six countries not cooperating fully with U.S. antiterrorism efforts: Cuba, Iran, Libya, North Korea, Sudan, and Syria, received on May 15, 2003; to the Committee on Foreign Relations.

EC–2433. A communication from the President and CEO, transmitting, pursuant to law, the report of a draft legislation entitled ''To amend the Foreign Assistance Act of 1961 with respect to the activities of the Overseas Private Investment Corporation''; to the Committee on Foreign Relations.

EC–2434. A communication from the Assistant Secretary of Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed manufacturing license agreement for the manufacture of significant military equipment abroad to Japan; to the Committee on Foreign Relations.

EC–2435. A communication from the Assistant Secretary for Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed license for the export of defense articles or defense services sold commercially under a contract in the amount of $100,000,000 or more to the United Kingdom; to the Committee on Foreign Relations.

EC–2436. A communication from the Assistant Secretary for Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed license for the export of defense articles or defense services sold commercially under a contract in the amount of $100,000,000 or more to Canada and the United Kingdom, received on May 19, 2003; to the Committee on Foreign Relations.

EC–2437. A communication from the Assistant Secretary of Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed manufacturing license agreement for the manufacture of significant military equipment abroad to Norway, received on May 19, 2003; to the Committee on Foreign Relations.

EC–2438. A communication from the Assistant Secretary of Legislative Affairs, Department of State, transmitting, pursuant to the Arms Export Control Act, the report of a certification of a proposed manufacturing license agreement for the manufacture of significant military equipment abroad and the export of Defense articles or defense services in the amount of $100,000,000 or more to Germany, received on May 19, 2003; to the Committee on Foreign Relations.

EC–2439. A communication from the Director of Defense Research and Engineering, Department of Defense, transmitting, pursuant to law, the Annual Report of the Strategic Environmental Research and Development Program, received on May 15, 2003; to the Committee on Armed Services.

EC–2440. A communication from the Assistant Secretary of Defense, Health Affairs, Department of Defense, transmitting, pursuant to law, the Department of Defense Evaluation of the TRICARE Program Fiscal Year 2003 Report to Congress, received on May 15, 2003; to the Committee on Armed Services.

EC–2441. A communication from the Attorney/Advisor, Office of the General Counsel, Selective Service System, transmitting, pursuant to law, the report of a vacancy and designation of an acting officer for the position of Director, Selective Service System; to the Committee on Armed Services.

EC–2442. A communication from the Legal Counsel, Equal Employment Opportunity Commission, transmitting, pursuant to law, the report of a nomination from the position of General Counsel for the Equal Employment Opportunity Commission, received on May 15, 2003; to the Committee on Health, Education, Labor, and Pensions.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–124. A resolution adopted by the Senate of the State of Michigan relative to the armed Forces Tax Fairness Act of 2003; to the Committee on Finance.

SENATE RESOLUTION NO.65

Whereas, Under the provisions of the Taxpayer Relief Act of 1997, home sellers are relieved of the obligation to pay taxes on capital gains of up to $250,000 ($500,000 per couple), if they have owned and occupied their home for at least two of the five years before the sale. This historic legislation made the federal tax code fairer and more equitable for millions of American taxpayers; and

Whereas, A glaring inequity in the tax code, however, affects a number of those who serve our nation as military personnel and who leave their homes on extended assignment. These brave men and women may be penalized for their selfless service on behalf of the American people and our allies. Many are unable to take advantage of the capital gains tax relief afforded ordinary citizens because their call to overseas duty may prevent them from physically occupying their homes for the required period of time; and

Whereas, Two measures currently before the 108th Congress (H.R. 1307 and S. 351) propose ending the injustice of the Taxpayer Relief Act's limitation regarding extended overseas military service. The Armed Forces Tax Fairness Act of 2003 would, in part, extend the five-year period used in calculating the full exemption for capital gain to ten years for persons engaged in qualified official extended duty in military or foreign service. This legislation will help assure that those who so proudly serve our nation will not be disserviced by its tax code: Now, therefore, be it

Resolved by the Senate, That the United States Congress be memorialized to enact the Armed Forces Tax Relief Act of 2003; and be it further

Resolved, That copies of this resolution be presented to the Speaker of the United

States House of Representatives, the President of the United States Senate, and the members of the Michigan congressional delegation.

POM–125. A concurrent resolution passed by the Legislature of the State of Arizona relative to rescinding all of Arizona's previous calls for a constitutional convention to amend the Constitution of the United States, received on May 15, 2003; to the Committee on the Judiciary.

SENATE CONCURRENT RESOLUTION 1022

Whereas, the Legislature of the State of Arizona, acting with the best of intentions, has in the past applied to the Congress of the United States by memorial or resolution in accordance with article V, Constitution of the United States, for one or more constitutional conventions for the purpose of amending the Constitution of the United States; and

Whereas, over the course of time, the will of the people of the State of Arizona has changed with regards to Arizona's previous calls for a constitutional convention to amend the Constitution of the United States; and

Whereas, certain persons or states have called for a constitutional convention on issues that may be directly in opposition to the will of the people of this state; and

Whereas, the people of this state do not want their previous applications for a constitutional convention to be aggregated with those calls for a convention from other states; and

Whereas, former Justice of the United States Supreme Court Warren E. Burger, former Associate Justice of the United States Court Arthur J. Goldberg and many other leading constitutional scholars are in general agreement that a convention, notwithstanding whatever limitation might be placed on it by the call for a convention, may propose sweeping constitutional changes or, by virtue of the authority of a constitutional convention, redraft the Constitution of the United States creating an imminent peril to the well established rights of citizens and to the duties of various levels of government; and

Whereas, the Constitution of the United States has been amended many times in the history of this nation and may be amended many more times without the need to resort to a constitutional convention, and has been intercepted for more than two hundred years and found to be a sound document that protects the lives and liberties of citizens; and

Whereas, there is no need for, and in fact there is great danger in, a new constitution or in opening the Constitution of the United States racial changes, the adoption of which could create legal chaos in this nation and begin the process of another two centuries of litigation over its meaning and interpretation: and

Whereas, changes or amendments that may be needed in the present Constitution of the United States may be proposed and enacted without resorting to a constitutional convention by using the process provided in the Constitution and previously used throughout the history of this nation: Therefore be it

Resolved by the Senate of the State of Arizona, the House of Representatives concurring:

1. That the Legislature of the State of Arizona hereby repeals; rescinds, cancels, renders null and void and supersedes any and all existing applications to the Congress of the United States for a constitutional convention under Article V of the Constitution of the United States for any purpose, whether limited or general.

2. That the Legislature of the State of Arizona urges the legislature of each and every state that has applied to Congress for either a general or limited constitutional convention to repeal and rescind their applications.

3. That the Secretary of State of the State of Arizona transmit copies of this resolution to the President of the United States Senate, the Speaker of the United States House of Representatives, the Administrator of General Services in Washington, DC., each Member of Congress from the State of Arizona and the Secretaries of State and presiding officers of both houses of the legislation of each state in the Union.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. McCAIN, from the Committee on Commerce, Science, and Transportation, without amendment:

S. 579. A bill to reauthorize the National Transportation Safety Board, and for other purposes (Rept. No. 108–53).

By Mr. HATCH, from the Committee on the Judiciary, without amendment and with a preamble:

S. Res. 92. A resolution designating September 17, 2003 as ''Constitution Day''.

S. Res. 136. A resolution recognizing the 140th anniversary of the founding of the Brotherhood of Locomotive Engineers, and congratulating members and officers of the Brotherhood of Locomotive Engineers for the union's many achievements.

S. Res. 145. A resolution designating June 2003, as ''National Safety Month''.

By Mr. HATCH, from the Committee on the Judiciary, without amendment:

S. 554. A bill to allow media coverage of court proceedings.

S. 858. A bill to extend the Abraham Lincoln Bicentennial Commission, and for other purposes.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. WARNER for the Committee on Armed Services.

Air Force nomination of Maj. Gen. John W. Rosa, Jr.

Air Force nomination of Brig. Gen. Barbara C. Brannon.

Army nomination of Maj. Gen. Jerry L. Sinn.

Army nomination of Maj. Gen. Steven W. Boutelle.

Army nomination of Maj. Gen. Ricardo S. Sanchez.

Army nomination of Maj. Gen. Anthony R. Jones.

Army nomination of Maj. Gen. John R. Vines.

Army nomination of Brig. Gen. Emile P. Bataille.

Army nomination of Brig. Gen. David H. Hicks.

Army nomination of Brig. Gen. Brian L. Tarbet.

Army nomination of Chaplain (Col.) Jerome A. Haberek.

Navy nomination of Rear Adm. Michael J. McCabe.

Navy nomination of Rear Adm. (lh) John P. Debbout.

Navy nomination of Capt. Craig O. McDonald.

Mr. WARNER. Mr. President, for the Committee on Armed Services, I report favorably the following nomination lists which were printed in the RECORD on the dates indicated, and ask unanimous consent, to save the expense of reprinting on the Executive Calendar that these nominations lie at the Secretary's desk for the information of Senators.

The PRESIDING OFFICER. Without objection, it is so ordered.

Air Force nominations beginning Elise A. * Ahlswede and ending Paul K. * Yenter, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on January 13, 2003.

Air Force nomination of Jefferson L. Severs.

Army nominations beginning Charles R. Bailey and ending David W. Smartt, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on January 29, 2003.

Marine Corps nominations beginning Benjamin T. Ackison and ending Robert B. Zwayer, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 14, 2003.

Navy nominations beginning Amando F. Abaya and ending Shanon J. Wells, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 1, 2003.

By Mr. HATCH for the Committee on the Judiciary.

Michael Chertoff, New Jersey, to be United States Circuit Judge for the Third Circuit.

Robert D. McCallum, Jr., of Georgia, to be Associate Attorney General.

Peter D. Keilser, of Maryland, to be an Assistant Attorney General.

(Nominations without an asterisk were reported with the recommendation that they be confirmed.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second times by unanimous consent, and referred as indicated:

By Mr. HARKIN (for himself, Mr. SPECTER, Mr. KOHL, Mr. DURBIN, Mr. FEINGOLD, Mrs. CLINTON, and Mr. SCHUMER):

S. 1103. A bill to clarify the authority of the Secretary of Agriculture to prescribe performance standards for the reduction of pathogens in meat, meat products, poultry, and poultry products processed by establishments receiving inspection services and to enforce the Hazard Analysis and Critical Control Point (HACCP) System requirements, sanitation requirements, and the performance standards; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. BROWNBACK:

S. 1104. A bill to amend title 10, United States Code, to provide for parental involvement in abortions of dependent children of members of the Armed Forces; read the first time.

By Mr. BOND:

S. 1105. A bill to authorize the Secretary of the Interior to study the suitability and feasibility of designating the French Colonial Heritage Area in the State of Missouri as a unit of the National Park System, and for other purposes; to the Committee on Energy and Natural Resources.

By Ms. SNOWE (for herself and Mr. KERRY):

S. 1106. A bill to establish National Standards for Fishing Quota Systems; to the Committee on Commerce, Science, and Transportation.

By Mr. THOMAS:

S. 1107. A bill to enhance the Recreational Fee Demonstration Program for the National Park Service, and for other purposes; to the Committee on Energy and Natural Resources.

By Mrs. CLINTON (for herself and Mr. WARNER):

S. 1108. A bill to establish within the National Park Service the 225th Anniversary of the American Revolution Commemorative Program, and for other purposes; to the Committee on the Judiciary .

By Mr. TALENT (for himself and Mr. WYDEN):

S. 1109. A bill to provide $50,000,000,000 in new transportation infrastructure funding through Federal bonding to empower States and local governments to complete significant infrastructure projects across all modes of transportation, including roads, rail, transit, aviation, and water, and for other purposes; to the Committee on Finance.

By Mr. BINGAMAN (for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. DASCHLE, Mrs. MURRAY, Ms. CANTWELL, Mr. DAYTON, Mr. LIEBERMAN, Mrs. LINCOLN, and Mrs. FEINSTEIN):

S. 1110. A bill to amend the Trade Act of 1974 to provide trade adjustment assistance for communities, and for other purposes; to the Committee on Finance.

By Mrs. FEINSTEIN:

S. 1111. A bill to provide suitable grazing arrangements on National Forest System land to persons that hold a grazing permit adversely affected by the standards and guidelines contained in the Record of Decision of the Sierra Nevada Forest Plan Amendment and pertaining to the Willow Flycatcher and the Yosemite Toad; to the Committee on Energy and Natural Resources.

By Mr. KERRY (for himself and Mr. HARKIN):

S. 1112. A bill to amend title 38, United States Code, to permit Department of Veterans Affairs pharmacies to dispense medications on prescriptions written by private practitioners to veterans who are currently awaiting their first appointment with the Department for medical care, and for other purposes; to the Committee on Veterans' Affairs.

By Mrs. LINCOLN (for herself and Mr. DEWINE):

S. 1113. A bill to amend title XVIII of the Social Security Act to eliminate cost-sharing under the medicare program for bone mass measurements; to the Committee on Finance.

By Mrs. LINCOLN (for herself and Ms. COLLINS):

S. 1114. A bill to amend title XVIII of the Social Security Act to provide coverage for kidney disease education services under the medicare program, and for other purposes; to the Committee on Finance.

By Mrs. MURRAY (for herself, Mr. DAYTON, Ms. CANTWELL, Mr. BAUCUS, Mr. LEAHY, Mrs. BOXER, and Mr. JEFFORDS):

S. 1115. A bill to amend the Toxic Substances Control Act to reduce the health risks posed by asbestos-containing products; to the Committee on Environment and Public Works.

By Mr. LEVIN (for himself, Mr. DEWINE, Ms. STABENOW, and Mr. VOINOVICH):

S. 1116. A bill to amend the Federal Water Pollution Control Act to direct the Great Lakes National Program Office of the Environmental Protection Agency to develop, implement, monitor, and report on a series of indicators of water quality and related environmental factors in the Great Lakes; to the Committee on Environment and Public Works.

By Mr. FEINGOLD (for himself, Mr. KENNEDY, and Mr. JEFFORDS):

S. 1117. A bill to provide a definition of a prevailing party for Federal fee-shifting statutes; to the Committee on the Judiciary.

By Mr. JEFFORDS (for himself, Mr. LEAHY, Mr. SCHUMER, and Mrs. CLINTON):

S. 1118. A bill to establish the Champlain Valley National Heritage Partnership in the States of Vermont and New York, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. GRAHAM of Florida (for himself, Mr. HATCH, and Mr . JEFFORDS):

S. 1119. A bill to amend the Internal Revenue Code of 1986 to clarify the eligibility of certain expenses for the low-income housing credit; to the Committee on Finance.

By Mr. BAUCUS (for himself, Mr. ROCKEFELLER, Mr. BINGAMAN, Mr. DAYTON, and Mrs. MURRAY):

S. 1120. A bill to establish an Office of Trade Adjustment Assistance, and for other purposes; to the Committee on Finance.

By Mr. BAUCUS (for himself and Mr. MCCAIN):

S. 1121. A bill to extend certain trade benefits to countries of the greater Middle East; to the Committee on Finance.

By Mr. JOHNSON (for himself and Mr. DASCHLE):

S. 1122. A bill to provide equitable funding for tribal transportation programs, and for other purposes; to the Committee on Indian Affairs.

By Mrs. BOXER (for herself and Mr. BIDEN):

S. 1123. A bill to provide enhanced Federal enforcement and assistance in preventing and prosecuting crimes of violence against children; to the Committee on the Judiciary.

By Ms. MIKULSKI:

S. 1124. A bill to amend title 38, United States Code, to increase burial benefits for veterans, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. HATCH (for himself, Mr. NELSON of Nebraska, Mr. DEWINE, Mr. MILLER, Mr. VOINOVICH, Mr. ALLEN, and Mr. CHAMBLISS):

S. 1125. A bill to create a fair and efficient system to resolve claims of victims for bodily injury caused by asbestos exposure, and for other purposes; to the Committee on the Judiciary.

By Mr. JOHNSON (for himself, Mr. KERRY, and Mr. SMITH):

S. 1126. A bill to establish the Office of Native American Affairs within the Small Business Administration, to create the Native American Small Business Development Program, and for other purposes; to the Committee on Small Business and Entrepreneurship.

By Ms. STABENOW (for herself, Mr. KENNEDY, Mr. LEAHY, Mr. DODD, Mr. CORZINE, Mr. LAUTENBERG, Mr. HARKIN, Mr. BINGAMAN, Mr. DURBIN, and Mr. ROCKEFELLER):

S. 1127. A bill to establish administrative law judges involved in the appeals process provided for under the medicare program under title XVIII of the Social Security Act within the Department of Health and Human Services, to ensure the independence of, and preserve the role of, such administrative law judges, and for other purposes; to the Committee on Finance.

By Mr. FEINGOLD (for himself, Mr. LEAHY, and Mr. KOHL):

S. 1128. A bill to amend title 11 of the United States Code with respect to the dismissal of certain involuntary cases; to the Committee on the Judiciary.

By Mrs. FEINSTEIN (for herself, Mr. BROWNBACK, Mr. VOINOVICH, Ms. CANTWELL, Mr. DEWINE, Mr. LAUTENBERG, Mr. FEINGOLD, and Mr. KENNEDY):

S. 1129. A bill to provide for the protection of unaccompanied alien children, and for other purposes; to the Committee on the Judiciary.

By Mrs. FEINSTEIN:

S. 1130. A bill for the relief of Esidronio Arreola-Saucedo, Maria Elena Cobian Arreola, Nayely Bibiana Arreola, and Cindy Jael Arreola; to the Committee on the Judiciary.

By Mr. SPECTER (for himself and Mr. BUNNING):

S. 1131. A bill to increase, effective December 1, 2003, the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans; to the Committee on Veterans' Affairs.

By Mr. SPECTER (for himself, Mr. BUNNING, and Mr. GRAHAM of South Carolina):

S. 1132. A bill to amend title 38, United States Code, to improve and enhance certain benefits for survivors of veterans, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. SPECTER (by request):

S. 1133. A bill to amend title 38, United States Code, to improve the authorities of the Department of Veterans Affairs relating to compensation, dependency and indemnity compensation, pension, education benefits, life insurance benefits, and memorial benefits, to improve the administration of benefits for veterans, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. BOND (for himself and Mr. INHOFE) (by request):

S. 1134. A bill to reauthorize and improve the programs authorized by the Public Works and Economic Development Act of 1965; to the Committee on Environment and Public Works.

By Mr. HATCH (for himself, Mr. JEFFORDS, Mr. GRASSLEY, Mrs. LINCOLN, and Mr. BINGAMAN):

S. 1135. A bill to amend title XVIII of the Social Security Act to establish a uniform national medicare physician fee schedule; to the Committee on Finance.

By Mr. SPECTER (for himself and Mr. BUNNING):

S. 1136. A bill to restate, clarify, and revise the Soldiers' and Sailors' Civil Relief Act of 1940; to the Committee on Veterans' Affairs.

By Mr. LOTT:

S. 1137. A bill to establish a Mississippi Gulf Coast National Heritage Area in the State of Mississippi, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. COLEMAN:

S. 1138. A bill to amend the Employee Retirement Income Security Act of 1974, Public Health Service Act, and the Internal Revenue Code of 1986 to provide parity with respect to substance abuse treatment benefits under group health plans and health insurance coverage; to the Committee on Health, Education, Labor, and Pensions.

By Mr. DEWINE (for himself and Mr. LAUTENBERG):

S. 1139. A bill to direct the National Highway Traffic Safety Administration to establish and carry out traffic safety law enforcement and compliance campaigns, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. LAUTENBERG (for himself, Mr. DEWINE, and Mrs. FEINSTEIN):

S. 1140. A bill to amend titles 23 and 49, United States Code, concerning length and weight limitations for vehicles operating on Federal-aid highways, and for other purposes; to the Committee on Environment and Public Works.

By Mr. LAUTENBERG (for himself and Mr. DEWINE):

S. 1141. A bill to amend title 23, United States Code, to increase penalties for individuals who operate motor vehicles while intoxicated or under the influence of alcohol; to the Committee on Environment and Public Works.

By Mrs. MURRAY (for herself, Mr. GRAHAM of Florida, Mr. MILLER, Mr. ROCKEFELLER, and Mr. BUNNING):

S.J. Res. 13. A joint resolution to designate April 9, 2004, as ''National Former Prisoner of War Recognition Day''; to the Committee on the Judiciary.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mrs. MURRAY (for herself, Ms. SNOWE, Mr. DASCHLE, and Mr. KENNEDY):

S. Res. 153. A resolution expressing the sense of the Senate that changes to athletics policies issued under title IX of the Education Amendments of 1972 would contradict the spirit of athletic equality and the intent to prohibit sex discrimination in education programs or activities receiving Federal financial assistance; to the Committee on Health, Education, Labor, and Pensions.

ADDITIONAL COSPONSORS

S. 146

At the request of Mr. DEWINE, the names of the Senator from Missouri (Mr. BOND), the Senator from Texas (Mr. CORNYN), the Senator from Idaho (Mr. CRAIG) and the Senator from Idaho (Mr. CRAPO) were added as cosponsors of S. 146, a bill to amend titles 10 and 18, United States Code, to protect unborn victims of violence.

S. 229

At the request of Mr. JOHNSON, the name of the Senator from Illinois (Mr. DURBIN) was added as a cosponsor of S. 229, a bill to provide for the merger of the bank and savings association deposit insurance funds, to modernize and improve the safety and fairness of the Federal deposit insurance system, and for other purposes.

S. 271

At the request of Mr. SMITH, the name of the Senator from Georgia (Mr. CHAMBLISS) was added as a cosponsor of S. 271, a bill to amend the Internal Revenue Code of 1986 to allow an additional advance refunding of bonds originally issued to finance governmental facilities used for essential governmental functions.

S. 310

At the request of Mr. THOMAS, the names of the Senator from Kentucky (Mr. BUNNING) and the Senator from Mississippi (Mr. COCHRAN) were added as cosponsors of S. 310, a bill to amend title XVIII of the Social Security Act to provide for the coverage of marriage and family therapist services and mental health counselor services under part B of the medicare program, and for other purposes.

S. 333

At the request of Mr. BREAUX, the name of the Senator from South Carolina (Mr. HOLLINGS) was added as a cosponsor of S. 333, a bill to promote elder justice, and for other purposes.

S. 451

At the request of Ms. SNOWE, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 451, a bill to amend title 10, United States Code, to increase the minimum Survivor Benefit Plan basic annuity for surviving spouses age 62 and older, to provide for a one-year open season under that plan, and for other purposes.

S. 480

At the request of Mr. HARKIN, the name of the Senator from Wisconsin (Mr. KOHL) was added as a cosponsor of S. 480, a bill to provide competitive grants for training court reporters and closed captioners to meet requirements for realtime writers under the Telecommunications Act of 1996, and for other purposes.

S. 518

At the request of Ms. COLLINS, the name of the Senator from Illinois (Mr. DURBIN) was added as a cosponsor of S. 518, a bill to increase the supply of pancreatic islet cells for research, to provide better coordination of Federal efforts and information on islet cell transplantation, and to collect the data necessary to move islet cell transplantation from an experimental procedure to a standard therapy.

S. 526

At the request of Mr. HATCH, the name of the Senator from Pennsylvania (Mr. SANTORUM) was added as a cosponsor of S. 526, a bill to amend title XVIII of the Social Security Act to improve access to Medicare+Choice plans for special needs medicare beneficiaries by allowing plans to target enrollment to special needs beneficiaries.

S. 542

At the request of Ms. STABENOW, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 542, a bill to amend title XIX of the Social Security Act to clarify that section 1927 of that Act does not prohibit a State from entering into drug rebate agreements in order to make outpatient prescription drugs accessible and affordable for residents of the State who are not otherwise eligible for medical assistance under the medicaid program.

S. 557

At the request of Ms. COLLINS, the name of the Senator from Vermont (Mr. LEAHY) was added as a cosponsor of S. 557, a bill to amend the Internal Revenue Code of 1986 to exclude from gross income amounts received on account of claims based on certain unlawful discrimination and to allow income averaging for backpay and frontpay awards received on account of such claims, and for other purposes.

S. 595

At the request of Mr. HATCH, the names of the Senator from Nebraska (Mr. NELSON) and the Senator from Missouri (Mr. BOND) were added as cosponsors of S. 595, a bill to amend the Internal Revenue Code of 1986 to repeal the required use of certain principal repayments on mortgage subsidy bond financings to redeem bonds, to modify the purchase price limitation under mortgage subsidy bond rules based on median family income, and for other purposes.

S. 623

At the request of Mr. WARNER, the name of the Senator from Kentucky (Mr. BUNNING) was added as a cosponsor of S. 623, a bill to amend the Internal Revenue Code of 1986 to allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis and to allow a deduction for TRICARE supplemental premiums.

S. 654

At the request of Ms. SNOWE, the name of the Senator from New York (Mrs. CLINTON) was added as a cosponsor of S. 654, a bill to amend title XVIII of the Social Security Act to enhance the access of medicare beneficiaries who live in medically underserved areas to critical primary and preventive health care benefits, to improve the Medicare+Choice program, and for other purposes.

S. 656

At the request of Mr. REED, the name of the Senator from Illinois (Mr. DURBIN) was added as a cosponsor of S. 656, a bill to provide for the adjustment of status of certain nationals of Liberia to that of lawful permanent residence.

S. 724

At the request of Mr. ENZI, the name of the Senator from Idaho (Mr. CRAIG) was added as a cosponsor of S. 724, a bill to amend title 18, United States Code, to exempt certain rocket propellants from prohibitions under that title on explosive materials.

S. 741

At the request of Mr. SESSIONS, the name of the Senator from Oregon (Mr. SMITH) was added as a cosponsor of S. 741, a bill to amend the Federal Food, Drug, and Cosmetic Act with regard to new animal drugs, and for other purposes.

S. 777

At the request of Mr. INHOFE, the name of the Senator from Georgia (Mr. CHAMBLISS) was added as a cosponsor of S. 777, a bill to amend the impact aid program under the Elementary and Secondary Education Act of 1965 to improve the delivery of payments under the program to local educational agencies.

S. 818

At the request of Ms. SNOWE, the name of the Senator from Idaho (Mr. CRAPO) was added as a cosponsor of S. 818, a bill to ensure the independence and nonpartisan operation of the Office of Advocacy of the Small Business Administration.

S. 818

At the request of Mr. KERRY, the name of the Senator from Indiana (Mr.

BAYH) was added as a cosponsor of S. 818, supra.

S. 856

At the request of Mr. ROCKEFELLER, the name of the Senator from New York (Mrs. CLINTON) was added as a cosponsor of S. 856, a bill to amend the Internal Revenue Code of 1986 to expand the incentives for the construction and renovation of public schools.

S. 862

At the request of Mr. ROCKEFELLER, the name of the Senator from New York (Mrs. CLINTON) was added as a cosponsor of S. 862, a bill to promote the adoption of children with special needs.

S. 874

At the request of Mr. TALENT, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 874, a bill to amend title XIX of the Social Security Act to include primary and secondary preventative medical strategies for children and adults with Sickle Cell Disease as medical assistance under the medicaid program, and for other purposes.

S. 875

At the request of Mr. KERRY, the names of the Senator from Illinois (Mr. DURBIN) and the Senator from Minnesota (Mr. DAYTON) were added as cosponsors of S. 875, a bill to amend the Internal Revenue Code of 1986 to allow an income tax credit for the provision of homeownership and community development, and for other purposes.

S. 878

At the request of Mr. CRAIG, the name of the Senator from Nebraska (Mr. NELSON) was added as a cosponsor of S. 878, a bill to authorize an additional permanent judgeship in the District of Idaho, and for other purposes.

S. 888

At the request of Mr. GREGG, the names of the Senator from Nevada (Mr. REID), the Senator from Pennsylvania (Mr. SANTORUM), the Senator from South Dakota (Mr. DASCHLE), the Senator from Georgia (Mr. CHAMBLISS) and the Senator from Florida (Mr. NELSON) were added as cosponsors of S. 888, a bill to reauthorize the Museum and Library Services Act, and for other purposes.

S. 890

At the request of Mrs. MURRAY, the name of the Senator from New York (Mrs. CLINTON) was added as a cosponsor of S. 890, a bill to amend the Individuals with Disabilities Education Act to provide grants to State educational agencies to establish high cost funds from which local educational agencies are paid a percentage of the costs of providing a free appropriate public education to high need children and other high costs associated with educating children with disabilities, and for other purposes.

S. 893

At the request of Ms. STABENOW, her name was added as a cosponsor of S. 893, a bill to amend title VII of the Civil Rights Act of 1964 to establish provisions with respect to religious accommodation in employment, and for other purposes.

S. 896

At the request of Mrs. MURRAY, the name of the Senator from New Jersey (Mr. CORZINE) was added as a cosponsor of S. 896, a bill to establish a public education and awareness program relating to emergency contraception.

S. 899

At the request of Mr. BAYH, the name of the Senator from Michigan (Ms. STABENOW) was added as a cosponsor of S. 899, a bill to amend title XVIII of the Social Security Act to restore the full market basket percentage increase applied to payments to hospitals for inpatient hospital services furnished to medicare beneficiaries, and for other purposes.

S. 922

At the request of Mr. KENNEDY, the name of the Senator from Oklahoma (Mr. INHOFE) was added as a cosponsor of S. 922, a bill to change the requirements for naturalization through service in the Armed Forces of the United States, to extend naturalization benefits to members of the Selected Reserve of the Ready Reserve of a reserve component of the Armed Forces, to extend posthumous benefits to surviving spouses, children, and parents, and for other purposes.

S. 923

At the request of Mr. KENNEDY, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 923, a bill to provide for additional weeks of temporary extended unemployment compensation, to provide for a program of temporary enhanced regular unemployment compensation, and for other purposes.

S. 982

At the request of Mrs. BOXER, the names of the Senator from Indiana (Mr. BAYH), the Senator from Michigan (Ms. STABENOW), the Senator from Minnesota (Mr. DAYTON), the Senator from Nevada (Mr. REID), the Senator from Arkansas (Mrs. LINCOLN), and the Senator from North Dakota (Mr. DORGAN) were added as cosponsors of S. 982, a bill to halt Syrian support for terrorism, end its occupation of Lebanon, stop its development of weapons of mass destruction, cease its illegal importation of Iraqi oil, and hold Syria accountable for its role in the Middle East, and for other purposes.

S. 1008

At the request of Mr. CAMPBELL, the names of the Senator from Georgia (Mr. CHAMBLISS) and the Senator from Hawaii (Mr. INOUYE) were added as cosponsors of S. 1008, a bill to provide for the establishment of summer health career introductory programs for middle and high school students.

S. 1019

At the request of Mr. DEWINE, the names of the Senator from Missouri (Mr. BOND), the Senator from Texas (Mr. CORNYN), the Senator from Idaho (Mr. CRAIG), the Senator from Idaho (Mr. CRAPO), and the Senator from North Carolina (Mrs. DOLE) were added as cosponsors of S. 1019, a bill to amend titles 10 and 18, United States Code, to protect unborn victims of violence.

S. 1037

At the request of Ms. SNOWE, the name of the Senator from Indiana (Mr. BAYH) was added as a cosponsor of S. 1037, a bill to amend title XVIII of the Social Security Act to provide for coverage under the medicare program of all oral anticancer drugs.

S. 1046

At the request of Mrs. DOLE, her name was added as a cosponsor of S. 1046, a bill to amend the Communications Act of 1934 to preserve localism, to foster and promote the diversity of television programming, to foster and promote competition, and to prevent excessive concentration of ownership of the nation's television broadcast stations.

S. 1082

At the request of Mr. BROWNBACK, the name of the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 1082, a bill to provide support for democracy in Iran.

S. 1086

At the request of Mr. KENNEDY, the name of the Senator from New Jersey (Mr. CORZINE) was added as a cosponsor of S. 1086, a bill to repeal provisions of the PROTECT Act that do not specifically deal with the prevention of the exploitation of children.

S. 1087

At the request of Ms. MIKULSKI, the names of the Senator from New York (Mr. SCHUMER) and the Senator from Massachusetts (Mr. KENNEDY) were added as cosponsors of S. 1087, a bill to provide for uterine fibroid research and education, and for other purposes.

S. 1091

At the request of Mr. DURBIN, the name of the Senator from New York (Mr. SCHUMER) was added as a cosponsor of S. 1091, a bill to provide funding for student loan repayment for public attorneys.

S. 1092

At the request of Mr. CAMPBELL, the name of the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 1092, a bill to authorize the establishment of a national database for purposes of identifying, locating, and cataloging the many memorials and permanent tributes to America's veterans.

S. CON. RES. 7

At the request of Mr. DASCHLE, his name was added as a cosponsor of S. Con. Res. 7, a concurrent resolution expressing the sense of Congress that the sharp escalation of anti-Semitic violence within many participating States of the Organization for Security and Cooperation in Europe (OSCE) is of profound concern and efforts should be undertaken to prevent future occurrences.

S. CON. RES. 7

At the request of Mr. MCCAIN, his name was added as a cosponsor of S. Con. Res. 7, supra.

S. CON. RES. 7

At the request of Mr. CAMPBELL, the names of the Senator from Iowa (Mr. GRASSLEY) and the Senator from North Carolina (Mr. EDWARDS) were added as cosponsors of S. Con. Res. 7, supra.

S. RES. 133

At the request of Mr. DURBIN, the name of the Senator from New York (Mr. SCHUMER) was added as a cosponsor of S. Res. 133, a resolution condemning bigotry and violence against Arab Americans, Muslim Americans, South-Asian Americans, and Sikh Americans.

AMENDMENT NO. 691

At the request of Mrs. CLINTON, her name was added as a cosponsor of amendment No. 691 proposed to S. 1050, an original bill to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

AMENDMENT NO. 785

At the request of Mr. WARNER, his name and the name of the Senator from Michigan (Mr. LEVIN) were added as cosponsors of amendment No. 785 proposed to S. 1050, an original bill to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

AMENDMENT NO. 785

At the request of Mr. LIEBERMAN, his name was added as a cosponsor of amendment No. 785 proposed to S. 1050, supra.

AMENDMENT NO. 785

At the request of Mr. KERRY, his name was added as a cosponsor of amendment No. 785 proposed to S. 1050, supra.

AMENDMENT NO. 785

At the request of Mr. DODD, the names of the Senator from Maryland (Mr. SARBANES), the Senator from Rhode Island (Mr. REED), the Senator from Washington (Mrs. MURRAY), the Senator from New York (Mr. SCHUMER), the Senator from Vermont (Mr. JEFFORDS), the Senator from New York (Mrs. CLINTON), the Senator from Maine (Ms. SNOWE), the Senator from Maryland (Ms. MIKULSKI), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Montana (Mr. BAUCUS), the Senator from California (Mrs. FEINSTEIN), and the Senator from Illinois (Mr. DURBIN) were added as cosponsors of amendment No. 785 proposed to S. 1050, supra.

AMENDMENT NO. 785

At the request of Mr. SMITH, his name was added as a cosponsor of amendment No. 785 proposed to S. 1050, supra.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. HARKIN (for himself, Mr. SPECTER, Mr. KOHL, Mr. DURBIN, Mr. FEINGOLD, Mrs. CLINTON, and Mr. SCHUMER):

S. 1103. A bill to clarify the authority of the Secretary of Agriculture to prescribe performance standards for the reduction of pathogens in meat, meat products, poultry, and poultry products processed by establishments receiving inspection services and to enforce the Hazard Analysis and Critical Control Point (HACCP) System requirements, sanitation requirements, and the performance standards; to the Committee on Agriculture, Nutrition, and Forestry.

Mr. HARKIN. Mr. President, today I am introducing the Meat and Poultry Pathogen Reduction Act of 2003. This legislation, commonly known as Kevin's Law, is dedicated to the memory of 2-year-old Kevin Kowalcyk, who died in 2001 after eating a hamburger contaminated with E.coli H7:0157 bacteria. Passage of this bill is vital because on December 6, 2001, the 5th Circuit Court of Appeals upheld and expanded an earlier District Court decision that removes the U.S. Department of Agriculture's, USDA, authority to enforce its Pathogen Performance Standard for Salmonella. The 5th Circuit's decision in Supreme Beef v. USDA, Supreme, seriously undermines the sweeping food safety changes adopted by USDA in its 1996 Hazard Analysis Critical Control Point and Pathogen Reduction, HACCP, rule.

More recently, there was another court case that calls into question USDA's authority to enforce its microbiological performance standards. A company called Nebraska Beef sued USDA after the Department tried to shut down the plant for numerous alleged food safety violations. The judge in the case granted a temporary restraining order, preventing USDA to take enforcement action.

According the 5th Circuit's opinion in Supreme and the Nebraska Beef decision, today, there is nothing USDA could do to shut down a meat grinding plant that insists on using low-quality, potentially contaminated trimmings. These decisions seriously undermine the new meat and poultry inspection system.

The Pathogen Reduction Rule recognized that bacterial and viral pathogens were the foremost food safety threat in America, responsible for 5,000 deaths, 325,000 hospitalizations and 76 million illnesses each year. To address the threat of foodborne illness, USDA developed a modern inspection system based on two fundamental principles.

The first was that industry has the primary responsibility to determine how to produce the safest products possible. Industry had to examine their plants and determine how to control contamination at every step of the food production process, from the moment a product arrives at their door until the moment it leaves their plant.

The second, even more crucial principle was that plants nationwide must reduce levels of dangerous pathogens in meat and poultry products. To ensure the new inspection system accomplished this, USDA developed Pathogen Performance Standards. These standards provide targets for reducing pathogens and require all USDA-inspected facilities to meet them. Facilities failing to meet a standard are shut down until they create a corrective action plan to meet the standard.

So far, USDA has only issued one Pathogen Performance Standard, for Salmonella. The vast majority of plants in the U.S. have been able to meet the new standard, so it is clearly workable. In addition, USDA reports that Salmonella levels for meat and poultry products have fallen substantially. Therefore the Salmonella standard has been successful. The 5th Circuit Court's and the Nebraska Beef decisions threaten to destroy this success and set our food safety system back years.

The other major problem is we have an industry dead set on striking down USDA's authority to enforce meat and poultry pathogen standards. Ever since the original Supreme decision, I have spent untold hours trying to find a compromise that will allow us to ensure we have enforceable, science-based standards for pathogens in meat and poultry products. I have introduced bills to address this issue and I have even worked with industry leaders to reach a reasonable compromise.

However, despite repeated attempts to address industry concerns, industry has continually backtracked and moved the finish line. Many times, I have made changes in my legislation to address their ''pressing'' concern of the moment only to have them come back and say we hadn't gone far enough. We cannot let a few bullies in the meat and poultry industry place our children, our families at a increased risk of getting ill or dying, because some of the industry want to backtrack on food safety.

In addition, the recent announcement that a cow in Alberta, Canada tested positive for bovine spongiform encephalopathy, BSE, otherwise known as ''mad cow disease'', provoked the U.S. government to immediately close the U.S.-Canadian border for the trade at beer and beef products. I applaud the current Administration for taking this action to ensure the safety of our Nation's food supply until more information is made available about the true extent of the problem.

And without downplaying the seriousness of that horrible disease, I think its necessary to look at the impact of BSE in light of other food borne illnesses. Researchers believe that BSE is linked to variable Creutzfeldt-Jakob,

vCJD, disease. Since its onset in Britain in 1995, 129 people have died worldwide from vCJD. Foodborne pathogens, on the other hand, have cause 5000 deaths, 125,000 hospitalizations, and 76 million illnesses each year. The numbers speak for themselves.

The swift and comprehensive response provoked by a single diseased cow in a neighboring country stands in stark contrast to the way our government currently responds to outbreaks of foodbornes illness in our country today. USDA has the ability to shut down the trade from the biggest importer of beef into out country on suspicions of possible food safety problems, but cannot even temporarily shut down one plant that USDA knows has problems.

I plan to seek every opportunity to get this language enacted. I think it is essential, both to ensuring the modernization of our food safety system, and ensuring consumers that we are making progress in reducing dangerous pathogens.

I hope that both parties, and both houses of Congress will be able to act to pass this legislation without delay. The public's confidence in our meat and poultry inspection system is at stake.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1103

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Meat and Poultry Pathogen Reduction and Enforcement Act''.

SEC. 2. FINDINGS.

Congress finds that—

(1) the primary purpose of the Federal meat and poultry inspection program is to protect public health;

(2) the Centers for Disease Control and Prevention report that human pathogens found in raw and cooked meat, meat products, poultry, and poultry products are a significant source of foodborne illness;

(3) to reduce the public health burden of foodborne illness, the Federal meat and poultry inspection system should focus on reducing the risk of foodborne illness associated with the presence of foodborne pathogens through—

(A) establishment and enforcement of performance standards for the reduction of pathogens in meat, meat products, poultry, and poultry products processed by establishments receiving inspection services; and

(B) enforcement of the Hazard Analysis and Critical Control Point (HACCP) System requirements and sanitation requirements;

(4) good public health practice requires controlling pathogens as close as practicable to the initial source of contamination to reduce pathogens and prevent foodborne illness;

(5) there is a need for strong safeguards at slaughter establishments during the slaughter and processing of meat and poultry products because those establishments are where pathogen contamination often originates;

(6) while proper handling and cooking of meat and poultry products can virtually eliminate the risk of foodborne illness from the consumption of meat and poultry, the presence of pathogens in raw meat and poultry products leads to cross-contamination of other foods and surrounding surfaces;

(7) to reduce the risk of foodborne illness and protect public health, regulatory authorities and all parties involved in the production and handling of meat, meat products, poultry, or poultry products should make a concerted effort to reduce, to the maximum extent practicable, contamination by pathogens using the best available scientific information and appropriate technology;

(8) the distribution of meat, meat products, poultry, or poultry products that contain human pathogens—

(A) impairs the effective regulation of wholesome meat, meat products, poultry, or poultry products in interstate and foreign commerce; and

(B) destroys markets for wholesome products;

(9) all articles and other animals that are subject to this Act and the amendments made by this Act are either in or substantially affect interstate or foreign commerce; and

(10) regulation by the Secretary of Agriculture and cooperation by the States are necessary to prevent or eliminate burdens on interstate or foreign commerce and to protect the health and welfare of consumers.

SEC. 3. PATHOGEN PERFORMANCE STANDARDS.

(a) MEAT AND MEAT PRODUCTS.—The Federal Meat Inspection Act (21 U.S.C. 601 et seq.) is amended by inserting after section 8 (21 U.S.C. 608) the following:

''SEC. 8A. PATHOGEN PERFORMANCE STANDARDS.

''(a) IN GENERAL.—In order to protect the public health and promote food safety, the Secretary shall prescribe performance standards for the reduction of pathogens in raw meat and meat products processed by each establishment receiving inspection services under this Act.

''(b) LIST OF PATHOGENS.—

''(1) IN GENERAL.—In consultation with the Secretary of Health and Human Services, and taking into account data available from the Centers for Disease Control and Prevention, the Secretary shall identify the pathogens that make a significant contribution to the total burden of foodborne disease associated with meat and meat products.

''(2) PUBLICATION; UPDATES.—The Secretary shall—

''(A) publish a list of the pathogens described in paragraph (1) not later than 60 days after the date of enactment of this section; and

''(B) update and publish the list annually thereafter.

''(c) PATHOGEN SURVEYS.—

''(1) IN GENERAL.—Not later than 180 days after the date of enactment of this section, the Secretary shall initiate comprehensive, statistically representative surveys to determine the current levels and incidence of contamination of raw meat and meat products with the pathogens listed under subsection (b), including the variation in levels and incidence of contamination among establishments.

''(2) PUBLICATION.—Not later than 2 years after the date of enactment of this section, the Secretary shall compile, and publish in the Federal Register, the results of the surveys.

''(3) UPDATES.—At least once every 3 years after the preceding surveys are conducted, the Secretary shall—

''(A) conduct surveys described in paragraph (1); and

''(B) compile and publish the results of the surveys in accordance with paragraph (2).

''(d) PATHOGEN REDUCTION PERFORMANCE STANDARDS.—

''(1) IN GENERAL.—The pathogen reduction performance standards required under subsection (a) shall ensure the lowest level or incidence of contamination that is reasonably achievable using the best available processing technology and practices.

''(2) CURRENT CONTAMINATION.—In determining what is reasonably achievable, the Secretary shall consider data on current levels or incidence of contamination, including what is being achieved by establishments in the upper quartile of performance in controlling the level or incidence of contamination.

''(3) INITIAL PATHOGENS.—Not later than 3 years after the date of enactment of this section, the Secretary shall propose pathogen reduction performance standards for at least 2 pathogens from the list published under subsection (b).

''(4) SUBSEQUENT PATHOGENS.—Not later than 1 year after proposing pathogen reduction standards for the initial pathogens under paragraph (3), and each year thereafter, the Secretary shall propose a pathogen reduction performance standard for at least 1 pathogen each year from the list published under subsection (b) until standards have been proposed for all pathogens on the list.

''(5) FINAL STANDARDS.—Not later than 1 year after proposing a pathogen reduction standard for a pathogen under this subsection, the Secretary shall promulgate a final pathogen reduction standard for the pathogen.

''(6) ZERO-TOLERANCE STANDARDS.—Nothing in this section affects the authority of the Secretary to establish a zero-tolerance pathogen reduction performance standard.

''(e) REVIEW OF STANDARDS.—

''(1) IN GENERAL.—Not later than 3 years after promulgation of a final pathogen reduction performance standard for a pathogen under subsection (d)(5), the Secretary shall review the standard to determine whether the standard continues to ensure the lowest level or incidence of contamination that is reasonably achievable using the best available processing technology and practices, taking into account the most recent survey conducted under subsection (c).

''(2) REVISIONS.—The Secretary shall revise the standard, as necessary, to comply with subsection (d).

''(f) ENFORCEMENT.—

''(1) IN GENERAL.—The Secretary shall conduct regular microbial testing in establishments producing raw meat and meat products to determine compliance with the pathogen reduction performance standards promulgated under this section.

''(2) INSPECTIONS.—If the Secretary determines that an establishment fails to meet a standard promulgated under subsection (d) and that the establishment fails to take appropriate corrective action, as determined by the Secretary, the Secretary shall refuse to allow any meat or meat product subject to the standard and processed by the establishment to be labeled, marked, stamped or tagged as 'inspected and passed'.

''(g) REPORT ON HEALTH-BASED PATHOGEN PERFORMANCE STANDARDS.—

''(1) IN GENERAL.—Not later than 1 year after the date of enactment of this section, the Secretary, in consultation with the Secretary of Health and Human Services, shall submit to Congress a report on the scientific feasibility of establishing health-based performance standards for pathogens in raw meat and meat products.

''(2) FACTORS.—In preparing the report, the Secretary shall consider—

''(A) the scientific feasibility of determining safe levels for pathogens in raw meat and meat products;

''(B) the scientific and public health criteria that are relevant to determining the safe levels; and

''(C) other factors determined by the Secretary.

''(h) RELATIONSHIP TO ADULTERATION PROVISIONS.—Nothing in this section affects the applicability to pathogens of the provisions of this Act relating to adulteration.''.

(b) POULTRY AND POULTRY PRODUCTS.—The Poultry Products Inspection Act (21 U.S.C. 451 et seq.) is amended by inserting after section 7 (21 U.S.C. 456) the following:

''SEC. 7A. PATHOGEN PERFORMANCE STANDARDS.

''(a) IN GENERAL.—In order to protect the public health and promote food safety, the Secretary shall prescribe pathogen performance standards for the reduction of pathogens in raw poultry and poultry products processed by each establishment receiving inspection services under this Act.

''(b) LIST OF PATHOGENS.—

''(1) IN GENERAL.—In consultation with the Secretary of Health and Human Services, and taking into account data available from the Centers for Disease Control and Prevention, the Secretary shall identify the pathogens that make a significant contribution to the total burden of foodborne disease associated with poultry and poultry products.

''(2) PUBLICATION; UPDATES.—The Secretary shall—

''(A) publish a list of the pathogens described in paragraph (1) not later than 60 days after the date of enactment of this section; and

''(B) update and publish the list annually thereafter.

''(c) PATHOGEN SURVEYS.—

''(1) IN GENERAL.—Not later than 180 days after the date of enactment of this section, the Secretary shall initiate comprehensive, statistically representative surveys to determine the current levels and incidence of contamination of raw poultry and poultry products with the pathogens listed under subsection (b), including the variation in levels and incidence of contamination among establishments.

''(2) PUBLICATION.—Not later than 2 years after the date of enactment of this section, the Secretary shall compile, and publish in the Federal Register, the results of the surveys.

''(3) UPDATES.—At least once every 3 years after the preceding surveys are conducted, the Secretary shall—

''(A) conduct surveys described in paragraph (1); and

''(B) compile and publish the results of the surveys in accordance with paragraph (2).

''(d) PATHOGEN REDUCTION PERFORMANCE STANDARDS.—

''(1) IN GENERAL.—The pathogen reduction performance standards required under subsection (a) shall ensure the lowest level or incidence of contamination that is reasonably achievable using the best available processing technology and practices.

''(2) CURRENT CONTAMINATION.—In determining what is reasonably achievable, the Secretary shall consider data on current levels or incidence of contamination, including what is being achieved by establishments in the upper quartile of performance in controlling the level or incidence of contamination.

''(3) INITIAL PATHOGENS.—Not later than 3 years after the date of enactment of this section, the Secretary shall propose pathogen reduction performance standards for at least 2 pathogens from the list published under subsection (b).

''(4) SUBSEQUENT PATHOGENS.—Not later than 1 year after proposing pathogen reduction standards for the initial pathogens under paragraph (3), and each year thereafter, the Secretary shall propose a pathogen reduction performance standard for at least 1 pathogen each year from the list published under subsection (b) until standards have been proposed for all pathogens on the list.

''(5) FINAL STANDARDS.—Not later than 1 year after proposing a pathogen reduction standard for a pathogen under this subsection, the Secretary shall promulgate a final pathogen reduction standard for the pathogen.

''(6) ZERO-TOLERANCE STANDARDS.—Nothing in this section affects the authority of the Secretary to establish a zero-tolerance pathogen reduction performance standard.

''(e) REVIEW OF STANDARDS.—

''(1) IN GENERAL.—Not later than 3 years after promulgation of a final pathogen reduction performance standard for a pathogen under subsection (d)(5), the Secretary shall review the standard to determine whether the standard continues to ensure the lowest level or incidence of contamination that is reasonably achievable using the best available processing technology and practices, taking into account the most recent survey conducted under subsection (c).

''(2) REVISIONS.—The Secretary shall revise the standard, as necessary, to comply with subsection (d).

''(f) ENFORCEMENT.—

''(1) IN GENERAL.—The Secretary shall conduct regular microbial testing in establishments producing raw poultry and poultry products to determine compliance with the pathogen reduction performance standards promulgated under this section.

''(2) INSPECTIONS.—If the Secretary determines that an establishment fails to meet a standard promulgated under subsection (d) and that the establishment fails to take appropriate corrective action, as determined by the Secretary, the Secretary shall refuse to allow any poultry or poultry product subject to the standard and processed by the establishment to be labeled, marked, stamped or tagged as 'inspected and passed'.

''(g) REPORT ON HEALTH-BASED PATHOGEN PERFORMANCE STANDARDS.—

''(1) IN GENERAL.—Not later than 1 year after the date of enactment of this section, the Secretary, in consultation with the Secretary of Health and Human Services, shall submit to Congress a report on the scientific feasibility of establishing health-based performance standards for pathogens in raw poultry and poultry products.

''(2) FACTORS.—In preparing the report, the Secretary shall consider—

''(A) the scientific feasibility of determining safe levels for pathogens in raw poultry and poultry products;

''(B) the scientific and public health criteria that are relevant to determining the safe levels; and

''(C) other factors determined by the Secretary.

''(h) RELATIONSHIP TO ADULTERATION PROVISIONS.—Nothing in this section affects the applicability to pathogens of the provisions of this Act relating to adulteration.''.

SEC. 4. NATIONAL ADVISORY COMMITTEE FOR MICROBIOLOGY CRITERIA FOR FOODS.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—In consultation with the Secretary of Health and Human Services, the Secretary of Agriculture (referred to in this section as the ''Secretary'') shall establish a National Advisory Committee for Microbiology Criteria for Foods (referred to in this section as the ''Committee'').

(2) ADMINISTRATION.—The Committee shall report to—

(A) the Secretary of Agriculture, acting through the Under Secretary for Food Safety; and

(B) the Secretary of Health and Human Services, acting through the Assistant Secretary for Health.

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Committee shall be composed of not fewer than 9 nor more than 15 members appointed by the Secretary, including a Chairperson designated by the Secretary.

(2) QUALIFICATIONS.—In appointing members of the Committee, the Secretary shall appoint individuals who—

(A) are qualified by education, training, and experience to evaluate scientific and technical information on matters referred to the Committee; and

(B) to the maximum extent practicable, represent the fields of microbiology, risk assessment, epidemiology, public health, food science, veterinary medicine, and other relevant disciplines.

(3) PROHIBITION ON FEDERAL GOVERNMENT EMPLOYMENT.—A member of the Committee appointed under paragraph (1) shall not be an employee of the Federal Government.

(4) DATE OF APPOINTMENTS.—The appointment of an initial member of the Committee shall be made not later than 90 days after the date of enactment of this Act.

(5) TERM.—A member of the Committee shall be appointed for a term established by the Secretary.

(c) MEETINGS.—

(1) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Committee have been appointed, the Committee shall hold the initial meeting of the Committee.

(2) MEETINGS.—The Committee shall meet at the call of the Chairperson, in consultation with the Secretary.

(3) QUORUM.—A majority of the members of the Committee shall constitute a quorum, but a lesser number of members may hold hearings.

(4) CONFLICTS OF INTEREST.—

(A) IN GENERAL.—Notwithstanding sections 201 through 209 of title 18, United States Code, a conflict of interest involving the appointment of a member of the Committee shall be waived under section 208(b)(3) of that title only if the member with the conflict of interest is essential to the completion of the work of the Committee.

(B) VOTING.—Notwithstanding subparagraph (A), a member of the Committee with a conflict of interest on a matter before the Committee shall not be allowed to vote on the matter.

(d) DUTIES.—

(1) IN GENERAL.—The Committee shall provide such independent, impartial, scientific advice to Federal food safety agencies as may be requested by the Secretary for use in the development of an integrated national food safety systems approach from farm-to-final consumption to ensure the safety of domestic, imported, and exported foods and reduce the public health burden of foodborne illness.

(2) FOOD SAFETY STANDARDS AND REGULATIONS.—

(A) IN GENERAL.—At the time at which the Secretary submits to any Federal agency for formal review and comment any standard or regulation proposed under the Federal Meat Inspection Act (21 U.S.C. 601 et seq.), the Poultry Products Inspection Act (21 U.S.C. 451 et seq.), or any program administered by the Under Secretary for Food Safety, the Secretary shall make available to the Committee—

(i) the standard or regulation; and

(ii) relevant scientific and technical information possessed by the Secretary on which the proposed standard or regulation is based.

(B) ADVICE AND COMMENTS.—Not later than a date specified by the Secretary that is not

later than 90 days after receipt of the standard or regulation, the Committee may make available to the Secretary the advice and comments of the Committee on the adequacy of the scientific and technical basis for the proposed standard or regulation, together with any additional information the Committee considers appropriate.

(C) CONTEMPORANEOUS REVIEW.—To the maximum extent practicable, the review by the Committee under subparagraph (A) shall be conducted contemporaneously with review by other Federal agencies.

(e) POWERS.—

(1) HEARINGS.—The Committee may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Committee considers advisable to carry out this section.

(2) INFORMATION FROM FEDERAL AGENCIES.—

(A) IN GENERAL.—The Committee may secure directly from a Federal agency such information as the Committee considers necessary to carry out this section.

(B) PROVISION OF INFORMATION.—On request of the Chairperson of the Committee, the head of the agency shall provide the information to the Committee.

(3) SUBCOMMITTEES AND INVESTIGATIVE PANELS.—

(A) IN GENERAL.—The Committee may establish such subcommittees and investigative panels as the Secretary and the Committee determine necessary to carry out this section.

(B) CHAIRPERSON.—Each subcommittee and investigative panel shall be chaired by a member of the Committee.

(4) POSTAL SERVICES.—The Committee may use the United States mails in the same manner and under the same conditions as other agencies of the Federal Government.

(5) GIFTS.—The Committee may accept, use, and dispose of gifts or donations of services or property.

(f) COMMITTEE PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—A member of the Committee shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which the member is engaged in the performance of the duties of the Committee.

(2) TRAVEL EXPENSES.—A member of the Committee shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for an employee of an agency under subchapter I of chapter 57 of title 5, United States Code, while away from the home or regular place of business of the member in the performance of the duties of the Committee.

(3) STAFF.—

(A) IN GENERAL.—The Chairperson of the Committee may, without regard to the civil service laws (including regulations), appoint and terminate an executive director and such other additional personnel as are necessary to enable the Committee to perform the duties of the Committee.

(B) CONFIRMATION OF EXECUTIVE DIRECTOR.—The employment of an executive director shall be subject to confirmation by the Committee.

(C) COMPENSATION.—

(i) IN GENERAL.—Except as provided in clause (ii), the Chairperson of the Committee may fix the compensation of the executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates.

(ii) MAXIMUM RATE OF PAY.—The rate of pay for the executive director and other personnel shall not exceed the rate payable for level V of the Executive Schedule under section 5316 of title 5, United States Code.

(4) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Committee may procure temporary and intermittent services in accordance with section 3109(b) of title 5, United States Code, at rates for individuals that do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of that title.

(g) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to carry out this section, to remain available until expended.

(2) EXISTING FUNDS.—Any funds that are available to the National Advisory Committee on Microbiological Criteria in existence on the date of enactment of this Act shall be made available to the Committee.

SEC. 5. ENFORCEMENT OF HACCP AND SANITATION REQUIREMENTS.

(a) IN GENERAL.—The Secretary of Agriculture shall enforce the Hazard Analysis and Critical Control Point (HACCP) System requirements established under part 417 of title 9, Code of Federal Regulations (or successor regulations), and the sanitation requirements established under part 416 of title 9, Code of Federal Regulations (or successor regulations), in any official establishment.

(b) ENFORCEMENT.—

(1) IN GENERAL.—If the Secretary determines that an establishment fails to meet a requirement described in subsection (a) and that the establishment fails to take appropriate corrective action, as determined by the Secretary, the Secretary may refuse to allow any meat or meat product, or poultry or poultry product, subject to the standard and processed by the establishment to be labeled, marked, stamped or tagged as ''inspected and passed''.

(2) ADDITIONAL AUTHORITY.—The authority provided under paragraph (1) is in addition to any other authority the Secretary may have to enforce the requirements of this section.

SEC. 6. REGULATIONS.

(a) IN GENERAL.—Consistent with section 553 of title 5, United States Code, the Secretary of Agriculture shall have the authority to enforce the pathogen performance standards of the Secretary in accordance with the Federal Meat Inspection Act (21 U.S.C. 601 et seq.) and the Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

(b) CHALLENGES.—Subsection (a) does not prevent a challenge to the standards described in subsection (a) on any basis other than the basis that the Secretary lacks the authority to issue and enforce pathogen performance standards promulgated in accordance with section 553 of title 5, United States Code.

(c) EFFECTIVE DATE.—This section takes effect on January 1, 2000.

Mr. DURBIN. Mr. President, I am pleased to join Senator HARKIN today in introducing Kevin's Law, which is an essential piece of legislation that will clarify the U.S. Department of Agriculture's authority to enforce pathogen reduction standards in meat and poultry products.

Our country has been blessed with one of the safest and most abundant food supplies in the world. However, we can do better. While food may never be completely free of risk, we must strive to make our food as safe as possible. Foodborne illnesses and hazards are still a significant problem that cannot be passively dismissed.

The Centers for Disease Control and Prevention estimate as many as 76 million people suffer from foodborne illnesses each year. Of those individuals, approximately 325,000 will be hospitalized and more than 5,000 will die. With emerging pathogens, broader distribution patterns, an increasing volume of food imports, and changing consumption patterns, this situation is not likely to improve without decisive action.

Foodborne illnesses can have devastating effects on certain populations in our society. Children are especially vulnerable. Because their immune systems are not fully developed, they are at greater risk for developing life-threatening or fatal complications associated with foodborne illnesses. Quite simply, a child's lower weight means that it takes a smaller quantity of pathogens to make a child sick than it would a healthy adult. The elderly and those with compromised immune systems are also at high risk for developing life-threatening conditions associated with foodborne illnesses.

A key tool for addressing foodborne illness in this country has been the USDA's pathogen reduction/hazard analysis and critical control point, PR/HACCP, regulations that were phased in beginning in January 1998. Under these regulations, USDA developed a scientific approach aimed at protecting consumers from foodborne pathogens. Instead of a system based on sight, smell, and touch, USDA moved to a system that would successfully detect harmful pathogens whether visible or not.

A major part of this system includes testing for harmful pathogens, such as salmonella. USDA uses the data from this testing to determine if meat and poultry plants are producing products that are safe to consume.

USDA's pathogen testing regulations have provided consumers with increased confidence in the safety of meat and poultry products. However, in December of 2001, the Fifth Circuit Court of Appeals upheld an earlier district court decision that removes the USDA's authority to enforce its pathogen standards for salmonella. The result of this court case is that USDA can no longer ensure that meat and poultry plants comply with pathogen standards. This creates a significant risk that meat and poultry products contaminated with common but potentially deadly pathogens will be sold to unsuspecting consumers.

The legislation we are introducing today will clarify USDA's authority to enforce strong safety standards for contamination in meat and poultry products. Specifically, this legislation will provide the Secretary of Agriculture with the clear authority to control for pathogens and enforce pathogen performance standards for meat and poultry products. Only with this authority will the Secretary of Agriculture be able to ensure the safety of the meat and poultry products sold in this country.

We must work together to ensure that USDA has the necessary authority

to enforce pathogen performance standards that will protect public health. Let's not turn our back on food safety and consumer protection at such a critical time for food safety and security. I encourage my colleagues to join this effort to protect our food supply and public health.

By Mr. BOND:

S. 1105. A bill to authorize the Secretary of the Interior to study the suitability and feasibility of designating the French Colonial Heritage Area in the State of Missouri as a unit of the National Park System, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. BOND. Mr. President, I rise today to introduce legislation recognizing the historical significance of downtown Sainte Genevieve, MO. Sainte Genevieve was the first European settlement west of the Mississippi River, and still contains many structures and artifacts that have survived from its rich early history. Establishing this area as a unit of the National Park System will provide an unparalleled opportunity for Americans to be educated about our Nation's colonial past.

Sainte Genevieve was founded by French settlers in 1735. These early pioneers traveled south from French Canada, and built the rare French Colonial style structures that remain in place to this day. Today, the city contains an invaluable wealth of Native American and French Colonial sites, artifacts, and architecture. Perhaps most impressively, downtown Sainte Genevieve contains three of only five poteaux-en-Terre, post in the ground, vertical log French homes remaining in North America, dating from approximately 1800.

In addition to the historic downtown district, the area adjacent to Sainte Genevieve is rich in historic sites. The ''Grand Champ'' common field of the French colonists still retains its original field land pattern. The area's saline salt springs were an important industry source for Native American and European settlers. And nearby ceremonial mounds are evidence of a prehistoric Native American village.

This area is a truly valuable asset to the State of Missouri, and I feel that it is only fair to share it with the entire Nation by establishing the French Colonial Heritage Area as a unit of the National Park System. My legislation would take the first step toward such an establishment by directing the National Park Service to conduct a study of the historic features of Sainte Genevieve. After a thorough study, I am confident that the National Park Service will determine that Sainte Genevieve is the best tool with which to tell the important and fascinating story of the French in the New World.

By Ms. SNOWE (for herself and Mr. KERRY):

S. 1106. A bill to establish National Standards for Fishing Quota Systems; to the Committee on Commerce, Science, and Transportation.

Ms. SNOWE. Mr. President, I rise today, along with Senator KERRY, to introduce the Fishing Quota Act of 2003 which will address one of the most complex policy questions in fisheries management—fishing quotas. This bill will amend the Magnuson-Stevens Fishery Conservation and Management Act to authorize the establishment of new fishing quota systems. This legislation will in no way whatsoever force Fishing Quota programs upon any regional fishery management council and this is not a mandate to use Fishing Quota programs. Rather, it is intended to provide the councils with an additional conservation and management tool.

Fishing Quota programs can drastically change the face of fishing communities and the fundamental principles of conservation and management. Therefore, this legislation was developed in a careful and meaningful manner over the span of many years with significant input and participation from all of the many affected and interested parties.

In 1996, Congress reauthorized the Magnuson-Stevens Fishery Conservation and Management Act through enactment of the Sustainable Fisheries Act, SFA. The SFA contained the most substantial improvements to fisheries conservation since the original passage of the Magnuson-Stevens Act in 1976. More specifically, the SFA included a five year moratorium on new fishing quota programs and required the National Academy of Sciences, NAS, to study and report on the issue.

In 1999, the NAS issued its report, Sharing the Fish, which contained a number of critically important recommendations addressing the social, economic, and biological aspects of Fishing Quota programs. The Fishing Quota Act of 2003 incorporates many of the recommendations in this report and provides the regional councils with the flexibility to adopt additional NAS recommendations.

During the 106th Congress, the Subcommittee on Oceans and Fisheries traveled across the country and held six hearings on reauthorizing the Magnuson-Stevens Act. We began the process in Washington, DC, and then visited fishing communities in Maine, Louisiana, Alaska, Washington, and Massachusetts. During the course of those hearings, we heard official testimony from over 70 witnesses and received statements from many more fishermen during open microphone sessions at each field hearing. The Subcommittee heard the comments, views, and recommendations of Federal and State officials, regional council chairmen and members, other fisheries managers, commercial and recreational fishermen, members of the conservation community, and many other interested in these important issues. After these hearings, I introduced the Individual Fishing Quota Act of 2001, S. 637, at the beginning of the 107th Congress beginning the legislative dialogue. Since then, we have heard from many stakeholders who assisted the Subcommittee in shaping and re-shaping this bill.

The Fishing Quota Act of 2003 creates a framework under which fishery management plans, FMPs, or plan amendments may establish a new fishing quota system. As with other components of fisheries conservation and management, there is no ''one-size-fits-all'' solution to Fishing Quota programs. Therefore, this bill sets certain conditions under which Fishing Quota programs may be developed, if such a program is desired. In doing so, it clearly provides the regional fishery management councils and the affected fishermen with the flexibility to shape any new Fishing Quota program to fit the needs of the fishery.

The bill ensures that any regional council which establishes a new fishing quota program will promote sustainable management of the fishery; require fair and equitable allocation of fishing quotas; minimize negative social and economic impacts on local coastal communities; ensure adequate enforcement of the system; and take into account present participation and historical fishing practices of the relevant fishery. Additionally, the bill requires the Secretary of Commerce to conduct referenda to ensure that those most affected by fishing quotas will have the opportunity to formally approve the adoption of any new fishing quota program by a two-thirds vote.

This bill authorizes the potential allocation of fishing quotas to fishing vessel owners, fishermen, and crew members who are citizens of the United States. In addition, participation in the fishery is required for a person to obtain quota. Moreover, this bill permits councils to allocate quota shares to entry-level fishermen, small vessel owners, or crew members who may not otherwise be eligible for individual quotas. While this bill authorizes the transfer of fishing quotas, it requires the regional councils to define and prohibit an excess accumulation of quota shares.

This is a good bill which allows Fishing Quota programs to be created where they are needed and desired. The Fishing Quota Act of 2003 incorporates many of the suggestions we heard from those men and women who fish for a living and those who are most affected by the law and its regulations. I appreciate the participation of Senator KERRY and all the impacted stakeholders who assisted in drafting this legislation. I look forward to moving this bill through the legislative process toward final passage.

I ask unanimous consent that the text of the bill be printed in the RECORD.

S. 1106

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Fishing Quota Act of 2003''.

SEC. 2. FISHING QUOTA SYSTEMS.

(a) IN GENERAL.—Section 303 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1853) is amended—

(1) by striking subsection (f)(6) and inserting the following:

''(6) establish a limited access system for the fishery in order to achieve optimum yield if, in developing such system, the Council and the Secretary take into account—

''(A) the conservation requirements of this Act with respect to the fishery;

''(B) present participation in the fishery;

''(C) historical fishing practices in, and dependence on, the fishery;

''(D) the economics of the fishery;

''(E) the capability of fishing vessels used in the fishery to engage in other fisheries;

''(F) the cultural and social framework relevant to the fishery and any affected fishing communities;

''(G) the fair and equitable distribution of a public resource; and

''(H) any other relevant considerations.'';

(2) by striking subsection (d) and inserting the following:

''(d) FISHING QUOTA SYSTEMS.—

''(1) ESTABLISHMENT.—Any fishery management plan or amendment that is prepared by any Council, or by the Secretary, with respect to any fishery, may establish a fishing quota system consistent with the provision of subsection (b)(6).

''(2) IN GENERAL.—The Councils and Secretary shall ensure that any such fishing quota system submitted and approved after September 30, 2002, complies with the requirements of this Act, and;

''(A) shall prevent any person from acquiring an excessive share of the fishing quotas issued, as appropriate for the fishery, and establish any other limits or measures necessary to prevent inequitable concentration of quota share;

''(B) shall provide for the fair and equitable initial allocation of quota share and in such allocation—

''(i) shall take into account present and historic participation in the fishery;

''(ii) shall consider allocating a portion of the annual harvest to entry-level fishermen, small vessel owners, skippers, crew members, and fishing communities; and

''(iii) may allocate shares among categories of vessels or gear types.

''(C) shall contain provisions for the regular review and evaluation of the system, including timetables and criteria for evaluating performance, and actions to be taken for failure to meet the criteria;

''(D) shall contain criteria that would govern limitation, revocation, renewal, reallocation, or reissuance of fishing quota, including:

''(i) reallocation or reissuance of quota revoked pursuant to section 308 of this Act;

''(ii) revocation and reissuance of fishing quota if the owner of the quota cease to substantially participate in the fishery; and

''(iii) exceptions to revocation or limitation in cases of death, disablement, undue hardship, or in any case in which fishing is prohibited by the Secretary;

''(E) shall provide a process for appeals of decisions on—

''(i) eligibility of a person to receive or bid for an allocation of quota shares; and

''(ii) limitations, restrictions and revocations of quota held by a person.

''(F) shall promote management measures top improve the conservation and management of the fishery, including reduction by bycatch;

''(G) shall provide for effective enforcement, monitoring, a management of such system, including adequate data collection and use of observers at least at a level of coverage that should yield statistically significant results;

''(H) may provide for the sale, lease or transfer of quota shares and limitations thereto;

''(I) shall provide a mechanism, such as fees as authorized by section 304(d)(2), including fees payable on quota transfers to recover costs related to administering and implementing the program, including enforcement, management and data collection (including adequate observer coverage), if the assessment of such fees is proportional to the amount of quota held and fished by each quota holder and if such fees are used only for that fishing quota system;

''(J) shall consider the use of community or area-based approaches and strategies in developing fishing quota systems and consider other management measures, including measures to facilitate formation of fishery cooperative arrangements, taking into account proximity to and dependence on the resource, contribution of fishing to the social and economic status of the community, and historic participation in the fishery; and

''(K) shall include procedures and requirements necessary to carry out subparagraphs (A) through (J).

''(3) NO CREATION OF RIGHT, TITLE, OR INTEREST.—A fishing quota or other limited access system authorization—

''(A) shall be considered a permit for the purposes of sections 307, 308, and 309;

''(B) may be revoked or limited at any time in accordance with this Act, including for failure to comply with the terms of the plan or if the system is found to have jeopardized the sustainability of the stock or the safety of fishermen;

''(C) shall not confer any right of compensation to the holder of such fishing quota or other such limited access system authorization if it is revoked or limited;

''(D) shall not create, or be construed to create, any right, title, or interest in or to any fish before the fish is harvested; and

''(E) shall be considered a grant of permission to the holder of the fishing quota to engage in activities permitted by the fishing quota system.

''(4) ELIGIBILITY.—Persons eligible to hold fishing quota shares are persons who are United States citizens, or who are United States nationals or permanent resident aliens qualified by Federal law to participate in the fishery.

''(5) DURATION.—Any fishing quota system established under this section after the date of enactment of the Fishing Quota Act of 2003 shall expire at the end of a 10-year period beginning on the date the system is established, or at the end of successive 10 year periods thereafter, unless extended by a fishery management plan amendment is accordance with this Act, for successive periods not to exceed 10 years.

''(6) REFERENDUM PROCEDURES.—

''(A) Except as provided in subparagraph (C) for the Gulf of Mexico commercial red snapper fishery, a Council may not submit, and the Secretary not approve or implement a fishery management plan or amendment that creates a fishing quota system, including a secretarial plan, unless such a system, as ultimately developed, has been approved by more than two-thirds of those voting in a referendum among eligible permit holders. If a fishing quota system fails to be approved by the requisite number of those voting, it may be revised and submitted for approval in a subsequent referendum.

''(B) The Secretary shall conduct the referendum referred to in this paragraph, including notifying all persons eligible to participate in the referendum and making available to them information concerning the schedule, procedures and eligibility requirements for the referendum process and the proposed fishing quota system. The Secretary shall within one year of enactment of the Fishing Quota Act of 2003 publish guidelines and procedures to determine procedures and voting eligibility requirements for referenda and to conduct such referenda in a fair and equitable manner.

''(C) The provisions of section 407(e) shall apply in lieu of this paragraph for any fishing quota system for the Gulf of Mexico commercial red snapper fishery.

''(D) Chapter 35 of title 44, United States Code, (commonly known as the ''Paperwork Reduction Act'') does not apply to the referenda conducted under this paragraph.

''(7)(A) No provision of law shall be construed to limit the authority of a Council to submit, or the Secretary to approve, the termination or limitation, without compensation to holders of any limited access system permits, of a fishery management plan, plan amendment, or regulation that provides for a limited access system, including a fishing quota system.

''(B) This subsection shall not apply to, or be construed to prohibit a Council from submitting, or the Secretary from approving and implementing, amendments to the North Pacific halibut and sablefish, Southern Atlantic wreckfish, or Mid-Atlantic surf clam and ocean (including mahogany) quahog individual fishing quota programs.

''(8)(A) A Council may submit, and the Secretary may approve and implement, a program which reserves up to 25 percent of any fees collected from a fishery under section 304(d)(2) to be used, pursuant to section 1104A(a)(7) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1274(a)(7)), to issue obligations that aid in financing the——

''(i) purchase of fishing quotas in that fishery by fishermen who fish from small vessels; and

''(ii) first-time purchase of fishing quotas in that fishery by entry level fishermen.

''(B) A Council making a submission under subparagraph (A) shall recommend criteria, consistent with the provisions of this Act, that a fisherman must meet to qualify for guarantees under clauses (i) and (ii) of subparagraph (A) and the portion of funds to be allocated for guarantees under each clause.''.

(b) INDEPENDENT REVIEW.—Section 303 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1853) is further amended by adding at the end the following:

''(e)(1) Within 5 years after the date of enactment of the Fishing Quota Act of 2003, and every 5 years thereafter, the National Research Council shall provide an independent review of the effectiveness of fishing quota systems conducted in Federal fisheries.

''(2) The review shall be conducted by an independent panel of individuals who have knowledge and experience in fisheries conservation and management, in the implementation of fishing quota systems, or in the social or economic characteristics of fisheries. The National Research Council shall ensure that members of the panel are qualified for appointment, are not active quota share holders, and provide fair representation to interests affected by such programs.

''(3) The independent review of fishing quota systems shall include—

''(A) a determination of how fishing quota systems affect fisheries management and contribute to improved management, conservation (including bycatch reduction) and safety in the fishery;

''(B) formal input in the form of testimony from quota holders relative to the effectiveness of the fishing quota system;

''(C) an evaluation of the social, economic and biological consequences of the quota system, including the economic effects of the system on fishing communities;

''(D) an evaluation of the costs of implementing, monitoring and enforcing the systems and the methods used to establish or allocate individual quota shares; and

''(E) recommendations to the Councils and the Secretary to ensure that quota systems meet the requirements of this Act and the goals of the plans, and recommendations to the Secretary for any changes to regulations issued under section 304(i).

''(4) The Secretary shall submit the report to the Congress and any appropriate Councils within 60 days after the review is completed.''.

(c) ACTION ON LIMITED ACCESS SYSTEMS.—Section 304 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1854) is amended by adding at the end the following:

''(i) ACTION ON LIMITED ACCESS SYSTEMS.—Within 1 year after the date of enactment of the Fishing Quota Act of 2003, the Secretary shall issue regulations which establish requirements for establishing a fishing quota system. Nothing in this paragraph prohibits a Council or the Secretary from initiating development of a fishing quota system consistent with the provisions of this Act pending publication of the final regulations.''.

(d) DEFINITIONS.—Section 3 of the Magnuson-Stevens Fishery Management and Conservation Act (16 U.S.C. 1802) is amended by—

(1) adding at the end the following:

''(46) The term 'United States Citizen' means an individual who is a citizen of the United States or a corporation, partnership, association or other entity that qualifies to document a fishing vessel as a vessel of the United States under chapter 121 of title 46, United States Code.''; and

(2) striking '' 'individual fishing quota' '' in paragraph (21) and inserting '' 'fishing quota system' ''.

(e) CONFORMING AMENDMENTS.—

(1) The following provisions of that Act are amended by striking ''individual fishing quota'' and inserting ''fishing quota'';

(A) Section 304(c)(3) (16 U.S.C. 1854(c)(3)).

(B) Section 304(d)(2)(A)(i) (16 U.S.C. 1854(D)(2)(A)(i)).

(C) Section 402(b)(1)(D) (16 U.S.C. 1881a(b)(1)(D)).

(D) Section 407(a)(1)(D), (c)(1), and (c)(2)(B) (16 U.S.C. 1883(a)(1)(D), (c)(1), and (c)(2)(B)).

(2) section 305(h)(1) (16 U.S.C. 1855(h)(1) is amended by striking ''individual''.

SEC. 3. GULF OF MEXICO FISHING QUOTA SYSTEMS.

Section 407(c) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1883) is amended by adding at the end the following:

''(3) The initial referendum described in paragraph (1) shall be used to determine support for whether the sale, transfer, or lease of quota shares shall be allowed.''.

Mr. KERRY. Mr. President, I rise today with my colleague, Ms. SNOWE, to introduce the Fishing Quota Act of 2003, legislation to establish national criteria governing the use of individual fishing quota IFQ systems. Work began in earnest on this bipartisan bill in the Commerce Committee last spring, as the expiration of the national moratorium on the use of IFQs approached, and small boat fishermen voiced concerns that existing legislative criteria governing the use of IFQs would not offer sufficient protection to communities. I would like to thank Subcommittee Chair SNOWE for her efforts to work with me and with other members of the Commerce Committee on this legislation, which draws from separate IFQ legislation that both Senator SNOWE and I introduced beginning in the 106th Congress.

The IFQ moratorium established under the 1996 Sustainable Fisheries Act was set to expire September 30, 2000. Senator SNOWE and I supported a 2-year extension of that moratorium to allow for hearings and full consultation with affected groups on the issues surrounding IFQs. Our discussions focused on the need to provide regional flexibility to use IFQs as a management tool, while providing national ''rules of the road.'' Such rules of the road would ensure IFQ systems developed after expiration of the moratorium are adopted with the support of the fishery, allocate quota fairly and equitably, address region-specific needs, further the conservation and management goals of the Magnuson-Stevens Act, prevent consolidation of quota, address the needs of small fishing communities, and recognize both the public nature of the resource and that issuance of an IFQ does not give rise to a compensable property right.

To develop such rules, we worked with fellow Commerce Committee members, including Senators BREAUX, LOTT, BOXER, STEVENS, and CANTWELL, consulted with interested groups, and obtained technical advice from the National Marine Fisheries Service. While New England has historically been opposed to IFQs, other regions are interested in utilizing IFQ programs in certain fisheries. I believe the resulting bill provides a balance between the need to provide national policy guidance that considers the concerns of communities and harvesters, but allows for development of IFQ systems, where appropriate, on a fishery-by-fishery basis. This preserves the balanced regional approach to fishery management that Congress intended in the Magnuson-Stevens Act. I also want to clarify that this bill does not authorize the establishment of ''processor quota,'' and relates only to issuance of harvester quota.

The bill Senator SNOWE and I are introducing today sets forth a set of national criteria that councils wishing to adopt IFQs would follow. Importantly, this bill contains a provision that directs councils to consider the use of community or area-based approaches and strategies that would preserve the vitality of small fishing communities, including the allocation of quota to a fishing community. It also directs councils to consider use of other management measures, including those that would facilitate formation of fishery cooperative arrangements, taking account of the dependence of coastal communities on these fisheries.

This bill addresses many of the concerns raised by fishermen, and I understand the many concerns of small fisherman in New England regarding the use of IFQs. I believe this bill gives fishermen the power to decide whether to implement an IFQ program and ensures that those who do will operate under a fair system. First, no region could implement an IFQ system without approval of a two-thirds majority of eligible permit holders through a referendum process run by the Secretary of Commerce. In addition, any IFQ system developed under the legislation would have to meet a set of national criteria. These national criteria would include: (1) ensuring a fair and equitable initial allocation of quota, including the establishment of an appeals process for qualification and allocation decisions, taking into account present and historic participation in the fishery; (2) establishing limits necessary to prevent inequitable concentration of quota share; (3) preventing any person from acquiring an ''excessive share''; (4) considering allocation of a portion of the annual harvest specifically to small fishermen, skippers, crew members, fishing communities, or categories of vessels or gear types; and (5) providing for revocation of quota if the owner is no longer an active fisherman.

I also believe this bill responds to concerns that IFQ systems would undermine the national interest in conserving fishery resources held in the public trust. In order to respond to those concerns, the bill would: (1) specify that an IFQ is a permit under the Magnuson-Stevens Act and does not confer any right of compensation or any right, title or interest to any fish before it is harvested; (2) established that the quota expires after 10 years, unless extended by a fishery management plan; (3) require that the systems promote management measures to improve the conservation and management of the fishery, including reduction of bycatch; (4) provide for regular review and evaluation of the system, including specifying actions to be taken for any failure to meet the criteria; (5) require that the systems provide for effective enforcement, monitoring, and management, including use of observers; and (6) require that quota be revoked from individuals found to be subject to civil penalties under section 308 of the Magnuson-Stevens Act.

The bill also would require a 5-year recurring independent review of IFQ systems by the National Research Council, to: (1) evaluate the effectiveness of such systems and determine who the systems contribute to improved management, conservation and safety; (2) evaluate the social, economic and biological consequences of the systems, including economic impacts on fishing communities; (3) evaluate the costs of implementation; and (4) provide recommendations to ensure the systems meet Magnuson-Stevens Act requirements and the goals of the plans.

I believe this legislation provides guidelines for the use of IFQs that will help ensure the health of our marine fisheries. During the last reauthorization of the Magnuson-Stevens Act, our

Nation's fisheries were at a crossroads, and action was required to remedy our marine resource management problems, to preserve the way of life in our coastal communities, and to promote the sustainable use and conservation of our marine resources for future generations and for the economic good of the Nation. We must stay the course, and this bill will help us do just that. I remain committed to the goal of establishing biologically and economically sustainable fisheries so that fishing will continue to be an important part of the culture and economy of coastal communities throughout Massachusetts, as well as the economy of the Nation.

By Mr. THOMAS:

S. 1107. A bill to enhance the Recreation Fee Demonstration Program for the National Park Service, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. THOMAS. Mr. President, I rise today to introduce the Recreation Fee Authority Act of 2003. This legislation modifies the congressionally created Recreation Fee Demonstration Program.

The issue of user fees on public lands is a difficult one. As you know, our Nation's parks and recreation areas are in serious trouble and have significant maintenance and infrastructure needs. The National Park Service alone has roughly a $5 billion backlog in maintenance and infrastructure repair. There are a number of reasons for this funding shortage, including poor park management, congressional inaction and apathy from the American public.

Currently, the Recreation Fee Demonstration Program allows the National Park Service, Bureau of Land Management, Fish and Wildlife Service and the U.S. Forest Service to collect and expend funds for areas in need of additional financial support. Agencies collect fees for admission to a unit or site for special uses such as boating and back country camping fees and are able to use 80 percent of the receipts for protection and enhancement in that area. Fees are typically used for visitor services, maintenance and repair of facilities as well as cultural and natural resource management. The remaining 20 percent is used on an agency-wide basis for parts of the system, which are precluded from participating in the Recreation Fee Demonstration program.

The legislation I am introducing today allows permanent authorization of the Recreation Fee Demonstration Program for national parks, and provides some new flexibility. For example, many visitors frequent national and State parks, but are not allowed to use State and national passes interchangeably. In cooperation with State agencies, the Secretary of the Interior will be authorized to enter into revenue sharing agreements to accept state and national park passes at sites within that state—providing a cost savings and convenience for the visitor.

In the past, concerns have been expressed about ''nickel and dime'' efforts where there appears to be a lack of planning and coordination by agency officials. Fee programs under this legislation would be established at fair and equitable rates. Each unit would perform an analysis to consider benefits and services provided to the visitor, cumulative effect of fees, public policy and management objectives and feasibility of fee collection. This review would serve as a business plan for each site so that managers could utilize scarce resources in the most efficient manner.

The Recreation Fee Demonstration program was an effort by Congress to allow public land agencies to obtain funding in addition to their annual appropriations. This legislation will help provide resources for badly needed improvement projects and ensure an enhanced experience for all visitors.

We need to guarantee our national treasures are available for generations to come. I believe that Congress, the National Park Service and those interested in helping our parks should cooperate on initiatives to protect resources, increase visitor services and improve management throughout the system. Working together, we can ensure that these areas will remain affordable and accessible for everyone.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1107

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Recreational Fee Authority Act of 2003''.

SEC. 2. RECREATION FEE AUTHORITY.

(a) IN GENERAL.—Beginning in Fiscal Year 2004 and thereafter, the Secretary of the Interior (''Secretary'') may establish, modify, charge, and collect fees for admission to a unit of the National Park System and the use of National Park Service (''Service'') administered areas, lands, sites, facilities, and services (including reservations) by individuals and/or groups. Fees shall be based on an analysis by the Secretary of—

(A) the benefits and services provided to the visitor;

(B) the cumulative effect of fees;

(C) the comparable fees charged elsewhere and by other public agencies and by nearby private sector operators;

(D) the direct and indirect cost and benefit to the government;

(E) public policy or management objectives served;

(F) economic and administrative feasibility of fee collection, and

(G) other factors or criteria determined by the Secretary.

(b) NUMBER OF FEES.—The Secretary shall establish the minimum number of fees and shall avoid the collection of multiple or layered fees for a wide variety of uses, activities or programs.

(c) ANALYSIS.—The results of the analysis together with the Secretary's determination of appropriate fee levels shall be transmitted to the Congress at least three months prior to publication of such fees in the Federal Register. New fees and any increases or decreases in established fees shall be published in the Federal Register and no new fee or change in the amount of fees shall take place until at least 12 months after the date the notice is published in the Federal Register.

(d) ADDITIONAL AUTHORITIES.—Beginning on October 1, 2003 the Secretary may enter into agreements, including contracts to provide reasonable commissions or reimbursements with any public or private entity for visitor reservation services, fee collection and/or processing services.

(e) ADMINISTRATION.—The Secretary may provide discounted or free admission days or use, may modify the National Park Passport, established pursuant to Public Law 105–391, and shall provide information to the public about the various fee programs and the costs and benefits of each program.

(f) STATE AGENCY ADMISSION AND SPECIAL USE PASSES.—Effective October 1, 2003 and notwithstanding the Federal Grants Cooperative Agreements Act, the Secretary may enter into revenue sharing agreements with State agencies to accept their annual passes and convey the same privileges, terms and conditions as offered under the auspices of the National Park Passport, to State agency annual passes and shall only be accepted for all of the units of the National Park System within the boundaries of the State in which the specific revenue sharing agreement is entered into except where the Secretary has established a fee that includes a unit or units located in more than one State.

SEC. 3. DISTRIBUTION OF RECEIPTS.

(a) Without further appropriation, all receipts collected pursuant to the Act or from sales of the National Park Passport shall be retained by the Secretary and may be expended as follows—

(1) 80 percent of amounts collected at a specific area, site, or project as determined by the Secretary, shall remain available for use at the specific area, site or project, except for those units of the National Park System that participate in an active revenue sharing agreement with a State under Section 2(f) of this Act, not less than 90 percent of amounts collected at a specific area, site, or project shall remain available for use.

(2) The balance of the amounts collected shall remain available for use by the Service on a Service-wide basis as determined by the Secretary.

(3) Monies generated as a result of revenue sharing agreements established pursuant to Section 2(f) may provide for a fee-sharing arrangement. The Service shares of fees shall be distributed equally to all units of the National Park System in the specific States that are parties to the revenue sharing agreement.

(4) Not less than 50 percent of the amounts collected from the sale of the National Park Passport shall remain available for use at the specific area, site, or project at which the fees were collected and the balance of the receipts shall be distributed in accordance with paragraph 2 of this Section.

SEC. 4. EXPENDITURES

(a) USE OF FEES AT SPECIFIC AREA, SITE, OR PROJECT.—Amounts available for expenditure at a specific area, site or project shall be accounted for separately and may be used for—

(1) repair, maintenance, facility enhancement, media services and infrastructure including projects and expenses relating to visitor enjoyment, visitor access, environmental compliance, and health and safety;

(2) interpretation, visitor information, visitor service, visitor needs assessments, monitoring, and signs;

(3) habitat enhancement, resource assessment, preservation, protection, and restoration related to recreation use, and

(4) law enforcement relating to public use and recreation.

(b) The Secretary may use not more than fifteen percent of total revenues to administer the recreation fee program including direct operating or capital costs, cost of fee collection, notification of fee requirements, direct infrastructure, fee program management costs, bonding of volunteers, start-up costs, and analysis and reporting on program accomplishments and effects.

SEC. 5. REPORTS.

(a) On January 1, 2006 and every three years thereafter the Secretary shall submit to the Congress a report detailing the status of the Recreation Fee Program conducted in units of the National Park System including an evaluation of the Recreation Fee Program conducted at each unit of the National Park System; a description of projects that were funded, work accomplished, and future projects and programs for funding with fees, and any recommendations for changes in the overall fee system.

By Mr. TALENT (for himself and Mr. WYDEN):

S. 1109. A bill to provide $50,000,000,000 in new transportation infrastructure funding through Federal bonding to empower States and local governments to complete significant infrastructure projects across all modes of transportation, including roads, rail, transit, aviation, and water, and for other purposes; to the Committee on Finance.

Mr. TALENT. Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1109

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Build America Bonds Act of 2003''.

(b) REFERENCES TO INTERNAL REVENUE CODE OF 1986.—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.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Our Nation's highways, transit systems, railroads, airports, ports, and inland waterways drive our economy, enabling all industries to achieve growth and productivity that makes America strong and prosperous.

(2) The establishment, maintenance, and improvement of the national transportation network is a national priority, for economic, environmental, energy, security, and other reasons.

(3) The ability to move people and goods is critical to maintaining State, metropolitan, rural, and local economies.

(4) The construction of infrastructure requires the skills of numerous occupations, including those in the contracting, engineering, planning and design, materials supply, manufacturing, distribution, and safety industries.

(5) Investing in transportation infrastructure creates long-term capital assets for the Nation that will help the United States address its enormous infrastructure needs and improve its economic productivity.

(6) Investment in transportation infrastructure creates jobs and spurs economic activity to put people back to work and stimulate the economy.

(7) Every billion dollars in transportation investment has the potential to create up to 47,500 jobs.

(8) Every dollar invested in the Nation's transportation infrastructure yields at least $5.70 in economic benefits because of reduced delays, improved safety, and reduced vehicle operating costs.

SEC. 3. CREDIT TO HOLDERS OF BUILD AMERICA BONDS.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by adding at the end the following new subpart:

"Subpart H—Nonrefundable Credit for Holders of Build America Bonds

''Sec. 54. Credit to holders of Build America bonds.

"SEC. 54. CREDIT TO HOLDERS OF BUILD AMERICA BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a Build America bond on a 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 an amount equal to the sum of the credits determined under subsection (b) with respect to credit allowance dates during such year on which the taxpayer holds such bond.

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a Build America bond is 25 percent of the annual credit determined with respect to such bond.

''(2) ANNUAL CREDIT.—The annual credit determined with respect to any Build America bond is the product of—

''(A) the applicable credit rate, multiplied by

''(B) the outstanding face amount of the bond.

''(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (2), the applicable credit rate with respect to an issue is the rate equal to an average market yield (as of the day before the date of sale of the issue) on outstanding long-term corporate debt obligations (determined in such manner as the Secretary prescribes).

''(4) CREDIT ALLOWANCE DATE.—For purposes of this section, the term 'credit allowance date' means—

''(A) March 15,

''(B) June 15,

''(C) September 15, and

''(D) December 15.

Such term includes the last day on which the bond is outstanding.

''(5) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed.

''(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 this part (other than this subpart and subpart C).

''(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) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section (determined without regard to subsection (c)) and the amount so included shall be treated as interest income.

''(e) BUILD AMERICA BOND.—For purposes of this part, the term 'Build America bond' means any bond issued as part of an issue if—

''(1) 95 percent or more of the proceeds from the sale of such issue are to be used—

''(A) for expenditures incurred after the date of the enactment of this section for any qualified project, or

''(B) for deposit in the Build America Trust Account for repayment of Build America bonds at maturity,

''(2) the bond is issued by the Build America Corporation, is in registered form, and meets the Build America bond limitation requirements under subsection (f),

''(3) the Build America Corporation certifies that it meets the State contribution requirement of subsection (k) with respect to such project, as in effect on the date of issuance,

''(4) the Build America Corporation certifies that the State in which an approved qualified project is located meets the requirement described in subsection (l),

''(5) except for bonds issued in accordance with subsection (f)(4), the term of each bond which is part of such issue does not exceed 30 years,

''(6) the payment of principal with respect to such bond is the obligation of the Build America Corporation, and

''(7) the issue meets the requirements of subsection (g) (relating to arbitrage).

''(f) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

''(1) NATIONAL LIMITATION.—There is a Build America bond limitation for each calendar year. Such limitation is—

''(A) for 2004—

''(i) with respect to bonds described in subsection (e)(1)(A), $50,000,000,000, plus

''(ii) with respect to bonds described in subsection (e)(1)(B), such amount (not to exceed $15,000,000,000) as determined necessary by the Build America Corporation to provide funds in the Build America Trust Account for the repayment of Build America bonds at maturity, and

''(B) except as provided in paragraph (3), zero thereafter.

''(2) LIMITATION ALLOCATED TO QUALIFIED PROJECTS AMONG STATES.—

''(A) IN GENERAL.—Subject to subparagraph (B), the limitation applicable under paragraph (1)(A)(i) for any calendar year shall be allocated by the Build America Corporation for qualified projects among the States under an allocation plan established by the Corporation and submitted to Congress for consideration.

''(B) MINIMUM ALLOCATIONS TO STATES.—In establishing the allocation plan under subparagraph (A), the Build America Corporation shall ensure that the aggregate amount allocated for qualified projects located in each State under such plan is not less than $500,000,000.

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

''(A) the Build America bond limitation amount, exceeds

''(B) the amount of bonds issued during such year by the Build America Corporation,

the Build America bond limitation amount for the following calendar year shall be increased by the amount of such excess. Any carryforward of a Build America bond limitation amount may be carried only to calendar year 2005 or 2006.

''(4) ISSUANCE OF SMALL DENOMINATION BONDS.—From the Build America bond limitation for each year, the Build America Corporation shall issue a limited quantity of Build America bonds in small denominations suitable for purchase as gifts by individual investors wishing to show their support for investing in America's infrastructure.

''(g) SPECIAL RULES RELATING TO ARBITRAGE.—

''(1) IN GENERAL.—Subject to paragraph (2), an issue shall be treated as meeting the requirements of this subsection if as of the date of issuance, the Build America Corporation reasonably expects—

''(A) to spend at least 95 percent of the proceeds from the sale of the issue for 1 or more qualified projects within the 3-year period beginning on such date,

''(B) to incur a binding commitment with a third party to spend at least 10 percent of the proceeds from the sale of the issue, or to commence construction, with respect to such projects within the 6-month period beginning on such date, and

''(C) to proceed with due diligence to complete such projects and to spend the proceeds from the sale of the issue.

''(2) RULES REGARDING CONTINUING COMPLIANCE AFTER 3-YEAR DETERMINATION.—If at least 95 percent of the proceeds from the sale of the issue is not expended for 1 or more qualified projects within the 3-year period beginning on the date of issuance, but the requirements of paragraph (1) are otherwise met, an issue shall be treated as continuing to meet the requirements of this subsection if either—

''(A) the Build America Corporation uses all unspent proceeds from the sale of the issue to redeem bonds of the issue within 90 days after the end of such 3-year period, or

''(B) the following requirements are met:

''(i) The Build America Corporation spends at least 75 percent of the proceeds from the sale of the issue for 1 or more qualified projects within the 3-year period beginning on the date of issuance.

''(ii) The Build America Corporation spends at least 95 percent of the proceeds from the sale of the issue for 1 or more qualified projects within the 4-year period beginning on the date of issuance, and uses all unspent proceeds from the sale of the issue to redeem bonds of the issue within 90 days after the end of the 4-year period beginning on the date of issuance.

''(h) RECAPTURE OF PORTION OF CREDIT WHERE CESSATION OF COMPLIANCE.—

''(1) IN GENERAL.—If any bond which when issued purported to be a Build America bond ceases to be such a qualified bond, the Build America Corporation shall pay to the United States (at the time required by the Secretary) an amount equal to the sum of—

''(A) the aggregate of the credits allowable under this section with respect to such bond (determined without regard to subsection (c)) for taxable years ending during the calendar year in which such cessation occurs and the 2 preceding calendar years, and

''(B) interest at the underpayment rate under section 6621 on the amount determined under subparagraph (A) for each calendar year for the period beginning on the first day of such calendar year.

''(2) FAILURE TO PAY.—If the Build America Corporation fails to timely pay the amount required by paragraph (1) with respect to such bond, the tax imposed by this chapter on each holder of any such bond which is part of such issue shall be increased (for the taxable year of the holder in which such cessation occurs) by the aggregate decrease in the credits allowed under this section to such holder for taxable years beginning in such 3 calendar years which would have resulted solely from denying any credit under this section with respect to such issue for such taxable years.

''(3) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (2) 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 paragraph (2) shall not be treated as a tax imposed by this chapter for purposes of determining—

''(i) the amount of any credit allowable under this part, or

''(ii) the amount of the tax imposed by section 55.

''(i) BUILD AMERICA TRUST ACCOUNT.—

''(1) IN GENERAL.—The following amounts shall be held in a Build America Trust Account by the Build America Corporation:

''(A) The proceeds from the sale of all bonds issued under this section.

''(B) The amount of any matching contributions with respect to such bonds.

''(C) The investment earnings on proceeds from the sale of such bonds.

''(D) Any earnings on any amounts described in subparagraph (A), (B), or (C).

''(2) USE OF FUNDS.—Amounts in the Build America Trust Account may be used only to pay costs of qualified projects, redeem Build America bonds, and fund the operations of the Build America Corporation, except that amounts withdrawn from the Build America Trust Account to pay costs of qualified projects may not exceed the aggregate proceeds from the sale of Build America bonds described in subsection (e)(1)(A).

''(3) USE OF REMAINING FUNDS IN BUILD AMERICA TRUST ACCOUNT.—Upon the redemption of all Build America bonds issued under this section, any remaining amounts in the Build America Trust Account shall be available to the Build America Corporation for any qualified project.

''(j) QUALIFIED PROJECT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified project' means the financing of capital improvements for any transportation infrastructure project of any governmental unit or other person, including highways, transit systems, railroads, airports, ports, and inland waterways, proposed by a State and approved by the Build America Corporation.

''(2) APPROVAL GUIDELINES AND CRITERIA.—Not later than 60 days after the date of the enactment of this section, the Build America Corporation shall consult with the appropriate committees of Congress regarding the development of guidelines and criteria for the approval by the Corporation of projects as qualified projects for inclusion in the allocation plan established under subsection (f)(2)(A) and shall submit such guidelines and criteria to such committees. The guidelines and criteria shall—

''(A) to the maximum extent, be consistent with statutory provisions governing the approval of transportation projects, as in effect on such date, and

''(B) require the Build America Corporation—

''(i) to base such approval on—

''(I) the results of alternatives analysis and preliminary engineering, and

''(II) a comprehensive review of mobility improvements, environmental benefits, cost effectiveness, and operating efficiencies, and

''(ii) to give preference to—

''(I) projects supported by evidence of stable and dependable financing sources to construct, maintain, and operate the infrastructure,

''(II) projects expected to have a significant impact on traffic congestion, and

''(III) projects which promote regional balance in infrastructure investment.

''(k) STATE CONTRIBUTION REQUIREMENTS.—

''(1) IN GENERAL.—For purposes of subsection (e)(3), the State contribution requirement of this subsection is met with respect to any qualified project if the Build America Corporation has received from 1 or more States, not later than the date of issuance of the bond, written commitments for matching contributions of not less than 20 percent of the cost of the qualified project.

''(2) STATE MATCHING CONTRIBUTIONS MAY NOT INCLUDE FEDERAL FUNDS.—For purposes of this subsection, State matching contributions shall not be derived, directly or indirectly, from Federal funds, including any transfers from the Highway Trust Fund under section 9503.

''(l) UTILIZATION OF UPDATED CONSTRUCTION TECHNOLOGY FOR QUALIFIED PROJECTS.—For purposes of subsection (e)(4), the requirement of this subsection is met if the appropriate State agency relating to the qualified project has updated its accepted construction technologies to match a list prescribed by the Secretary of Transportation and in effect on the date of the approval of the project as a qualified project.

''(m) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) BOND.—The term 'bond' includes any obligation.

''(2) TREATMENT OF CHANGES IN USE.—For purposes of subsection (e)(1)(A), the proceeds from the sale of an issue shall not be treated as used for a qualified project to the extent that the Build America Corporation takes any action within its control which causes such proceeds not to be used for a qualified project. The Secretary shall specify remedial actions that may be taken (including conditions to taking such remedial actions) to prevent an action described in the preceding sentence from causing a bond to fail to be a Build America bond.

''(3) PARTNERSHIP; S CORPORATION; AND OTHER PASS-THRU ENTITIES.—In the case of a partnership, trust, S corporation, or other pass-thru entity, rules similar to the rules of section 41(g) shall apply with respect to the credit allowable under subsection (a).

''(4) BONDS HELD BY REGULATED INVESTMENT COMPANIES.—If any Build America 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.

''(5) CREDITS MAY BE STRIPPED.—Under regulations prescribed by the Secretary—

''(A) IN GENERAL.—There may be a separation (including at issuance) of the ownership of a Build America bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

''(B) CERTAIN RULES TO APPLY.—In the case of a separation described in subparagraph (A), the rules of section 1286 shall apply to the Build America bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

''(6) REPORTING.—The Build America Corporation shall submit reports similar to the reports required under section 149(e).''.

(b) AMENDMENTS TO OTHER CODE SECTIONS.—

(1) 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 BUILD AMERICA BONDS.—

''(A) IN GENERAL.—For purposes of subsection (a), the term 'interest' includes amounts includible in gross income under section 54(d) and such amounts shall be treated as paid on the credit allowance date (as defined in section 54(b)(4)).

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

''(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.''.

(2) TREATMENT FOR ESTIMATED TAX PURPOSES.—

(A) INDIVIDUAL.—Section 6654 (relating to failure by individual to pay estimated income tax) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) SPECIAL RULE FOR HOLDERS OF BUILD AMERICA BONDS.—For purposes of this section, the credit allowed by section 54 to a taxpayer by reason of holding a Build America bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.''.

(B) CORPORATE.—Subsection (g) of section 6655 (relating to failure by corporation to pay estimated income tax) is amended by adding at the end the following new paragraph:

''(5) SPECIAL RULE FOR HOLDERS OF BUILD AMERICA BONDS.—For purposes of this section, the credit allowed by section 54 to a taxpayer by reason of holding a Build America bond on a credit allowance date shall be treated as if it were a payment of estimated tax made by the taxpayer on such date.''.

(c) CLERICAL AMENDMENTS.—

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

''Subpart H. Nonrefundable Credit for Holders of Build America Bonds.''.

(2) Section 6401(b)(1) is amended by striking ''and G'' and inserting ''G, and H''.

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

SEC. 4. BUILD AMERICA CORPORATION.

(a) ESTABLISHMENT AND STATUS.—There is established a body corporate to be known as the ''Build America Corporation'' (hereafter in this section referred to as the ''Corporation''). The Corporation is not a department, agency, or instrumentality of the United States Government, and shall not be subject to title 31, United States Code.

(b) PRINCIPAL OFFICE; APPLICATION OF LAWS.—The principal office and place of business of the Corporation shall be in the District of Columbia, and, to the extent consistent with this section, the District of Columbia Business Corporation Act (D.C. Code 29–301 et seq.) shall apply.

(c) FUNCTIONS OF CORPORATION.—The Corporation shall—

(1) issue Build America bonds for the financing of qualified projects as required under section 54 of the Internal Revenue Code of 1986,

(2) establish an allocation plan as required under section 54(f)(2)(A) of such Code,

(3) establish and operate the Build America Trust Account as required under section 54(i) of such Code,

(4) perform any other function the sole purpose of which is to carry out the financing of qualified projects through Build America bonds, and

(5) not later than February 15 of each year submit a report to Congress—

(A) describing the activities of the Corporation for the preceding year, and

(B) specifying whether the amounts deposited and expected to be deposited in the Build America Trust Account are sufficient to fully repay at maturity the principal of any outstanding Build America bonds issued pursuant to such section 54.

(d) POWERS OF CORPORATION.—The Corporation—

(1) may sue and be sued, complain and defend, in its corporate name, in any court of competent jurisdiction,

(2) may adopt, alter, and use a seal, which shall be judicially noticed,

(3) may prescribe, amend, and repeal such rules and regulations as may be necessary for carrying out the functions of the Corporation,

(4) may make and perform such contracts and other agreements with any individual, corporation, or other private or public entity however designated and wherever situated, as may be necessary for carrying out the functions of the Corporation,

(5) may determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid,

(6) may, as necessary for carrying out the functions of the Corporation, employ and fix the compensation of employees and officers,

(7) may lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with such property (real, personal, or mixed) or any interest therein, wherever situated, as may be necessary for carrying out the functions of the Corporation,

(8) may accept gifts or donations of services or of property (real, personal, or mixed), tangible or intangible, in furtherance of the purposes of this Act, and

(9) shall have such other powers as maybe necessary and incident to carrying out this Act.

(e) NONPROFIT ENTITY; RESTRICTION ON USE OF MONEYS; CONFLICT OF INTERESTS; INDEPENDENT AUDITS.—

(1) NONPROFIT ENTITY.—The Corporation shall be a nonprofit corporation and shall have no capital stock.

(2) RESTRICTION.—No part of the Corporation's revenue, earnings, or other income or property shall inure to the benefit of any of its directors, officers, or employees, and such revenue, earnings, or other income or property shall only be used for carrying out the purposes of this Act.

(3) CONFLICT OF INTERESTS.—No director, officer, or employee of the Corporation shall in any manner, directly or indirectly participate in the deliberation upon or the determination of any question affecting his or her personal interests or the interests of any corporation, partnership, or organization in which he or she is directly or indirectly interested.

(4) INDEPENDENT AUDITS.—An independent certified public accountant shall audit the financial statements of the Corporation each year. The audit shall be carried out at the place at which the financial statements normally are kept and under generally accepted auditing standards. A report of the audit shall be available to the public and shall be included in the report required under subsection (c)(5).

(f) TAX EXEMPTION.—The Corporation, including its franchise and income, is exempt from taxation imposed by the United States, by any territory or possession of the United States, or by any State, county, municipality, or local taxing authority.

(g) MANAGEMENT OF CORPORATION.—

(1) BOARD OF DIRECTORS; MEMBERSHIP; DESIGNATION OF CHAIRPERSON AND VICE CHAIRPERSON; APPOINTMENT CONSIDERATIONS; TERM; VACANCIES.—

(A) BOARD OF DIRECTORS.—The management of the Corporation shall be vested in a board of directors composed of 7 members appointed by the President, by and with the advice and consent of the Senate.

(B) CHAIRPERSON AND VICE CHAIRPERSON.—The President shall designate 1 member of the Board to serve as Chairperson of the Board and 1 member to serve as Vice Chairperson of the Board.

(C) INDIVIDUALS FROM PRIVATE LIFE.—Five members of the Board shall be appointed from private life.

(D) FEDERAL OFFICERS AND EMPLOYEES.—Two members of the Board shall be appointed from among officers and employees of agencies of the United States concerned with infrastructure development.

(E) APPOINTMENT CONSIDERATIONS.—All members of the Board shall be appointed on the basis of their understanding of and sensitivity to infrastructure development processes. Members of the Board shall be appointed so that not more than 4 members of the Board are members of any 1 political party.

(F) TERMS.—Members of the Board shall be appointed for terms of 3 years, except that of the members first appointed, as designated by the President at the time of their appointment, 2 shall be appointed for terms of 1 year and 2 shall be appointed for terms of 2 years.

(G) VACANCIES.—A member of the Board appointed to fill a vacancy occurring before the expiration of the term for which that member's predecessor was appointed shall be appointed only for the remainder of that term. Upon the expiration of a member's term, the member shall continue to serve until a successor is appointed and is qualified.

(2) COMPENSATION, ACTUAL, NECESSARY, AND TRANSPORTATION EXPENSES.—Members of the Board shall serve without additional compensation, but may be reimbursed for actual and necessary expenses not exceeding $100 per day, and for transportation expenses, while engaged in their duties on behalf of the Corporation.

(3) QUORUM.—A majority of the Board shall constitute a quorum.

(4) PRESIDENT OF CORPORATION.—The Board of Directors shall appoint a president of the Corporation on such terms as the Board may determine.

By Mr. BINGAMAN (for himself, Mr. BAUCUS, Mr. ROCKEFELLER, Mr. DASCHLE, Mrs. MURRAY, Ms. CANTWELL, Mr. DAYTON, Mr. LIEBERMAN, Mrs. LINCOLN, and Mrs. FEINSTEIN):

S. 1110. A bill to amend the Trade Act of 1974 to provide trade adjustment assistance for communities, and for other purposes; to the Committee on Finance.

Mr. BINGAMAN. Mr. President, I rise today to introduce the Trade Adjustment Assistance for Communities Act of 2003. This legislation is co-sponsored by Senators BAUCUS, ROCKEFELLER, DASCHLE, MURRAY, CANTWELL, DAYTON, LIEBERMAN, LINCOLN, and FEINSTEIN.

Companion legislation will be introduced in the House by Congressman SANDER LEVIN tomorrow.

I first introduced Trade Adjustment Assistance legislation in the last Congress, and I was very pleased when that legislation—the provisions relating to both individuals and communities—passed the Senate as part of the Trade Act of 2002. I would like to take this opportunity to thank all of my colleagues for their efforts in making this happen. But I would like to thank Senator BAUCUS in particular for making Trade Adjustment Assistance one of his priorities last session and pushing on it to the very end. And I would also like to thank Senator GRASSLEY for understanding the importance of Trade Adjustment Assistance to the ongoing trade debate, and his decision to make it part of the trade package that went through Congress.

But I also have to express my disappointment with the way the process ended. In spite of the bi-partisan consensus that formed around Trade Adjustment Assistance during the negotiations last year and the efforts of my colleagues, I regret to say that the provisions related to communities did not make it out of conference. I can not tell you why this happened. However, I can tell you that it is incredibly naive to ignore the problems that are occurring right now across the country and not understand what it means for our country's long-term economic interests. Look at the newspaper and you will see that in many communities, people are pretty much out of work for good, at least when you look at the jobs they had and the wages they were making. And as the lay-offs have expanded, the impact the lay-offs have had on entire communities have become more pronounced. Now it is not just the individuals who are struggling, but the communities in which hundreds or thousands of people live, all because a company or a group of companies have closed their doors for good.

From what I can tell from statements some of my colleagues have made in committee or on the floor of the Senate, this is really nothing more than tough luck. This is the way markets work and you simply make do with what you have. I disagree completely. From where I sit you can't just let individuals who have worked their whole life at a company, who have played by the rules for their entire life, who have committed their entire life to keeping their communities intact, be reduced to little more than hope that something will change for the better. They deserve more than that. You also can't let the communities where these people live just die, because they form the foundation of what we are as a society. These are the networks that have lasted generations, that connect us, and define who we are. I firmly believe we need to do everything we can for these folks and the communities where they live, simply because we owe them something for what they have given us and our country. I believe we have a responsibility to give these communities a shot at a new future. The legislation I am introducing today does just that.

Let me make it clear that writing this legislation is not an abstract exercise. For me, this is about my friends and neighbors that I have known for years. Right now, in my hometown of Silver City, NM, I have folks that I grew up with, wondering what they are going to do next.

Over the last few years the copper mines closed, and then the businesses that supported the copper mines closed, and then the tax base began to disappear, and then services started to be cut, and it seems to everyone like the whole community has been caught in a downward spiral. In spite of what some of my colleagues might claim, this is not because of lack of effort on the part of the people of Silver City. These people are not content with the way things are. On the contrary, they are trying desperately to change direction. They have ideas about where they want to go and what they need to do to make things better. They have acted on these ideas to the best of their ability. And I want to commend them for that. But right now they are stuck because there is no money available to get things started, to take the first step so other steps can be taken afterward.

And this is the way it is across the country in a good many communities just like Silver City. I strongly believe this has to change. We have let things stand just the way they are for far too long. The status quo is not acceptable, and it is time for Congress to make a serious effort to change how we manage these kinds of problems.

My interest in Trade Adjustment Assistance actually began in November, 1997 when Levi-Strauss announced its decision to close most of its plants in the United States and transfer production to other countries. Levi-Strauss decided to close two plants in New Mexico one in Albuquerque and one in Roswell—with the Roswell facility alone losing close to 600 workers. This number didn't even include the contract workers and other folks that relied on Levi Strauss for their living. They lost their jobs as well. 600 plus individuals would be a significant blow in any town, but in a town of 50,000 people—which is what Roswell—is with a workforce of only 25,000 people, this lay-off was truly devastating. What exactly were these people going to do? Where could they go to get work so they could pay their mortgage, pay for health care, pay for their kids' education? Sure, some of them could be retrained through Trade Adjustment Assistance, but the question that was on everyone's mind was: retrained for what? What do you re-train 600 people for when there are no other jobs available in town, and no new companies coming into town?

The questions surrounding what happened in Roswell—actually, what should have happened in Roswell if we had more effective Trade Adjustment Assistance policies in place—combined with other plant closures across the country in towns just like Roswell, made me ask what actually could be done to help individuals and communities adapt to this kind of collective crisis. In cooperation with Senators Roth and Moynihan, who were the Chair and Ranking Member of the Finance Committee at the time, I requested studies from the General Accounting Office on the over-all efficacy of Trade Adjustment Assistance program. I also asked them to study how communities across the country had responded to the changes that derive from international trade agreements and globalization.

I have to say that the answers we got back from the General Accounting Office were not very encouraging. To begin with, the Trade Adjustment Assistance for individuals program suffered from inconsistencies, incoherence, and a general lack of accountability. Some states managed their programs well, but others—my home State of New Mexico being one—did not. There was no Trade Adjustment Assistance for Communities program at the time, but in analyzing how particular communities responded to economic crises, the General Accounting Office report clearly stated that government funds available for economic recovery efforts were limited and the road to real recovery was difficult even when funds were available. There were no ''best practices'', no obvious answers, to refer to because success had been so limited. In most cases, there was no way out of the downward spiral at all.

But over time some individual lessons appeared, and interestingly enough, those lessons were very similar to the ones we learned in Roswell. Among other things, technical assistance is needed early on in the process to ensure that a community-wide recovery strategy can be developed. Funding needs to be made available to assist in strategic planning. Individual and institutional differences need to be bridged in the community so there is a tangible collective interest in the strategic plan. Short-term, medium-term, and long-term funding needs to be available for communities to use as they pursue their economic strategy. U.S. government agencies need to cooperate to ensure that their efforts are not duplicative or contradictory. State governments need to be involved in the recovery process to encourage cooperation where there has been none before.

I admit that it is very difficult to make sure all these things happen, especially in communities that are struggling to stay on an even keel. Clearly much of the burden for the activities fall on communities, because they are the ones that have to decide what is best for them. And that is the way it should be. But Congress can play a role in helping communities attain the

goals they have set for themselves, and I believe the bill I am introducing today offers a very good start. The key components of the legislation are as follows: First, the legislation establishes a Trade Adjustment Assistance for Communities Program at the Department of Commerce, signaling that communities that are negatively impacted by trade are deserving of a separate stream of funds to help them through their economic crisis. Ideally this program will be located at the Economic Development Administration, which has the expertise and experience to manage a program of this type.

Second, the legislation establishes a U.S. government inter-agency Trade Adjustment Assistance for Communities working group, the goal being to ensure that agencies work in cooperation to assist communities negatively impacted by trade, integrating personnel, activities, and resources as they respond to existing or anticipated problems.

Third, the legislation provides funding for strategic planning and development grants for communities negatively impacted by trade. As written, there is no limit on the funds that a community can receive. Instead, the level of funding is determined by the individual needs of each community, the coherence of their strategic plan, and the cooperation that exists among the stakeholders applying for the grant.

Fourth, the legislation allows funding from programs at other agencies to be used in concurrence with Trade Adjustment Assistance for Communities funding, and, furthermore, allows Federal funding to be used to fulfill most non-Federal matching requirements that exist. In the past, some economic development efforts have been stopped in their tracks because communities don't have the matching funds necessary to get grants. This legislation would give communities that are now suffering under serious financial constraints some initial flexibility in their effort to get funding.

Fifth, the legislation gives preference to rural communities in funding guidelines, since these are the communities that have the fewest options available to them as they attempt to respond to trade related problems.

Sixth, the legislation authorizes $350 million per year for the Trade Adjustment Assistance for Communities program, essentially doubling the funds that are currently available for economic adjustment in the United States. I believe this amount is consistent with the needs that we see of communities across the United States.

Seventh, the legislation establishes a lookback to January 1998, allowing communities that were negatively impacted by trade and have yet to overcome their problems an opportunity to obtain funds and begin their recovery.

Finally, the legislation establishes a set of new triggers for eligibility that are designed to help not only communities that have been negatively impacted by trade, but also communities that have experienced some negative impacts but want to set a new course so any future impacts will be limited. This approach is far different than anything that has been done before in Trade Adjustment Assistance legislation—far different even than the legislation that my colleagues and I introduced last year—and is designed specifically to avoid the criticism that Trade Adjustment Assistance is really nothing but ''death insurance''.

The inclusion of the category of ''affected domestic producers'' as a trigger, for example, would allow certain companies to work with their communities to create a coherent strategic plan to renovate or construct basic or advanced infrastructure, diversify the local economy, attract new investment, and encourage long-term economic stability and global competitiveness—all this before a company is closed and the entire community is affected. The inclusion of TAA for firms as a trigger would allow restructuring at a firm to occur in tandem with restructuring in a community. The inclusion of TAA for workers as a trigger would allow funds to be directed into a community at the initial onset of problems at a company—at the moment when lay-offs are first occurring—not when the problems are so far down the line that there is very little that can be done about it.

Let me say straight out that this legislation cannot be considered a substitute for a strong trade or manufacturing policy. But I do believe this legislation is complementary to those policies. From where I sit, there will always be individuals and communities negatively impacted by trade, and it is incumbent upon Congress to ensure that these individuals and communities are treated with the respect they deserve and with the strategic economic interests of our country in mind. The economic ideology that suggests we just let things take their course and things will work out the way they are supposed to is, from my perspective, wrongheaded and misguided. The fact is we must look very carefully at the changes that are occurring to our national economy as a result of globalization and position ourselves to do better than we are now.

This legislation carves out an area of real need and addresses it in a coherent, comprehensive, and innovative fashion. If enacted, it will have an immediate, concrete, and important impact on communities across the country. Every State in the country would benefit from the legislation. It will allow communities to take charge of the future and contribute to the economic welfare of the Nation. It is a practical approach that is designed to keep our communities intact and our country competitive and strong. I urge my colleagues to support it.

Mr. BAUCUS. Mr. President, I rise today in support of the Trade Adjustment Assistance for Communities Act of 2003.

I want to commend Senator BINGAMAN for introducing this bill today. He has been a strong advocate of Trade Adjustment Assistance and a strong voice for communities that need a helping hand facing the challenges of the global economy.

Trade and trade-opening policies create benefits for our country. But that fact should not keep us from acknowledging that the benefits of trade are seldom evenly distributed. In fact, there can be losers from trade, even when the economy as a whole is better off.

In 1962, President Kennedy said that ''those injured by . . . trade competition should not be required to bear the full brunt of the impact.'' ''There is an obligation,'' he said, for the Federal Government ''to render assistance to those who suffer as a result of national trade policy.''

That year, President Kennedy and a bipartisan majority of Congress created Trade Adjustment Assistance—a program designed to help those who are displaced by trade policy to retrain and get back on their feet.

Last year, with help of another bipartisan majority of Congress, we passed the Trade Adjustment Assistance Reform Act of 2002—a historic expansion of the TAA program.

The Trade Adjustment Assistance for Communities Act continues to build on this important tradition by creating a new TAA program for communities.

In a recent study, the General Accounting Office found that, even with TAA benefits available to displaced workers, the loss of a major employer can have ripple effects on the local economy.

In addition to the direct job losses, local economies can experience reduced tax revenues, reduced sales by the closed plant's supplier firms and by local retailers, and rising social services costs. Until they can attract well-paying new jobs, these communities can face extended periods of economic distress.

This is especially true in smaller and rural communities, such as we have in Montana. These communities may not have a lot of job opportunities for displaced workers, even with TAA retraining. Indeed, one of the main criticisms of the current TAS program has been that it does nothing to make sure there are jobs for workers at the end of the retraining process.

There are a number of Federal programs out there that might offer some help. They are all over the map—in Commerce, Treasury, Labor, Agriculture, HUD and the SBA, just to name a few. But these communities have no way to start, no go-to person or resource to guide them through this maze of potential help. And the Federal Government doesn't make it any easier. There is very little coordination of response among the various agencies. Finally, even if communities can find

these Federal resources, most existing programs are not tailored to the special needs of trade-impacted communities.

This bill tries to make Federal economic assistance work better for trade-impacted distressed communities in a few simple ways.

It creates a single office responsible for coordinating the Federal response.

It creates a simple trigger process to identify potentially eligible communities and bring appropriate resources to their attention.

It gives communities the technical assistance they need to develop a strategic plan—basically a roadmap for economic recovery. That helps ensure that Federal resources are being used in the most coordinated and cost-effective way possible.

Finally, it makes sure that there are expertise and resources tailored to the special needs of trade-impacted communities.

I am pleased to be a cosponsor of this bill. I hope we will be able to consider it in the Finance Committee this year.

By Mrs. FEINSTEIN:

S. 1111. A bill to provide suitable grazing arrangements on National Forest System land to persons that hold a grazing permit adversely affected by the standards and guidelines contained in the Record of Decision of the Sierra Nevada Forest Plan Amendment and pertaining to the Willow Flycatcher and the Yosemite Toad; to the Committee on Energy and Natural Resources.

Mrs. FEINSTEIN. Mr. President, I rise today to introduce a bill to prevent unnecessary hardship for ranching families in the Sierra Nevada Mountains.

This summer, restrictions imposed for the Yosemite Toad and willow flycatcher will force about fifteen to thirty ranchers off the land that they have long used for grazing.

This bill requires the Forest Service to explore all the options available to avoid this outcome. For example, the bill makes it easier for the Forest Service to offer ranchers suitable alternative grazing land.

Besides alternative grazing arrangements, the Forest Service should look at fencing, active management of the cattle, and other options. If none of these alternatives are feasible, the bill provides relief for the most seriously affected ranchers.

The bill would allow ranchers to keep using 15 parcels of land during this calendar year where Yosemite Toad and willow flycatcher restrictions would otherwise make grazing unworkable. For many other ranches, where grazing and the species could coexist with some adjustments, environmental protections would fully remain in place.

I urge the Forest Service to quickly devise a long-term strategy to promote the coexistence of ranchers and the species. The Forest Service should work proactively with the Fish and Wildlife Service to establish a conservation plan for the species—with the goal of avoiding the need for any listing of it.

I believe that if the regulatory agencies collect better information on the Yosemite Toad and the willow flycatcher, we can find ways to protect the species without completely shutting down long-term ranching operations. I am committed to expediting these long-term solutions.

By Mr. KERRY (for himself and Mr. HARKIN):

S. 1112. A bill to amend title 38, United States Code, to permit Department of Veterans Affairs pharmacies to dispense medications on prescriptions written by private practitioners to veterans who are currently awaiting their first appointment with the Department for medical care, and for other purposes; to the Committee on Veterans' Affairs.

Mr. KERRY. Mr. President, there are now nearly 200,000 American veterans today who are forced to wait at least 6 months for their first visit with a Department of Veterans Affairs physician. Despite having served their country and been promised health benefits, these veterans are receiving deferred and rationed health care because of chronic underfunding and bureaucratic red tape. It amounts to a broken promise with men and women who have served in our armed forces. To help ensure that our veterans receive the care they need and have been guaranteed, today I am pleased to introduce the Veterans' Prescription Drug Reform Act of 2003.

Veterans enrolled in the VA health care program are entitled to a prescription drug benefit. This is an essential benefit given the importance of pharmaceuticals in health care today. However, there's a bureaucratic catch: the benefit only applies to prescriptions written by a VA physician, and there are nearly 200,000 veterans who now wait 6 months or longer for their first visit with a VA physician. For those veterans in need of medicine and waiting months on end to see a VA physician, the benefit has little value.

The VA has reported to Congress that, while it has no exact figure, it estimates that tens of thousands of the veterans now on the waiting list are there primarily to access their prescription drug benefit. In many of these cases, veterans have already seen a private physician and have a prescription. But in order to use the VA pharmacy and receive their prescription benefit, these individuals must duplicate their health care visits and see a VA physician. This delays health care benefits for far too many veterans.

The Veterans' Prescription Drug Reform Act of 2003 would permit veterans already on the waiting list to fill a prescription written by a private physician at the VA pharmacy.

Specifically, the Veterans' Prescription Drug Reform Act of 2003 would give the Secretary of Veterans Affairs the authority to permit veterans on the waiting list for their first appointment with a VA physician at the date of enactment to use the VA pharmacy to fill prescriptions written by a private physician. It would also preserve the core healthcare mission of the VA by limiting this initiative only to those currently waiting for their first appointment. The proposal calls for a report to Congress in 1 year so that its potential expansion can be evaluated.

The Secretary of Veterans Affairs has told Congress that he would support such a proposal, and I look forward to working with Senator HARKIN, who joins me in sponsoring this legislation, and my other colleagues in the Senate on this common-sense approach to reducing the lengthy wait-lines for veterans' healthcare.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1112

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Veterans' Prescription Drug Reform Act of 2003''.

SEC. 2. AUTHORITY OF DEPARTMENT OF VETERANS AFFAIRS PHARMACIES TO DISPENSE MEDICATIONS TO CERTAIN VETERANS FOR PRESCRIPTIONS WRITTEN BY PRIVATE PRACTITIONERS.

(a) AUTHORITY TO DISPENSE MEDICATIONS TO CERTAIN VETERANS.—Section 1712 of title 38, United States Code, is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d) the following new subsection (e):

''(e)(1) The Secretary may authorize the pharmacies of the Department to dispense medications to a veteran described in paragraph (2) pursuant to a valid prescription of the veteran written by a private practitioner.

''(2) A veteran described in this paragraph is any veteran who is on a waiting list for such veteran's first appointment with the Department for medical services as of the date of the enactment of this section.

''(3) A veteran dispensed a medication under this subsection shall pay the Secretary an amount for such medication determined in accordance with the provisions of section 1722A(a) of this title.

''(4) Any amounts paid under paragraph (3) shall be deposited in the Department of Veterans Affairs Medical Care Collections Fund.''.

(b) DEPOSIT OF COLLECTIONS.—Section 1729A(b) of such title is amended—

(1) by redesignating paragraphs (4) through (8) as paragraphs (5) through (9), respectively; and

(2) by inserting after paragraph (3) the following new paragraph (4):

''(4) Section 1712(e) of this title.''.

(c) REPORT.—(1) Not later than one year after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives a report on the exercise by the Secretary of the authority provided in subsection (e) of section 1712 of title 38, United

States Code (as amended by subsection (a) of this section).

(2) The report shall include—

(A) a description of the exercise of the authority by the Secretary; and

(B) such recommendations for additional legislative or administrative action with respect to the authority as the Secretary considers appropriate in light of the exercise of the authority.

By Mrs. MURRAY (for herself, Mr. DAYTON, Ms. CANTWELL, Mr. BAUCUS, Mr. LEAHY, Mrs. BOXER, and Mr. JEFFORDS):

S. 1115. A bill to amend the Toxic Substances Control Act to reduce the health risks posed by asbestos-containing products; to the Committee on Environment and Public Works.

Mrs. MURRAY. Mr. President, today I rise to introduce legislation to do what should have been done decades ago: fully ban asbestos in the United States. I am introducing the Ban Asbestos in America Act of 2003 to prohibit this known carcinogen from being used to manufacture products in this country. The bill also bans imports of asbestos products from other countries where asbestos is still legal. I am pleased that Senators BAUCUS, BOXER, CANTWELL, DAYTON, JEFFORDS and LEAHY are original cosponsors of this important legislation.

The primary purpose of the Ban Asbestos in America Act of 2003 is to require the Environmental Protection Agency, EPA, to ban the substance within two years. Most people think that asbestos has already been banned. In fact, in 1989 EPA finalized regulations to phase out and ban the substance by 1997. But in 1991, the 5th Circuit Court of Appeals overturned EPA's ban, arguing that EPA did not ''first evaluate and then reject the less burdensome alternatives'' under the Toxic Substances Control Act. Unfortunately, the first Bush Administration did not appeal the decision to the Supreme Court. While new uses of asbestos were banned, existing ones were not.

As a result, it is still legal in 2003 to construct buildings in the United States with asbestos cement shingles and to treat them with asbestos roof coatings. It is still legal to construct new water systems using asbestos cement pipes imported from other countries. It is still legal for cars and trucks to be made and serviced with asbestos brake pads and clutch facings.

Asbestos is still not banned, and as a result, we're still using it. According to the U.S. Geological Survey, in 2001, businesses in this country consumed 26 million pounds of chrysotile asbestos to make roofing products, gaskets, friction materials and other products. Last month, my staff walked into a local home improvement store and bought off the shelf roofing sealants made with asbestos. In addition, we are still importing asbestos products from other countries, many of which have less stringent environmental and public health standards.

Everyone knows that asbestos is harmful. The term asbestos, like arsenic, lead, mercury or DDT, is synonymous with poison. Asbestos may well be the most regulated toxic substance that federal and state agencies have ever dealt with. At least eleven different Federal statutes address asbestos. The EPA, Occupational Safety and Health Administration, OSHA, Mine Safety and Health Administration and Consumer Product Safety Commission are only some of the Federal agencies tasked with implementing rules to protect workers and consumers from the dangers of this substance.

But the sheer volume of rules and regulations in place does not guarantee that public health and the environment are being adequately protected. We have significant evidence suggesting that because asbestos is still not banned, we're still not safe from its dangers. I'd like to highlight some of this evidence for my colleagues.

First, workers in this country are still being exposed to dangerous levels of asbestos. According to OSHA, ''An estimated 1.3 million employees in construction and general industry face significant asbestos exposure on the job. Heaviest exposures occur in the construction industry, particularly during the removal of asbestos during renovation or demolition. Employees are also likely to be exposed during the manufacture of asbestos products, such as textiles, friction products, insulation, and other building materials, and during automotive brake and clutch repair work.''

It is important to remember that there is no known safe threshold level of asbestos exposure. OSHA's permissible exposure limit of 0.1 fibers per cubic centimeter is based on technical measurement limitations. OSHA's limit assumes that workers exposed to this concentration have a lifetime exposure risk of 3 to 5 in 1,000 for cancer and 2 in 1,000 for asbestosis. This is a very high risk compared to the cancer risk levels that are considered acceptable for some environmental cleanups.

The extent to which workers are exposed to dangerous levels of asbestos is especially troublesome when one considers the frequency with which OSHA's standards are violated. On July 31, 2001, I chaired a Senate Health, Education, Labor and Pensions hearing on asbestos and workplace safety. At the hearing I learned from OSHA that since 1995, the agency had cited employers for violations of its asbestos standards 15,691 times. This is astounding given the known dangers of asbestos and the high risks of disease even when OSHA's exposure limit is being met.

As follow-up to the hearing, I asked OSHA to provide more information about asbestos-related violations. In an October 17, 2001 letter to me, Mr. John Henshaw, Assistant Secretary for Occupational Safety and Health, wrote that between fiscal year 1996 and fiscal year 2001, OSHA conducted a total of 190,971 inspections generating a total of 427,786 violations. Of these, 3,000 inspections and 15,691 violations involved asbestos. According to Mr. Henshaw, about 2 percent of inspections and 4 percent of violations were asbestos-related. In his letter to me, Mr. Henshaw wrote, ''OSHA does not consider any level to be an acceptable noncompliance level. We strive for 100 percent compliance.'' Despite OSHA's best intentions, workers are still being exposed to dangerous levels of asbestos.

It is also important to consider that the vast majority of workplaces where asbestos exposure occurs, such as construction jobs and auto repair shops, are not regularly inspected by OSHA. The Administration conducts inspections only in response to complaints or as a result of referrals from law enforcement or the media. Many more violations of the standard occur in the real world than are actually recorded by regulators. Many employees likely do not contact OSHA about potential asbestos exposure on the job because they think asbestos has been banned long ago and is no longer a problem.

But asbestos in the workplace is clearly still a problem. Recent news investigations provide more evidence that workers are being exposed to dangerous levels of this mineral. According to an article in the Seattle Post-Intelligencer on November 16, 2000, ''During the past three months, the P-I collected samples of dust from floors, work areas and tool bins in 31 brake-repair garages in Baltimore, Boston, Chicago, Denver, Richmond, Seattle, and Washington, D.C. Asbestos, almost exclusively chrysotile, which has been used for decades in brakes, was detected in 21 of the locations. The amount of asbestos in the dust ranged from 2.26 percent to 63.8 percent.''

When dust with these concentrations of asbestos in them is disturbed, airborne concentrations of asbestos occur that are well above OSHA's permissible exposure limit of 0.1 fiber per cubic centimeter. Under current OSHA regulations, if airborne asbestos concentrations exceed this level, employers must conduct air monitoring, take measures to reduce asbestos emissions, post warning signs and record concentrations of airborne asbestos. Workers are supposed to wear respirators and protective clothing and are required to undergo long term medical monitoring.

Now I recognize that much of the exposure to asbestos in the workplace comes from asbestos products installed years, and in many cases, decades ago. By one estimate, about 30 million tons of asbestos was used in this country between 1900 and 1980. Asbestos in place, in our buildings, schools and homes, will be with us for decades to come.

But given the known dangers of this mineral, why are we still using it? Why are we still adding it to products on purpose when there are perfectly acceptable substitutes? In retrospect, it is tragic that asbestos was so widely used during the 20th century, for the

economic and public health impacts have been disastrous. One very important step in overcoming the problems caused by asbestos is to stop adding to the problem—however incrementally—by continuing to use this dangerous mineral in products on purpose.

I'd like to point out some additional evidence supporting the need to ban asbestos in the United States and to raise awareness about this issue. Most of my colleagues are familiar with the tragedy in Libby, MT, where hundreds of workers and their families suffer from asbestos-related diseases caused by exposure to asbestos-tainted vermiculite.

For decades, the W.R. Grace mine in Libby supplied about 80 percent of the vermiculite used in this country. W.R. Grace very successfully marketed its product, without any warning labels, even though the company was well aware its product was contaminated with this known carcinogen. Asbestos-contaminated ore was shipped to more than 300 sites around the country for processing and use in industrial and consumer products. According to the EPA, 14 of these sites are so contaminated with asbestos that they still need to be cleaned up, even though the Libby mine closed in 1990. While this is a problem that came from a small mining town in Montana, the ramifications and consequences are clearly national in scope.

In addition, vermiculite from Libby is still around and is still a threat to public health. It is estimated that tens of millions of homes, schools and businesses contain insulation made with Libby vermiculite, known as Zonolite. A recent study conducted for EPA, entitled Asbestos Exposure Assessment for Vermiculite Attic Insulation, found that Zonolite in homes today contains up to 2 percent asbestos. This study included tests on Zonolite insulation from Seattle Public Utilities and from a home in Washington State. It found that when this insulation was disturbed, airborne concentrations of 3.3 asbestos fibers per cubic centimeters were measured. In other words, handling Zonolite asbestos can cause levels of asbestos in the air that significantly exceed OSHA's exposure limit for workers. Even more troubling, perhaps, the study found ''vermiculite that tests non-detect for asbestos by bulk analysis can still generate airborne asbestos concentrations when disturbed.'' When vermiculite without significant amounts of asbestos in bulk was disturbed, concentrations of asbestos in the air up to 0.5 fibers per cubic centimeters were detected. This means that even vermiculite with only trace amounts of asbestos in bulk can generate unhealthy concentrations of asbestos in the air.

Yesterday EPA launched a national consumer education campaign warning people not to disturb Zonolite attic insulation if they have it in their homes. The agency also warned people not to let their children play in attics with vermiculite for fear of asbestos exposure. EPA has developed a consumer education brochure and has created an asbestos hotline for people to call for more information. The Agency for Toxic Substances and Disease Registry and National Institute for Occupational Safety and Health have joined EPA in this education effort by creating materials to educate consumers and workers about the dangers of asbestos-contaminated vermiculite.

While we need to ensure that we are no longer adding asbestos to our products on purpose, we also need to ensure that asbestos in harmful concentrations isn't ending up in our consumer products by accident. I am glad EPA, ATSDR and NIOSH are now proactively reaching out to consumers and workers to warn them to stay away from vermiculite attic insulation. This is an important first step in dealing with just one aspect of the legacy created by W.R. Grace in Libby.

There is another important reason to ban asbestos that I would like to share with my colleagues. As I mentioned previously, the United States is still importing products that contain asbestos. Unfortunately, we do not have precise statistics on which products coming into this country contain the deadly mineral. The Department of Commerce's import database does not distinguish between asbestos-containing products and products containing asbestos substitutes. According to the U.S. International Trade Commission, in 2002 this country imported more than 44,000 tons of asbestos-cement products, some of which may have contained cellulose instead of asbestos.

With increased globalization and international trade, U.S. imports of asbestos containing consumer and industrial products will continue to rise—unless we prohibit these products from crossing our borders in the first place.

Although we do not have accurate numbers for the extent to which asbestos products are flowing across our borders, we do know that asbestos is being heavily marketed to developing countries. According to an August 2, 1999 USA Today article, ''As asbestos demand has plummeted in the industrialized world the past 25 years, it has soared in many developing nations and formerly communist countries. Its use in these countries is largely unregulated, haphazard and deadly.''

A more recent editorial in the Canadian Medical Association Journal compares the asbestos industry to the tobacco industry. The February 20, 2001 article by Doctors Joseph LaDou, Philip Landrigan, John C. Bailar III, Vito Foa and Arthur Frank reads:

''The commercial tactics of the asbestos industry are very similar to those of the tobacco industry. In the absence of international sanctions, losses resulting from reduced cigarette consumption in the developed countries are offset by heavy selling to developing nations. In a similar fashion, the developed world has responded to the asbestos health catastrophe with a progressive ban on the use of asbestos. In response, the asbestos industry is progressively transferring its commercial activities and the health hazards to the developing countries.''

Banning asbestos in the United States sends an important message to the rest of the world. The asbestos industry will no longer be able to justify its marketing to developing countries by pointing out that asbestos is still legal in the U.S., and therefore, it must be safe. More than 30 countries have already banned asbestos, and it is time for this country to follow suit. It is our moral responsibility as the world's strongest economy, the most powerful Nation and a leader in environmental protection and public health to ban this harmful substance.

That is why today I am introducing the Ban Asbestos in America Act. The legislation has five main parts. First, this bill protects public health by doing what the EPA tried to do 14 years ago: ban asbestos in the United States. The legislation requires EPA to ban it within two years of passage of the Act. As under the regulations EPA finalized in 1989, companies may file for an exemption to the ban if there is no substitute material available.

Second, the bill requires EPA to convene a Blue Ribbon Panel on asbestos policy and to have the National Academy of Sciences conduct an asbestos study. In response to the 2001 EPA Inspector General's report on Libby, Montana, the EPA promised to convene a Blue Ribbon Panel on asbestos and non-regulated fibers. But instead of convening a high level panel, EPA hired a non-profit organization, the Global Environment and Technology Foundation, to develop an asbestos policies focus group. Just yesterday EPA released GETF's Asbestos Strategies Report. I am very pleased that the Report recommends several aspects of the Ban Asbestos in America Act, including that Congress pass legislation to ban asbestos.

While the recommendations are certainly helpful in providing guidance to EPA, Congress and other federal agencies on the next steps to address asbestos, the GETF report does not replace a full fledged Blue Ribbon Panel. The Ban Asbestos in America Act codifies creation of a Blue Ribbon Panel as EPA first committed to in 2001. The panel will include participation from the Department of Labor and the Consumer Product Safety Commission. It will review the current laws and rules in place to protect workers and consumers, and make recommendations for improving protections within 2 years of passage of the Act.

In addition, the bill calls for EPA to have the NAS conduct a study on the current state of the science relating to the human health effects of exposure to asbestos and other durable fibers. The NAS study shall also include recommendations for a uniform system of asbestos exposure standards and for a uniform system to create protocols to

detect and measure asbestos. As I mentioned previously, asbestos is regulated under multiple statutes. There are different standards within EPA and across Federal agencies, and agencies rely on different protocols to identify the substance. The NAS shall be required to submit the study to EPA, other federal agencies and Congress within 18 months of passage of the Act.

Third, the legislation requires a survey to determine which products contain asbestos, either on purpose or as a contaminant. EPA will be required to conduct this review with input from the Department of Labor, the Consumer Product Safety Commission and the International Trade Commission.

The bill directs the EPA to conduct a survey on the status of asbestos-containing products, such as roofing materials, brake pads and gaskets, which contain asbestos on purpose. EPA must also study contaminant-asbestos products, such as some insulation and horticultural products, which contain asbestos as a contaminant of another substance. The study will examine how people use these products and the extent to which people are exposed to harmful levels of asbestos. The study must be finalized within 18 months to inform the Blue Ribbon Panel and the education campaign.

Fourth, based on the results of the study, EPA shall conduct a public education campaign to increase awareness of the dangers posed by asbestos-containing products and contaminant-asbestos products, including those in homes and workplaces. The agency shall give priority to those products posing the greatest risk, as determined by the study required by the bill. The education campaign must be conducted within 2 years of passage of the bill.

EPA and the Consumer Product Safety Commission shall still be required to conduct a national education campaign about vermiculite insulation within 6 months of passage of the Act. As many as 35 million homes and businesses may contain asbestos-contaminated insulation made with vermiculite from Libby. This requirement is still in the bill despite EPA's recent announcement of an education campaign about vermiculite attic insulation. This will ensure EPA's long-term commitment to educating the public.

Finally, the Ban Asbestos in America Act increases the federal commitment to finding new treatments for the terrible diseases caused by asbestos. At least 2,000 people per year die from mesothelioma, a deadly cancer of the lining of the lungs and internal organs caused by exposure to asbestos. The legislation would direct the head of NIH to ''expand, intensify and coordinate programs for the conduct and support of research on diseases caused by exposure to asbestos.'' The Centers for Disease Control would be required to create a National Mesothelioma Registry to improve tracking of the disease, which in many cases goes undiagnosed and thus unrecorded. In addition, the bill creates 10 mesothelioma treatment centers around the country to improve treatments for and awareness of this fatal cancer.

Our hope is that by continuing to work together, we will build support for the Ban Asbestos in America Act. If we can get this legislation passed, fewer people will be exposed to asbestos, fewer people will contract asbestos diseases in the first place, and those who already have asbestos diseases will receive treatments to prolong and improve quality of life. I urge my colleagues to support this important legislation.

In the meantime, we should do all we can to ensure that the rules in place to protect workers, consumers and schoolchildren from asbestos are followed and are strengthened if necessary. We also need to make sure that Federal agencies are given adequate resources to fully implement Congress' many mandates.

I ask unanimous consent that the text of the Ban Asbestos in America Act of 2003 be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1115

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Ban Asbestos in America Act of 2003''.

SEC. 2. FINDINGS.

Congress finds that—

(1) the Administrator of the Environmental Protection Agency has classified asbestos as a category A human carcinogen, the highest cancer hazard classification for a substance;

(2) there is no known safe level of exposure to asbestos;

(3)(A) in hearings before Congress in the early 1970s, the example of asbestos was used to justify the need for comprehensive legislation on toxic substances; and

(B) in 1976, Congress passed the Toxic Substances Control Act (15 U.S.C. 2601 et seq.);

(4) in 1989, the Administrator promulgated final regulations under title II of the Toxic Substances Control Act (15 U.S.C. 2641 et seq.) to phase out asbestos in consumer products by 1997;

(5) in 1991, the United States Court of Appeals for the 5th Circuit overturned portions of the regulations, and the Government did not appeal the decision to the Supreme Court;

(6) as a result, while new applications for asbestos were banned, asbestos is still being used in some consumer and industrial products in the United States;

(7) the United States Geological Survey has determined that in 2000, companies in the United States consumed 15,000 metric tons of chrysotile asbestos, of which approximately 62 percent was consumed in roofing products, 22 percent in gaskets, 12 percent in friction products, and 4 percent in other products;

(8) available evidence suggests that—

(A) imports of some types of asbestos-containing products may be increasing; and

(B) some of those products are imported from foreign countries in which asbestos is poorly regulated;

(9) many people in the United States incorrectly believe that—

(A) asbestos has been banned in the United States; and

(B) there is no risk of exposure to asbestos through the use of new commercial products;

(10) the Department of Commerce estimates that in 2000, the United States imported 51,483 metric tons of asbestos-cement products;

(11) banning asbestos from being used in or imported into the United States will provide certainty to manufacturers, builders, environmental remediation firms, workers, and consumers that after a specific date, asbestos will not be added to new construction and manufacturing materials used in this country;

(12) asbestos has been banned in Argentina, Australia, Austria, Belgium, Chile, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Norway, Poland, Saudi Arabia, the Slovak Republic, Spain, Sweden, Switzerland, and the United Kingdom;

(13) asbestos will be banned throughout the European Union in 2005;

(14) in 2000, the World Trade Organization upheld the right of France to ban asbestos, with the United States Trade Representative filing a brief in support of the right of France to ban asbestos;

(15) the 1999 brief by the United States Trade Representative stated, ''In the view of the United States, chrysotile asbestos is a toxic material that presents a serious risk to human health.'';

(16) people in the United States have been exposed to harmful levels of asbestos as a contaminant of other minerals;

(17) in the town of Libby, Montana, workers and residents have been exposed to dangerous levels of asbestos for generations because of mining operations at the W.R. Grace vermiculite mine located in that town;

(18) the Agency for Toxic Substances and Disease Registry found that over a 20-year period, ''mortality in Libby resulting from asbestosis was approximately 40 to 80 times higher than expected. Mesothelioma mortality was also elevated.'';

(19)(A) in response to this crisis, in January 2002, the Governor of Montana requested that the Administrator of the Environmental Protection Agency designate Libby as a Superfund site; and

(B) on October 23, 2002, the Administrator placed Libby on the National Priorities List;

(20)(A) vermiculite from Libby was shipped for processing to 42 States; and

(B) Federal agencies are investigating potential harmful exposures to asbestos-contaminated vermiculite at sites throughout the United States;

(21) the Administrator has identified 14 sites that have dangerous levels of asbestos-tainted vermiculite and require cleanup efforts; and

(22) although it is impracticable to eliminate exposure to asbestos entirely because asbestos is a naturally occurring mineral in the environment and occurs in several deposits throughout the United States, Congress needs to do more to protect the public from exposure to asbestos and Congress has the power to prohibit the continued, intentional use of asbestos in consumer products.

SEC. 3. ASBESTOS-CONTAINING PRODUCTS.

(a) IN GENERAL.—Title II of the Toxic Substances Control Act (15 U.S.C. 2641 et seq.) is amended—

(1) by inserting before section 201 (15 U.S.C. 2641) the following:

''Subtitle A—General Provisions'';

and

(2) by adding at the end the following:

"Subtitle B—Asbestos-Containing Products

"SEC. 221. DEFINITIONS.

''In this subtitle:

''(1) ASBESTOS-CONTAINING PRODUCT.—The term 'asbestos-containing product' means any product (including any part) to which asbestos is deliberately or knowingly added or in which asbestos is deliberately or knowingly used in any concentration.

''(2) CONTAMINANT-ASBESTOS PRODUCT.—The term 'contaminant-asbestos product' means any product that contains asbestos as a contaminant of any mineral or other substance, in any concentration.

''(3) DISTRIBUTE IN COMMERCE.—

''(A) IN GENERAL.—The term 'distribute in commerce' has the meaning given the term in section 3.

''(B) EXCLUSIONS.—The term 'distribute in commerce' does not include—

''(i) an action taken with respect to an asbestos-containing product in connection with the end use of the asbestos-containing product by a person that is an end user; or

''(ii) distribution of an asbestos-containing product by a person solely for the purpose of disposal of the asbestos-containing product in compliance with applicable Federal, State, and local requirements.

''(4) DURABLE FIBER.—

''(A) IN GENERAL.—The term 'durable fiber' means a silicate fiber that—

''(i) occurs naturally in the environment; and

''(ii) is similar to asbestos in—

''(I) resistance to dissolution;

''(II) leaching; and

''(III) other physical, chemical, or biological processes expected from contact with lung cells and other cells and fluids in the human body.

''(B) INCLUSIONS.—The term 'durable fiber' includes—

''(i) richterite;

''(ii) winchite;

''(iii) erionite; and

''(iv) nonasbestiform varieties of crocidolite, amosite, anthophyllite, tremolite, and actinolite.

''(5) FIBER.—The term 'fiber' means an acicular single crystal or similarly elongated polycrystalline aggregate particle with a length to width ratio of 3 to 1 or greater.

''(6) PERSON.—The term 'person' means—

''(A) any individual;

''(B) any corporation, company, association, firm, partnership, joint venture, sole proprietorship, or other for-profit or nonprofit business entity (including any manufacturer, importer, distributor, or processor);

''(C) any Federal, State, or local department, agency, or instrumentality; and

''(D) any interstate body.

"SEC. 222. NATIONAL ACADEMY OF SCIENCES STUDY.

''The Administrator shall enter into a contract with the National Academy of Sciences to study and, not later than 18 months after the date of enactment of this subtitle, provide the Administrator, and other Federal agencies, as appropriate—

''(1) a description of the current state of the science relating to the human health effects of exposure to asbestos and other durable fibers; and

''(2) recommendations for the establishment of—

''(A) a uniform system for the establishment of asbestos exposure standards for workers, school children, and other populations; and

''(B) a uniform system for the establishment of protocols for detecting and measuring asbestos.

"SEC. 223. ASBESTOS POLICIES PANEL.

''(a) PANEL.—

''(1) IN GENERAL.—The Administrator shall establish an Asbestos Policies Panel (referred to in this section as the 'panel') to study asbestos and other durable fibers.

''(2) MEMBERSHIP.—The panel shall be comprised of representatives of—

''(A) the Secretary of Labor;

''(B) the Secretary of Health and Human Services; and

''(C) the Chairman of the Consumer Product Safety Commission;

''(D) nongovernmental environmental, public health, and consumer organizations;

''(E) industry;

''(F) school officials;

''(G) public health officials;

''(H) labor organizations; and

''(I) the public.

''(b) DUTIES.—The panel shall—

''(1) provide independent advice and counsel to the Administrator and other Federal agencies on policy issues associated with the use and management of asbestos and other durable fibers; and

''(2) study and, not later than 2 years after the date of enactment of this subtitle, provide the Administrator, other Federal agencies, and Congress recommendations concerning—

''(A) implementation of subtitle A;

''(B) grant programs under subtitle A;

''(C) revisions to the national emissions standards for hazardous air pollutants promulgated under the Clean Air Act (42 U.S.C. 7401 et seq.);

''(D) legislative and regulatory options for improving consumer and worker protections against harmful health effects of exposure to asbestos and durable fibers;

''(E) whether the definition of asbestos-containing material, meaning any material that contains more than 1 percent asbestos by weight, should be modified throughout the Code of Federal Regulations;

''(F) the feasibility of establishing a durable fibers testing program;

''(G) options to improve protections against exposure to asbestos from asbestos-containing products and contaminant-asbestos products in buildings;

''(H) current research on and technologies for disposal of asbestos-containing products and contaminant-asbestos products; and

''(I) at the option of the panel, the effects on human health that may result from exposure to ceramic, carbon, and other manmade fibers.

"SEC. 224. STUDY OF ASBESTOS-CONTAINING PRODUCTS AND CONTAMINANT-ASBESTOS PRODUCTS.

''(a) IN GENERAL.—In consultation with the Secretary of Labor, the Chairman of the International Trade Commission, the Chairman of the Consumer Product Safety Commission, and the Assistant Secretary for Occupational Safety and Health, the Administrator shall conduct a study on the status of the manufacture, processing, distribution in commerce, ownership, importation, and disposal of asbestos-containing products and contaminant-asbestos products in the United States.

''(b) ISSUES.—In conducting the study, the Administrator shall examine—

''(1) how consumers, workers, and businesses use asbestos-containing products and contaminant-asbestos products that are entering commerce as of the date of enactment of this subtitle; and

''(2) the extent to which consumers and workers are being exposed to unhealthful levels of asbestos through exposure to products described in paragraph (1).

''(c) REPORT.—Not later than 18 months after the date of enactment of this subtitle, the Administrator shall submit to the Committee on Energy and Commerce of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the results of the study.

"SEC. 225. PROHIBITION ON ASBESTOS-CONTAINING PRODUCTS.

''(a) IN GENERAL.—Subject to subsection (b), the Administrator shall promulgate—

''(1) not later than 1 year after the date of enactment of this subtitle, proposed regulations that—

''(A) prohibit persons from manufacturing, processing, or distributing in commerce asbestos-containing products; and

''(B) provide for implementation of subsections (b) and (c); and

''(2) not later than 2 years after the date of enactment of this subtitle, final regulations that, effective 60 days after the date of promulgation, prohibit persons from manufacturing, processing, or distributing in commerce asbestos-containing products.

''(b) EXEMPTIONS.—

''(1) IN GENERAL.—Any person may petition the Administrator for, and the Administrator may grant an exemption from the requirements of subsection (a) if the Administrator determines that—

''(A) the exemption would not result in an unreasonable risk of injury to public health or the environment; and

''(B) the person has made good faith efforts to develop, but has been unable to develop, a substance, or identify a mineral, that—

''(i) does not present an unreasonable risk of injury to public health or the environment; and

''(ii) may be substituted for an asbestos-containing product.

''(2) TERMS AND CONDITIONS.—An exemption granted under this subsection shall be in effect for such period (not to exceed 1 year) and subject to such terms and conditions as the Administrator may prescribe.

''(c) DISPOSAL.—

''(1) IN GENERAL.—Except as provided in paragraph (2), not later than 3 years after the date of enactment of this subtitle, each person that possesses an asbestos-containing product that is subject to the prohibition established under this section shall dispose of the asbestos-containing product, by a means that is in compliance with applicable Federal, State, and local requirements.

''(2) EXEMPTION.—Nothing in paragraph (1)—

''(A) applies to an asbestos-containing product that—

''(i) is no longer in the stream of commerce; or

''(ii) is in the possession of an end user; or

''(B) requires that an asbestos-containing product described in subparagraph (A) be removed or replaced.

"SEC. 226. PUBLIC EDUCATION PROGRAM.

''(a) IN GENERAL.—Not later than 2 years after the date of enactment of this subtitle, and subject to subsection (c), in consultation with the Chairman of the Consumer Product Safety Commission and the Secretary of Labor, the Administrator shall establish a program to increase awareness of the dangers posed by asbestos-containing products and contaminant-asbestos products in homes and workplaces.

''(b) GREATEST RISKS.—In establishing the program, the Administrator shall—

''(1) base the program on the results of the study conducted under section 224;

''(2) give priority to asbestos-containing products and contaminant-asbestos products used by consumers and workers that pose the greatest risk of injury to human health; and

''(3) at the option of the Administrator on receipt of a recommendation from the Asbestos Policies Panel, include in the program the conduct of projects and activities to increase public awareness of the effects on human health that may result from exposure to—

''(A) durable fibers; and

''(B) ceramic, carbon, and other manmade fibers.

''(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.''.

(b) VERMICULITE INSULATION.—Not later than 180 days after the date of enactment of this Act, the Administrator of the Environmental Protection Agency and the Consumer Product Safety Commission shall begin a national campaign to educate consumers concerning—

(1) the dangers of vermiculite insulation that may be contaminated with asbestos; and

(2) measures that homeowners and business owners can take to protect against those dangers.

SEC. 4. ASBESTOS-CAUSED DISEASES.

Subpart 1 of part C of title IV of the Public Health Service Act (42 U.S.C. 285 et seq.) is amended by adding at the end the following:

''SEC. 417D. RESEARCH ON ASBESTOS-CAUSED DISEASES.

''(a) IN GENERAL.—The Secretary, acting through the Director of NIH and the Director of the Centers for Disease Control and Prevention, shall expand, intensify, and coordinate programs for the conduct and support of research on diseases caused by exposure to asbestos, particularly mesothelioma, asbestosis, and pleural injuries.

''(b) ADMINISTRATION.—The Secretary shall carry out this section—

''(1) through the Director of NIH and the Director of the CDC (Centers for Disease Control and Prevention); and

''(2) in collaboration with the Administrator of the Agency for Toxic Substances and Disease Registry and the head of any other agency that the Secretary determines to be appropriate.

''(c) MESOTHELIOMA REGISTRY.—Not later than 1 year after the date of enactment of this section, the Director of the Centers for Disease Control and Prevention, in cooperation with the Director of the National Institute for Occupational Safety and Health and the Administrator of the Agency for Toxic Substances and Disease Registry, shall establish a mechanism by which to obtain data from State cancer registries and other cancer registries, which shall form the basis for establishing a Mesothelioma Registry.

''(d) AUTHORIZATION OF APPROPRIATIONS.—In addition to amounts made available for the purposes described in subsection (a) under other law, there are authorized to be appropriated to carry out this section such sums as are necessary for fiscal year 2004 and each fiscal year thereafter.

''SEC. 417E. MESOTHELIOMA RESEARCH AND TREATMENT CENTERS.

''(a) IN GENERAL.—The Director of NIH shall provide $1,000,000 for each of fiscal years 2004 through 2008 for each of up to 10 mesothelioma disease research and treatment centers.

''(b) REQUIREMENTS.—The Centers shall—

''(1) be chosen through competitive peer review;

''(2) be geographically distributed throughout the United States with special consideration given to areas of high incidence of mesothelioma disease;

''(3) be closely associated with Department of Veterans Affairs medical centers to provide research benefits and care to veterans, who have suffered excessively from mesothelioma;

''(4) be engaged in research to provide mechanisms for detection and prevention of mesothelioma, particularly in the areas of pain management and cures;

''(5) be engaged in public education about mesothelioma and prevention, screening, and treatment;

''(6) be participants in the National Mesothelioma Registry;

''(7) be coordinated in their research and treatment efforts with other Centers and institutions involved in exemplary mesothelioma research; and

''(8) be focused on research and treatments for mesothelioma that have historically been underfunded.

''(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2004 through 2008.''.

SEC. 5. CONFORMING AMENDMENTS.

The table of contents in section 1 of the Toxic Substances Control Act (15 U.S.C. prec. 2601) is amended—

(1) by inserting before the item relating to section 201 the following:

''Subtitle A—General Provisions'';

and

(2) by adding at the end of the items relating to title II the following:

''Subtitle B—Asbestos-Containing Products

''Sec. 221. Definitions.
''Sec. 222. National Academy of Sciences Study.
''Sec. 223. Asbestos Policies Panel.
''Sec. 224. Study of asbestos-containing products and contaminant-asbestos products.
''Sec. 225. Prohibition on asbestos-containing products.
''Sec. 226. Public education program.''.

By Mr. LEVIN (for himself, Mr. DEWINE, Ms. STABENOW, and Mr. VOINOVICH):

S. 1116. A bill to amend the Federal Water Pollution Control Act to direct the Great Lakes National Program Office of the Environmental Protection Agency to develop, implement, monitor, and report on a series of indicators of water quality and related environmental factors in the Great Lakes; to the Committee on Environmental and Public Works.

Mr. LEVIN. Mr. President, my colleagues Senators DEWINE and VOINOVICH of Ohio, Senator STABENOW of Michigan, and I are pleased to introduce the Great Lakes Water Quality Indicators and Monitoring Act. This bill will provide science-based assessments of the health of the Great Lakes and whether restoration projects are working. The bill directs the Environmental Protection Agency to develop indicators of Great Lakes water quality and related environmental factors and a comprehensive network to monitor those indicators.

The Great Lakes contain almost 20 percent of the world's fresh water. Millions of people rely on the lakes for drinking water, for economic livelihoods such as fishing and shipping, and for recreational opportunities, including swimming and boating. But the Great Lakes have suffered from decades of toxic discharges, urban and agricultural runoff, and other environmental challenges. We've made some progress in improving water quality, but we know we have a long way to go.

The stewards of the lakes at the Federal, State, and local levels use a variety of methods to determine the health of the Great Lakes and whether they are improving. For example, EPA and the Fish and Wildlife Service monitor the accumulation of chemicals in Great Lakes fish. The National Oceanic and Atmospheric Administration detects changes in the ecosystem from space-based satellites and waterborne buoys. The Geological Survey samples stream flow and quality, and the states inspect for compliance with water quality standards.

But these efforts to collect scientific data are largely voluntary and suffer from a lack of funding and coordination. They use inconsistent methods that often produce incompatible results.

This week, members of the Great Lakes Task Force released a General Accounting Office report on Great Lakes environmental programs. GAO looked at almost 200 Federal and State programs and found that a lack of coordination, poorly defined goals, and insufficient data make it difficult to evaluate the success of these programs. GAO found that there are no data collected regularly throughout the Great Lakes, and that the existing data are inadequate to determine whether water quality and other environmental conditions are improving.

In 1990, I authored the Great Lakes Critical Programs Act, which strengthened the water quality standards in the Great Lakes region. This year, Congress passed the Great Lakes Legacy Act, to speed the cleanup of contaminated bottom sediment. But we haven't established a way to evaluate the impact of these measures.

A restoration program is only as good as its ability to demonstrate results. To show results, we need science-based indicators of water quality and related environmental factors, and we need to monitor those indicators regularly throughout the ecosystem.

GAO recommends that EPA's Great Lakes National Program Office lead an effort to develop indicators and a monitoring network. Our bill gives that office the mandate to work with other federal agencies and Canada to identify and measure water quality and other environmental factors on a regular basis. The initial set of data collected through this network will serve as a benchmark against which to measure future improvements. Those measurements will help us make decisions on how to steer future restoration efforts. With a clear picture of how the Great Lakes are changing, we can change course when needed and spend public funds on the most pressing demands.

This bill serves a second purpose—it provides EPA with dedicated funding to make sure that data collection can begin in a timely manner and be carried out consistently and comprehensively as long as the Great Lakes are in need.

I encourage my colleagues to support this bill and help speed its passage.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1116

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Great Lakes Water Quality Indicators and Monitoring Act''.

SEC. 2. FINDINGS.

Congress finds that—

(1) there are no comprehensive, regularly-collected data that reveal whether the water quality or related environmental factors of the Great Lakes have improved as a result of efforts to remediate and protect the Great Lakes;

(2) that lack of data was confirmed in May 2003 in a report by the General Accounting Office that concluded that existing data were inadequate to assess the overall progress of restoration efforts in the Great Lakes; and

(3) without those data, it is impossible to determine whether—

(A) progress is being made toward achieving the goals contained in the Great Lakes Water Quality Agreement between the United States and Canada; or

(B) Federal and State water quality standards and remediation programs are effective.

SEC. 3. GREAT LAKES WATER QUALITY INDICATORS AND MONITORING.

(a) IN GENERAL.—Section 118(c)(1) of the Federal Water Pollution Control Act (33 U.S.C. 1268(c)(1)) is amended by striking subparagraph (B) and inserting the following:

''(B)(i) not later than 2 years after the date of enactment of this clause, in cooperation with Canada and appropriate Federal agencies (including the United States Geological Survey, the National Oceanic and Atmospheric Administration, and the United States Fish and Wildlife Service), develop and implement a set of science-based indicators of water quality and related environmental factors in the Great Lakes, including, at a minimum, measures of toxic pollutants that have accumulated in the Great Lakes for a substantial period of time, as determined by the Program Office;

''(ii) not later than 4 years after the date of enactment of this clause—

''(I) establish a Federal network for the regular monitoring of, and collection of data throughout, the Great Lakes basin with respect to the indicators described in clause (i); and

''(II) collect an initial set of benchmark data from the network; and

''(iii) not later than 2 years after the date of collection of the data described in clause (ii)(II), and biennially thereafter, in addition to the report required under paragraph (10), submit to Congress, and make available to the public, a report that—

''(I) describes the water quality and related environmental factors of the Great Lakes (including any changes in those factors), as determined through the regular monitoring of indicators under clause (ii)(I) for the period covered by the report; and

''(II) identifies any emerging problems in the water quality or related environmental factors of the Great Lakes.''.

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 118 of the Federal Water Pollution Control Act (33 U.S.C. 1268) is amended by striking subsection (h) and inserting the following:

''(h) AUTHORIZATION OF APPROPRIATIONS.—

''(1) IN GENERAL.—There is authorized to be appropriated to carry out this section (other than subsection (c)(1)(B)) $25,000,000 for each of fiscal years 2004 through 2008.

''(2) GREAT LAKES WATER QUALITY INDICATORS AND MONITORING.—There are authorized to be appropriated to carry out subsection (c)(1)(B)—

''(A) $4,000,000 for fiscal year 2004;

''(B) $6,000,000 for fiscal year 2005;

''(C) $8,000,000 for fiscal year 2006; and

''(D) $10,000,000 for fiscal year 2007.''.

By Mr. FEINGOLD (for himself, Mr. KENNEDY, and Mr. JEFFORDS):

S. 1117. A bill to provide a definition of a prevailing party for Federal fee-shifting statutes; to the Committee on the Judiciary.

Mr. FEINGOLD. Mr. President, I am pleased today to introduce the Settlement Encouragement and Fairness Act of 2003. This bill provides that when plaintiffs bring a lawsuit that acts as a catalyst for a change in position by the opposing party, they will be considered the ''prevailing party'' for purposes of recovering attorneys' fees under Federal law. The bill will help ensure that people who are the victims of civil rights, environmental and worker rights' abuses can obtain legal representation to enforce their rights.

Over the course of our history, Congress has often enacted laws encouraging private litigants to implement public policy through our court system. An integral part of many such laws are provisions that help individuals obtain adequate legal representation by providing that the defendants will pay the plaintiffs' attorneys fees in cases were the plaintiff prevails. In laws involving public accommodations, housing, labor, disabilities, age discrimination, violence against women, voting rights, pollution and others, Congress has acted over and over again to empower private litigants in their pursuit of justice. Presently, there are over two hundred statutory fee-shifting provisions that allow for some sort of payment of attorneys' fees to a prevailing plaintiff.

Until 2001, in interpreting these fee-shifting statutes in cases where a settlement was reached before trial, nine circuit courts of appeals embraced the ''catalyst theory'' to determine whether attorneys' fees could be obtained. The catalyst theory required the payment of fees where the lawsuit caused a change in the position or conduct of the defendant. Only one circuit court, the Fourth Circuit, applied a more narrow definition of prevailing party, requiring a judgment or a court approved settlement in order for a plaintiff to obtain attorneys' fees.

In Buckhannon Board of Care & Home Inc. v. West Virginia Department of Health and Human Services (2001), a case arising out of the Fourth Circuit, the U.S. Supreme Court ruled, in a 5–4 decision, that plaintiffs may recover attorneys' fees from defendants only if they have been awarded relief by a court, not if they prevailed through a voluntary change in the defendant's behavior or a private settlement. The Buckhannon ruling eliminated the catalyst theory for all fee shifting statutes in federal law.

The bill I introduce today restores the catalyst theory that the vast majority of courts had approved prior to the Buckhannon decision as a basis for seeking attorneys fees under Federal fee shifting statutes. It provides a new definition of ''prevailing party'' for all such statutes to encompass the common situation where defendants alter their conduct after a lawsuit has commenced but without waiting for a court order requiring them to do so. This critical change in the definition of ''prevailing party'' will allow attorneys representing clients who cannot otherwise afford to hire a lawyer to recover their costs and to be paid a reasonable rate for their work.

The Buckhannon case itself illustrates the need for this legislation. Buckhannon Board and Care Home in West Virginia, an operator of assisted living residences, failed a state inspection because some residents were incapable of ''self-preservation'' as defined by state law. After receiving orders to close its facilities, Buckhannon sued the state seeking declaratory and injunctive relief that the ''self-preservation'' requirement violated the Fair Housing Amendments Act and the Americans with Disabilities Act. While the lawsuit was pending but before the court ruled, the state legislature eliminated the ''self-preservation'' requirement.

Imagine how the plaintiffs felt when they learned that their lawsuit had forced a change in the law not only for their own case but also for all of the other individuals who had been subject to the improper self-preservation doctrine. If ever there was a complete and total victory caused by litigation, this was it. But, as Casey Stengall once said, ''It ain't over 'til it's over.'' Once the state legislature changed the law, the District Court granted defendant's motion to dismiss the case as moot and denied Buckhannon's request for attorneys' fees. The court ruled that the legislative action did not amount to a judicially required change in position that would permit Buckhannon to be considered a ''prevailing party'' in the case. On appeal, the Court of Appeals for the Fourth Circuit and then the U.S. Supreme Court denied attorneys' fees for the plaintiffs, ruling that because the change in the defendants' conduct was voluntary rather than ordered by the court, Buckhannon was not a prevailing party.

I believe the narrow definition of ''prevailing party'' endorsed by the Buckhannon decision will result in many injustices going unchallenged. Indeed, in calculating whether to take a case, an attorney for a plaintiff will have to consider not only the chances of losing, but the chances of winning too easily. If businesses or individuals are able to engage in egregious conduct, refuse to change their behavior without a lawsuit being filed against them, and then avoid paying attorneys' fees by changing their conduct on the eve of trial, the effect will be that

some lawyers will decide they cannot afford to take a case even if the claims are very strong.

Imagine a case involving a legitimate claim of housing discrimination where, after many months, perhaps even years of work, as the attorney who labored for the plaintiff prepares into the evening for opening statements, the attorney learns that the defendant has admitted its wrongful conduct and offered substantial compensation and a promise to change its practices. This offer came about only because of the spotlight the lawsuit put on the defendant and the possibility of a large jury verdict. This would be a complete victory for the plaintiff, but under Buckhannon, the attorney who labored for years to bring about this result may not be paid. Later, if the same defendant returns to discriminatory practices, the next plaintiff might very well not be able to find competent counsel who will take the case.

Ironically, the failure to correct the Buckhannon decision could lead to plaintiffs' attorneys dragging out law suits far beyond a point in time where the parties could reach a fair settlement, in order to insure that they meet the Buckhannon definition of ''prevailing party.'' This will increase the costs of litigation and discourage settlement. Simply put, Buckhannon creates unnatural tensions between attorneys and clients and may even push attorneys to not act in the best interest of their clients.

Certainly we can do better. Congress has passed important laws to protect the public in the work place and in our communities; we must ensure that these laws can be enforced, when necessary, in court. The Settlement Encouragement and Fairness Act of 2003 will help insure that all our citizens have the ability to meaningfully challenge injustice.

By Mr. JEFFORDS (for himself, Mr. LEAHY, Mr. SCHUMER, and Mrs. CLINTON):

S. 1118. A bill to establish the Champlain Valley National Heritage Partnership in the States of Vermont and New York, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. JEFFORDS. Mr. President, I am very pleased to introduce the Champlain Valley National Heritage Act of 2003. I am joined by Senator LEAHY and Senators SCHUMER and CLINTON of New York. This bill will establish a National Heritage Partnership within the Champlain Valley. Passage of this bill will culminate a process to enhance the incredible cultural resources of the Champlain Valley.

The Champlain Valley of Vermont and New York has one of the richest and most intact collections of historic resources in the United States. Fort Ticonderoga still stands where it has for centuries, at the scene of numerous battles critical to the birth of our Nation. Revolutionary gunboats have recently been found fully intact on the bottom of Lake Champlain. Our cemeteries are the permanent resting place for great explorers, soldiers and sailors. The United States and Canada would not exist today but for events that occurred in this region.

We in Vermont and New York take great pride in our history. We preserve it, honor it and show it off to visitors from around the world. These visitors are also very important to our economy. Tourism is among the most important industries in this region and has much potential for growth.

The Champlain Valley Heritage Partnership will bring together more than one hundred local groups working to preserve and promote our heritage. Up to $2 million a year will be made available from the National Park Service through the Lake Champlain Basin Program to support local efforts to preserve and interpret our heritage and present it to the world. Most of the funding will be given to small communities to help preserve their heritage and develop economic opportunities.

This project has taken many years for me to bring to the point of introducing legislation. This has been time well spent working at the grass-roots level to develop a framework to direct federal resources to where it will do the most good. I am confident that we have found the best model. This will be a true partnership that supports each member but does not impose any new federal requirements.

The Champlain Valley National Heritage Partnership will preserve our historic resources, interpret and teach about the events that shaped our nation and will be an engine for economic growth. I am hopeful that this bill, which was considered by the Senate last year, will become law during this Congress.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1118

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Champlain Valley National Heritage Partnership Act of 2003''.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) the Champlain Valley and its extensive cultural and natural resources have played a significant role in the history of the United States and the individual States of Vermont and New York;

(2) archaeological evidence indicates that the Champlain Valley has been inhabited by humans since the last retreat of the glaciers, with the Native Americans living in the area at the time of European discovery being primarily of Iroquois and Algonquin descent;

(3) the linked waterways of the Champlain Valley, including the Richelieu River in Canada, played a unique and significant role in the establishment and development of the United States and Canada through several distinct eras, including—

(A) the era of European exploration, during which Samuel de Champlain and other explorers used the waterways as a means of access through the wilderness;

(B) the era of military campaigns, including highly significant military campaigns of the French and Indian War, the American Revolution, and the War of 1812; and

(C) the era of maritime commerce, during which canals boats, schooners, and steamships formed the backbone of commercial transportation for the region;

(4) those unique and significant eras are best described by the theme ''The Making of Nations and Corridors of Commerce'';

(5) the artifacts and structures associated with those eras are unusually well-preserved;

(6) the Champlain Valley is recognized as having one of the richest collections of historical resources in North America;

(7) the history and cultural heritage of the Champlain Valley are shared with Canada and the Province of Quebec;

(8) there are benefits in celebrating and promoting this mutual heritage;

(9) tourism is among the most important industries in the Champlain Valley, and heritage tourism in particular plays a significant role in the economy of the Champlain Valley;

(10) it is important to enhance heritage tourism in the Champlain Valley while ensuring that increased visitation will not impair the historical and cultural resources of the region;

(11) according to the 1999 report of the National Park Service entitled ''Champlain Valley Heritage Corridor Project'', ''the Champlain Valley contains resources and represents a theme 'The Making of Nations and Corridors of Commerce', that is of outstanding importance in U.S. history''; and

(12) it is in the interest of the United States to preserve and interpret the historical and cultural resources of the Champlain Valley for the education and benefit of present and future generations.

(b) PURPOSES.—The purposes of this Act are—

(1) to establish the Champlain Valley National Heritage Partnership in the States of Vermont and New York to recognize the importance of the historical, cultural, and recreational resources of the Champlain Valley region to the United States;

(2) to assist the State of Vermont and New York, including units of local government and nongovernmental organizations in the States, in preserving, protecting, and interpreting those resources for the benefit of the people of the United States;

(3) to use those resources and the theme ''The Making of Nations and Corridors of Commerce'' to—

(A) revitalize the economy of communities in the Champlain Valley; and

(B) generate and sustain increased levels of tourism in the Champlain Valley;

(4) to encourage—

(A) partnerships among State and local governments and nongovernmental organizations in the United States; and

(B) collaboration with Canada and the Province of Quebec to—

(i) interpret and promote the history of the waterways of the Champlain Valley region;

(ii) form stronger bonds between the United States and Canada; and

(iii) promote the international aspects of the Champlain Valley region; and

(5) to provide financial and technical assistance for the purposes described in paragraphs (1) through (4).

SEC. 3. DEFINITIONS.

In this Act:

(1) HERITAGE PARTNERSHIP.—The term ''Heritage Partnership'' means the Champlain Valley National Heritage Partnership established by section 4(a).

(2) MANAGEMENT ENTITY.—The term ''management entity'' means the Lake Champlain Basin Program.

(3) MANAGEMENT PLAN.—The term ''management plan'' means the management plan developed under section 4(b)(B)(i).

(4) REGION.—

(A) IN GENERAL.—The term ''region'' means any area or community in 1 of the States in which a physical, cultural, or historical resource that represents the theme is located.

(B) INCLUSIONS.—The term ''region'' includes

(i) the linked navigable waterways of—

(I) Lake Champlain;

(II) Lake George;

(III) the Champlain Canal; and

(IV) the portion of the Upper Hudson River extending south to Saratoga;

(ii) portions of Grand Isle, Franklin, Chittenden, Addison, Rutland, and Bennington Counties in the State of Vermont; and

(iii) portions of Clinton, Essex, Warren, Saratoga and Washington Counties in the State of New York.

(5) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(6) STATE.—the term ''State'' means—

(A) the State of Vermont; and

(B) the State of New York.

(7) THEME.—The term ''theme'' means the theme ''The Making of Nations and Corridors of Commerce'', as the term is used in the 1999 report of the National Park Service entitled ''Champlain Valley Heritage Corridor Project'', that describes the periods of international conflict and maritime commerce during which the region played a unique and significant role in the development of the United States and Canada.

SEC. 4. HERITAGE PARTNERSHIP.

(a) ESTABLISHMENT.—There is established in the regional the Champlain Valley National Heritage Partnership.

(b) MANAGEMENT ENTITY.—

(1) DUTIES.—

(A) IN GENERAL.—The management entity shall implement the Act.

(B) MANAGEMENT PLAN.—

(i) IN GENERAL.—Not later than 3 years after the date of enactment of this Act, the management entity shall develop a management plan for the Heritage Partnership.

(ii) EXISTING PLAN.—Pending the completion and approval of the management plan, the management entity may implement the provisions of this Act based on its federally authorized plan ''Opportunities for Action, an Evolving Plan For Lake Champlain''.

(iii) CONTENTS.—The management plan shall include—

(I) recommendations for funding, managing, and developing the Heritage Partnership;

(II) a description of activities to be carried out by public and private organizations to protect the resources of the Heritage Partnership;

(III) a list of specific, potential sources of funding for the protection, management, and development of the Heritage Partnership;

(IV) an assessment of the organizational capacity of the management entity to achieve the goals for implementation; and

(V) recommendations of ways in which to encourage collaboration with Canada and the Province of Quebec in implementing this Act.

(iv) CONSIDERATIONS.—In developing the management plan under clause (i), the management entity shall take into consideration existing Federal, State, and local plans relating to the region.

(v) SUBMISSION TO SECRETARY FOR APPROVAL.—

(I) IN GENERAL.—Not later than 3 years after the date of enactment of this Act, the management entity shall submit the management plan to the Secretary for approval.

(II) EFFECT OF FAILURE TO SUBMIT.—If a management plan is not submitted to the Secretary by the date specified in paragraph (I), the Secretary shall not provide any additional funding under this Act until a management plan for the Heritage Partnership is submitted to the Secretary.

(vi) APPROVAL.—Not later than 90 days after receiving the management plan submitted under subparagraph (V)(I), the Secretary, in consultation with the States, shall approve or disapprove the management plan.

(vii) ACTION FOLLOWING DISAPPROVAL.—

(I) GENERAL.—If the Secretary disapproves a management plan under subparagraph (vi), the Secretary shall—

(aa) advise the management entity in writing of the reasons for the disapproval;

(bb) make recommendations for revisions to the management plan; and

(cc) allow the management entity to submit to the Secretary revisions to the management plan.

(II) DEADLINE FOR APPROVAL OF REVISION.—Not later than 90 days after the date on which a revision is submitted under subparagraph (vii)(I)(cc), the Secretary shall approve or disapprove the revision.

(viii) AMENDMENT.—

(I) IN GENERAL.—After approval by the Secretary of the management plan, the management entity shall periodically—

(aa) review the management plan; and

(bb) submit to the Secretary, for review and approval by the Secretary, the recommendations of the management entity for any amendments to the management plan that the management entity considers to be appropriate.

(II) EXPENDITURE OF FUNDS.—No funds made available under this Act shall be used to implement any amendment proposed by the management entity under subparagraph (viii)(1) until the Secretary approves the amendments.

(2) PARTNERSHIPS.—

(A) IN GENERAL.—In carrying out this Act, the management entity may enter into partnerships with—

(i) the States, including units of local governments in the States;

(ii) nongovernmental organizations;

(iii) Indian Tribes; and

(iv) other persons in the Heritage Partnership.

(B) GRANTS.—Subject to the availability of funds, the management entity may provide grants to partners under subparagraph (A) to assist in implementing this Act.

(3) PROHIBITION ON THE ACQUISITION OF REAL PROPERTY.—The management entity shall not use Federal funds made available under this Act to acquire real property or any interest in real property.

(c) ASSISTANCE FROM SECRETARY.—To carry out the purposes of this Act, the Secretary may provide technical and financial assistance to the management entity.

SEC. 5. EFFECT.

Nothing in this Act—

(1) grants powers of zoning or land use to the management entity;

(2) modifies, enlarges, or diminishes the authority of the Federal Government or a State or local government to manage or regulate any use of land under any law (including regulations); or

(3) obstructs or limits private business development activities or resource development activities.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to carry out this Act not more than a total of $10,000,000, of which not more than $1,000,000 may be made available for any fiscal year.

(b) NON-FEDERAL SHARE.—The non-Federal share of the cost of any activities carried out using Federal funds made available under subsection (a) not be less than 50 percent.

SEC. 7. TERMINATION OF AUTHORITY.

The authority of the Secretary to provide assistance under this Act terminates on the date that is 15 years after the date of enactment of this Act.

Mr. LEAHY. Mr. President, I am very pleased to join with my Senate colleagues from Vermont and New York as we reintroduce the Lake Champlain Heritage Act of 2003. Last year, we took a significant step in helping all Americans better appreciate Lake Champlain with the passage of Daniel Patrick Moynihan Lake Champlain Basin Program Act. Today, we reaffirm our commitment to the continuing preservation of Lake Champlain's important historic sites and artifacts.

The role of Lake Champlain cannot be overlooked. From the earliest human habitation 10,000 years ago, to the Revolutionary War and the conduct of trade in the 19th and 20th centuries, this 120-mile-long basin has played a pivotal role in the Course of American history.

It was on Lake Champlain that Benedict Arnold's motley group of 15 American ships engaged a much larger and far superior British fleet in the Battle at Valcour Island. While the battle ended in a loss for the Americans, it successfully delayed the British fleet and became known as one of the most crucial engagements of the American Revolution.

This act is intended to promote and preserve these centuries of struggle in the Lake Champlain Valley. It will advance the cultural heritage goals of ''Opportunities for Action,'' a comprehensive pollution prevention, control, and restoration plan developed by the Lake Champlain Basin Program. And it will also promote such things as locally planned and managed heritage networks and a management strategy for the lake's underwater cultural resources. With the 400th anniversary of Samuel De Champlain's arrival in the valley coming up in 2009, this bill could not be more needed.

Vermonters and New Yorkers have a serious responsibility to preserve the historical and cultural heritage of the Lake Champlain Valley for future generations. Local communities on both sides of the lake have helped us develop a bold vision to enhance the conservation, interpretation, and enjoyment of our shared history. We can help revitalize local economies, promote heritage tourism, and improve the valley's cultural legacy by making additional resources available to communities and organizations through the Lake Champlain Basin Program.

It is with great pride that I stand here today with my colleagues from

Vermont and New York to reassert our partnership for Champlain Valley National Heritage Act and continue our cooperative effort to conserve, interpret, and honor our common heritage.

By Mr. GRAHAM of Florida (for himself, Mr. HATCH, and Mr. JEFFORDS):

S. 1119. A bill to amend the Internal Revenue Code of 1986 to clarify the eligibility of certain expenses for the low-income housing credit; to the Committee on Finance.

Mr. GRAHAM of Florida. Mr. President, today I am re-introducing legislation that will improve the effectiveness of one of the most successful programs we have to help Americans get affordable housing, the Low-Income Housing Tax Credit. I am proud to be joined in this effort by my esteemed colleagues, Senators HATCH and JEFFORDS.

The need for affordable housing is as great today as ever. The generally accepted definition of affordability is for a household to pay no more than 30 percent of annual income on housing. Today, twelve million renter and homeowner households pay more than 50 percent toward housing costs. In fact, nowhere in the country can a family with one minimum wage worker afford the rent on a two-bedroom apartment.

The Low-Income Housing Tax Credit was created in 1986 to attract private sector capital to the affordable housing market. It has been the major engine for financing the production of low-income multi-family housing. The program offers developers and investors in affordable housing credit against their federal income tax in return for their investment. Since its inception, the Low-Income Housing Tax Credit has assisted in the development and availability of roughly 850,000 new and rehabilitated units of affordable housing.

In the fall of 2000, the Internal Revenue Service isssued its first guidance in the program's 16-year history. That guidance was issued in the form of several technical advice memoranda, or TAMs, and specified which development costs will be eligible and ineligible for the credit, known as eligible basis.

TAMs are not official guidance, reviewed by the Treasury Department, but instead, are IRS legal opinions providing direction to IRS agents conducting audits. They are not citable in court proceedings because they are not official guidance. In the absence of official guidance, TAMs could be taken as the official government position. In fact, that is exactly what is happening.

The problem is that the IRS's position is contrary to common industry practice, and eliminates many reasonable, legitimate and necessary costs from the tax credit. This has caused uncertainty among investors as to whether the credits for which they have paid, will be realized. Moreover, these guidelines could adversely affect the ability of States to target affordable housing to those who need it the most.

It is important to understand, this legislation will not increase the pool of low-income housing tax credits. The Internal Revenue Code sets the maximum amount of credits that States may allocate to developers of affordable housing properties. Thanks to legislation that we enacted in 2000, the amount available to each State has increased from $1.50 to $1.75 times the State's population. That 40 percent increase is expected to produce about 30,000 more units a year. Since the unmet demand for affordable housing is many times greater than what can be built with the help of the credit, our legislation should not affect revenues. In fact, the only way for this legislation to have a revenue impact is if the legislation makes it easier for the states to use the credits we intend for them to have under present law.

What this legislation does do, however, is very important. To understand its importance, it may be useful to have a little background on how the low-income housing tax credit works.

In economic terms, the credit is equity financing which replaces a portion of debt that would otherwise be necessary to finance a property. By replacing debt, credits work to reduce interest costs. This allows a property owner to offer lower rents than otherwise would be the case.

The most unique feature of the program is that state housing finance agencies award Federal tax credits to developers of rental housing. Since these agencies have considerable flexibility in how they distribute the credits, developers compete for the limited number of tax credits by submitting project proposals. The agencies rate the proposals, and allocate credits to individual properties based on criteria provided in the Internal Revenue Code, and on the state's particular housing needs and priorities.

The Internal Revenue Code also limits the amount of credits a state may allocate to a particular property. The limit is determined as percentage of the basis of a property. The basis is, generally speaking, the cost of constructing a building that is part of an affordable housing project. Non-federally subsidized new construction may receive a 9 percent credit. Existing buildings and new buildings receiving other federal subsidies may get a 4 percent credit.

The IRS takes the position that certain construction costs should not be included in basis. This position makes a large number of affordable housing properties financially unfeasible, and weakens the economics of those that still pass minimum underwriting requirements. The loss of equity would surely affect the properties that serve the lowest income tenants, provide higher levels of service, or operate in high cost areas. The reason that this is problematic is simple. Reducing the amount of credits does not reduce the development costs. It merely alters the source of financing from equity to debt, forcing either higher rents or lower quality construction.

Apparently, the Treasury Department and Internal Revenue Service agree that this is an issue worthy of review, as both agencies have included it in their business plan. Last year, the IRS issued new guidance on one of the items addressed by the TAMs, but there does not appear to be a full review of the effect of the positions set forth in the TAMs anytime soon.

This legislation would amend the Internal Revenue Code to specify that certain associated development costs are to be included in eligible basis. In many cases, the largest item excluded from eligible basis under the TAMs is ''impact fees.'' Impact fees are fees required by the government ''as a condition to the development'' and considered ineligible because they are one-time costs, unlike building permits that need to be renewed each time a building is built. These fees cover a wide range of infrastructure improvements including sewer lines, schools, and roads. Certainly, whether or not they are includable in basis for the purpose of calculating the amount of tax credit, these costs will be incurred and will impact the economics of the property. As I mentioned previously, the IRS has recently addressed the inclusion of impact fees in eligible basis, but not other costs directly related to building construction.

Other items that would be severely restricted or excluded from eligible basis under the interpretations expressed in the TAMs are site preparation costs, development fees, professional fees related to developing the property, and construction financing costs. The legislation we are introducing today will clarify that any cost incurred in preparing a site which is reasonably related to the development of a qualified low-income housing property, any reasonable fee paid to the developer, any professional fee relating to an item includable in basis, and any cost of financing attributable to construction of the building is includable in basis for the purpose of calculating the maximum amount of credit a state may allocate to a low-income housing property.

The intent of these clarifications is simply to codify common industry practice before the issuance of the TAMs. Not only will the legislation allow the low-income tax credit program to provide better quality hosing at lower rental rates than would be possible if the positions taken in the TAMs are followed, but clarification will help simplify administration of the credit by giving both taxpayers and the Internal Revenue Service a clearer statement of the standards that apply in calculating credit amounts.

Our economy is not doing as well as we would like, and there is a significant likelihood that we are going to need even more affordable housing in

the not too distant future. We should be proud that we increased the amount of low-income housing tax credits that will be available to help finance this housing. What we need to do now is to make sure that these credits are used as efficiently as possible to provide housing for those who need it the most. The legislation we are introducing today will help achieve that goal.

I ask unanimous consent that the text of this bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1119

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

SECTION 1. ELIGIBILITY OF CERTAIN EXPENSES FOR LOW-INCOME HOUSING CREDIT.

(a) IN GENERAL.—Subsection (d) of section 42 of the Internal Revenue Code of 1986 (relating to low-income housing credit) is amended by adding at the end the following new paragraph:

''(8) ASSOCIATED DEVELOPMENT COSTS INCLUDED IN BASIS.—

''(A) IN GENERAL.—Solely for purposes of this section, associated development costs shall be taken into account in determining the basis of any building which is part of a low-income housing project to the extent not otherwise so taken into account.

''(B) ASSOCIATED DEVELOPMENT COSTS.—For purposes of subparagraph (A), the term 'associated development costs' means, with respect to any building, such building's allocable share of—

''(i) any cost incurred in preparing the site which is reasonably related to the development of the qualified low-income housing project of which the building is a part,

''(ii) any fee imposed by a State or local government as a condition to development of such project,

''(iii) any reasonable fee paid to any developer of such project,

''(iv) any professional fee relating to any item includible in the basis of the building pursuant to this paragraph, and

''(v) any cost of financing attributable to construction of the building (without regard to the source of such financing) which is required to be capitalized.''

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

(1) housing credit dollar amounts allocated after December 31, 2002, and

(2) buildings placed in service after such date to the extent paragraph (1) of section 42(h) of the Internal Revenue Code of 1986 does not apply to any building by reason of paragraph (4) thereof, but only with respect to bonds issued after such date.

By Mr. BAUCUS (for himself, Mr. ROCKEFELLER, MR. BINGAMAN, Mr. DAYTON, and Mrs. MURRAY):

S. 1120. A bill to establish an Office of Trade Adjustment Assistance, and for other purposes; to the Committee on Finance.

Mr. BAUCUS. Mr. President, I rise today to introduce the Trade Adjustment Assistance for Firms Reorganization Act.

The Trade Adjustment Assistance for Firms program assists hundreds of mostly small and medium-sized manufacturing and agricultural companies in Montana and nationwide when they face layoffs and lost sales due to import competition. Qualifying companies develop adjustment plans and receive technical assistance to become more competitive, so they can retain and expand employment.

The program is very cost effective. It requires the firms being helped to match the Federal assistance with their own funds, and it pays the government back in Federal and State tax revenues when the firms succeed.

Currently, TAA for Firms clients receive assistance preparing petitions and adjustment plans from twelve Trade Adjustment Assistance Centers, which are Commerce Department contractors. Program and policy decisions are made by a small Headquarters staff in Commerce's Economic Development Administration. This organizational structure is efficient and has served the program well for many years.

For example, TAA for Firms is helping Montola Growers from Culbertson, Montana, to develop cosmetic applications for its rapeseed oil. The program is helping Pyramid Mountain Lumber of Seeley Lake, MT to upgrade its production process and train employees to use new process controls. And it is helping Porterbilt Company of Hamilton to expand its product line.

Last year, in the Trade Act of 2002, a bipartisan majority of Congress voted to reauthorize this important program for seven years and to increase its authorized funding level. The program seemed headed toward some years of smooth sailing. But it turns out that is not the case.

For reasons unrelated to TAA for Firms, EDA is about to move all its Headquarters program operations to its six regional offices, with a policy office in Washington. For TAA for Firms, that means clients will get the same local services from the TAACs, but decisions will be made in six regional offices and the national policy office—a net increase in layers of government. The likely result is more personnel needed to run the program, less centralized and consistent decision making, and less accountability—all without any likely improvement in customer service.

The organizational structure of TAA for Firms is not broken and it doesn't need to be fixed. This bill preserves the existing efficient management structure of the TAA for Firms program. Instead of moving the program out of Commerce Headquarters entirely, it simply moves the program to a different part of the Commerce Department. That way it can continue to be centrally managed with a minimal staff.

Under this bill, administration of TAA for Firms will move from the Economic Development Administration at the Department of Commerce to DOC's International Trade Administration.

Relocating the program to ITA makes a lot more sense that dividing it up among seven different EDA offices, for several reasons. First, ITA has experience running this program, which was located there prior to 1990. Second, relocating TAA for Firms to ITA will result in fewer layers of government and more centralized and accountable program management. It also creates synergies by allowing better coordination of the TAA for Firms program with other trade and trade remedy programs administered by ITA. And it enhances the ability of the Finance Committee to carry out its oversight responsibilities for this program and for trade policy in general.

I want to thank Senators ROCKEFELLER, BINGAMAN, DAYTON, and MURRAY who have joined me in co-sponsoring this bill. This is a simple matter of good, sensible government and I encourage more of my colleagues to lend it their support. I urge Chairman GRASSLEY to take up this bill in the Finance Committee as soon as possible.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1120

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Trade Adjustment Assistance for Firms Reorganization Act''.

SEC. 2. OFFICE OF TRADE ADJUSTMENT ASSISTANCE.

(a) IN GENERAL.—Chapter 3 of title II of the Trade Act of 1974 (19 U.S.C. 2341 et seq.) is amended by inserting after section 255 the following new section:

''SEC. 255A. OFFICE OF TRADE ADJUSTMENT ASSISTANCE.

''(a) ESTABLISHMENT.—Not later than 90 days after the date of enactment of the Trade Adjustment Assistance for Firms Reorganization Act, there shall be established in the International Trade Administration of the Department of Commerce an Office of Trade Adjustment Assistance.

''(b) PERSONNEL.—The Office shall be headed by a Director, and shall have such staff as may be necessary to carry out the responsibilities of the Secretary of Commerce described in this chapter.

''(c) FUNCTIONS.—The Office shall assist the Secretary of Commerce in carrying out the Secretary's responsibilities under this chapter.''.

(b) CONFORMING AMENDMENT.—The table of contents for the Trade Act of 1974 is amended by inserting after the item relating to section 255, the following new item:

''Sec. 255A. Office of Trade Adjustment Assistance.''.

By Mr. BAUCUS (for himself and Mr. MCCAIN):

S. 1121. A bill to extend certain trade benefits to countries of the greater Middle East; to the Committee on Finance.

Mr. BAUCUS. Mr. President, I rise today to introduce, on behalf of my self and Senator MCCAIN, the Middle East Trade and Engagement Act of 2003.

For more than a thousand years, the most important trade route in the world ran through the heart of the

Middle East. The Silk Road that linked the Western world with China wound its way through what is today Egypt, Iraq, Jordan, Turkey, and a host of other countries in the Middle East.

Merchants who traveled either direction along the Silk Road brought with them not only their goods for sale, but also their ideas and culture. In this way, all peoples from the West through the East were enriched with both money and knowledge.

But in modern times, the countries of the Middle East have retreated from their historically critical role in world trade. Today, few countries in the Middle East engage fully in the global trading system.

Many are not members of the World Trade Organization. Many have high barriers to international trade and investment. Their economies have suffered as a result. A declining share of world trade and investment has led to decades of deepening poverty and slow job creation in the countries of the Middle East.

At the same time, they have been experiencing population growth rates among the highest in the world. That means that a growing number of young people will be entering the workforce to look for jobs that don't now exist.

The United States cannot stand idly by as a generation of young people in the Middle East grows up to discover that there is no meaningful work for them, and that they have no way to provide for a family of their own.

The problem will only get worse if we don't act now. As the rest of the world continues to liberalize its trade, the countries of the Middle East will only be left further behind.

That is why we're today introducing the Middle East Trade and Engagement ACt of 2003. Under this Act, countries in the Middle East will be given preferential access to the U.S. market.

This is not a one-way street. Countries must meet certain conditions. They must support our war on terrorism, and they must pursue economic reforms. Only then will they reap the benefits of this legislation.

Our proposal can have an immediate impact. Opening our markets to the countries of the Middle East will encourage higher levels of trade and direct investment in those countries. And we know it can be a success because if has worked before in other regions. Our bill is modeled on successful programs that increased economic development in sub-Saharan Africa and the Andean countries.

This legislation will do the same for the countries of the Middle East. Increased economic development in that region means jobs for the young and the unemployed, some of whom may otherwise be recruited by our enemies in the war on terrorism.

By helping to strengthen these economies, we also increase the number of people who can afford to purchase American products and services. That means increased export opportunities for American businesses and more jobs for American farmers and workers.

President Bush recently announced an initiative to create a free trade area for the United States and the countries of the Middle East by the year 2013. This is a good long-term goal. But the people in the Middle East need our help now. They need jobs now, not ten years from now.

The Middle East Trade and Engagement Act would bring the benefits of trade to the people of the countries in the Middle East in a much shorter time. It would also help those countries make the economic reforms they'll need to make before a free trade area can become a realistic option.

And just as trade in the time of the Silk Road allowed the exchange of ideas and culture as well as goods, increased trade now can strengthen ties between the United States and the countries in the Middle East.

Now, in the Aftermath of the war in Iraq, the whole world's attention is focused on the Middle East. It is the ideal time for the United States to engage these countries in a comprehensive way and help bring them more fully into the global trading system.

I hope that my colleagues will join Senator MCCAIN and me in cosponsoring this important legislation, and I hope we will have a change to consider this in the Finance Committee this year.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1121

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Middle East Trade and Engagement Act of 2003''.

SEC. 2. FINDINGS.

Congress finds that—

(1) it is in the mutual interest of the United States and the countries of the greater Middle East to promote stable and sustainable growth and development throughout the greater Middle East;

(2) Congress views democratization and economic progress in the countries of the greater Middle East as important elements of a policy to address terrorism and endemic instability;

(3) free trade relationships are not a substitute for, but a complement to, necessary political and economic reforms that lead to political liberalization and economic freedom;

(4) the countries of the greater Middle East have enormous economic potential and are of enduring political significance to the United States;

(5) despite their economic potential, the countries of the greater Middle East are experiencing deepening poverty, slow job creation, and a declining share of world trade and investment, while at the same time experiencing population growth rates among the highest in the world;

(6) these economic conditions are in part the result of barriers to trade and investment, a failure to engage fully in the global trading system, lack of participation in the World Trade Organization, and, often, a lack of economic diversification and over-reliance on the energy sector;

(7) offering the countries of the greater Middle East enhanced trade preferences will encourage higher levels of trade and direct investment and help bring those countries more fully into the global trading system;

(8) higher levels of trade and investment and greater involvement in the global trading system can lead to increased economic development, which can in turn lead to more jobs for people in the countries of the greater Middle East; and

(9) encouraging the reciprocal reduction of trade and investment barriers in the greater Middle East will enhance the benefits of trade and investment for all the countries in the greater Middle East as well as enhance commercial and political ties between the United States and the greater Middle East.

SEC. 3. STATEMENT OF POLICY.

Congress supports—

(1) encouraging increased trade and investment between the United States and the countries of the greater Middle East and among the countries of the greater Middle East;

(2) reducing tariff and nontariff barriers and other obstacles to trade between the United States and the countries of the greater Middle East and among the countries of the greater Middle East;

(3) strengthening and expanding the private sector and accelerating the rate of job creation in the countries of the greater Middle East;

(4) focusing on countries committed to the rule of law, economic reform, political liberalization, respect for human rights, and the eradication of poverty;

(5) facilitating the development of civil societies and political freedom in the countries of the greater Middle East;

(6) promoting sustainable development, and protecting and preserving the environment in a manner consistent with economic development; and

(7) encouraging the countries of the greater Middle East to diversify their economies, implement domestic economic reforms, open to trade, and adopt anticorruption measures, including through accession to the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

SEC. 4. DESIGNATION OF ELIGIBLE COUNTRIES.

(a) IN GENERAL.—The President is authorized to designate any country listed in subsection (c) as a beneficiary country if the President determines that the country—

(1) has established, or is making continual progress toward establishing—

(A) a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) the rule of law and the right to due process, a fair trial, and equal protection under the law;

(C) political pluralism, a climate free of political intimidation and restrictions on peaceful political activity, and democratic elections that meet international standards of fairness, transparency, and participation;

(D) the elimination of barriers to United States trade and investment, including by—

(i) providing national treatment and measures to create an environment conducive to domestic and foreign investment;

(ii) protecting intellectual property; and

(iii) resolving bilateral trade and investment disputes;

(E) economic policies that reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(F) a system to combat corruption and bribery, such as signing and implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;

(G) protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work; and

(H) policies that provide a high level of environmental protection;

(2) does not engage in activities that undermine United States national security or foreign policy interests, and supports a peaceful resolution of the Israeli-Palestinian conflict;

(3) is a signatory of the United Nations Declaration of Human Rights, does not engage in gross violations of internationally recognized human rights, and is making continuing and verifiable progress on the protection of internationally recognized human rights, including freedom of speech and press, freedom of peaceful assembly and association, and freedom of religion;

(4) is not listed by the United States Department of State as a state sponsor of terrorism and cooperates fully in international efforts to combat terrorism;

(5) does not participate in the primary, secondary, or tertiary economic boycott of Israel; and

(6) otherwise meets the eligibility criteria set forth in section 502(b)(2) of the Trade Act of 1974 (19 U.S.C. 2462(b)(2)), other than section 502(b)(2)(B).

(b) CONTINUING COMPLIANCE.—If the President determines that a designated beneficiary country no longer meets the requirements described in subsection (a), the President shall terminate the designation of the country made pursuant to subsection (a) and inform Congress of the President's determination and the reasons therefor.

(c) COUNTRIES ELIGIBLE FOR DESIGNATION.—In designating countries as beneficiary countries under this Act, the President shall consider only the following countries of the greater Middle East or their successor political entities:

(1) Afghanistan.
(2) Algeria.
(3) Azerbaijan.
(4) Bahrain.
(5) Bangladesh.
(6) Egypt.
(7) Iraq.
(8) Kuwait.
(9) Lebanon.
(10) Morocco.
(11) Oman.
(12) Pakistan.
(13) Qatar.
(14) Saudi Arabia.
(15) Tunisia.
(16) Turkey.
(17) United Arab Emirates.
(18) Yemen.

(d) THE PALESTINIAN AUTHORITY.—The President is also authorized to designate the Palestinian Authority or its successor political entity as a beneficiary political entity which, if so designated, shall be accorded benefits under this Act as if it were a beneficiary country, if the President determines that the Palestinian Authority—

(1) satisfies the conditions of subsection (a)(1) and (2);

(2) does not participate in acts of terrorism, and takes active measures to combat terrorism;

(3) cooperates fully in international efforts to combat terrorism;

(4) does not engage in gross violations of internationally recognized human rights, and is making continuing and verifiable progress on the protection of internationally recognized human rights, including freedom of speech and the press, freedom of peaceful assembly and association, and freedom of religion; and

(5) accepts Israel's right to exist in peace within secure borders.

SEC. 5. DESIGNATION OF ELIGIBLE ARTICLES.

(a) ELIGIBLE ARTICLES.—Except as provided in sections 503(b)(2) and (3) of the Trade Act of 1974 (19 U.S.C. 2463(b)(2) and (3)), the President is authorized to designate articles as eligible for duty-free treatment from all beneficiary countries for purposes of this Act by Executive order or Presidential proclamation after receiving the advice of the International Trade Commission in accordance with subsection (c).

(b) RULES OF ORIGIN.—

(1) GENERAL RULE.—The duty-free treatment provided under this Act shall apply to any eligible article which is the growth, product, or manufacture of 1 or more beneficiary countries if—

(A) that article is imported directly from a beneficiary country into the customs territory of the United States; and

(B) the sum of—

(i) the cost or value of the materials produced in 1 or more beneficiary countries, plus

(ii) the direct cost of processing operations performed in such beneficiary country or countries,

is not less than 35 percent of the appraised value of such article at the time it is entered.

(2) ADDITIONAL COUNTRIES.—For purposes of the rules of origin in paragraph (1) and the regulations prescribed pursuant to paragraph (4), the term ''beneficiary country'' includes Israel and Jordan.

(3) EXCLUSIONS.—An article shall not be treated as the growth, product, or manufacture of a beneficiary country by virtue of having merely undergone—

(A) simple combining or packaging operations; or

(B) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

(4) REGULATIONS.—The Secretary of the Treasury, after consulting with the United States Trade Representative, shall prescribe such regulations as may be necessary to carry out this subsection, including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under this Act, an article—

(A) must be wholly the growth, product, or manufacture of 1 or more beneficiary countries, including Israel and Jordan; or

(B) must be a new or different article of commerce which has been grown, produced, or manufactured in 1 or more beneficiary countries, including Israel and Jordan.

(c) INTERNATIONAL TRADE COMMISSION ADVICE.—Before designating an article as an eligible article under subsection (a), the President shall publish in the Federal Register and furnish the International Trade Commission with a list of articles that may be considered for designation as eligible articles for purposes of this Act. The President shall comply with the provisions of sections 131, 132, 133, and 134 of the Trade Act of 1974 as if an action under this Act were an action taken under section 123 of the Trade Act of 1974 to carry out a trade agreement entered into under section 123.

SEC. 6. UNITED STATES-MIDDLE EAST TRADE AND ECONOMIC COOPERATION FORUM.

(a) DECLARATION OF POLICY.—The President shall convene annual high-level meetings among appropriate officials of the United States Government, officials of the governments of eligible beneficiary countries, and officials of the Governments of Israel and Jordan in order to foster close economic ties between the United States and the countries of the greater Middle East.

(b) ESTABLISHMENT.—Not later than 12 months after the date of enactment of this Act, the President, after consulting with Congress and the governments concerned, shall establish a United States-Middle East Trade and Economic Cooperation Forum (in this section referred to as the ''Forum'').

(c) REQUIREMENTS.—In creating the Forum, the President shall meet the following requirements:

(1) The President shall direct the Secretary of Commerce, the Secretary of the Treasury, the Secretary of State, and the United States Trade Representative to host the first annual meeting with their counterparts from the governments of designated beneficiary countries, and those countries and political entities listed in section 4 (c) and (d) that the President determines are taking substantial positive steps toward meeting the eligibility requirements in section 4. The purpose of the meeting shall be to discuss expanding trade and investment relations between the United States and the countries of the greater Middle East and the implementation of this Act including encouraging joint ventures between small and large businesses. The President shall also direct the Secretaries and the United States Trade Representative to invite to the meeting representatives from appropriate organizations and government officials from countries and political entities in the greater Middle East.

(2)(A) The President, in consultation with Congress, shall encourage United States nongovernmental organizations to host annual meetings with nongovernmental organizations from the countries and political entities of the greater Middle East in conjunction with the annual meetings of the Forum for the purpose of discussing the issues described in paragraph (1).

(B) The President, in consultation with Congress, shall encourage United States representatives of the private sector to host annual meetings with representatives of the private sector from the countries and political entities of the greater Middle East in conjunction with the annual meetings of the Forum for the purpose of discussing the issues described in paragraph (1).

(3) The President shall, to the extent practicable, meet with the heads of governments of designated beneficiary countries, and those countries and political entities listed in section 4 (c) and (d) that the President determines are taking substantial positive steps toward meeting the eligibility requirements in section 4, not less than once every 2 years for the purpose of discussing the issues described in paragraph (1). The first such meeting should take place not later than 12 months after the date of enactment of this Act.

(d) DISSEMINATION OF INFORMATION BY USIS.—In order to assist in carrying out the purposes of the Forum, the United States Information Service shall disseminate regularly, through multiple media, economic information in support of the free market economic reforms described in this Act.

SEC. 7. FREE TRADE AGREEMENTS WITH COUNTRIES OR POLITICAL ENTITIES IN THE GREATER MIDDLE EAST.

(a) DECLARATION OF POLICY.—Congress declares that bilateral free trade agreements should be negotiated, where feasible, with interested countries or political entities in the greater Middle East, in order to serve as the catalyst for increasing trade between the United States and the greater Middle East and increasing private sector investment in the greater Middle East.

(b) ELIGIBILITY.—Any country or political entity that desires to negotiate a bilateral free trade agreement with the United States shall be a member of the World Trade Organization or be working diligently toward membership and shall satisfy the criteria in section 4(a) of this Act.

(c) PLAN REQUIREMENT.—

(1) IN GENERAL.—The President, taking into account the willingness of the governments of the beneficiary countries to engage in negotiations to enter into free trade agreements, shall develop a plan for the purpose of negotiating and entering into 1 or more trade agreements with interested beneficiary countries.

(2) ELEMENTS OF PLAN.—The plan shall include the following:

(A) The specific objectives of the United States with respect to negotiations described in paragraph (1) and a suggested timetable for achieving those objectives.

(B) The benefits to both the United States and the relevant beneficiary countries with respect to the applicable free trade agreement or agreements.

(C) A mutually agreed-upon timetable for the negotiations.

(D) Subject matter anticipated to be covered by the negotiations and United States laws, programs, and policies, as well as the laws of participating eligible countries of the greater Middle East and existing bilateral and multilateral and economic cooperation and trade agreements, that may be affected by the agreement or agreements.

(E) Procedures to ensure the following:

(i) Adequate consultation with Congress and the private sector during the negotiations.

(ii) Consultation with Congress regarding all matters relating to implementation of the agreement or agreements.

(iii) Approval by Congress of the agreement or agreements.

(iv) Adequate consultations with the relevant governments of the greater Middle East during the negotiation of the agreement or agreements.

(d) REPORTING REQUIREMENT.—Not later than 12 months after the date of enactment of this Act, the President shall prepare and transmit to Congress a report containing the plan developed pursuant to subsection (c).

SEC. 8. REPORTING REQUIREMENT.

(a) IN GENERAL.—The President shall monitor, review, and prepare a report annually on the progress of each country and political entity listed in section 4 (c) and (d) in meeting the requirements described in section 4(a) in order to determine the current or potential eligibility of each country or political entity to be designated as a beneficiary country under this Act. The report shall also include a comprehensive discussion of the implementation of this Act and an analysis of the trade and investment policy of the United States with respect to the countries and political entities listed in section 4 (c) and (d). To the extent that any subject matter required by the report is included in another report submitted by the President, the report required by this section may reference the other report.

(b) TIME FOR SUBMITTING REPORT.—The President shall submit the report described in subsection (a) to Congress not later than 1 year after the date of enactment of this Act, and annually thereafter through 2011.

SEC. 9. PRESERVATION OF BENEFITS OF UNITED STATES-ISRAEL AND UNITED STATES-JORDAN FREE TRADE AGREEMENTS.

Nothing in this Act shall be deemed to nullify or impair any right or benefit accorded either to Israel or to Jordan under the existing trade agreements with the United States.

SEC. 10. TERMINATION OF PREFERENTIAL TREATMENT.

No duty-free treatment or other preferential treatment extended to beneficiary countries under this Act shall remain in effect after December 31, 2011.

Mr. MCCAIN. Mr. President, today I join Senator BAUCUS in introducing the Middle East Trade and Engagement Act of 2003. Our legislation would permit eligible countries in the greater Middle East to gain greater access to American markets through the duty-free treatment of certain exports, and ultimately to negotiate free trade agreements with the United States. It would condition broader trade relations on fundamental political and economic reforms, cooperation in the fight against terrorism, and support for the Israeli-Palestinian peace process, among other issues, in order to promote liberalization and reform across the Arab and Muslim worlds.

Free trade is a powerful tool for opening up closed societies, if leaders in the greater Middle East are willing to make necessary and overdue political and economic reforms. It is past time for nations in the region to join the global economy, and for rulers to lead increasingly restive populations in the direction of democracy and free markets.

Today, the countries of the Middle East account for a small percentage of non-energy sector trade for the United States. With the exception of oil, most Arab nations barely trade with each other, much less with the rest of the world, and many still maintain a hostile economic boycott on Israel—policies that isolate the Middle East from the global economy and perpetuate conflict instead of building prosperity. The wave of free-market reform and democratization that swept Europe, Latin America, Asia, and parts of Africa in the 1980s and 1990s has left most of the Middle East untouched and unchanged.

America's interest in economic opening and political liberalization in the region requires a new level of engagement with the countries of the greater Middle East, premised on the acceleration and active implementation of a host of reforms without which prosperity and democracy are not possible. Our legislation would tie preferential trade access to American markets to progress towards adoption of these reforms, as well as meaningful progress on human rights protections, decisive movement towards democracy, full cooperation in the war on terrorism, and an end to the primary, secondary, and tertiary economic boycott of Israel.

Our bill is modeled on the success of the Andean Trade Preferences Act and the African Growth and Opportunity Act. Ideally, enactment of the bill we are introducing today would create a regime of duty-free trade in a number of goods from the greater Middle East. Such a trade preference program would encourage and often require eligible nations to undertake the kind of significant economic reforms that ultimately lead to free trade agreements, as President Bush has called for and which we support.

The Andean Trade Preferences Act was created to expand the economies of Bolivia, Colombia, Ecuador, and Peru. By granting duty-free and reduced rate treatment to various products from these nations, we took action to strengthen the fragile economies of the region, expand their export bases, and provide Andean farmers and workers with legitimate employment outside of the drug trade. It has worked. The trade agreement created new industries in the region outside of the drug trade and expanded the economies of the region which helped to create legitimate jobs. We foresee similar effects from this legislation on parts of the Middle East, if leaders have the courage and vision to complement progress on trade with internal political and economic reforms.

Reform in the Arab and Muslim worlds requires not just greater trade but accelerated political and economic liberalization, including respect for fundamental human freedom. It is my hope that the spirit and effect of our legislation will help move countries of the greater Middle East in that direction.

By Mrs. BOXER (for herself and Mr. BIDEN):

S. 1123. A bill to provide enhanced Federal enforcement and assistance in preventing and prosecuting crimes of violence against children; to the Committee on the Judiciary.

Mrs. BOXER. Mr. President, today I am introducing the Violence Against Children Act of 2003. The legislation, modeled on the successful Violence Against Women Act, will both toughen Federal penalties for crimes against children and assist local communities in their efforts to fight violence against children. It has been endorsed by over 100 prominent individuals and organizations.

We were all horrified by the tragic murders of Samantha Runion and Danielle van Dam. We were horrified by the kidnaping of Elizabeth Smart, Erica Pratt, and Nichole Taylor Timmons who were snatched right from their homes. We were horrified by the kidnaping and rape of Jacqueline Marris and Tamara Brooks.

But there are thousands more stories we do not hear—thousands of children who each year are victims of sexual molestation, kidnaping, murder—thousands of children whose stories do not make the nightly news—thousands of children and thousands of families who suffer in silence and often without help.

In fact, 71 percent of all sex crime victims are under the age of 18—and 38 percent of all kidnaping victims are under age 18. Those between the ages of 12 and 17 are over two times more likely to be victims of a violent crime than adults. And as alarming as those statistics are, according to a study published in 1999, only 28 percent of all crimes against children are actually reported.

While we are horrified by these and other stories, we must not let them paralyze us. We must do for children what we have done on behalf of women, by changing attitudes and changing the culture. The Violence Against Children Act would create a new Federal criminal statute for willfully injuring or attempting to injure any person under the age of 18. Those who injure a child or try to will be imprisoned for up to 10 years and fined. And if the crime is kidnaping, aggravated sexual abuse, or murder, the maximum penalty will be life in prison.

In addition to enhanced penalties for crimes against children, the Violence Against Children Act provides Federal assistance—including technical, forensic, and prosecutorial assistance—to any State, Indian tribe, or local government that requests assistance with a violent felony against a child. The bill also establishes a grant program to help local police and prosecutors to strengthen effective law enforcement and prosecution for these crimes.

This Act builds upon the Protect Act, recently signed into law, by requiring that States have an Amber Alert system to help locate missing children in order to qualify for the local law enforcement grants. In addition, to cut down on the number of abused and neglected children, states are required to have a Safe Haven program that would allow parents to leave newborn babies in hospital emergency rooms, anonymously and with no fear of penalty. These requirements will ensure that states take action to improve systems that can protect our Nation's children.

I am pleased to be joined in this effort by Senator BIDEN, who I teamed up with over a decade ago in introducing the Violence Against Women Act. And Representative MILLENDER-MCDONALD is the sponsor of the House bill.

This is a critical issue to safeguard our children and youth nationwide. I urge my colleagues to cosponsor this bill.

I ask unanimous consent to print in the RECORD a section-by-section summary of the bill and a list of those who have endorsed it.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

VIOLENCE AGAINST CHILDREN ACT—SECTION-BY-SECTION SUMMARY

Section 1. Short title

Names the Act the ''Violence Against Children Act of 2003.''

Section 2. Findings

Includes findings on the extent of crimes against children and the effect of those crimes against children. Also finds that failure to pay child support is a form of neglect.

TITLE I—ENHANCED FEDERAL ROLE IN CRIMES AGAINST CHILDREN

Section 101. Enhanced penalties

(1) New Criminal Statute

Creates a new federal criminal statute for willfully injuring or attempting to injure any person under the age of 18. Establishes a maximum penalty of 10 years in prison and a fine. If death of the child results from the crime or if the crime is kidnapping, an attempt to kidnap, aggravated sexual abuse, an attempt to commit aggravated sexual abuse, or an attempt to kill, the maximum penalty is a fine and life in prison.

For constitutional purposes, the criminal statute applies only under certain circumstances: (1) if the defendant or the victim engages in interstate or foreign commerce, including crossing a state line, during the course of or as the result of committing the crime; or (2) the defendant uses a firearm or other weapon that has traveled in interstate or foreign commerce.

(2) Enhanced Penalties of Existing Crimes

Directs the United States Sentencing Commission to provide enhanced penalties for existing federal crimes when the victim is under the age of 18.

(3) Review of State Laws

Directs the General Accounting Office, within 6 months, to review state criminal penalties for crimes against children and state laws regarding enhanced penalties when the victim of a crime is under the age of 18.

Section 102. Enhanced assistance for criminal investigations and prosecutions by state and local law enforcement officials

Requires the Attorney General to provide federal assistance—including technical, forensic, and prosecutorial assistance—to any state, Indian tribe, or local government that requests assistance with a violent felony against a child.

If the Attorney General determines that there are insufficient resources to fulfill all such requests, priority is given to (a) requests that involve offenders who have committed crimes in more than one state; and (b) rural areas that do not have sufficient resources to investigate and prosecute the crime.

TITLE II—GRANT PROGRAMS

Section 201. State and local law enforcement assistance grants

Creates a new grant program to assist states, Indian tribes, and local governments to strengthen law enforcement and prosecution of crimes against children. Grants could be used for a variety of purposes, including: (a) training law enforcement officers, prosecutors, and judges; (b) developing or expanding law enforcement units or courts that specifically target crimes against children; (c) developing policies to prevent, identify, and respond to crimes against children; (d) establishing data collection and communication systems to link police, prosecutors, and courts in helping to track arrests, prosecutions, and convictions of crimes against children; and (e) establishing and strengthening collaboration and communication between law enforcement and child services agencies.

To be eligible for funds, a state must have in place an AMBER Alert system (see section 301) and must use, or be in the process of using, the National Incident-Based Reporting System (see section 302).

Authorizes $25 million for each of the next five years. Federal funds must supplement, not supplant, non-federal funds.

Section 202. Education, prevention, and victims' assistance grants

Creates a new grant program to assist states, Indian tribes, local governments, and nongovernmental organizations to provide education, prevention, intervention, and victims' assistance services regarding crimes against children. Grants could be used for a variety of purposes, including: (a) hotlines; (b) training of professionals; (c) informational and educational services and materials; (d) intervention services; (e) emergency medical treatment; (f) counseling to child victims and their families; and (g) increasing the number of mental health professionals that specialize in child victims.

To be eligible for funds, a state must have a Safe Haven program (see section 303).

Authorizes $25 million for each of the next five years. Federal funds must supplement, not supplant, non-federal funds.

TITLE III—NATIONWIDE PROGRAMS

Section 301. Nationwide AMBER Alert

Requires each state receiving a law enforcement assistance grant (see section 201) to have in place a state-wide AMBER Alert communications network for child abduction cases.

This system must be in place within 3 years after the date of enactment of the Violence Against Children Act.

Section 302. Improved statistical gathering

Requires each state receiving a law enforcement assistance grant (see section 201) to use, or to be in the process of testing or developing protocols to use, the National Incident-Based Reporting System. (This program provides the most detailed statistical profile of crimes in the United States, including by the age of the victims. However, it is a voluntary program, and less than half the states currently participate.)

Section 303. National safe haven

Requires each state receiving a victims' assistance grant (see section 202) to have a Safe Haven program, which permits a parent to leave a newborn baby with a medically-trained employee of a hospital emergency room anonymously without penalty. The state program must have a mechanism to voluntarily collect information about the medical history of the family, must require a search of the child in the state and federal missing person databases, and must include a plan to publicize the state program.

To ensure that an abused or intentionally harmed newborn is not left at a hospital so a parent can escape responsibility, a state *may* have a limited exception to the Safe Haven program in those circumstances.

Section 304. Improved child protection services programs

Directs each state, within 6 months, to report to the Department of Health and Human Services on its child protective services program, including how the state maintains records, keeps track of the children under its care, and verifies the well-being of the children.

Directs the General Accounting Office, within 6 months, to review state child protective services practices, including how states keep track of the children under their care, and to report to Congress on any legislative changes needed to improve the program.

TITLE IV—CHILD SUPPORT ENFORCEMENT

Section 401. Child support bad debt deduction

Expresses the sense of the Senate that Congress should extend the existing federal tax law on bad debt to nonpayment of child support. That is, those who do not receive the child support they are owed should be able to deduct that from their federal income taxes; those who fail to pay ordered

child support should be required to add the unpaid amount to their income and pay federal taxes on it.

VIOLENCE AGAINST CHILDREN ACT LETTERS OF SUPPORT

NATIONAL ORGANIZATIONS/INDIVIDUALS

KlaasKids Foundation (Marc Klaas).
Children's Defense Fund.
National Children's Alliance.
American Academy of Child and Adolescent Psychiatry.
American Humane Association.
Crimes Against Children Research Center.
Dr. Laura Schlessinger.

CALIFORNIA LAW ENFORCEMENT

California Police Activities Leagues.
Auburn Chief of Police.
Butte County Sheriff-Coroner.
Chico Chief of Police.
Colusa County Sheriff-Coroner.
Fairfield Chief of Police.
Glenn County Sheriff-Coroner.
Kern County Sheriff-Coroner.
Lassen County Sheriff-Coroner.
Long Beach Chief of Police.
Los Angeles Chief of Police.
Manteca Chief of Police.
Marin County Sheriff.
Marysville Chief of Police.
Napa Chief of Police.
Oxnard Chief of Police.
Redding Chief of Police.
Roseville Chief of Police.
Sacramento Chief of Police.
Sacramento County Sheriff.
San Diego Chief of Police.
San Mateo Chief of Police.
San Mateo County Sheriff.
Santa Ana Chief of Police.
Santa Clara Chief of Police.
Shasta County Sheriff.
Stanislaus County Sheriff-Coroner.
Stockton Chief of Police.
Woodland Chief of Police.
Yolo County Sheriff.
Yuba City Chief of Police.

OTHER LAW ENFORCEMENT

Pierce County (WA) Sheriff.

CALIFORNIA PUBLIC OFFICIALS

Bill Lockyer, California Attorney General.
Jack O'Connell, California State Superintendent of Public Instruction.
Steve Westly, California State Controller.
John L. Burton, President Pro Tempore, California State Senate.
James Hahn, Mayor, Los Angeles.
Jan Scully, Sacramento County District Attorney.
Chula Vista City Council (Stephen C. Padilla, Mayor).
Santa Rosa City Council (Sharon Wright Mayor).
Ed Henderson, Mayor, Napa.
Steve Cooley, Los Angeles County District Attorney.
Pete Knoll, Siskiyou County District Attorney.
Claire Mack, Mayor, San Mateo.
Karin MacMillan, Mayor, Fairfield.
John A. Russo, Oakland City Attorney.
Alan D. Bersin, San Diego Superintendent of Public Instruction.
City of Santa Clara (Patricia M. Mahan, Mayor).

CALIFORNIA ORGANIZATIONS

Family Violence Law Center (Oakland).
Children's Interview Center (San Pablo).
Child Abuse Prevention Council of Sacramento.
Latino Coalition for a Healthy California.
Healthy Children's Collaborative (Stockton).
Sacramento Pediatric Society.
Sacramento County Children's Coalition.
Didi Hirsch Community Mental Health Center (Culver City).
Prevent Child Abuse—California.
Fresno Council on Child Abuse Prevention.
Rancho Cordova Neighborhood Center.
The Mutual Assistance Network of Del Paso Heights.
FamiliesFirst (Davis).
La Familia Counseling Center (Sacramento).
Orange County Child Advocacy Center.
Shasta County Child Abuse Prevention Coordinating Council.
Bienvenidos Family Services (Los Angeles).
Break the Cycle (Los Angeles).
SHEILDS For Families (Los Angeles).
South Central Prevention Coalition (Los Angeles).
Violence Prevention Coalition of Greater Los Angeles.
Prototypes (Culver City).
Five Acres Boys' and Girls' Aid Society of Los Angeles.
Heart of Los Angeles Youth.
Jewish Family Service of Los Angeles.
Marjaree Mason Center (Fresno).
Phoenix Houses of California.
Boys & Girls Club of San Fernando Valley.
Community Violence Solutions.
California Coalition for Youth.
The Jeffrey Foundation (Los Angeles).
The Center for the Advancement of Nonviolence (Los Angeles).
The Community Clinic Association of Los Angeles County.
A Place Called Home (Los Angeles).
LA's Best.
Prevent Child Abuse, Tuolumne County.
Child Advocacy Center, San Joaquin County.
Multi-Disciplinary Interview Center, Placer County District Attorney's Office.
YMCA Youth and Family Services, San Diego.
Advokids (Core Madera).
Northridge Hospital Medical Center.
Holmes & Holmes Attorneys at Law (Glendale).
San Fernando Valley Interfaith Council.
Chicano Youth Center (Fresno).
LA Family Housing.
Child Abuse Listening & Mediation (Santa Barbara).
Department of Children and Family Services, Alameda County.

OTHER ORGANIZATIONS

Children's Advocacy Center of Delaware.
Friends of the Children's Justice Center of West Hawaii.
Friends of the Children's Justice Center of East Hawaii.
Caring House (Iron Mountain, MI).
Garrett County Family Violence Coalition (Oakland, MD).
Dove Center (Oakland, MD).
Logan County Children's Services (Bellefontaine, OH).
CornerHouse (Minneapolis, MN).
Children's Advocacy Center (Pittsburgh, KS).
Prevent Child Abuse Illinois.
Children's Advocacy Center (Chicago).

Mr. BIDEN. Mr. President, I rise today to help introduce a bill with my good friend from California that will bring new and needed tools to the battle to end violence against children in America, whether it takes place inside the home or out on the street. Today, Senator BOXER and I are introducing the Violence Against Children Act, VACA, which provides a comprehensive approach to prevent crimes against children, treat child victims, and prosecute those who harm our Nation's children.

In 1994, this body passed a piece of legislation that I authored, the Violence Against Women Act. When we passed this landmark legislation, we said as a Congress, and as a Nation as a whole, that domestic violence is not a family problem to be dealt with quietly behind the scenes, but a national crisis in need of a coordinated response from law enforcement, the courts and the medical community. Backed by almost one and half billion dollars of Federal funds, the Violence Against Women Act spurred a sea change on the Federal, State and local levels in how police, prosecutors, judges, medical personnel and others, process and handle cases of domestic abuse, sexual assault and stalking. Most importantly, the Violence Against Women Act also made it clear that victims of domestic violence and sexual assault were, in fact, victims: Victims who deserved the full extend of this Nation's medical and legal resources. The Violence Against Children Act, offered by Senator BOXER and myself today, is designed to bring this same type of concentered focus and coordinated response to end all child abuse, the most heinous and incomprehensible form of violence against the most vulnerable people in our lives.

Last year in my state of Delaware there were 1,073 substantiated cases of child abuse and neglect—46 percent were cases of neglect, 31 percent were cases of abuse and 12 percent were cases of sexual abuse. Nationally, 3.9 million of the nation's 22.3 million children between the ages of 12 and 17 have been seriously physically assaulted. One in three girls and one in five boys are sexually abused before the age of 18. One study recently reported that in 2000, the homicide rate for U.S. infants is almost equal to the murder rate of teens. As stunning as these numbers are, we should be aware that these numbers are not the totals. Like incidents of domestic violence, we know that violence against children is under-reported. We also know that violence against kids cuts across all lines—it happens to children of doctors and lawyers, not just to poor children. We must do more to protect our children, and with the Violence Against Children Act we can.

Designed to be a comprehensive measure, the Violence Against Children Act will fight the battle against child abuse on a number of fronts: by providing states with new resources, law enforcement with additional tools and families with more places to turn to for help. What specifically the legislation do? The Violence Against Children Act has three major provisions; 1. it deters crime by toughening Federal criminal penalties for crimes against children; 2. it requires the Federal Government to provide investigative, forensic and prosecutorial assistance to states working on cases of violent crimes against children; and 3. it authorizes two new grant programs—one

aimed at providing more resources to state and local law enforcement for training, creating new courts and enforcement units focused solely on child crimes, and a second grant program for local governments and nonprofit organizations to provide emergency medical treatment and counseling for child victims, to increase the number of mental health professionals who specialize in child victims, and to establish child abuse and crime prevention programs.

The Violence Against Children Act also encourages State and localities to take affirmative steps to fight crimes against children by conditioning receipt of grant monies on three points: 1. creating a statewide Amber Alert system to alert the public immediately after a child abduction has been discovered; 2. creating Safe Haven programs which allow parents to leave newborn babies for whom they cannot care in hospital emergency room anonymously and without fear of penalty; and 3. improving data gathering so that police, treatment providers and policy makers get a clearer view of the circumstances surrounding child crimes. We need to stop nibbling around the edges with piecemeal legislation that tackles just one aspect of child abuse or child exploitation. The Violence Against Children Act takes into account the larger landscape and provides wide-reaching tools and resources. I feel certain that once my colleagues become aware of this effort, this bill will gather broad and bipartisan support.

Recently the Nation was stunned and relieved at the return of Elizabeth Smart to her parents Ed and Lois. As a father and grandfather my heart went out to them. I don't want to read about these types of cases anymore. My State of Delaware has an Amber Alert system in place. Delaware has a Safe Haven law. Not every State has these critical tools at their disposal. Senator BOXER and I are introducing the Violence Against Children Act for a reason. We must do everything that we can to prevent crimes against children and, if God forbid they do occur, we must do everything we can to treat the victims and their families and prosecute their perpetrators to the fullest extent of the law. As one child advocates succinctly said, ''a civilized society says children matter.'' The Violence Against Children Act says loud and clear, kids matter.

By Ms. MIKULSKI:

S. 1124. A bill to amend title 38, United States Code, to increase burial benefits for veterans, and for other purposes; to the Committee on Veterans' Affairs.

Ms. MIKULSKI. Mr. President, I rise to introduce the Veterans Burial Benefits Improvement Act.

During the upcoming Memorial Day holiday, we will honor our U.S. soldiers who died in the name of their country. These service men and women are America's true heroes and on this day we pay tribute to their courage and sacrifice. Some have given their lives for our country. All have given their time and dedication to ensure our country remains the land of the free and the home of the brave. We owe a special debt of gratitude to each and every one of them.

This holiday serves as an important reminder that our nation has a sacred commitment to honor the promises made to soldiers when they signed up to serve our country. As the Ranking Member of the Senate Appropriations Subcommittee that funds veterans programs, I fight hard to make sure promises made to our service men and women are promises kept. These promises include access to quality, affordable health care and a proper burial for our veterans.

I am deeply concerned that burial benefits for the families of our wounded or disabled veterans have not kept up with inflation and rising funeral costs. We are losing over 1,000 World War II veterans each day, but Congress has failed to increase veterans' burial benefits to keep up with rising costs and inflation. While these benefits were never intended to cover the full costs of burial, they now pay for only a fraction of what they covered in 1973, when the Federal Government first started paying burial benefits for our veterans.

I want to thank my colleagues on the Veterans' Affairs Committee for working with me in the 107th Congress. Together, we were able to increase modestly the service-connected benefit from $1,500 to $2,000, and the plot allowance from $150 to $300. While I believe these increases are a step in the right direction, they are not a substitute for the amounts included in my bill.

That's why I am again introducing the Veterans Burial Benefits Improvement Act. This bill will increase burial benefits to cover the same percentage of funeral costs as they did in 1973. It will also provide for these benefits to be increased annually to keep up with inflation.

In 1973, the service-connected benefit paid for 72 percent of veterans' funeral costs. Today, this benefit covers just 39 percent of funeral costs. My bill will increase the service-connected benefit from $2,000 to $3,713, bringing it back up to the original 72 percent level.

In 1973, the non-service connected benefit paid for 22 percent of funeral costs. It has not been increased since 1978, and today it covers just 6 percent of funeral costs. My bill will increase the non-service connected benefit from $300 to $1,135, bringing it back up to the original 22 percent level.

In 1973, the plot allowance paid for 13 percent of veterans' funeral costs. Yet it now covers just 3 percent of funeral costs. My bill will increase the plot allowance from $300 to $670, bringing it back up to the original 13 percent level.

Finally, the Veterans Burial Benefits Improvement Act will also ensure that these burial benefits are adjusted for inflation annually, so veterans won't have to fight this fight again.

This legislation is just one way to honor our Nation's service men and women. I want to thank the millions of veterans, Marylanders, and people across the nation for their patriotism, devotion, and commitment to honoring the true meaning of Memorial Day. U.S. soldiers from every generation have shared in the duty of defending America and protecting our freedom. For these sacrifices, America is eternally grateful.

I ask unanimous consent that the text of this legislation, and letters from several veterans' advocacy groups supporting it, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1124

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Veterans Burial Benefits Improvement Act of 2003''.

SEC. 2. INCREASE IN BURIAL BENEFITS FOR VETERANS.

(a) BURIAL AND FUNERAL EXPENSES.—(1) Section 2302(a) of title 38, United States Code, is amended by striking ''$300'' and inserting ''$1,135 (as increased from time to time under section 2309 of this title)''.

(2) Section 2303(a)(1)(A) of that title is amended by striking ''$300'' and inserting ''$1,135 (as increased from time to time under section 2309 of this title)''.

(3) Section 2307 of that title is amended by striking ''$2,000,'' and inserting ''$3,712 (as increased from time to time under section 2309 of this title),''.

(b) PLOT ALLOWANCE.—Section 2303(b) of that title is amended—

(1) by striking ''$300'' the first place it and inserting ''$670 (as increased from time to time under section 2309 of this title)''; and

(2) by striking ''$300'' the second place it appears and inserting ''$670 (as so increased)''.

(c) ANNUAL ADJUSTMENT.—(1) Chapter 23 of that title is amended by adding at the end the following new section:

''§ 2309. Annual adjustment of amounts of burial benefits

''With respect to any fiscal year, the Secretary shall provide a percentage increase (rounded to the nearest dollar) in the burial and funeral expenses under sections 2302(a), 2303(a), and 2307 of this title, and in the plot allowance under section 2303(b) of this title, equal to the percentage by which—

''(1) the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made, exceeds

''(2) the Consumer Price Index for the 12-month period preceding the 12-month period described in paragraph (1).''.

(2) The table of sections at the beginning of that chapter is amended by adding at the end the following new item:

''2309. Annual adjustment of amounts of burial benefits.''.

(d) EFFECTIVE DATE.—(1) Except as provided in paragraph (2), the amendments made by this section shall apply to deaths occurring on or after the date of the enactment of this Act.

(2) No adjustments shall be made under section 2309 of title 38, United States Code,

as added by subsection (c), for fiscal year 2004.

MAY 15, 2003.

Hon. BARBARA MIKULSKI,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR MIKULSKI: As Memorial Day 2003 approaches, the co-authors of The Independent Budget would like to express our strong support for your legislation which would revitalize veterans' burial benefits and honor those who have sacrificed for this country. This legislation would provide a meaningful increase in burial benefits that is long overdue.

Veterans' burial benefits have seriously eroded in value over the years. The proposed increase would cover the same percentage of veterans' burial costs that they covered in 1973 when they were initiated. The annual adjustment to cover the costs of inflation is also something that The Independent Budget has argued in favor of in the past.

The Independent Budget produced by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars fully supports the proposed adjustment of burial allowances to reflect the increases in burial costs. Clearly, it is time these benefits were raised to provide a more meaningful contribution to the costs of burial for veterans. We applaud your efforts to responsibly address this matter, and we appreciate your continued commitment to the men and women who have served this country and are continuing to do so even today.

Sincerely,

RICK JONES,
National Legislative Director, AMVETS.

RICHARD B. FULLER,
National Legislative Director, Paralyzed Veterans of America.

JOSEPH A. VIOLANTE,
National Legislative Director, Disabled American Veterans.

DENNNIS CULLINAN,
National Legislative Director, Veterans of Foreign Wars of the United States.

FLEET RESERVE ASSOCIATION,
Alexandria, VA, May 21, 2003.

Hon. BARBARA A. MIKULSKI,
U.S. Senate, Hart Building, Washington, DC.

DEAR SENATOR MIKULSKI: The Fleet Reserve Association (FRA) and its 135,000 members extend its strong support for the reintroduction of the Veterans Burial Benefits Improvement Act. FRA applauds your leadership on working on this important issue.

As it has for more than 79 years, FRA effectively represents the interests of Sea Services enlisted communities, and is committed to ensuring equitable compensation and benefits for active duty, reserve and retired personnel.

The FRA stands ready to assist you and your staff on the introduction of this important legislation.

Sincerely,

JOSEPH L. BARNES,
National Executive Secretary.

THE NATIONAL ASSOCIATION OF STATE DIRECTORS OF VETERANS AFFAIRS, INC.,
May 20, 2003.

Senator BARBARA MIKULSKI,
Hart Senate Office Building, Wasington, DC.

DEAR SENATOR MIKULSKI: The National Association of State Directors of Veterans Affairs (NASDVA) is in strong support of the legislation you are proposing with regards to burial benefits for our Nation's deceased veterans, namely, ''The Veterans Burial Benefits Improvement Act of 2003.''

We recognize and thank you for your outstanding earlier work with regards to veterans' burial benefits, including authoring, introducing, and shepherding the Veterans Burial Benefits Improvement Act of 2001 through the legislative process. While it is regrettable that Congress declined to enact all of the much needed measures you proposed, your work did lead to important increases in the authorized allowance for burial and funeral expenses for deceased veterans. We appreciate and thank you for your introduction of this new legislation.

As you are aware, the 95th Congress enacted the State Cemeteries Grant as part of Public Law 95–476 in order to provide Federal assistance to the States to construct, expand, and improve State veterans' cemeteries. State veterans' cemeteries must be State-owned, and operated solely for the interment of eligible veterans and their dependents and/or spouses. Operational costs are paid by the States.

State veterans' cemeteries continue to provide a cost-effective supplement to the VA's National Cemetery System. However, Federal veterans' burial plot allowances currently offset the costs of operation of State veterans' cemeteries by only one-third of the total cost. Furthermore, the actual allowances have been increased only incrementally since the programs were first instituted in 1973, and the rate of reimbursement has fallen far short of increases in the actual costs of burial expenses and cemetery plots.

Your bill proposes an increase to $3,713 for the burial plot allowance for veterans who die as a direct result of a service-connected illness or injury. When first enacted in 1973, the amount of the benefit at that time covered 72 percent of the average burial expense at that time. Today, the current benefit of $2,000 covers just 39 percent of those costs. Your earlier work helped to provide a much-needed increase to the current level, and we fully endorse your current efforts to ensure that the allowance is raised to at least the 1973 rate.

Your proposed legislation would also increase the amount of the burial benefit to $1,135 for the non-service-connected death of veterans in receipt of or otherwise found entitled to VA compensation, VA pension, and veterans who die while hospitalized or domiciled in a VA facility. The original 1973 benefit aided grieving families of deceased veterans by offsetting the cost of burial and funeral expenses by 22 percent. Today, the $300 that is provided covers just 6 percent of those costs.

Finally, your bill addresses the amount of funding provided for veterans' burial plot allowances. Your earlier work helped to provide a much-needed increase in that amount from $150 to $300. However, as you know, the current amount provides only 5.85 of the average cost of a burial plot, while the 1973 rate provided 13 percent. We are in strong support of your efforts to raise the allowance to its 1973 rate, at $670.

We are hopeful that Congress will see fit to fully enact the provisions of the Veterans Burial Benefits Improvement Act of 2003. We also that Congress will enact legislation to expand eligibility for the burial plot allowance for burial in State Veterans Cemeteries to include all honorably discharged veterans.

Thank you again for your efforts on behalf of our Nation's veterans. Your work is greatly appreciated.

Sincerely,

RAYMOND G. BOLAND,
President, NASDVA.

NATIONAL FUNERAL DIRECTORS ASSOCIATION,
Washington, DC, May 15, 2003.

Hon. BARBARA A. MIKULSKI,
U.S. Senate, Senate Hart Office Building, Washington, DC.

DEAR SENATOR MIKULSKI: The National Funeral Directors Association (NFDA) represents more than 13,000 funeral homes in all 50 states. It is the leading funeral service organization in the United States, providing a national voice for the profession. The NPDA has been the premier organization chosen by top funeral directors for more than 120 years. NFDA members stand for credibility, ethics, excellence and trust.

The NFDA would like to thank you for your support of legislation to increase the amount paid for veteran funeral and burial expenses by the Department of Veterans Affairs (DVA), as well as to increase the amount for veteran plot allowances.

As you are well aware, the amount payable for veterans' memorial benefits has remained constant for many years in spite of inflation. Today, the average cost of a funeral, including casket, vault and cemetery charges is about $7,500. While funerals are still a modest expense when compared to the cost of other items an individual must purchase during the course of their lifetime, it is still a significant expense, particularly for those least able to afford it.

At a time of unimaginable grief, funeral directors deal with the families of service members who must plan for the funeral of their loved one. This process is never easy, but it is even more difficult when a family must plan a funeral within the current DVA funeral and burial expense limits.

The NFDA strongly supports legislation that recognizes the reality of the cost of a funeral and burial in 2003, and that seeks to help the families of veterans manage this expense.

Again, thank you for your interest and action on this important issue.

Sincercly,

WILLIAM A. ISOKAIT
NFDA Director of Advocacy.

By Mr. JOHNSON (for himself, Mr. KERRY, and Mr. SMITH):

S. 1126. A bill to establish the Office of Native American Affairs within the Small Business Administration, to create the Native American Small Business Development Program, and for other purposes; to the Committee on Small Business and Entrepreneurship.

Mr. JOHNSON. Mr. President, today, I proudly join with Senator KERRY and Senator SMITH to reintroduce the Native American Small Business Development Act. This important legislation is designed to help American Indians, Alaska Natives, and Native Hawaiians to overcome barriers which inhibit business development and job creation. We greatly appreciate the support of the distinguished Senators who join us in sponsoring the legislation including Senators: AKAKA, BAUCUS, BINGAMAN, DASCHLE, CANTWELL, MURRAY, STABENOW.

The communities served this initiative represent some of the most traditionally isolated, disadvantaged, and underserved populations in our country. Despite the unique and persistent challenges to business development in these areas, many of the supportive services the federal government provides to entrepreneurs are not available in these distressed regions. The

Native American Small Business Development Act endeavors to develop and disseminate culturally tailored business assistance to assure Native American businesses may secure and sustain long-term success.

Native American communities continue to struggle with the social, economic, and cultural repercussions derived from persistent and pervasive poverty and unemployment. A recent report released by the U.S. Census Bureau, entitled Poverty in the United States: 2000, indicates that the ''three year average poverty rate for American Indians and Alaska Natives [from 1998–2000] was 25.9 percent. Higher than for any other race groups.''

The Native American Small Business Development Act is a deliberate effort to enhance the availability of technical assistance to support entrepreneurship in Indian Country. The communities served by this initiative represent some of the most traditionally isolated, disadvantaged, and underserved populations in our country.

Too many Native American communities are plagued by feelings of hopelessness and helplessness. We must work to transform this disappointment and discouragement into a sensible, workable, strategy for economic opportunity.

According to U.S. Department of Commerce census data, unemployment rates on Indian Lands in the continental United States range up to 80 percent compared to 5.6 percent for the U.S. as a whole. Census data also show that the poverty rate for Native Americans during the late 1990s was 26 percent, compared to the national average of 12 percent. In fact, overall, Native American household income is only three-quarters of the national average.

This disparity is particularly evident in my home state of South Dakota where Native Americans represent over 8 percent of the State's population. While the overall State economy is relatively strong with a low 3.1 percent unemployment rate, the Native American population continues to suffer. South Dakota counties with Indian Reservations are ranked by the U.S. Census Bureau as among the most impoverished in the United States.

Among the achievements included in the bill is the establishment of a statutory office within the U.S. Small Business Administration to focus on concerns specific to Native American populations. The Office of Native American Affairs will serve as an advocate in the SBA for the interests of Native Americans. In addition to administering the Native American Development Program, the Assistant Administrator will consult with Tribal Colleges, Tribal Governments, Alaska Native Corporations and Native Hawaiian Organizations to enhance the development and implementation of culturally specific approaches to support the growth and prosperity of Native American small businesses.

Furthermore, the Act creates the Native American Development Program to provide necessary business development assistance. These services are vital to establish and support small businesses. The Federal Government currently invests to provide these services in communities throughout the country. It is past time for these services to be integrated into our efforts to promote self-sufficiency and economic development in Indian Country.

In addition, we recognize that in order to remain competitive, businesses and entrepreneurs must be innovative and flexible to change. This legislation reflects the needs of businesses, tribes, and regional interests to pursue unique approaches that will complement local needs and improve the overall quality of services. Two pilot programs are integrated in this approach to promote new and creative solutions to assist American Indians to awaken economic opportunities in their communities.

We must strive to eliminate the impediments that stifle Native American entrepreneurs. By providing business planning services and technical assistance to potential and existing small businesses, we can unlock the capacity for individuals and families to pursue their dreams of business ownership. Not only will these efforts combat poverty and unemployment, but they will bring new services and opportunities to communities that enhance the quality of life for local families.

We must also work to improve access to investment capital to support economic and community development for Native Americans. As the Chairman of the Senate Banking Financial Institutions Subcommittee, I am conducting hearings last year to identify opportunities and techniques which may foster greater access to capital markets for Tribal and Native American entities.

Together, these initiatives will help to turn an important corner as we endeavor to enhance the livelihood of the First Americans.

I would like to thank Congressman UDALL for his leadership in the U.S. House of Representatives in bringing these issues to the forefront and for his cooperation on this historic legislation. I would like to thank Senator JOHN KERRY, the Ranking Member of the Senate Small Business and Entrepreneurship Committee, for his hard work on this legislation and his serious commitment to these critical issues. In addition, I would like to express my sincere appreciation to Senator SMITH for his strong support of this effort. We are grateful to the many cosponsors who join us in introducing the bill today.

I encourage the Senate to fully consider this historic legislation and to work expeditiously to enact it into law. The Native American Small Business Development Act will forge a more hopeful and prosperous future for Native American families and communities. By investing in adequate infrastructure and by making the appropriate tools available, we can empower individuals to pursue, achieve, and sustain economic opportunities that enrich their lives and their communities. The American dream will never be fully realized until it becomes a reality for all Americans. This legislation is critical to ensuring that economic growth and economic opportunity permeate the lives of Native American families.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1126

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Native American Small Business Development Act''.

SEC. 2. NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT PROGRAM.

The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(1) by redesignating section 36 as section 37; and

(2) by inserting after section 35 the following:

''SEC. 36. NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT PROGRAM.

''(a) DEFINITIONS.—In this section—

''(1) the term 'Alaska Native' has the same meaning as the term 'Native' in section 3(b) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(b));

''(2) the term 'Alaska Native corporation' has the same meaning as the term 'Native Corporation' in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m));

''(3) the term 'Assistant Administrator' means the Assistant Administrator of the Office of Native American Affairs established under subsection (b);

''(4) the terms 'center' and 'Native American business center' mean a center established under subsection (c);

''(5) the term 'Native American business development center' means an entity providing business development assistance to federally recognized tribes and Native Americans under a grant from the Minority Business Development Agency of the Department of Commerce;

''(6) the term 'Native American small business concern' means a small business concern that is owned and controlled by—

''(A) a member of an Indian tribe or tribal government;

''(B) an Alaska Native or Alaska Native corporation; or

''(C) a Native Hawaiian or Native Hawaiian organization;

''(7) the term 'Native Hawaiian' has the same meaning as in section 625 of the Older Americans Act of 1965 (42 U.S.C. 3057k);

''(8) the term 'Native Hawaiian organization' has the same meaning as in section 8(a)(15) of this Act;

''(9) the term 'tribal college' has the same meaning as the term 'tribally controlled college or university' has in section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801(a)(4));

''(10) the term 'tribal government' has the same meaning as the term 'Indian tribe' has in section 7501(a)(9) of title 31, United States Code; and

''(11) the term 'tribal lands' means all lands within the exterior boundaries of any Indian reservation.

''(b) OFFICE OF NATIVE AMERICAN AFFAIRS.—

''(1) ESTABLISHMENT.—There is established within the Administration the Office of Native American Affairs, which, under the direction of the Assistant Administrator, shall implement the Administration's programs for the development of business enterprises by Native Americans.

''(2) PURPOSE.—The purpose of the Office of Native American Affairs is to assist Native American entrepreneurs to—

''(A) start, operate, and grow small business concerns;

''(B) develop management and technical skills;

''(C) seek Federal procurement opportunities;

''(D) increase employment opportunities for Native Americans through the start and expansion of small business concerns; and

''(E) increase the access of Native Americans to capital markets.

''(3) ASSISTANT ADMINISTRATOR.—

''(A) APPOINTMENT.—The Administrator shall appoint a qualified individual to serve as Assistant Administrator of the Office of Native American Affairs in accordance with this paragraph.

''(B) QUALIFICATIONS.—The Assistant Administrator appointed under subparagraph (A) shall have—

''(i) knowledge of the Native American culture; and

''(ii) experience providing culturally tailored small business development assistance to Native Americans.

''(C) EMPLOYMENT STATUS.—The Assistant Administrator shall be a Senior Executive Service position under section 3132(a)(2) of title 5, United States Code, and shall serve as a noncareer appointee, as defined in section 3132(a)(7) of title 5, United States Code.

''(D) RESPONSIBILITIES AND DUTIES.—The Assistant Administrator shall—

''(i) administer and manage the Native American Small Business Development program established under this section;

''(ii) recommend the annual administrative and program budgets for the Office of Native American Affairs;

''(iii) consult with Native American business centers in carrying out the program established under this section;

''(iv) recommend appropriate funding levels;

''(v) review the annual budgets submitted by each applicant for the Native American Small Business Development program;

''(vi) select applicants to participate in the program under this section;

''(vii) implement this section; and

''(viii) maintain a clearinghouse to provide for the dissemination and exchange of information between Native American business centers.

''(E) CONSULTATION REQUIREMENTS.—In carrying out the responsibilities and duties described in this paragraph, the Assistant Administrator shall confer with and seek the advice of—

''(i) Administration officials working in areas served by Native American business centers and Native American business development centers;

''(ii) the Bureau of Indian Affairs of the Department of the Interior;

''(iii) tribal governments;

''(iv) tribal colleges;

''(v) Alaska Native corporations; and

''(vi) Native Hawaiian organizations.

''(c) NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT PROGRAM.—

''(1) AUTHORIZATION.—

''(A) IN GENERAL.—The Administration, through the Office of Native American Affairs, shall provide financial assistance to tribal governments, tribal colleges, Native Hawaiian organizations, and Alaska Native corporations to create Native American business centers in accordance with this section.

''(B) USE OF FUNDS.—The financial and resource assistance provided under this subsection shall be used to overcome obstacles impeding the creation, development, and expansion of small business concerns, in accordance with this section, by—

''(i) reservation-based American Indians;

''(ii) Alaska Natives; and

''(iii) Native Hawaiians.

''(2) 5-YEAR PROJECTS.—

''(A) IN GENERAL.—Each Native American business center that receives assistance under paragraph (1)(A) shall conduct 5-year projects that offer culturally tailored business development assistance in the form of—

''(i) financial education, including training and counseling in—

''(I) applying for and securing business credit and investment capital;

''(II) preparing and presenting financial statements; and

''(III) managing cash flow and other financial operations of a business concern;

''(ii) management education, including training and counseling in planning, organizing, staffing, directing, and controlling each major activity and function of a small business concern; and

''(iii) marketing education, including training and counseling in—

''(I) identifying and segmenting domestic and international market opportunities;

''(II) preparing and executing marketing plans;

''(III) developing pricing strategies;

''(IV) locating contract opportunities;

''(V) negotiating contracts; and

''(VI) utilizing varying public relations and advertising techniques.

''(B) BUSINESS DEVELOPMENT ASSISTANCE RECIPIENTS.—The business development assistance under subparagraph (A) shall be offered to prospective and current owners of small business concerns that are owned by—

''(i) American Indians or tribal governments, and located on or near tribal lands;

''(ii) Alaska Natives or Alaska Native corporations; or

''(iii) Native Hawaiians or Native Hawaiian organizations.

''(3) FORM OF FEDERAL FINANCIAL ASSISTANCE.—

''(A) DOCUMENTATION.—

''(i) IN GENERAL.—The financial assistance to Native American business centers authorized under this subsection may be made by grant, contract, or cooperative agreement.

''(ii) EXCEPTION.—Financial assistance under this subsection to Alaska Native corporations or Native Hawaiian organizations may only be made by grant.

''(B) PAYMENTS.—

''(i) TIMING.—Payments made under this subsection may be disbursed in an annual lump sum or in periodic installments, at the request of the recipient.

''(ii) ADVANCE.—The Administration may disburse not more than 25 percent of the annual amount of Federal financial assistance awarded to a Native American small business center after notice of the award has been issued.

''(iii) NO MATCHING REQUIREMENT.—The Administration shall not require a grant recipient to match grant funding received under this subsection with non-Federal resources as a condition of receiving the grant.

''(4) CONTRACT AND COOPERATIVE AGREEMENT AUTHORITY.—A Native American business center may enter into a contract or cooperative agreement with a Federal department or agency to provide specific assistance to Native American and other under-served small business concerns located on or near tribal lands, to the extent that such contract or cooperative agreement is consistent with the terms of any assistance received by the Native American business center from the Administration.

''(5) APPLICATION PROCESS.—

''(A) SUBMISSION OF A 5-YEAR PLAN.—Each applicant for assistance under paragraph (1) shall submit a 5-year plan to the Administration on proposed assistance and training activities.

''(B) CRITERIA.—

''(i) IN GENERAL.—The Administration shall evaluate and rank applicants in accordance with predetermined selection criteria that shall be stated in terms of relative importance.

''(ii) PUBLIC NOTICE.—The criteria required by this paragraph and their relative importance shall be made publicly available, within a reasonable time, and stated in each solicitation for applications made by the Administration.

''(iii) CONSIDERATIONS.—The criteria required by this paragraph shall include—

''(I) the experience of the applicant in conducting programs or ongoing efforts designed to impart or upgrade the business skills of current or potential owners of Native American small business concerns;

''(II) the ability of the applicant to commence a project within a minimum amount of time;

''(III) the ability of the applicant to provide quality training and services to a significant number of Native Americans;

''(IV) previous assistance from the Small Business Administration to provide services in Native American communities; and

''(V) the proposed location for the Native American business center site, with priority given based on the proximity of the center to the population being served and to achieve a broad geographic dispersion of the centers.

''(6) PROGRAM EXAMINATION.—

''(A) IN GENERAL.—Each Native American business center established pursuant to this subsection shall annually provide the Administration with an itemized cost breakdown of actual expenditures incurred during the preceding year.

''(B) ADMINISTRATION ACTION.—Based on information received under subparagraph (A), the Administration shall—

''(i) develop and implement an annual programmatic and financial examination of each Native American business center assisted pursuant to this subsection; and

''(ii) analyze the results of each examination conducted under clause (i) to determine the programmatic and financial viability of each Native American business center.

''(C) CONDITIONS FOR CONTINUED FUNDING.—In determining whether to renew a grant, contract, or cooperative agreement with a Native American business center, the Administration—

''(i) shall consider the results of the most recent examination of the center under subparagraph (B), and, to a lesser extent, previous examinations; and

''(ii) may withhold such renewal, if the Administration determines that—

''(I) the center has failed to provide adequate information required to be provided under subparagraph (A), or the information provided by the center is inadequate; or

''(II) the center has failed to provide adequate information required to be provided by the center for purposes of the report of the Administration under subparagraph (E).

''(D) CONTINUING CONTRACT AND COOPERATIVE AGREEMENT AUTHORITY.—

''(i) IN GENERAL.—The authority of the Administrator to enter into contracts or cooperative agreements in accordance with this subsection shall be in effect for each fiscal year only to the extent and in the amounts

as are provided in advance in appropriations Acts.

''(ii) RENEWAL.—After the Administrator has entered into a contract or cooperative agreement with any Native American business center under this subsection, it shall not suspend, terminate, or fail to renew or extend any such contract or cooperative agreement unless the Administrator provides the center with written notification setting forth the reasons therefore and affords the center an opportunity for a hearing, appeal, or other administrative proceeding under chapter 5 of title 5, United States Code.

''(E) MANAGEMENT REPORT.—

''(i) IN GENERAL.—The Administration shall prepare and submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate an annual report on the effectiveness of all projects conducted by Native American business centers under this subsection and any pilot programs administered by the Office of Native American Affairs.

''(ii) CONTENTS.—Each report submitted under clause (i) shall include, with respect to each Native American business center receiving financial assistance under this subsection—

''(I) the number of individuals receiving assistance from the Native American business center;

''(II) the number of startup business concerns created;

''(III) the number of existing businesses seeking to expand employment;

''(IV) jobs created or maintained, on an annual basis, by Native American small business concerns assisted by the center since receiving funding under this Act;

''(V) to the maximum extent practicable, the capital investment and loan financing utilized by emerging and expanding businesses that were assisted by a Native American business center; and

''(VI) the most recent examination, as required under subparagraph (B), and the subsequent determination made by the Administration under that subparagraph.

''(7) ANNUAL REPORT.—Each entity receiving financial assistance under this subsection shall annually report to the Administration on the services provided with such financial assistance, including—

''(A) the number of individuals assisted, categorized by ethnicity;

''(B) the number of hours spent providing counseling and training for those individuals;

''(C) the number of startup small business concerns created or maintained;

''(D) the gross receipts of assisted small business concerns;

''(E) the number of jobs created or maintained at assisted small business concerns; and

''(F) the number of Native American jobs created or maintained at assisted small business concerns.

''(8) RECORD RETENTION.—

''(A) APPLICATIONS.—The Administration shall maintain a copy of each application submitted under this subsection for not less than 7 years.

''(B) ANNUAL REPORTS.—The Administration shall maintain copies of the information collected under paragraph (6)(A) indefinitely.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $5,000,000 for each of the fiscal years 2004 through 2008, to carry out the Native American Small Business Development Program, authorized under subsection (c).''.

SEC. 3. PILOT PROGRAMS.

(a) DEFINITIONS.—In this section:

(1) INCORPORATION BY REFERENCE.—The terms defined in section 36(a) of the Small Business Act (as added by this Act) have the same meanings as in that section 36(a) when used in this section.

(2) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Small Business Administration.

(3) JOINT PROJECT.—The term 'joint project' means the combined resources and expertise of 2 or more distinct entities at a physical location dedicated to assisting the Native American community;

(b) NATIVE AMERICAN DEVELOPMENT GRANT PILOT PROGRAM.—

(1) AUTHORIZATION.—

(A) IN GENERAL.—There is established a 4-year pilot program under which the Administration is authorized to award Native American development grants to provide culturally-tailored business development training and related services to Native Americans and Native American small business concerns.

(B) ELIGIBLE ORGANIZATIONS.—The grants authorized under subparagraph (A) may be awarded to—

(i) any small business development center; or

(ii) any private, nonprofit organization that—

(I) has members of an Indian tribe comprising a majority of its board of directors;

(II) is a Native Hawaiian organization; or

(III) is an Alaska Native corporation.

(C) AMOUNTS.—The Administration shall not award a grant under this subsection in an amount which exceeds $100,000 for each year of the project.

(D) GRANT DURATION.—Each grant under this subsection shall be awarded for not less than a 2-year period and not more than a 4-year period.

(2) CONDITIONS FOR PARTICIPATION.—Each entity desiring a grant under this subsection shall submit an application to the Administration that contains—

(A) a certification that the applicant—

(i) is a small business development center or a private, nonprofit organization under paragraph (1)(B)(i);

(ii) employs an executive director or program manager to manage the facility; and

(iii) agrees—

(I) to a site visit as part of the final selection process;

(II) to an annual programmatic and financial examination; and

(III) to the maximum extent practicable, to remedy any problems identified pursuant to that site visit or examination;

(B) information demonstrating that the applicant has the ability and resources to meet the needs, including cultural needs, of the Native Americans to be served by the grant;

(C) information relating to proposed assistance that the grant will provide, including—

(i) the number of individuals to be assisted; and

(ii) the number of hours of counseling, training, and workshops to be provided;

(D) information demonstrating the effective experience of the applicant in—

(i) conducting financial, management, and marketing assistance programs designed to impart or upgrade the business skills of current or prospective Native American business owners;

(ii) providing training and services to a representative number of Native Americans;

(iii) using resource partners of the Administration and other entities, including universities, tribal governments, or tribal colleges; and

(iv) the prudent management of finances and staffing;

(E) the location where the applicant will provide training and services to Native Americans; and

(F) a multiyear plan, corresponding to the length of the grant, that describes—

(i) the number of Native Americans and Native American small business concerns to be served by the grant;

(ii) in the continental United States, the number of Native Americans to be served by the grant; and

(iii) the training and services to be provided to a representative number of Native Americans.

(3) REVIEW OF APPLICATIONS.—The Administration shall—

(A) evaluate and rank applicants under paragraph (2) in accordance with predetermined selection criteria that is stated in terms of relative importance;

(B) include such criteria in each solicitation under this subsection and make such information available to the public; and

(C) approve or disapprove each completed application submitted under this subsection not more than 60 days after submission.

(4) ANNUAL REPORT.—Each recipient of a Native American development grant under this subsection shall annually report to the Administration on the impact of the grant funding, including—

(A) the number of individuals assisted, categorized by ethnicity;

(B) the number of hours spent providing counseling and training for those individuals;

(C) the number of startup small business concerns created or maintained with assistance from a Native American business center;

(D) the gross receipts of assisted small business concerns;

(E) the number of jobs created or maintained at assisted small business concerns; and

(F) the number of Native American jobs created or maintained at assisted small business concerns.

(5) RECORD RETENTION.—

(A) APPLICATIONS.—The Administration shall maintain a copy of each application submitted under this subsection for not less than 7 years.

(B) ANNUAL REPORTS.—The Administration shall maintain copies of the information collected under paragraph (4) indefinitely.

(c) AMERICAN INDIAN TRIBAL ASSISTANCE CENTER GRANT PILOT PROGRAM.—

(1) AUTHORIZATION.—

(A) IN GENERAL.—There is established a 4-year pilot program, under which the Administration shall award not less than 3 American Indian Tribal Assistance Center grants to establish joint projects to provide culturally tailored business development assistance to prospective and current owners of small business concerns located on or near tribal lands.

(B) ELIGIBLE ORGANIZATIONS.—

(i) CLASS 1.—Not fewer than 1 grant shall be awarded to a joint project performed by a Native American business center, a Native American business development center, and a small business development center.

(ii) CLASS 2.—Not fewer than 2 grants shall be awarded to joint projects performed by a Native American business center and a Native American business development center.

(C) AMOUNTS.—The Administration shall not award a grant under this subsection in an amount which exceeds $200,000 for each year of the project.

(D) GRANT DURATION.—Each grant under this subsection shall be awarded for a 3-year period.

(2) CONDITIONS FOR PARTICIPATION.—Each entity desiring a grant under this subsection shall submit to the Administration a joint application that contains—

(A) a certification that each participant of the joint application—

(i) is either a Native American Business Center, a Native American Business Development Center, or a Small Business Development Center;

(ii) employs an executive director or program manager to manage the center; and

(iii) as a condition of receiving the American Indian Tribal Assistance Center grant, agrees—

(I) to an annual programmatic and financial examination; and

(II) to the maximum extent practicable, to remedy any problems identified pursuant to that examination;

(B) information demonstrating an historic commitment to providing assistance to Native Americans—

(i) residing on or near tribal lands; or

(ii) operating a small business concern on or near tribal lands;

(C) information demonstrating that each participant of the joint application has the ability and resources to meet the needs, including the cultural needs of the Native Americans to be served by the grant;

(D) information relating to proposed assistance that the grant will provide, including—

(i) the number of individuals to be assisted; and

(ii) the number of hours of counseling, training, and workshops to be provided;

(E) information demonstrating the effective experience of each participant of the joint application in—

(i) conducting financial, management, and marketing assistance programs, as described above, designed to impart or upgrade the business skills of current or prospective Native American business owners; and

(ii) the prudent management of finances and staffing; and

(F) a plan for the length of the grant, that describes—

(i) the number of Native Americans and Native American small business concerns to be served by the grant; and

(ii) the training and services to be provided.

(3) REVIEW OF APPLICATIONS.—The Administration shall—

(A) evaluate and rank applicants under paragraph (2) in accordance with predetermined selection criteria that is stated in terms of relative importance;

(B) include such criteria in each solicitation under this subsection and make such information available to the public; and

(C) approve or disapprove each application submitted under this subsection not more than 60 days after submission.

(4) ANNUAL REPORT.—Each recipient of an American Indian tribal assistance center grant under this subsection shall annually report to the Administration on the impact of the grant funding received during the reporting year, and the cumulative impact of the grant funding received since the initiation of the grant, including—

(A) the number of individuals assisted, categorized by ethnicity;

(B) the number of hours of counseling and training provided and workshops conducted;

(C) the number of startup business concerns created or maintained with assistance from a Native American business center;

(D) the gross receipts of assisted small business concerns;

(E) the number of jobs created or maintained at assisted small business concerns; and

(F) the number of Native American jobs created or maintained at assisted small business concerns.

(5) RECORD RETENTION.—

(A) APPLICATIONS.—The Administration shall maintain a copy of each application submitted under this subsection for not less than 7 years.

(B) ANNUAL REPORTS.—The Administration shall maintain copies of the information collected under paragraph (4) indefinitely.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated—

(1) $1,000,000 for each of the fiscal years 2004 through 2007, to carry out the Native American Development Grant Pilot Program, authorized under subsection (b); and

(2) $1,000,000 for each of the fiscal years 2004 through 2007, to carry out the American Indian Tribal Assistance Center Grant Pilot Program, authorized under subsection (c).

Mr. KERRY. Mr. President, I am pleased today to join with my colleagues, Senators JOHNSON and SMITH, as well as the cosponsors of our legislation, Senators AKAKA, BAUCUS, BINGAMAN, CANTWELL, DASCHLE, MURRAY, and STABENOW in introducing the Native American Small Business Development Act.

As many of my colleagues are aware, last Congress the Committee on Small Business and Entrepreneurship unanimously passed nearly identical legislation, S. 2335, yet the bill was not taken up by the full Senate. Today, Senator JOHNSON, Senator SMITH and I are reintroducing this bill because we recognize that there is an even a greater need for this legislation on tribal lands across the Nation. The economy continues to slump, access to capital is even more limited, and state funding for small business initiatives is being pulled back.

According to a report released by the U.S. Census Bureau, the ''three year average poverty rate for American Indians and Alaska Natives [from 1998–2000] was 25.9 percent. Higher than for any other race groups.'' With an unemployment rate well above the national average and household income at just three-quarters of the national average, Native American communities need a commitment from the Federal government that we will help them, particularly during these difficult economic times. To reaffirm this commitment, the Johnson-Kerry-Smith bill provides Native Americans the resources they need to take advantage of the opportunities of entrepreneurship.

Mr. President, this legislation bears the same name as legislation that recently passed the House, H.R. 1166, which was reintroduced by Congressman TOM UDALL, a recognized leader in promoting the interests of American Indians. I would like to thank Congressman UDALL for his work in stewarding the Native American Small Business Development Act through the House, this Congress and last, and for his assistance in working with Senators JOHNSON and SMITH and me in drafting the Senate version of our legislation. And I would specifically like to thank Senator SMITH for his continued support on this issue.

I would again like to thank the National Indian Business Association, the National Center for American Indian Enterprise Development, the Association of Small Business Development Centers, the Oregon Native American Business Entrepreneurial Network (ONABEN), Native American Management Services, Inc., and all of the tribes that met with us or provided information to help in the drafting of this legislation.

The Senate version of the Native American Small Business Development Act, while incorporating the heart of the Udall legislation, is more comprehensive and provides greater assistance to Native American communities. Senator JOHNSON, who serves on the Indian Affairs Committee, and I, as the lead Democrat on the Senate Committee on Small Business and Entrepreneurship, were able to combine the resources and experiences of our committees in developing this legislation.

Mr. President, our need to fashion a more comprehensive business assistance package for Native American small businesses stems in part from a growing lack of commitment from the Small Business Administration (SBA) to our Native American communities under this Administration.

While I applaud the Bush Administration for responding to congressional requests by including $1 million in the Administration's FY 2003 budget request for Native American outreach, I was disappointed that it did not seek the full level of $2.5 million requested in a letter I sent with my colleagues Senators DASCHLE, Wellstone, JOHNSON, BINGAMAN and BAUCUS. Our request specifically sought funding for the SBA's Tribal Business Information Center (TBIC) program, an initiative started and successfully operated under the Clinton Administration. The TBIC program was designed to address the unique conditions faced by American Indians when they seek to start or expand small businesses.

Mr. President, I am disappointed that the Administration has eliminated all funding for Native American outreach in FY2004. With an average unemployment rate on reservations as high as 43 percent, it is inconceivable that two years of outreach is sufficient to have met our shared goal of building sustainable economic opportunities in those communities.

Mr. President, I do not believe that anyone in this Congress would dispute that economic development in Indian Country has often been difficult to achieve and that one important way to help American Indians who live on reservations is to provide them with assistance to open and run their own small businesses. Helping Native Americans open and run small businesses not only instills a sense of pride in the owner and his or her community, it also provides much-needed job opportunities, as well as other economic benefits.

Although underfunded, the TBIC program has provided assistance to a number of small businesses on Indian reservations. TBICs have the support of the American Indian communities they serve because they provide desperately

needed, culturally tailored business development assistance in those communities. The Administration should be seeking to strengthen its commitment to programs that assist Native American communities. Unfortunately, the SBA cut off TBIC funding on March 31, 2002, and now 14 months later, has not met a request by a bipartisan group of Senators to begin the reprogramming process in order to keep the TBICs open.

The Native American Small Business Development Act will ensure that the SBA's programs to assist Native American communities cannot be dissolved by making the SBA's Office of Native American Affairs (ONAA) and its Assistant Administrator permanent. Our legislation would also create a statutory grant program, known as the Native American Development grant program, to assist Native Americans. It would also establish two pilot programs to try new means of assisting Native American communities and require Native American communities to be consulted regarding the future of SBA programs designed to assist them. In short, this legislation will ensure that our Native American communities receive the adequate assistance they need to help start and grow small businesses.

The ONAA will be responsible for helping Native Americans and Native American communities start, operate, and grow small businesses; develop management and technical skills; seek out Federal procurement opportunities; increase employment opportunities through the start and expansion of small business concerns; and increase their access to capital markets.

To be selected to serve as the Assistant Administrator for ONAA, a candidate must have knowledge of Native American cultures and experience providing culturally tailored small business development assistance to Native Americans. Under our legislation, the Assistant Administrator would be statutorily required to consult with Tribal Colleges and Tribal Governments, Alaska Native Corporations (ANC) and Native Hawaiian Organizations (NHO) when carrying out responsibilities under this legislation, which would give Native American communities a true voice within the SBA. The Assistant Administrator for ONAA would be responsible for administering the Native American Development program and the pilot programs created by the Native American Small Business Development Act.

The Native American Development program is designed to be the SBA's primary program for providing business development assistance to Native American communities. To offer this support, to the SBA will provide financial assistance in establish and keep Native American Business Centers (NABC) in operation. Financial assistance under the Native American Development program would be available to Tribal Governments and Tribal Colleges. Unlike the SBA's TBIC program, however, ANCs and NHOs would also be eligible for the grants.

NABCs would address the unique conditions faced by reservation-based American Indians, as well as Native Hawaiians and Native Alaskans, in their efforts to create, develop and expand small business concerns. Grant funding would be used by the NABCs to provide culturally tailored financial education assistance, management education assistance, and marketing education assistance.

The first pilot program under the legislation establishes a Native American development grant. This grant is modeled after the Udall legislation and is designed to bring the expertise of SBA's Small Business Development Centers (SBDC) to Native American Communities. Additionally, any private nonprofit organization, which has members of an Indian tribe comprising a majority of its board of governors or is an NHO or an ANC, may also apply for the grant. Nonprofits were included in the Senate version thanks to the thoughtful input of Senator CANTWELL. Many American Indian communities in Washington state are served by an organization called ONABEN, which provides SBDC-like services to Native American communities in Washington, Oregon, Idaho, and California. Organizations like ONABEN, which also has the strong support of Senator SMITH, should be encouraged to continue their good work assisting Native American communities, and including them in the grant program available to SBDCs was an important addition to the legislation.

Finally, our legislation establishes a second pilot program to try a unique experiment in Indian Country. Grant funding would be made available to establish American Indian Tribal Assistance Centers. These centers will consist of joint entitles, such as a partnership between an NABC, a Native American development center (which receive grants from the Department of Commerce) and possibly an SBDC. The purpose of this grant is to coordinate experts from various entities to provide culturally tailored business development assistance to prospective and current owners of small business concerns on or near Tribal Lands.

Mr. President, I would again like to thank Senators JOHNSON and SMITH and all of the cosponsors of this important legislation to assist our Native American communities. I would also, again like to thank Congressman UDALL for taking the lead in the House on providing critical assistance for small businesses in Native American communities. I would urge all of my colleagues to cosponsor this legislation to help us fulfill our commitment to Native American communities.

By Ms. STABENOW (for herself, Mr. KENNEDY, Mr. LEAHY, Mr. DODD, Mr. CORZINE, Mr. LAUTENBERG, Mr. HARKIN, Mr. BINGAMAN, Mr. DURBIN, and Mr. ROCKEFELLER):

S. 1127. A bill to establish administrative law judges involved in the appeals process provided for under the medicare program under title XVIII of the Social Security Act within the Department of Health and Human Services, to ensure the independence of, and preserve the role of, such administrative law judges, and for other purposes; to the Committee on Finance.

Ms. STABENOW. Mr. President, today I rise to introduce the Fair and Impartial Rights, FAIR, for Medicare Act and bring attention to growing concerns I have heard about the possible politicization of the Medicare appeals process.

The Administrator of the Centers for Medicare and Medicaid Services, CMS, has indicated that the Administration would like to alter the current practice of requiring that Medicare beneficiaries or Medicare providers be granted a hearing before an independent Administrative Law Judge, ALJ, when their initial claim is denied.

Instead of taking the side of beneficiaries and providers, this proposed action would seek to inject political interference in the Medicare appeals process to try to deny benefits to claimants. When Medicare beneficiaries and Medicare providers are denied payment for services, the 2000 BIPA law allows them a five-step process for them to appeal this decision.

Unfortunately, the first two steps of this appeals process has been working against beneficiaries and providers. In the last five years, ALJs have reversed 53 percent of these preliminary rulings. This means that 53 percent of all cases were decided incorrectly by the preliminary steps in the Medicare appeals process. It was only when beneficiaries or providers appealed to an independent ALJ that they received the proper ruling.

ALJs serve an essential role in the claims review process because there is often conflicting and confusing information to guide beneficiaries and providers. In its 2001 report as part of its ongoing review of CMS communications, the General Accounting office described the information CMS's carriers gives to providers as ''often incomplete, confusing, out of date, or even incorrect.'' GAO found that ''the norm'' for many carriers were documents over 50 pages that ''often contained long articles, written in dense language and printed in small type.'' Documents ''were also poorly organized, making it difficult for a physician to identify relevant or new information.'' ALJs base their decisions on administrative rules, which have the benefit of being open to public comment and review, as well as case law and statutes.

Unfortunately, the Administration is seeking to undermine the independent role of ALJs who hear Medicare cases and replace ALJs with Federal employees, perhaps even political appointees,

with closer ties to the Administration's policy goals. The Administration's plan is not just an abstract proposal. It would hurt Medicare beneficiaries and Medicare providers.

The FAIR for Medicare Act would stop this political attempt to weaken the role of independent ALJs. Specifically, it would: Prohibit non-ALJs, like political appointees, from performing the duties of ALJs. Transfer Medicare ALJs from the Social Security Administration to the Department of HHS, just like a bipartisan bill introduced in the House by Congresswoman Nancy Johnson. Ensure ALJs are organizationally and functionally separated from CMS and all other political appointees other than the Secretary of HHS.

Similar legislation has been introduced in the House by Representative Nancy Johnson, and it received bipartisan support. I hope that my proposal will achieve the same result.

I ask unanimous consent that the text of the bill and several articles be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1127

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Fair And Impartial Rights (FAIR) for Medicare Act of 2003''.

SEC. 2. ADMINISTRATIVE LAW JUDGES WITHIN HHS; ENSURING INDEPENDENCE OF ADMINISTRATIVE LAW JUDGES; PRESERVATION OF THE ROLE OF ADMINISTRATIVE LAW JUDGES.

(a) ALJS WITHIN HHS.—Any administrative law judge performing the administrative law judge functions described in section 1869 of the Social Security Act (42 U.S.C. 1395ff) shall be within the Department of Health and Human Services.

(b) ENSURING INDEPENDENCE OF ALJS.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall ensure the independence of administrative law judges described in subsection (a).

(2) INDEPENDENCE DESCRIBED.—In order to ensure the independence described in paragraph (1), each administrative law judge described in subsection (a) shall—

(A) be an impartial decisionmaker;

(B) be bound only by applicable statutes, regulations, and rulings issued in accordance with subchapter II of chapter 5, and chapter 7, of title 5, United States Code (commonly known as the ''Administrative Procedures Act'');

(C) be placed by the Secretary in an administrative office that is organizationally and functionally separate from the Centers for Medicare & Medicaid Services; and

(D) report to, and be under the general supervision of, the Secretary, but shall not report to, or be subject to supervision by, another officer of the Department of Health and Human Services.

(c) PRESERVATION OF THE ROLE OF ALJS.—An individual who is not an administrative law judge appointed pursuant to section 3105 of title 5, United States Code, may not perform the functions of an administrative law judge specified in section 1869 of the Social Security Act (42 U.S.C. 1395ff).

(d) CONFORMING AMENDMENT.—Section 1869(f)(2)(A)(i) of the Social Security Act (42 U.S.C. 1395ff(f)(2)(A)(i)) is amended by striking ''of the Social Security Administration''.

[From The New York Times, March 16, 2003]

BUSH PUSHES PLAN TO CURB APPEALS IN MEDICARE CASES

(By Robert Pear)

Washington, March 15—The Bush administration says it is planning major changes in the Medicare program that would make it more difficult for beneficiaries to appeal the denial of benefits like home health care and skilled nursing home care.

In thousands of recent cases, federal judges have ruled that frail elderly people with severe illnesses were improperly denied coverage for such services.

In the last year, Medicare beneficiaries and the providers who treated them won more than half the cases—39,796 of the 77,388 Medicare cases decided by administrative law judges. In the last five years, claimants prevailed in 186,300 cases, for a success rate of 53 percent.

Under federal law, the judges are independent, impartial adjudicators who hold hearings and make decisions based on the facts. They must follow the Medicare law and rules, but are insulated from political pressures and sudden shifts in policy made by presidential appointees.

President Bush is proposing both legislation and rules that would limit the judges' independence and could replace them in many cases.

The administration's draft legislation says, ''The secretary of health and human services may use alternate mechanisms in lieu of administrative law judge review'' to resolve disputes over Medicare coverage.

Under the legislative proposal, cases could be decided by arbitration or mediation or by lawyers or hearing officers at the Department of Health and Human Services. The department recently began testing the use of arbitration in Connecticut under a law that permits demonstration projects.

Tommy G. Thompson, the secretary of health and human services, said the proposed legislative changes would give his agency ''flexibility to reform the appeals system'' so the government could decide cases in a more ''efficient and effective manner.''

The department said there was an ''urgent need for improvements to the Medicare claim appeal system,'' in part because the number of appeals was rising rapidly.

Consumer groups, administrative law judges and lawyers denounced the proposals. Judith A. Stein, Director of the Center for Medicare Advocacy in Willimantic, Conn., said, ''The president's proposals would compromise the independence of administrative law judges, who have protected beneficiaries in case after case, year after year.''

Beneficiaries have a personal stake in the issue. When claims are denied, a beneficiary is often required to pay tens of thousands of dollars for services already received. In a typical case, an administrative law judge ordered Medicare to pay for 230 home care visits to a 67-year-old woman with breast cancer, heart disease and arthritis. Medicare officials had said the woman should pay the cost. But the judge ordered Medicare to pay because the woman was homebound and the services were ''reasonable and necessary.''

When federal agencies issue rules or decide cases; they generally must follow the Administrative Procedure Act, a 1946 law intended to guarantee the fairness of government proceedings.

Ronald G. Bernoski, president of the Association of Administrative Law Judges, said: ''We see President Bush's proposals as a serious assault on the Administrative Procedure Act, a stealth attack on the rights of citizens to fair, impartial hearings. These hearings guarantee due process of law, as required by the Constitution.''

The American Bar Association and the Federal Bar Association, which represents lawyers who practice in federal courts and before federal agencies, have expressed similar concerns.

Health care providers, which are involved in many of the appeals, share those concerns.

Robert L. Roth, a Washington lawyer who has represented hospitals and suppliers of medical equipment, said: ''The interests of providers and beneficiaries are aligned. Access to an independent decision maker, an administrative law judge, is quite valuable because it's often your first opportunity to get a fair review of government action.''

Medicare officials could adopt the proposed rules, regardless of whether Congress accepts Mr. Bush's recommendation for changes in the law.

The proposed rules would require administrative law judges to ''give deference'' to policies adopted by Medicare and its contractors, which review and pay claims for the government. Beneficiaries would have to show why such policies should be disregarded,

That would be a significant change. Administrative law judges are now required to follow Medicare statutes and regulations, but not the agency's policies. As a result, the judges often grant benefits previously denied by the Medicare agency or its contractors.

In the Connecticut experiment, arbitration will be used to resolve some claims disputes, and beneficiaries may opt out. If this approach produces prompt, fair decisions with less paperwork, it could be a model for Congress in changing the appeals process.

But Matthew L. Spitzer, dean of the University of Southern California Law School, said that consumers ''should think long and hard before they agree to binding arbitration.'' It is, he said, extremely difficult for an individual to overturn an arbitrator's decision.

Ms. Stein, who has represented Medicare patients in hundreds of cases, agreed. ''The president proposes replacing administrative law judges with some form of dispute resolution,'' Ms. Stein said. ''This puts beneficiaries at a disadvantage, with unequal bargaining power and inadequate expertise to do battle with the Medicare agency.''

The judges are full-time government employees who typically receive salaries of $95,000 to $140,000 a year.

To ensure that federal agency hearings would be fair, Congress in 1946 protected the decision makers, providing that they could be dismissed or demoted ''only for good cause.'' The judges who hear Medicare cases have extra protection because they are employed by the Social Security Administration, an independent agency.

Congress revamped the appeals process in 2000, to enhance the rights of beneficiaries and to expedite decisions. The changes were supposed to take effect in October 2002. But Medicare officials said that without more money, they could not meet the new deadlines, so they have postponed many of the changes.

Medicare officials said they wanted to end the arrangement under which Social Security judges decide Medicare cases. They have announced plans to transfer responsibility for hearing appeals to the Medicare agency from Social Security, and they hope to do so by Oct. 1.

A bipartisan bill introduced by Representative Nancy L. Johnson, Republican of Connecticut, would make the transfer in 2005. The bill requires the secretary of health and human services to preserve the judge's role as independent decision makers.

The potential for conflict seems to be inherent in the relationship between agency

officials and administrative law judges, with tensions flaring periodically. In 1983, the Association of Administrative Law Judges filed a lawsuit, saying that Social Security officials appointed by President Ronald Reagan had put improper pressure on them to deny benefits to people with disabilities.

A Federal District Court found that Social Security had engaged in practices ''of dubious legality,'' which tended to encroach on the judges' independence. The agency halted the practices after the lawsuit was filed.

[From the Philadelphia Inquirer, March 20, 2003]

TILT!

MEDICARE LOOKS TO RIG APPEALS SYSTEM IN ITS FAVOR

If the score's going against you, just change the rules of the game.

That is, if you're president.

The Bush administration's plan to rework the appeals process for Medicare recipients denied treatment appear to be just that: a rules change that tilts the playing field.

In losing thousands of these appeal annually, the federal government is being ordered to pay millions of dollars for health-care services.

So administration officials start calling for ''flexibility to reform the appeals system.'' Translation: We want to win more cases and pay out less.

It's not as though the appeals process is a runaway train; in the last year, only a little more than half the cases were won by Medicare recipients. But nearly 40,000 appeals were upheld; put another way, that means 40,000 elderly citizens had been improperly denied care.

It wasn't for face lifts or tummy tucks, either. Rather, it was for things that make all the difference to frail seniors, things like home health assistance and skilled nursing care.

Independent administrative judges handle these appeals now. Under proposed new rules, the Department of Health and Human Services could steer the cases into arbitration or mediation—both of which experts view as less likely to favor the citizens.

The administration also wants to turn the independent judges into Medicare employees—and to require them to ''give deference'' to policies adopted under Medicare.

At this rate, why not drop all pretense and just ban appeals? That way every Medicare recipient—including those much-coveted Florida voters—would know exactly where they stand with this White House.

Medicare's money troubles are real enough. But trimming expenses by undercutting a fair appeals process is wrong. And to pursue this policy while seeking huge tax cuts and claiming to attend to seniors' health care needs is cynical.

[From The Seattle Times, May 7, 2003]

MEDICARE APPEAL PROCESS SHOULD NOT BE WEAKENED

(By Kathleen O'Connor)

With our focus riveted on Iraq and the state's dramatic budget shortfalls, virtually no attention is being paid to the proposed, ominous changes in Medicare. No, not the Medicare prescription-drug benefit that hogs headlines. It's something more dramatic, more important. The proposed changes could essentially eliminate Medicare due process.

How? By removing the independence of the administrative law judges who now hear Medicare appeals and by axing most of the current terms and conditions under which those appeals can be made. The Bush administration wants to let the secretary of the Department of Health and Human Services (HHS) use arbitration or mediation and—get this—lawyers or hearing officers inside the HHS to make decisions on Medicare appeals. This means appeals would no longer be heard by independent judges in a separate agency. Instead, appeals would be heard in-house by Medicare employees.

Nothing like letting the fox guard the hen house. Where is due process or equal protection in this? How can inside gatekeepers be fair? How do you hear an appeal when your job is to guard the treasury? How long would these Medicare employee-judges keep their jobs if they keep agreeing that the beneficiaries are right, as they have been in over 50 percent of the appeals?

Even as far back as 1996, the Office of the Inspector General—the internal audit arm of HHS that manages Medicare—found that Medicare was dead wrong in 55 percent of the claims it processed. Recent data cited in The New York Times revealed that over half the appeals in the past five years eventually were found to be in the beneficiaries' favor. In 2002 alone, Medicare beneficiaries and their providers prevailed in almost 40,000 of the 77,000 appeals that were filed, or 52 percent of the time.

What's remarkable about this is that Medicare appeals had to have been lost at two lower levels before the beneficiaries even got to these judges. The 1946 Administrative Procedure Act was designed to assure we have fair and just recourse when we have complaints against the government.

Since the creation of Medicare, appeals have been heard before these administrative law judges and have been based on Medicare laws and regulations rather than internal Medicare policies that frequently change with each administration. If the appeals function is brought in-house, independent appeals would vanish and coverage decisions could be made by the whim of an internal policy, whether written or not. Worse yet, the administration says these changes don't really need congressional approval and can simply be made by procedural rules that would have the administrative law judges ''give deference'' to Medicare's policies and those of Medicare contractors.

What this really means is the burden of proof would be placed on the harmed beneficiaries and their providers, who would have to show why these policies should be ignored. Why does this matter? Follow the money. Let's take a look at what Medicare covers. Part A pays for inpatient hospital care, skilled nursing home care, home health care and hospice stays. Part B basically covers all outpatient care (doctors) and outpatient hospital services, cancer screening, lab tests and medical equipment, such as wheel chairs.

Take the case of Mrs. H in Brooklyn, N.Y. She sought coverage for a prescribed transcutaneous electronic nerve stimulator (TENS) to treat her fibromyalgia, a chronic disorder characterized by widespread musculoskeletal pain and fatigue. Medicare initially denied coverage for this device, noting that the information provided did not support the need for the item. Mrs. H appealed and was denied at what's called the fair hearing level, based on internal coverage guidelines. After that denial, the appeal went to an administrative law judge for an independent ruling. The judge found in Mrs. H's favor, deeming the device to be ''medically necessary.''

The finding provided on $646, but when you're poor and living on Social Security, $600 is a lot of money. Other findings are in the tens of thousands of dollars. How many internal Medicare judge employees would be that independent? Administrative law judges can be dismissed ''only for good cause.'' If the appeals function is an in-house post, the employee decision-maker can be transferred or reassigned. The administration law judges can be dismissed ''only for good cause.'' If the appeals function is an in-house post, the employee decision-maker can be transferred or reassigned. The administration will say it is only making ''procedural changes''; that an appeals process still ''exists.'' Sure, but it is one that harms rather than helps the beneficiary. They may say there is still due process. But it will no longer be an independent review. Not any real due process. Which is the issue after all. As a friend is fond of saying: ''Token due process is not due process at all.''

By Mr. FEINGOLD (for himself, Mr. LEAHY, and Mr. KOHL:

S. 1128. A bill to amend title 11 of the United States Code with respect to the dismissal of certain involuntary cases; to the Committee on the Judiciary.

Mr. FEINGOLD. Mr. President, today I introduce the ''Involuntary Bankruptcy Improvement Act,'' along with Senator LEAHY, the ranking member of the Judiciary Committee, and my colleague Senator KOHL, the senior Senator from Wisconsin. This bill addresses the growing problem of the use of involuntary bankruptcy petitions as a means to harass public officials. A similar bill has been introduced in the other body by the Chairman of the House Judiciary Committee. I believe this bill should be enacted on its own as soon as possible or, if necessary, be a part of any bankruptcy-related legislation that goes through the Congress this year.

Involuntary bankruptcy petitions are a rarely used, but legitimate, creditor tool to prevent the wasting of an asset that would otherwise be available to satisfy creditor claims. Unfortunately, tax protestors and others with real or imagined grievances against the government have filed fraudulent involuntary bankruptcy petitions against government officials as a way to harass and harm them. This problem came to my attention recently because of a case in my home State of Wisconsin.

In that case, a man named Steven Magritz undertook a vendetta against thirty-six Ozaukee County officials after the County pursued a foreclosure action against him for failing to pay taxes by filing involuntary bankruptcy petitions against those officials. Although the petitions were ultimately dismissed and Magritz was convicted of criminal slander and sentenced to five years in prison, the petitions had, and are still having, an impact on the credit ratings of the officials.

Current law provides for punitive damages to be assessed against someone who files an erroneous petition of this kind. But because bankruptcy filings are public records and credit reporting agencies include information in their reports for ten years, erroneous or fraudulent filings can have a devastating impact on the credit ratings of the individuals involved even if the perpetrator is punished. The local government officials that were the subject of this vendetta have had great difficulty in obtaining loans or refinancing their homes.

Although a comprehensive study of this problem has not been done, I understand that fraudulent involuntary bankruptcy petitions have been filed against federal district court judges in Ohio and Maine, a U.S. Attorney in Maine, and IRS agents in Ohio. A district in California reported that over 10 percent of the involuntary bankruptcy petitions filed in recent years were likely filed in bad faith.

The bill I am introducing today will address this problem in two ways. First, it requires the bankruptcy court on motion of the debtor to expunge from the court's file all records relating to the filing of an involuntary petition and any references to such petition, if 1. the debtor is an individual; 2. the petition is dismissed; and 3. the petition is false or contains a materially false, fictitious, or fraudulent statement.

Second, the bill authorizes a bankruptcy court to prohibit credit reporting agencies from issuing a consumer report that contains any information relating to an involuntary bankruptcy petition or to the case commenced by such petition where the debtor is an individual and the court has dismissed the petition.

These steps will retain involuntary bankruptcy as a legitimate tool to preserve debtor assets, but will allow the courts to address the real harm that can befall an innocent victim of harassment. I urge my colleagues to support this reasonable and necessary reform of the bankruptcy laws. I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1128

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Involuntary Bankruptcy Improvement Act of 2003''.

SEC. 2. INVOLUNTARY CASES.

Section 303 of title 11, United States Code, is amended by adding at the end the following:

''(*l*)(1) If—

''(A) the petition under this section is false or contains any materially false, fictitious, or fraudulent statement;

''(B) the debtor is an individual; and

''(C) the court dismisses such petition;

the court, upon motion of the debtor, shall expunge from the records of the court such petition, all the records relating to such petition in particular, and all references to such petition.

''(2) If the debtor is an individual and the court dismisses a petition under this section, the court may enter an order prohibiting all consumer reporting agencies (as defined in section 603(f) of the Fair Credit Reporting Act (15 U.S.C. 1681a(f))) from making any consumer report (as defined in section 603(d) of that Act) that contains any information relating to such petition or to the case commenced by the filing of such petition.''.

Mr. KOHL. Mr. President, I rise today to join my colleagues, Senators LEAHY and FEINGOLD in introducing the Involuntary Bankruptcy Improvement Act of 2003.

This bill responds to an unfortunate abuse of the involuntary bankruptcy laws which occurred in my home state of Wisconsin last year. There, a tax protestor filed involuntary bankruptcy petitions against 36 public officials. Even though none of the filings had any merit, the protestor succeeded in ruining the credit ratings of many of the public officials by filing what the Milwaukee Journal-Sentinel described as ''an avalanche of legal documents against them.'' Some of the victims did not even know they were the subject of an involuntary bankruptcy case until they tried to use their lines of credit or obtain credit.

Involuntary bankruptcy plays an important role in our system, but when it is abused by frivolous and fraudulent filings the victims deserve the right to clear their good names.

Some background on involuntary bankruptcy is in order. Under current law, one or more creditors can file an involuntary bankruptcy petition against an individual or corporation. The credit problems were created because the filing of an involuntary bankruptcy case is a matter of public record pursuant to bankruptcy code section 107. In addition, credit reporting agencies include the filing on a person's credit report for up to ten years.

The abuse of the involuntary bankruptcy laws is not common, but the Wisconsin case is not unique either. The National Conference of Bankruptcy Clerks advises that after an initial review, they found that federal district judges in Ohio and Maine have been the subject of involuntary petitions, as well as a United States Attorney in Maine, and two IRS agents in Ohio. Finally, the bankruptcy clerk in the Central District of California reported that approximately 11 percent of involuntary petitions were bad faith filings over a 27 month period ending in March 2003.

This bill addresses the problem in two primary ways. First, it amends the bankruptcy code to require that on the motion of the debtor that the bankruptcy courts expunge from the courts file all records relating to the filing of an involuntary petition under certain conditions. Those conditions are: (1) the petition is false or contains a materially false, fictitious, or fraudulent statement, (2) the debtor is an individual; and (3) the petition is dismissed.

Second, the bill amends the bankruptcy code to authorize a bankruptcy court to prohibit all credit reporting agencies from issuing a consumer report that contains any information relating to the involuntary bankruptcy petition or to the case commenced by such petition where the debtor is an individual and the court has dismissed the petition.

So while this bill cannot prohibit someone from filing involuntary bankruptcy petitions like the man in Wisconsin, it can make it significantly easier for the victim to contain the impact on his or her credit rating and to remove the unfortunate incident from the record.

Mr. President, I understand that Chairman SENSENBRENNER is moving the same bill on the House side. I look forward to working with him and my Senate cosponsors to get this important change to the bankruptcy code into law.

By Mrs. FEINSTEIN (for herself, Mr. BROWNBACK, Mr. VOINOVICH, Ms. CANTWELL, Mr. DEWINE, Mr. LAUTENBERG, Mr. FEINGOLD, and Mr. KENNEDY):

S. 1129. A bill to provide for the protection of unaccompanied alien children, and for other purposes; to the Committee on the Judiciary.

Mrs. FEINSTEIN. Mr. President, I rise to introduce the ''Unaccompanied Alien Child Protection Act of 2003,'' bipartisan legislation to reform the way the Federal Government treats unaccompanied alien children who are in Federal immigration custody. I am pleased to be joined by my colleagues, Senators BROWNBACK, VOINOVICH, KENNEDY, CANTWELL, DEWINE, FEINGOLD, and LAUTENBERG in introducing this important measure.

Approximately 5,000 foreign-born children under the age of 18 enter the United States each year unaccompanied by parents or other legal guardians. These children are among the most vulnerable of the immigrant population.

Many have often entered the country under traumatic circumstances. They are young and alone, subject to abuse and exploitation. They are often unable to articulate their fears, their views, or testify to their needs as accurately as adults can.

Despite these facts, U.S. Immigration laws and policies have been developed and implemented without regard for their effect on children, particularly on unaccompanied alien children.

Under current immigration law, these children are forced to struggle through a system designed primarily for adults, even though they lack the capacity to understand nuances legal principles and procedures. Children who may very well be eligible for relief are often vulnerable to being deported back to the very life-threatening situations from which they fled—before they are even able to make their cases before the Department of Homeland Security or an immigration judge.

Prior to March 1, 2003, the Immigration Naturalization Service, INS, had responsibility for the care, custody, and treatment of unaccompanied alien children. Too often, the INS, fell short in fulfilling the protection side of these responsibilities.

The legislation that I am introducing today builds on Section 462 of Public Law 107–296, the ''Homeland Security Act of 2002'', which provided for the transfer of responsibility for the care

and placement of unaccompanied alien children from the now-abolished INS to the Office of Refugee Resettlement, ORR, within the Department of Health and Human Services. This provision was based on S. 121, comprehensive legislation relating to unaccompanied alien children that I introduced at the beginning of the 107th Congress.

With the enactment of the Homeland Security Act, we set into motion the centralization of responsibility for the care and custody of unaccompanied alien children in the Office of Refugee Resettlement. The first phase of this transfer of responsibility occurred on March 1, 2003. Once the transition is completed, we have finally resolved the conflict of interest inherent in the former system.

I am pleased that the provision transferring responsibility for the care and custody of unaccompanied alien children was contained in the Homeland Security Act. Its inclusion in the new law was an important first step in reforming the way unaccompanied alien children are treated. It was a key provision for two reasons: First, it will help ensure that the Secretary of Homeland Security is not burdened with policy issues unrelated to the threat of terrorism. The new Department has a huge and important mission and its attention should be focused on that mission. Second, it recognizes that the Federal Government has a special responsibility to protect these children who are in federal custody. The INS did not always live up that responsibility.

But, the transfer of authority to the ORR—by itself—is not enough to ensure that these children are properly treated. Congress now has a responsibilty to go beyond the simple transfer and set the priorities for ORR and its new jurisdiction over unaccompanied foreign-born minors.

A number of other important reforms that were contained in last year's S. 121 were left out of the Homeland Security Act. Enactment of these reforms will be crucial if we truly are to reform the manner in which these children are treated. As I mentioned, the Unaccompanied Alien Child Protection Act of 2003 builds on the Homeland Security Act in two ways: First, it would make a number of technical and conforming changes in law to bring about the smooth transfer of the INS's unaccompanied alien child-related functions to ORR. Second, it would make a number of more substantive reforms in law with respect the respect to the treatment of these children—reforms that are designed to ensure that such children are treated with fairness and compassion.

Other provisions include those that would keep children who are criminals or who pose a threat to national security under the custody of the Department of Homeland Security rather than transfer responsibility of them to the ORR.

I first became involved in this issue when I heard about a young 15-year old Chinese girl who stood before a U.S. immigration court facing deportation proceedings. She had found her way to the United States as a stowaway in a container ship captured off of Guam, hoping to escape the repression she had experienced in her home country.

She had been placed on a boat bound for the United States by her very own parents, fleeing China's rigid family planning laws, Under these laws, she was denied citizenship, education, and medical care. She came to this country alone and desperate.

And what did our immigration authorities do when they found her? The INS detained her in a juvenile jail in Portland, OR, for 8 months before her asylum hearing, and 4 months after she was granted asylum.

At her asylum hearing, the young girl stood before a judge, unrepresented by counsel, confused, and unable to understand the proceedings against her. She could not wipe away the tears from her face because her hands were chained to her waist. According to a lawyer who later came to represent her, ''her only crime was that her parents had put her on a boat so she could get a better life over here.''

While the young girl eventually received asylum in our country, she unnecessarily faced an ordeal no child should bear under our immigration system. This young Chinese girl represents only one of 5,000 foreign-born children who, without parents or legal guardians to protect them, are discovered in the United States each year in need of protection. This, is unacceptable treatment. We have a responsibility to do better than this.

Central throughout the Unaccompanied Alien Child Protection Act of 2003 are two concepts: 1. The United States Government has a fundamental responsibility to protect unaccompanied children in its custody; and 2. in all proceedings and actions, the government should have as a high priority protecting the interests of these children, most of whom are unable to understand the nature of the proceedings in which they are involved.

This bill would ensure that children who are apprehended by immigration authorities are treated humanely and appropriately by: ensuring that eligible unaccompanied alien children are promptly placed in the custody of Office of Refugee Resettlement after they are encountered by immigration officials; ensuring that the children have counsel to represent them in immigration proceedings and matters; authorizing the Director of ORR to provide guardians ad litem for the children to look after their interests; establishing clear guidelines and uniformity for detention alternatives such as shelter care, foster care, and other child custody arrangements; establishing minimum standards for detention and alternative settings that take into account the special needs of children; improving such children's access to existing options for permanent protection when U.S. immigration and child welfare authorities believe such protection is warranted; setting forth procedures that immigration officers should follow when apprehending unaccompanied alien children at the United states border or at United States ports of entry; establishing procedures to ensure that the true age of an alien who claims to be under the age of 18 is determined; ensuring that the Department of Homeland Security, rather than the Office of Refugee Resettlement, maintain custody over children who are either criminals or threats to national security; and establishing procedures to ensure that certain unaccompanied alien children from Mexico or Canada, encountered along the United States border, are returned to their homes, subject to formal agreements between the United States and those countries providing for their safe return without undue delay.

Without enactment of my legislation, none of these important parameters would be placed on the Office of Refugee Resettlement or the Department of Homeland Security.

This bill also includes provisions that provide for the safety of the significant number of unaccompanied alien children who are victims of smuggling or trafficking rings. For example, 2 years ago, Phanupong Khaisri, a 2-year old Thai child, was brought to the United States by two individuals falsely claiming to be his parents, but who were actually part of a major alien trafficking ring.

The INS was prepared to deport the child back to Thailand. It was not until Members of Congress and the local Thai community had intervened, however, that the INS decided to allow the child to remain in the United States until the agency could provide proper medical attention and determine what course of action would be in his best interest.

The Unaccompanied Alien Child Protection Act aims to prevent situations like this from recurring. Moreover, the legislation would ensure that children are released into safe and humane environments while awaiting a determination of their status when that is appropriate, and it would ensure that the children are protected from smugglers, traffickers, or others who might exploit them.

Further, it would require the ORR to take steps to ensure that unaccompanied alien children are protected from smugglers or others who may wish to do them harm, and authorizes reimbursement for State and local expenses associated with caring for unaccompanied alien children.

Children, even more than adults, have incredible difficulty understanding the complexities of the immigration system without the assistance of counsel. Despite this reality, most children in immigration custody are overlooked and unrepresented. Without legal representation, children are at risk of being returned to their home

countries where they may face further human rights abuses.

The Unaccompanied Alien Child Protection Act of 20032 would require that all unaccompanied alien children in Federal custody by reason of their immigration status have counsel to represent them in any immigration proceedings involving them. It would vest in the Director of ORR responsibility for ensuring that the children have counsel, and it would provide the Director power to establish an infrastructure for developing a system to recruit and support pro bono counsel who can represent these children without cost to them or to the government.

It provides, as a last resort, that counsel could be provided for the children at government expense, capping the fees that such counsel could charge in the event that the government pays for such counsel.

This bill would authorize, but not mandate, the Director of ORR to put into place a system of guardians ad litem who would help the court in determining the best interests of children in U.S. custody.

The vast majority of unaccompanied alien children have been forced to maneuver the immigration system without any representation or without any assistance. This is unacceptable. It results in many children participating in a system without any understanding of the process they are undergoing or the ramifications of their situation.

Under this section, the guardian ad litem would not be working ''for the child.'' Nor would he or she be working for the Department of Homeland Security. Instead, he or she would be an impartial observer reporting to the court and to the Office of Refugee Resettlement on what he or she thinks is in the best interest of the child.

The guardians ad litem system could be modeled after any of a number of systems already existing in juvenile courts throughout the American juvenile justice system. This system is not a novel legal concept, but one that is trusted and already in place in every state in proceedings involving juveniles.

Imagine the fear of a foreign-born child, in the United States alone without a parent or guardian. Imagine that child being thrust into a system she did not understand, given no legal aid, placed in jail that housed juveniles with serious criminal convictions. Mr. President, I find it hard to believe that our country would have allowed innocent children to be treated in such a manner.

That is why my colleagues and I are introducing this legislation today. The Unaccompanied Alien Child Protection Act of 2003 will help our country fulfill the special obligation to these children.

I am proud to have the support of the United States Conference of Catholic Bishops, the Women's Commission on Refugee Women and Children, the Lutheran Immigration and Refugee Service, the American Bar Association, the United National High Commissioner for Refugees, and many other organizations with whom I have worked closely to develop this legislation.

I urge my colleagues to join me by cosponsoring this important measure and ensuring that these reforms are finally enacted.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1129

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Unaccompanied Alien Child Protection Act of 2003''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.

TITLE I—CUSTODY, RELEASE, FAMILY REUNIFICATION, AND DETENTION

Sec. 101. Procedures when encountering unaccompanied alien children.
Sec. 102. Family reunification for unaccompanied alien children with relatives in the United States.
Sec. 103. Appropriate conditions for detention of unaccompanied alien children.
Sec. 104. Repatriated unaccompanied alien children.
Sec. 105. Establishing the age of an unaccompanied alien child.
Sec. 106. Effective date.

TITLE II—ACCESS BY UNACCOMPANIED ALIEN CHILDREN TO GUARDIANS AD LITEM AND COUNSEL

Sec. 201. Guardians ad litem.
Sec. 202. Counsel.
Sec. 203. Effective date; applicability.

TITLE III—STRENGTHENING POLICIES FOR PERMANENT PROTECTION OF ALIEN CHILDREN

Sec. 301. Special immigrant juvenile visa.
Sec. 302. Training for officials and certain private parties who come into contact with unaccompanied alien children.
Sec. 303. Report.
Sec. 304. Effective date.

TITLE IV—CHILDREN REFUGEE AND ASYLUM SEEKERS

Sec. 401. Guidelines for children's asylum claims.
Sec. 402. Unaccompanied refugee children.
Sec. 403. Exceptions for unaccompanied alien children in asylum and refugee-like circumstances.

TITLE V—AUTHORIZATION OF APPROPRIATIONS

Sec. 501. Authorization of appropriations.

TITLE VI—AMENDMENTS TO THE HOMELAND SECURITY ACT OF 2002

Sec. 601. Additional responsibilities and powers of the Office of Refugee Resettlement with respect to unaccompanied alien children.
Sec. 602. Technical corrections.
Sec. 603. Effective date.

SEC. 2. DEFINITIONS.

(a) IN GENERAL.—In this Act:

(1) COMPETENT.—The term ''competent'', in reference to counsel, means an attorney who complies with the duties set forth in this Act and—

(A) is a member in good standing of the bar of the highest court of any State, possession, territory, Commonwealth, or the District of Columbia;

(B) is not under any order of any court suspending, enjoining, restraining, disbarring, or otherwise restricting the attorney in the practice of law; and

(C) is properly qualified to handle matters involving unaccompanied immigrant children or is working under the auspices of a qualified nonprofit organization that is experienced in handling such matters.

(2) DIRECTOR.—The term ''Director'' means the Director of the Office.

(3) DIRECTORATE.—The term ''Directorate'' means the Directorate of Border and Transportation Security established by section 401 of the Homeland Security Act of 2002 (6 U.S.C. 201).

(4) OFFICE.—The term ''Office'' means the Office of Refugee Resettlement as established by section 411 of the Immigration and Nationality Act (8 U.S.C. 1521).

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Homeland Security.

(6) UNACCOMPANIED ALIEN CHILD.—The term ''unaccompanied alien child'' has the same meaning as is given the term in section 462(g)(2) of the Homeland Security Act of 2002 (6 U.S.C. 279(g)(2)).

(7) VOLUNTARY AGENCY.—The term ''voluntary agency'' means a private, nonprofit voluntary agency with expertise in meeting the cultural, developmental, or psychological needs of unaccompanied alien children, as certified by the Director of the Office of Refugee Resettlement.

(b) AMENDMENTS TO THE IMMIGRATION AND NATIONALITY ACT.—Section 101(a) of the Immigration and Nationality Act (8 U.S.C. 1101(a)) is amended by adding at the end the following:

''(51) The term 'unaccompanied alien child' means a child who—

''(A) has no lawful immigration status in the United States;

''(B) has not attained the age of 18; and

''(C) with respect to whom—

''(i) there is no parent or legal guardian in the United States; or

''(ii) no parent or legal guardian in the United States is able to provide care and physical custody.

''(52) The term 'unaccompanied refugee children' means persons described in paragraph (42) who—

''(A) have not attained the age of 18; and

''(B) with respect to whom there are no parents or legal guardians available to provide care and physical custody.''.

TITLE I—CUSTODY, RELEASE, FAMILY REUNIFICATION, AND DETENTION

SEC. 101. PROCEDURES WHEN ENCOUNTERING UNACCOMPANIED ALIEN CHILDREN.

(a) UNACCOMPANIED CHILDREN FOUND ALONG THE UNITED STATES BORDER OR AT UNITED STATES PORTS OF ENTRY.—

(1) IN GENERAL.—Subject to paragraph (2), if an immigration officer finds an unaccompanied alien child who is described in paragraph (2) at a land border or port of entry of the United States and determines that such child is inadmissible under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.), the officer shall—

(A) permit such child to withdraw the child's application for admission pursuant to section 235(a)(4) of the Immigration and Nationality Act (8 U.S.C. 1225(a)(4)); and

(B) return such child to the child's country of nationality or country of last habitual residence.

(2) SPECIAL RULE FOR CONTIGUOUS COUNTRIES.—

(A) IN GENERAL.—Any child who is a national or habitual resident of a country that

is contiguous with the United States and that has an agreement in writing with the United States providing for the safe return and orderly repatriation of unaccompanied alien children who are nationals or habitual residents of such country shall be treated in accordance with paragraph (1), unless a determination is made on a case-by-case basis that—

(i) such child is a national or habitual resident of a country described in subparagraph (A);

(ii) such child has a fear of returning to the child's country of nationality or country of last habitual residence owing to a fear of persecution;

(iii) the return of such child to the child's country of nationality or country of last habitual residence would endanger the life or safety of such child; or

(iv) the child cannot make an independent decision to withdraw the child's application for admission due to age or other lack of capacity.

(B) RIGHT OF CONSULTATION.—Any child described in subparagraph (A) shall have the right to consult with a consular officer from the child's country of nationality or country of last habitual residence prior to repatriation, as well as consult with the Office, telephonically, and such child shall be informed of that right in the child's native language.

(3) RULE FOR APPREHENSIONS AT THE BORDER.—The custody of unaccompanied alien children not described in paragraph (2) who are apprehended at the border of the United States or at a United States port of entry shall be treated in accordance with the provisions of subsection (b).

(b) CARE AND CUSTODY OF UNACCOMPANIED ALIEN CHILDREN FOUND IN THE INTERIOR OF THE UNITED STATES.—

(1) ESTABLISHMENT OF JURISDICTION.—

(A) IN GENERAL.—Except as otherwise provided under subparagraphs (B) and (C) and subsection (a), the care and custody of all unaccompanied alien children, including responsibility for their detention, where appropriate, shall be under the jurisdiction of the Office.

(B) EXCEPTION FOR CHILDREN WHO HAVE COMMITTED CRIMES.—Notwithstanding subparagraph (A), the Directorate shall retain or assume the custody and care of any unaccompanied alien child who—

(i) has been charged with any felony, excluding offenses proscribed by the Immigration and Nationality Act (8 U.S.C. 1101 et seq.), while such charges are pending; or

(ii) has been convicted of any such felony.

(C) EXCEPTION FOR CHILDREN WHO THREATEN NATIONAL SECURITY.—Notwithstanding subparagraph (A), the Directorate shall retain or assume the custody and care of an unaccompanied alien child if the Secretary has substantial evidence, based on an individualized determination, that such child could personally endanger the national security of the United States.

(D) TRAFFICKING VICTIMS.—For purposes of section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) and this Act, an unaccompanied alien child who is eligible for services authorized under the Victims of Trafficking and Violence Protection Act of 2000 (Public Law 106–386), shall be considered to be in the custody of the Office.

(2) NOTIFICATION.—

(A) IN GENERAL.—The Secretary shall promptly notify the Office upon—

(i) the apprehension of an unaccompanied alien child;

(ii) the discovery that an alien in the custody of the Directorate is an unaccompanied alien child;

(iii) any claim by an alien in the custody of the Directorate that such alien is under the age of 18; or

(iv) any suspicion that an alien in the custody of the Directorate who has claimed to be over the age of 18 is actually under the age of 18.

(B) SPECIAL RULE.—In the case of an alien described in clause (iii) or (iv) of subparagraph (A), the Director shall make an age determination in accordance with section 105 and take whatever other steps are necessary to determine whether or not such alien is eligible for treatment under section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) or this Act.

(3) TRANSFER OF UNACCOMPANIED ALIEN CHILDREN.—

(A) TRANSFER TO THE OFFICE.—The care and custody of an unaccompanied alien child shall be transferred to the Office—

(i) in the case of a child not described in subparagraph (B) or (C) of paragraph (1), not later than 72 hours after the apprehension of such child; or

(ii) in the case of a child whose custody and care has been retained or assumed by the Directorate pursuant to subparagraph (B) or (C) of paragraph (1), immediately following a determination that the child no longer meets the description set forth in such subparagraphs.

(B) TRANSFER TO THE DIRECTORATE.—Upon determining that a child in the custody of the Office is described in subparagraph (B) or (C) of paragraph (1), the Director shall promptly make arrangements to transfer the care and custody of such child to the Directorate.

(c) AGE DETERMINATIONS.—In any case in which the age of an alien is in question and the resolution of questions about the age of such alien would affect the alien's eligibility for treatment under section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) or this Act, a determination of whether or not such alien meets the age requirements for treatment under this Act shall be made by the Director in accordance with section 105.

SEC. 102. FAMILY REUNIFICATION FOR UNACCOMPANIED ALIEN CHILDREN WITH RELATIVES IN THE UNITED STATES.

(a) PLACEMENT AUTHORITY.—

(1) ORDER OF PREFERENCE.—Subject to the discretion of the Director under paragraph (4) and section 103(a)(2), an unaccompanied alien child in the custody of the Office shall be promptly placed with 1 of the following individuals or entities in the following order of preference:

(A) A parent who seeks to establish custody, as described in paragraph (3)(A).

(B) A legal guardian who seeks to establish custody, as described in paragraph (3)(A).

(C) An adult relative.

(D) An entity designated by the parent or legal guardian that is capable and willing to care for the well-being of the child.

(E) A State-licensed juvenile shelter, group home, or foster care program willing to accept physical custody of the child.

(F) A qualified adult or entity seeking custody of the child when it appears that there is no other likely alternative to long-term detention and family reunification does not appear to be a reasonable alternative. For purposes of this subparagraph, the qualification of the adult or entity shall be decided by the Office.

(2) SUITABILITY ASSESSMENT.—Notwithstanding paragraph (1), no unaccompanied alien child shall be placed with a person or entity unless a valid suitability assessment conducted by an agency of the State of the child's proposed residence, by an agency authorized by that State to conduct such an assessment, or by an appropriate voluntary agency contracted with the Office to conduct such assessments has found that the person or entity is capable of providing for the child's physical and mental well-being.

(3) RIGHT OF PARENT OR LEGAL GUARDIAN TO CUSTODY OF UNACCOMPANIED ALIEN CHILD.—

(A) PLACEMENT WITH PARENT OR LEGAL GUARDIAN.—If an unaccompanied alien child is placed with any person or entity other than a parent or legal guardian, but subsequent to that placement a parent or legal guardian seeks to establish custody, the Director shall assess the suitability of placing the child with the parent or legal guardian and shall make a written determination on the child's placement within 30 days.

(B) RULE OF CONSTRUCTION.—Nothing in this Act shall be construed to—

(i) supersede obligations under any treaty or other international agreement to which the United States is a party, including The Hague Convention on the Civil Aspects of International Child Abduction, the Vienna Declaration and Program of Action, and the Declaration of the Rights of the Child; or

(ii) limit any right or remedy under such international agreement.

(4) PROTECTION FROM SMUGGLERS AND TRAFFICKERS.—

(A) POLICIES AND PROGRAMS.—

(i) IN GENERAL.—The Director shall establish policies and programs to ensure that unaccompanied alien children are protected from smugglers, traffickers, or other persons seeking to victimize or otherwise engage such children in criminal, harmful, or exploitative activity.

(ii) WITNESS PROTECTION PROGRAMS INCLUDED.—The programs established pursuant to clause (i) may include witness protection programs.

(B) CRIMINAL INVESTIGATIONS AND PROSECUTIONS.—Any officer or employee of the Office or the Department of Homeland Security, and any grantee or contractor of the Office, who suspects any individual of being involved in any activity described in subparagraph (A) shall report such individual to Federal or State prosecutors for criminal investigation and prosecution.

(C) DISCIPLINARY ACTION.—Any officer or employee of the Office or the Department of Homeland Security, and any grantee or contractor of the Office, who suspects an attorney of being involved in any activity described in subparagraph (A) shall report the individual to the State bar association of which the attorney is a member, or to other appropriate disciplinary authorities, for appropriate disciplinary action that may include private or public admonition or censure, suspension, or disbarment of the attorney from the practice of law.

(5) GRANTS AND CONTRACTS.—Subject to the availability of appropriations, the Director may make grants to, and enter into contracts with, voluntary agencies to carry out section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) or to carry out this section.

(6) REIMBURSEMENT OF STATE EXPENSES.—Subject to the availability of appropriations, the Director may reimburse States for any expenses they incur in providing assistance to unaccompanied alien children who are served pursuant to section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) or this Act.

(b) CONFIDENTIALITY.—All information obtained by the Office relating to the immigration status of a person described in subsection (a) shall remain confidential and may be used only for the purposes of determining such person's qualifications under subsection (a)(1).

SEC. 103. APPROPRIATE CONDITIONS FOR DETENTION OF UNACCOMPANIED ALIEN CHILDREN.

(a) STANDARDS FOR PLACEMENT.—

(1) PROHIBITION OF DETENTION IN CERTAIN FACILITIES.—Except as provided in paragraph (2), an unaccompanied alien child shall not be placed in an adult detention facility or a facility housing delinquent children.

(2) DETENTION IN APPROPRIATE FACILITIES.—An unaccompanied alien child who has exhibited a violent or criminal behavior that endangers others may be detained in conditions appropriate to the behavior in a facility appropriate for delinquent children.

(3) STATE LICENSURE.—In the case of a placement of a child with an entity described in section 102(a)(1)(E), the entity must be licensed by an appropriate State agency to provide residential, group, child welfare, or foster care services for dependent children.

(4) CONDITIONS OF DETENTION.—

(A) IN GENERAL.—The Director shall promulgate regulations incorporating standards for conditions of detention in such placements that provide for—

(i) educational services appropriate to the child;

(ii) medical care;

(iii) mental health care, including treatment of trauma, physical and sexual violence, or abuse;

(iv) access to telephones;

(v) access to legal services;

(vi) access to interpreters;

(vii) supervision by professionals trained in the care of children, taking into account the special cultural, linguistic, and experiential needs of children in immigration proceedings;

(viii) recreational programs and activities;

(ix) spiritual and religious needs; and

(x) dietary needs.

(B) NOTIFICATION OF CHILDREN.—Regulations promulgated in accordance with subparagraph (A) shall provide that all children are notified orally and in writing of such standards in the child's native language.

(b) PROHIBITION OF CERTAIN PRACTICES.—The Director and the Secretary shall develop procedures prohibiting the unreasonable use of—

(1) shackling, handcuffing, or other restraints on children;

(2) solitary confinement; or

(3) pat or strip searches.

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to supersede procedures favoring release of children to appropriate adults or entities or placement in the least secure setting possible, as defined in the Stipulated Settlement Agreement under Flores v. Reno.

SEC. 104. REPATRIATED UNACCOMPANIED ALIEN CHILDREN.

(a) COUNTRY CONDITIONS.—

(1) SENSE OF CONGRESS.—It is the sense of Congress that, to the extent consistent with the treaties and other international agreements to which the United States is a party, and to the extent practicable, the United States Government should undertake efforts to ensure that it does not repatriate children in its custody into settings that would threaten the life and safety of such children.

(2) ASSESSMENT OF CONDITIONS.—

(A) IN GENERAL.—The Secretary of State shall include each year in the State Department Country Report on Human Rights, an assessment of the degree to which each country protects children from smugglers and traffickers.

(B) FACTORS FOR ASSESSMENT.—The Office shall consult the State Department Country Report on Human Rights and the Victims of Trafficking and Violence Protection Act of 2000: Trafficking in Persons Report in assessing whether to repatriate an unaccompanied alien child to a particular country.

(b) REPORT ON REPATRIATION OF UNACCOMPANIED ALIEN CHILDREN.—

(1) IN GENERAL.—Not later than 18 months after the date of enactment of this Act, and annually thereafter, the Director shall submit a report to the Committees on the Judiciary of the House of Representatives and the Senate on efforts to repatriate unaccompanied alien children.

(2) CONTENTS.—The report submitted under paragraph (1) shall include, at a minimum, the following information:

(A) The number of unaccompanied alien children ordered removed and the number of such children actually removed from the United States.

(B) A description of the type of immigration relief sought and denied to such children.

(C) A statement of the nationalities, ages, and gender of such children.

(D) A description of the procedures used to effect the removal of such children from the United States.

(E) A description of steps taken to ensure that such children were safely and humanely repatriated to their country of origin.

(F) Any information gathered in assessments of country and local conditions pursuant to subsection (a)(2).

SEC. 105. ESTABLISHING THE AGE OF AN UNACCOMPANIED ALIEN CHILD.

(a) IN GENERAL.—The Director shall develop procedures to determine the age of an alien in the custody of the Department of Homeland Security or the Office, when the age of the alien is at issue. Such procedures shall permit the presentation of multiple forms of evidence, including testimony of the child, to determine the age of the unaccompanied alien for purposes of placement, custody, parole, and detention. Such procedures shall allow the appeal of a determination to an immigration judge.

(b) PROHIBITION ON SOLE MEANS OF DETERMINING AGE.—Neither radiographs nor the attestation of an alien shall be used as the sole means of determining age for the purposes of determining an alien's eligibility for treatment under section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279) or this Act.

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to place the burden of proof in determining the age of an alien on the government.

SEC. 106. EFFECTIVE DATE.

This title shall take effect 90 days after the date of enactment of this Act.

TITLE II—ACCESS BY UNACCOMPANIED ALIEN CHILDREN TO GUARDIANS AD LITEM AND COUNSEL

SEC. 201. GUARDIANS AD LITEM.

(a) ESTABLISHMENT OF GUARDIAN AD LITEM PROGRAM.—

(1) APPOINTMENT.—The Director may, in the Director's discretion, appoint a guardian ad litem who meets the qualifications described in paragraph (2) for such child. The Director is encouraged, wherever practicable, to contract with a voluntary agency for the selection of an individual to be appointed as a guardian ad litem under this paragraph.

(2) QUALIFICATIONS OF GUARDIAN AD LITEM.—

(A) IN GENERAL.—No person shall serve as a guardian ad litem unless such person—

(i) is a child welfare professional or other individual who has received training in child welfare matters; and

(ii) possesses special training on the nature of problems encountered by unaccompanied alien children.

(B) PROHIBITION.—A guardian ad litem shall not be an employee of the Directorate, the Office, or the Executive Office for Immigration Review.

(3) DUTIES.—The guardian ad litem shall—

(A) conduct interviews with the child in a manner that is appropriate, taking into account the child's age;

(B) investigate the facts and circumstances relevant to such child's presence in the United States, including facts and circumstances arising in the country of the child's nationality or last habitual residence and facts and circumstances arising subsequent to the child's departure from such country;

(C) work with counsel to identify the child's eligibility for relief from removal or voluntary departure by sharing with counsel information collected under subparagraph (B);

(D) develop recommendations on issues relative to the child's custody, detention, release, and repatriation;

(E) take reasonable steps to ensure that the best interests of the child are promoted while the child participates in, or is subject to, proceedings or matters under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.);

(F) take reasonable steps to ensure that the child understands the nature of the legal proceedings or matters and determinations made by the court, and ensure that all information is conveyed in an age-appropriate manner; and

(G) report factual findings relating to—

(i) information gathered pursuant to subparagraph (B);

(ii) the care and placement of the child during the pendency of the proceedings or matters; and

(iii) any other information gathered pursuant to subparagraph (D).

(4) TERMINATION OF APPOINTMENT.—The guardian ad litem shall carry out the duties described in paragraph (3) until—

(A) those duties are completed;

(B) the child departs the United States;

(C) the child is granted permanent resident status in the United States;

(D) the child attains the age of 18; or

(E) the child is placed in the custody of a parent or legal guardian;

whichever occurs first.

(5) POWERS.—The guardian ad litem—

(A) shall have reasonable access to the child, including access while such child is being held in detention or in the care of a foster family;

(B) shall be permitted to review all records and information relating to such proceedings that are not deemed privileged or classified;

(C) may seek independent evaluations of the child;

(D) shall be notified in advance of all hearings or interviews involving the child that are held in connection with proceedings or matters under the Immigration and Nationality Act (8 U.S.C. 1101 et seq.), and shall be given a reasonable opportunity to be present at such hearings or interviews;

(E) shall be permitted to consult with the child during any hearing or interview involving such child; and

(F) shall be provided at least 24 hours advance notice of a transfer of that child to a different placement, absent compelling and unusual circumstances warranting the transfer of such child prior to notification.

(b) TRAINING.—The Director shall provide professional training for all persons serving as guardians ad litem under this section in the—

(1) circumstances and conditions that unaccompanied alien children face; and

(2) various immigration benefits for which such alien child might be eligible.

(c) PILOT PROGRAM.—

(1) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Director shall establish and begin to carry

out a pilot program to test the implementation of subsection (a).

(2) PURPOSE.—The purpose of the pilot program established pursuant to paragraph (1) is to—

(A) study and assess the benefits of providing guardians ad litem to assist unaccompanied alien children involved in immigration proceedings or matters;

(B) assess the most efficient and cost-effective means of implementing the guardian ad litem provisions in this section; and

(C) assess the feasibility of implementing such provisions on a nationwide basis for all unaccompanied alien children in the care of the Office.

(3) SCOPE OF PROGRAM.—

(A) SELECTION OF SITE.—The Director shall select 3 sites in which to operate the pilot program established pursuant to paragraph (1).

(B) NUMBER OF CHILDREN.—To the greatest extent possible, each site selected under subparagraph (A) should have at least 25 children held in immigration custody at any given time.

(4) REPORT TO CONGRESS.—Not later than 1 year after the date on which the first pilot program is established pursuant to paragraph (1), the Director shall report to the Committees on the Judiciary of the Senate and the House of Representatives on subparagraphs (A) through (C) of paragraph (2).

SEC. 202. COUNSEL.

(a) ACCESS TO COUNSEL.—

(1) IN GENERAL.—The Director shall ensure that all unaccompanied alien children in the custody of the Office, or in the custody of the Directorate, who are not described in section 101(a)(2) shall have competent counsel to represent them in immigration proceedings or matters.

(2) PRO BONO REPRESENTATION.—To the maximum extent practicable, the Director shall utilize the services of competent pro bono counsel who agree to provide representation to such children without charge.

(3) GOVERNMENT-FUNDED LEGAL REPRESENTATION AS A LAST RESORT.—

(A) APPOINTMENT OF COMPETENT COUNSEL.—Notwithstanding section 292 of the Immigration and Nationality Act (8 U.S.C. 1362) or any other provision of law, if no competent counsel is available to represent an unaccompanied alien child without charge, the Director shall appoint competent counsel for such child at the expense of the Government.

(B) LIMITATION ON ATTORNEY FEES.—Counsel appointed under subparagraph (A) shall not be compensated at a rate in excess of the rate provided under section 3006A of title 18, United States Code.

(C) AVAILABILITY OF FUNDING.—In carrying out this paragraph, the Director may make use of funds derived from any source designated by the Secretary of Health and Human Services from discretionary funds available to the Department of Health and Human Services.

(D) ASSUMPTION OF THE COST OF GOVERNMENT-PAID COUNSEL.—In the case of a child for whom counsel is appointed under subparagraph (A) who is subsequently placed in the physical custody of a parent or legal guardian, such parent or legal guardian may elect to retain the same counsel to continue representation of the child, at no expense to the Government, beginning on the date that the parent or legal guardian assumes physical custody of the child.

(4) DEVELOPMENT OF NECESSARY INFRASTRUCTURES AND SYSTEMS.—In ensuring that legal representation is provided to such children, the Director shall develop the necessary mechanisms to identify entities available to provide such legal assistance and representation and to recruit such entities.

(5) CONTRACTING AND GRANT MAKING AUTHORITY.—

(A) IN GENERAL.—Subject to the availability of appropriations, the Director shall enter into contracts with or make grants to national nonprofit agencies with relevant expertise in the delivery of immigration-related legal services to children in order to carry out this subsection. National nonprofit agencies may enter into subcontracts with or make grants to private voluntary agencies with relevant expertise in the delivery of immigration-related legal services to children in order to carry out this subsection.

(B) INELIGIBILITY FOR GRANTS AND CONTRACTS.—In making grants and entering into contracts with agencies in accordance with subparagraph (A), the Director shall ensure that no such agency receiving funds under this subsection is a grantee or contractee for more than 1 of the following services:

(i) Services provided under section 102.

(ii) Services provided under section 201.

(iii) Services provided under paragraph (2).

(iv) Services provided under paragraph (3).

(6) MODEL GUIDELINES ON LEGAL REPRESENTATION OF CHILDREN.—

(A) DEVELOPMENT OF GUIDELINES.—The Executive Office for Immigration Review, in consultation with voluntary agencies and national experts, shall develop model guidelines for the legal representation of alien children in immigration proceedings based on the children's asylum guidelines, the American Bar Association Model Rules of Professional Conduct, and other relevant domestic or international sources.

(B) PURPOSE OF GUIDELINES.—The guidelines developed in accordance with subparagraph (A) shall be designed to help protect a child from any individual suspected of involvement in any criminal, harmful, or exploitative activity associated with the smuggling or trafficking of children, while ensuring the fairness of the removal proceeding in which the child is involved.

(C) IMPLEMENTATION.—The Executive Office for Immigration Review shall adopt the guidelines developed in accordance with subparagraph (A) and submit them for adoption by national, State, and local bar associations.

(b) DUTIES.—Counsel shall—

(1) represent the unaccompanied alien child in all proceedings and matters relating to the immigration status of the child or other actions involving the Directorate;

(2) appear in person for all individual merits hearings before the Executive Office for Immigration Review and interviews involving the Directorate; and

(3) owe the same duties of undivided loyalty, confidentiality, and competent representation to the child as is due an adult client.

(c) ACCESS TO CHILD.—

(1) IN GENERAL.—Counsel shall have reasonable access to the unaccompanied alien child, including access while the child is being held in detention, in the care of a foster family, or in any other setting that has been determined by the Office.

(2) RESTRICTION ON TRANSFERS.—Absent compelling and unusual circumstances, no child who is represented by counsel shall be transferred from the child's placement to another placement unless advance notice of at least 24 hours is made to counsel of such transfer.

(d) TERMINATION OF APPOINTMENT.—Counsel appointed under subsection (a)(3) shall carry out the duties described in subsection (b) until—

(1) those duties are completed;

(2) the child departs the United States;

(3) the child is granted withholding of removal under section 241(b)(3) of the Immigration and Nationality Act (8 U.S.C. 1231(b)(3));

(4) the child is granted protection under the Convention Against Torture;

(5) the child is granted asylum in the United States under section 208 of the Immigration and Nationality Act (8 U.S.C. 1158);

(6) the child is granted permanent resident status in the United States; or

(7) the child attains 18 years of age;

whichever occurs first.

(e) NOTICE TO COUNSEL DURING IMMIGRATION PROCEEDINGS.—

(1) IN GENERAL.—Except when otherwise required in an emergency situation involving the physical safety of the child, counsel shall be given prompt and adequate notice of all immigration matters affecting or involving an unaccompanied alien child, including adjudications, proceedings, and processing, before such actions are taken.

(2) OPPORTUNITY TO CONSULT WITH COUNSEL.—An unaccompanied alien child in the custody of the Office may not give consent to any immigration action, including consenting to voluntary departure, unless first afforded an opportunity to consult with counsel.

(f) ACCESS TO RECOMMENDATIONS OF GUARDIAN AD LITEM.—Counsel shall be afforded an opportunity to review the recommendation by the guardian ad litem affecting or involving a client who is an unaccompanied alien child.

SEC. 203. EFFECTIVE DATE; APPLICABILITY.

(a) EFFECTIVE DATE.—This title shall take effect 180 days after the date of enactment of this Act.

(b) APPLICABILITY.—The provisions of this title shall apply to all unaccompanied alien children in Federal custody on, before, or after the effective date of this title.

TITLE III—STRENGTHENING POLICIES FOR PERMANENT PROTECTION OF ALIEN CHILDREN

SEC. 301. SPECIAL IMMIGRANT JUVENILE VISA.

(a) J VISA.—Section 101(a)(27)(J) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(27)(J)) is amended to read as follows:

''(J) an immigrant under the age of 21 on the date of application who is present in the United States—

''(i) who by a court order, which shall be binding on the Secretary of Homeland Security for purposes of adjudications under this subparagraph, was declared dependent on a juvenile court located in the United States or whom such a court has legally committed to, or placed under the custody of, a department or agency of a State, or an individual or entity appointed by a State or juvenile court located in the United States, due to abuse, neglect, or abandonment, or a similar basis found under State law;

''(ii) for whom it has been determined in administrative or judicial proceedings that it would not be in the alien's best interest to be returned to the alien's or parent's previous country of nationality or country of last habitual residence; and

''(iii) with respect to a child in Federal custody, for whom the Office of Refugee Resettlement of the Department of Health and Human Services has certified to the Director of the Bureau of Citizenship and Immigration Services that the classification of an alien as a special immigrant under this subparagraph has not been made solely to provide an immigration benefit to that alien;

except that no natural parent or prior adoptive parent of any alien provided special immigrant status under this subparagraph shall thereafter, by virtue of such parentage, be accorded any right, privilege, or status under this Act;''.

(b) ADJUSTMENT OF STATUS.—Section 245(h)(2) of the Immigration and Nationality Act (8 U.S.C. 1255(h)(2)) is amended—

(1) by amending subparagraph (A) to read as follows:

''(A) paragraphs (1), (4), (5), (6), and (7)(A) of section 212(a) shall not apply;'';

(2) in subparagraph (B), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(C) the Secretary of Homeland Security may waive subparagraphs (A) and (B) of paragraph (2) of section 212(a) in the case of an offense which arose as a consequence of the child being unaccompanied.''.

(c) ELIGIBILITY FOR ASSISTANCE.—A child who has been granted relief under section 101(a)(27)(J) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(27)(J)), as amended by subsection (a), shall be eligible for all funds made available under section 412(d) of that Act (8 U.S.C. 1522(d)) until such time as the child attains the age designated in section 412(d)(2)(B) of that Act (8 U.S.C. 1522(d)(2)(B)), or until the child is placed in a permanent adoptive home, whichever occurs first.

SEC. 302. TRAINING FOR OFFICIALS AND CERTAIN PRIVATE PARTIES WHO COME INTO CONTACT WITH UNACCOMPANIED ALIEN CHILDREN.

(a) TRAINING OF STATE AND LOCAL OFFICIALS AND CERTAIN PRIVATE PARTIES.—The Secretary of Health and Human Services, acting jointly with the Secretary, shall provide appropriate training to be available to State and county officials, child welfare specialists, teachers, public counsel, and juvenile judges who come into contact with unaccompanied alien children. The training shall provide education on the processes pertaining to unaccompanied alien children with pending immigration status and on the forms of relief potentially available. The Director shall be responsible for establishing a core curriculum that can be incorporated into education, training, or orientation modules or formats that are currently used by these professionals.

(b) TRAINING OF DIRECTORATE PERSONNEL.—The Secretary, acting jointly with the Secretary of Health and Human Services, shall provide specialized training to all personnel of the Directorate who come into contact with unaccompanied alien children. In the case of Border Patrol agents and immigration inspectors, such training shall include specific training on identifying children at the United States borders or at United States ports of entry who have been victimized by smugglers or traffickers, and children for whom asylum or special immigrant relief may be appropriate, including children described in section 101(a)(2).

SEC. 303. REPORT.

Not later than January 31, 2004, and annually thereafter, the Secretary of Health and Human Services shall submit a report for the previous fiscal year to the Committees on the Judiciary of the House of Representatives and the Senate that contains—

(1) data related to the implementation of section 462 of the Homeland Security Act (6 U.S.C. 279);

(2) data regarding the care and placement of children in accordance with this Act;

(3) data regarding the provision of guardian ad litem and counsel services in accordance with this Act; and

(4) any other information that the Director or the Secretary of Health and Human Services determines to be appropriate.

SEC. 304. EFFECTIVE DATE.

The amendment made by section 301 shall apply to all aliens who were in the United States before, on, or after the date of enactment of this Act.

TITLE IV—CHILDREN REFUGEE AND ASYLUM SEEKERS

SEC. 401. GUIDELINES FOR CHILDREN'S ASYLUM CLAIMS.

(a) SENSE OF CONGRESS.—Congress commends the Immigration and Naturalization Service for its issuance of its ''Guidelines for Children's Asylum Claims'', dated December 1998, and encourages and supports the implementation of such guidelines by the Immigration and Naturalization Service (and its successor entities) in an effort to facilitate the handling of children's asylum claims. Congress calls upon the Executive Office for Immigration Review of the Department of Justice to adopt the ''Guidelines for Children's Asylum Claims'' in its handling of children's asylum claims before immigration judges and the Board of Immigration Appeals.

(b) TRAINING.—The Secretary shall provide periodic comprehensive training under the ''Guidelines for Children's Asylum Claims'' to asylum officers, immigration judges, members of the Board of Immigration Appeals, and immigration officers who have contact with children in order to familiarize and sensitize such officers to the needs of children asylum seekers. Voluntary agencies shall be allowed to assist in such training.

SEC. 402. UNACCOMPANIED REFUGEE CHILDREN.

(a) IDENTIFYING UNACCOMPANIED REFUGEE CHILDREN.—Section 207(e) of the Immigration and Nationality Act (8 U.S.C. 1157(e)) is amended—

(1) by redesignating paragraphs (3), (4), (5), (6), and (7) as paragraphs (4), (5), (6), (7), and (8), respectively; and

(2) by inserting after paragraph (2) the following:

''(3) An analysis of the worldwide situation faced by unaccompanied refugee children, by region, which shall include an assessment of—

''(A) the number of unaccompanied refugee children, by region;

''(B) the capacity of the Department of State to identify such refugees;

''(C) the capacity of the international community to care for and protect such refugees;

''(D) the capacity of the voluntary agency community to resettle such refugees in the United States;

''(E) the degree to which the United States plans to resettle such refugees in the United States in the coming fiscal year; and

''(F) the fate that will befall such unaccompanied refugee children for whom resettlement in the United States is not possible.''.

(b) TRAINING ON THE NEEDS OF UNACCOMPANIED REFUGEE CHILDREN.—Section 207(f)(2) of the Immigration and Nationality Act (8 U.S.C. 1157(f)(2)) is amended by—

(1) striking ''and'' after ''countries,''; and

(2) inserting before the period at the end the following: '', and instruction on the needs of unaccompanied refugee children''.

SEC. 403. EXCEPTIONS FOR UNACCOMPANIED ALIEN CHILDREN IN ASYLUM AND REFUGEE-LIKE CIRCUMSTANCES.

(a) PLACEMENT IN REMOVAL PROCEEDINGS.—Any unaccompanied alien child apprehended by the Directorate, except for an unaccompanied alien child subject to exceptions under paragraph (1)(A) or (2) of section (101)(a) of this Act, shall be placed in removal proceedings under section 240 of the Immigration and Nationality Act (8 U.S.C. 1229a).

(b) EXCEPTION FROM TIME LIMIT FOR FILING ASYLUM APPLICATION.—Section 208(a)(2) of the Immigration and Nationality Act (8 U.S.C. 1158(a)(2)) is amended by adding at the end the following:

''(E) APPLICABILITY.—Subparagraphs (A) and (B) shall not apply to an unaccompanied child as defined in section 101(a)(51).''.

TITLE V—AUTHORIZATION OF APPROPRIATIONS

SEC. 501. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There are authorized to be appropriated such sums as may be necessary to carry out—

(1) section 462 of the Homeland Security Act of 2002 (6 U.S.C. 279); and

(2) this Act.

(b) AVAILABILITY OF FUNDS.—Amounts appropriated pursuant to subsection (a) are authorized to remain available until expended.

TITLE VI—AMENDMENTS TO THE HOMELAND SECURITY ACT OF 2002

SEC. 601. ADDITIONAL RESPONSIBILITIES AND POWERS OF THE OFFICE OF REFUGEE RESETTLEMENT WITH RESPECT TO UNACCOMPANIED ALIEN CHILDREN.

(a) ADDITIONAL RESPONSIBILITIES OF THE DIRECTOR.—Section 462(b)(1) of the Homeland Security Act of 2002 (6 U.S.C. 279(b)(1)) is amended—

(1) in subparagraph (K), by striking ''and'' at the end;

(2) in subparagraph (L), by striking the period at the end and inserting '', including regular follow-up visits to such facilities, placements, and other entities, to assess the continued suitability of such placements; and''; and

(3) by adding at the end the following:

''(M) ensuring minimum standards of care for all unaccompanied alien children—

''(i) for whom detention is necessary; and

''(ii) who reside in settings that are alternative to detention.''.

(b) ADDITIONAL POWERS OF THE DIRECTOR.—Section 462(b) of the Homeland Security Act of 2002 (6 U.S.C. 279(b)) is amended by adding at the end the following:

''(4) POWERS.—In carrying out the duties under paragraph (3), the Director shall have the power to—

''(A) contract with service providers to perform the services described in sections 102, 103, 201, and 202 of the Unaccompanied Alien Child Protection Act of 2003; and

''(B) compel compliance with the terms and conditions set forth in section 103 of the Unaccompanied Alien Child Protection Act of 2003, including the power to—

''(i) declare providers to be in breach and seek damages for noncompliance;

''(ii) terminate the contracts of providers that are not in compliance with such conditions; and

''(iii) reassign any unaccompanied alien child to a similar facility that is in compliance with such section.''.

(c) CLARIFICATION OF DIRECTOR'S AUTHORITY TO HIRE PERSONNEL.—Section 462(f)(3) of the Homeland Security Act of 2002 (6 U.S.C. 279(f)(3)) is amended—

(1) by striking ''(3) TRANSFER AND ALLOCATION OF APPROPRIATIONS AND PERSONNEL.—The personnel'' and inserting the following:

''(3) TRANSFER AND ALLOCATION OF APPROPRIATIONS AND PERSONNEL.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the personnel''; and

(2) by inserting at the end the following:

''(B) EXCEPTION.—The Director may hire and fix the level of compensation of an adequate number of personnel to carry out the duties of the Office. Notwithstanding the provisions of subparagraph (A), the Director may elect not to receive the transfer of any personnel of the Department of Justice employed in connection with the functions transferred by this section or, at the Director's discretion, to assign different duties to such personnel.''.

SEC. 602. TECHNICAL CORRECTIONS.

Section 462(b) of the Homeland Security Act of 2002 (6 U.S.C. 279(b)), as amended by section 601, is amended—

(1) in paragraph (3), by striking ''paragraph (1)(G)'' and inserting ''paragraph (1)''; and

(2) by adding at the end the following:

''(5) STATUTORY CONSTRUCTION.—Nothing in paragraph (2)(B) may be construed to require that a bond be posted for unaccompanied

alien children who are released to a qualified sponsor.''.

SEC. 603. EFFECTIVE DATE.

The amendments made by this title shall take effect as if enacted as part of the Homeland Security Act of 2002 (6 U.S.C. 101 et seq.).

Mr. BROWNBACK. Mr. President, I am honored to join my distinguished colleagues, Senators FEINSTEIN and VOINOVICH, to introduce this important piece of legislation that will address an area of our immigration law that is sorely neglected—unaccompanied alien children. Currently, these children face a legal loophole that can leave them in a confusing maze of technicalities, none of which actually help the child or the nation. This bill will fix that problem through several very straightforward remedies.

Last year, through the Homeland Security Act, the responsibility for the care and custody of unaccompanied alien children was transferred from the now-defunct Immigration and Naturalization Service to the Department of Health and Human Services's Office of Refugee Resettlement. This was an important step in the right direction, but it did not accomplish everything we had hoped to do last year. That is why I am pleased to join my colleagues in taking one more crack at providing safeguards for these vulnerable children.

These safeguards are simple, but to the point. This legislation will ensure that the transfer of responsibilities mandated last year actually occurs in an orderly manner. It will remind Federal authorities to keep in mind the special needs and circumstances of unaccompanied children. It will ensure that these children have access to competent counsel and guardians ad litem when appropriate. Minimum standards for the care and custody of these unaccompanied alien children will be established, and the procedures for access to permanent protection for abused, abandoned or neglected children will be reformed. Finally, the legislation will require an annual report to Congress to ensure these provisions are being carried out faithfully.

But that is all simply the legalese surrounding this issue. What's truly important are the children. That's the whole point of this legislation, and why I—and all of my colleagues who are cosponsors—got involved and are committed to seeing this legislation pass. It is the children who suffer, through no fault of their own, if they're run through the legal system in the United States without any accounting for their unique situation as children.

Last year, the Senate Judiciary Committee held a hearing on this topic, inviting Senator FEINSTEIN to speak—her testimony and the testimony of the children who came, moved me to cosponsor the bill that very day. I still remember the story the Senator told of a young girl from China, standing before a judge, unable to speak the language, her arms shackled to her sides, crying. That sort of situation is shameful.

Or how about the case of Edwin Munoz, a Honduran youth who testified last year during this hearing? His story was simple but appalling: abandoned by his parents at age 7, he was left in the care of a cousin, who beat him mercilessly. At 13, he finally escaped, and hitchhiked alone to the United States. I can only imagine how frightening that experience was—but unfortunately it was only the start: once he arrived in the U.S., he was thrown into a San Diego juvenile facility filled with violent offenders. Without a lawyer or court-appointed guardian for weeks, this became a nightmare of taunts from the other inmates and being shackled each time he had to appear in court.

These are children—not common criminals—and they should not be treated as such. They should be treated as children.

The main purpose of our legislation is to ensure just that—that children who come to the United States are still treated as children. That does not mean that they will escape a proper and appropriate accounting and ruling on whether they may stay or not—it simply means that their age and circumstances will be considered at all times.

I therefore urge my colleagues to support this critically important legislation. We are still the Nation described upon the Statue of Liberty—let's ensure our legal system remembers this point as well.

Mr. KENNEDY. Mr. President, it is a privilege to join Senator FEINSTEIN in the introduction of the Unaccompanied Alien Child Protection Act, and I commend her long-standing commitment to this issue.

In recent years, increasing numbers of foreign-born children have come to the United States, unaccompanied by their parents or their guardians. Last year, more than 5,000 arrived, and the numbers have continued to rise this year. Some are fleeing from armed conflict or other dangerous conditions in their home countries. Others are fleeing from human rights abuses, including forced recruitment as soldiers, slavery, child labor, prostitution, or forced marriage. Still others escape to the United States because they have been abused or abandoned by their parents or care givers. Additional numbers are brought to the United States by a family friend or relative, by paid smugglers, or by traffickers involved in organized crime.

Regardless of how they arrive, these children often enter our country after traumatic experiences, speaking little to no English, and unaware of their rights under U.S. law. They may well be good candidates for asylum, but they have no way to apply for it, and they are left to represent themselves in an immigration court against experienced trial lawyers for INS.

Their plight is exacerbated by the fact that when they arrive, they are frequently detained. Many of them languish for long periods in shelters designed for short-term use, without access to translators, telephones, or medical care and other vital services. But these are the ''fortunate'' ones, compared to many others detained, with dangerous criminals, put in handcuffs, shackles, strip-searched, and required to wear prison uniforms.

Shamefully, this is happening every day in the United States of America. It's no wonder other countries criticize us for hypocrisy on human rights.

Last year, in the Homeland Security Act, we took the important first step of transferring responsibility for the care and custody of these children to the Office of Refugee Resettlement in the Department of Health and Human Services. This office has decades of experience working with foreign-born children and can easily include the care of these unaccompanied children in its existing functions.

That Act, however, left out critical safeguards for these children. The legislation we are introducing corrects these omissions. It addresses many of the problems facing unaccompanied children and will help bring our treatment of them in line with international standards.

Essential to these efforts is providing an appointed counsel and a special guardian to assist them. Statistics demonstrate that applications for asylum are four times more likely to be granted when represented by counsel. Yet, less than half of the children in INS custody are represented by an attorney.

Children are given appointed counsel in important non-immigration cases, and they should be afforded the same right in immigration cases. In addition, a special guardian can be indispensable in identifying the needs of a child when language and cultural barriers prevent an attorney from communicating effectively with the child.

Our bill will require that these vulnerable children receive the representation they need to see that their rights are protected, and the care they deserve to see their needs are properly considered as they go through complicated immigration proceedings.

The vast majority of these children are not criminals, and they should not be treated as criminals. We must prevent the use of detention in these cases. Children who are not a danger to others or a flight risk should be released to their families or appropriate care-givers. Our bill requires the release of children whenever possible, and supports the expanded use of shelters and foster care for children who do not have such care givers. Other needed protections in the bill will establish standards for detention, better training for immigration personnel on these issues, and more effective opportunities for permanent protection.

We look forward to working with our colleagues to enact these long overdue

safeguards. It is time to end the gross abuses in our current immigration system and to ensure that the best interests of these children are fully protected and respected.

By Mrs. FEINSTEIN:

S. 1130. A bill for the relief of Esidronio Arreola-Saucedo, Maria Elena Cobian Arreola, Nayely Bibiana Arreola, and Cindy Jael Arreola; to the Committee on the Judiciary.

Mrs. FEINSTEIN. Mr. President, I rise today to offer legislation to provide lawful permanent residence status to Esidronio Arreola-Saucedo, Maria Elena Cobian Arreola, Nayely Bibiana Arreola, and Cindy Jael Arreola, Mexican nationals who live in the Fresno area of California.

Mr. and Mrs. Arreola have lived in he United States for nearly 20 years. They are the parents of Nayely and Cindy, who also stand to benefit from this legislation. The Arreolas also have three United States citizens children: Roberto, who is 11 year old; Daniel, who is 8; and Saray, their youngest daughter, who is six-years old. Today, Mr. and Mrs. Arreola, and her children face deportation.

The story of the Arreola family is quite compelling and I believe they merit Congress' special consideration for humanitarian relief. The Arreolas are in uncertain situation in part because of grievous errors committed by their previous counsel, who has since been disbarred. In fact, the attorney's conduct was so egregious that it compelled an immigration judge to write the Executive Office of Immigration Review seeking his disbarment for the legal detriment he caused his immigrant clients.

Mr. Arreola has lived in the United States since 1986. He was an agricultural migrant worker in the fields of California for several years, and as such would have been eligible for permanent residence through the Seasonal Agricultural Workers, SAW, program had he known that he could apply for it. Mrs. Arreola was living in the United States at the time she became pregnant with her daughter Cindy, but returned to Mexico to give birth to Cindy to avoid any problems with the Immigration and Naturalization Service. It is quite likely that the family would have qualified for cancellation of removal but for the conduct of their previous attorney.

Perhaps one of the most compelling reasons for permitting the family to remain in the United States is the devastating impact their deportation would have on their children: three of whom are U.S. citizens; the other two have lived in the United States virtually all of their lives. This country is the only the country they really know.

Nayely, the oldest child, is a junior in high school. She is an outstanding student with a 3.91 Grade Point Average who ranks fourth in her class of approximately 300 students. At her relatively young age, Nayely has demonstrated a strong commitment to the ideals of citizenship in her adopted country. She has worked hard to achieve her full potential both in her academic endeavors and through the service she provides her community.

Nayely is a member of Advancement Via Individual Determination, AVID, a college preparatory program in which students commit to determining their own futures through achieving a college degree. Nayely is also President of the key Club, a community service organization. She helps mentor freshmen and participates in several other student organizations in her school. Perhaps the greatest hardship to this family if she is forced to return to Mexico will be her lost opportunity to realize here dreams and further contribute to her community and to this country.

As the principal of her high school wrote, ''[s]he epitomizes what we seek to instill in all of our students. She has accepted the challenges and has made a commitment to better her future, to better her life, and to better herself through education.''

It is clear to me that Nayely feels a strong sense of responsibility for her community and country. By all indication, this is the case as well for all of the members of her fine family.

I understand that the Arreolas also have other family who are lawful permanent residents here in the United States. Mrs. Arreola also has three brothers who are U.S. citizens and Mr. Arreola has a sister who is a U.S. citizen. It is my understanding that they do not have any family to whom they might return in Mexico.

According to immigration authorities, this family has never had any problems with law enforcement. I am told that they have filed their taxes for every year from 1990 to the present. They have always worked hard to support themselves. As I previously mentioned, Mr. Arreola was previously employed as a farmworker, but now has his own business repairing electronics. His business has been successful enough to enable him to purchase a home for his family.

It seems so clear to me that this family has embraced the American dream and their continued presence in our country would do so much to enhance the values we hold dear. Enactment of the legislation I have introduced today will enable the Arreolas to continue to make significant contributions to their community and to the United States as well.

I ask unanimous consent that the letter of Xavier De La Torre, Principal of Granite Hills High School, as well as the numerous letters of support our office has received from members of the Porterville community be entered into the RECORD. I also ask unanimous consent that Nayely's essay entitled ''If I Could Change the World,'' which she wrote at age 15, be printed in the RECORD.

There being no objection, the additional material was ordered to be printed in the RECORD, as follows:

GRANITE HILLS HIGH SCHOOL,
Porterville, CA, May 7, 2003.

DEAR SENATOR FEINSTEIN: It is with a sense of urgency that I write this letter in support of Nayely Arreola, a student at Granite Hills High School. I have known Nayely for the past three years and have found her to be an outstanding student and a fine young lady with many of the personal attributes I would want for my own daughters.

Nayely is a leader and a pioneer. She is among a very small cadre of second language learners that have overcome seemingly insurmountable conditions and adversities many of us will never know and emerged as a respected scholar. She is a classic success story. Nayely, with her spirit and drive, has helped open and establish Granite Hills High School, the newest high school in our community. She epitomizes what we seek to instill in all of our students. She has accepted the challenges and has made a commitment to better her future, to better her life, and to better herself, through education. Her leadership qualities were evident immediately, as she became very involved in the Link Crew program, the American Cancer Society's Relay for Life, the Porterville Celebrates Reading program, and the Key Club.

As a first time principal of a new high school, I rely on students like Nayely to establish a strong foundation for our school. She and others like her have been instrumental in all the success that we have had as a school in a relatively short period of time. Much of this success has come on the heels of adverse conditions. She is resilient and sees life from an optimistic lens, something very difficult to teach.

As a student, Nayely is well liked by her peers, teachers, and our learning community in general. A top student in her class, Nayely is studious, polite, possesses a staunch work ethic, and is determined to succeed in any endeavor she pursues. I attribute this attitude to her parental upbringing, her sense of moral obligation and a strong value system. I have all the confidence in the world that Nayely will be successful in life.

If there are any further questions, or if elaboration is required, please contact me at your convenience.

Sincerely,

XAVIER DE LA TORRE,
Principal, Granite Hills High School.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA, May 7, 2003.

DEAR SENATOR FEINSTEIN: Nayely Arreola is one of the most conscientious students I have even had in school. When I first met her last year, she introduced herself and said she would be the top student in my advanced Placement U.S. History class. As it turned out, schedule conflicts forced her into a college prep class, but her intentions and performance remained the same. She has been one of the very top academic students. She also has demonstrated a deep sense of patriotism and commitment to our country. Often times in discussion, she has been the first to voice her support of government policies and has an understanding of the complex reasoning behind difficult decisions legislators and other elected government people must make. In all the process of having to return to Mexico, she has never once been negative or derogatory towards the laws and procedures. Of all the people who should be given residency, Nayely and her family should be at the top of the list. They have demonstrated their dependability, loyalty, hard work and individual responsibility in their lives in this country. There is the ''letter of the law'' and there is then the ''spirit of the law.'' The Arreolas are a family that truly deserve the ''spirit of the law'' in allowing them to stay and become officially

citizens. They have consistently demonstrated their intentions to be such for the last decade or more.

SALLY HOWEN,
Social Science
Chair, Granite Hills High School.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA, May 7, 2003.

DEAR SENATOR FEINSTEIN: Nayely Arreola is an outstanding person. Having taught 30 years, I've met few students who are as dedicated to working to improve themselves as Nayely. Not only is she hard working, she is very intelligent. Nayely was in my Geometry class two years ago and she not only worked hard but she also has a wonderful understanding of the connectedness of mathematics. She was always ready and willing to help others who might not understand.

Nayely is more than just a shining example of a student, she is also one of the nicest students I've ever had. She is always courteous and respectful to everyone. I have never seen her act unkindly to anyone around campus. She is the type of person of intelligence, character and integrity that this country desperately needs.

Nayely has the qualities that will make her a leader and a peacekeeper in whatever situation she finds herself. If she is deported to Mexico, she will do well there and enrich that country. My hope and prayer is that she can stay and enrich this country.

If there is anything I can do to help in her family's need, please contact me.

Sincerely,

CAROL BENTZ,
Teacher, Granite Hills High School.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA.

SENATOR DIANE FEINSTEIN: My name is Filomena Lewis and I serve as the chairperson for the World Language Department here at Granite Hills High School. I am pleased to be writing this letter on behalf of Nayely Arreola.

It has been a pleasure having Nayely as my student. She is among the top students in my Advance Placement Spanish Language class. Nayely functions effectively in both leadership and group roles. Her properly developed social skills are well received by her peers.

Nayely is a terrific young lady. I have no doubt in my mind that she will be a contributing asset to our society. I highly recommend, with utmost regard, that Nayely be extended every possible consideration to allow her to complete this portion of her education at Granite Hills High School.

Respectfully,

FILOMENA ROCHA LEWIS.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA, May 13, 2003.

TO WHOM IT MAY CONCERN: It is a great pleasure to write this letter for Nayely Arreola. One of Granite Hills High School's most distinguished high academic students, Nayely is a junior, the daughter of Esidronio and Maria Elena Arreola, 1384 E. Success Dr., Porterville, CA (559) 782–3278.

Nayely is currently earning a total grade point average of 3.9. She is enrolled in a college preparatory program called AVID and is taking Advanced Placement Spanish Literature 3 and Advanced Placement English 3P. She also has nearly perfect attendance.

Not only is Nayely excelling in academics, she also excels and participates in various curricular and extracurricular activities on and off campus. Including Grizzly basketball and clubs. She also participates in her church youth group activities at her church.

Nayely hopes to attend University of California upon graduating from Granite Hills High School, where she will major in medicine. Nayely also hopes to see how far she can go with an honors program.

When asked what she liked about school, especially Granite Hills, she said the instructors, classes and the academic programs, especially AVID. She is our top AVID student in the program.

Nayely across the years has also received many honors and awards. Some of those being for leadership and the Renaissance Academic Program here at Granite Hills. She has also been on the Honor Roll for three years.

I know this student has all the tools to be successful in life. She will definitely be a very successful individual.

I know Nayely on a personal basis. She has done so much to be where she's at. She has achieved so many things because of her efforts and motivation. She deserves so much in life. I feel very proud of her.

RAUL B. BERMUDEZ,
Guidance Tech., Granite Hills High School.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA.

DEAR SENATOR FEINSTEIN: It is with a grateful heart I write to thank you for your recent support of Nayely Arreola and her family. It has been my extreme pleasure to work with Nayely at Granite Hills High for the past three years. Nayely is by far one of the hardest working students I have met in my twenty years of teaching. She is currently ranked fourth in a class of three hundred students and has received honors here at Granite Hills High. Recently she was selected as the runner-up to Girls State. She is the President of the Key Club where she has assisted in food, coat and toy drives for the needy of our community. She is a LINK leader, which works with freshmen, and I have known her as one of my prized speech students. Last year she won the Club and Zone levels of the Optimist Speech Contest and this year she was a Club winner in the Lions Club Speech Contest.

It has surprised many that I, a conservative Republican, would try to assist Nayely and her family with their problem of gaining residency her in the United States. I believe our country was founded with people just like the Arreola family who came here with a dream to improve their lives and the lives of their family. The Arreola family has proved that they are honest, hard working, tax paying people. It is unfortunate that they received poor advice from their first attorney that caused them to have their case sent to the deportation court. I truly believe if they had received proper representation they would have received residency long ago.

Nayely Arreola is more than a remarkable student, she is a remarkable person. Everything she has done has been to prepare here to go to a University here in the United States. I spent almost a year teaching in Mexico and I beg our Congress not to send her there. She is America's dream—her contribution to our country will be great. I have watched with great pride as she has grown into a wonderful young lady, ready to take on the world.

Once again, I thank you for all your help.

CHRISTINE L. AMANN,
Reading Specialist/Speech Coordinator.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA, May 14, 2003.

TO WHOM IT MAY CONCERN: It is with great pleasure that I write this letter on behalf of Nayely Arreola, a student of mine at Granite Hills High School.

Nayely is currently enrolled in my Chemistry class. She has proven herself to be a conscientious, intelligent, hard-working young lady. She consistently has the highest grade in her class and often goes ''above and beyond'' on her assignments.

I strongly support Nayely and her family in their quest for legal residence in this country. I have no doubt Nayely will one day be a successful, contributing member of our society. She has the drive and determination to achieve any goal she desires.

Sincerely,

SARA E. SILVA,
Chemistry Teacher,
Granite Hills High School.

GRANITE HILLS HIGH SCHOOL,
Porterville, CA.

Nayely Arreola is one of my top 5 Pre-calculus/Trig students. This student is basically a model student. She is the kind of student that teachers dream about. She is self-motivated, intelligent, has a good heart, sincere, involved, etc. etc. etc. Every teacher should get an opportunity to have such a student.

It is truly sad that our government doesn't allow such students to remain in the U.S. These kinds of students are the ones that will help our country grow stronger. Students like Nayely are the kind of resources this country needs. I am in disbelief that other students that have no respect for authority, do not care for education, and eventually, we will have to pay for their existence in one way or another, are allowed to stay. Yet great hard working people like the Arreola family are obligated to leave this country.

The qualities that Nayely possesses are indeed rare. If our students possessed half of her qualities we would be second to no nation in terms of education. We can not afford to lose these precious resources. If our country is to grow stronger we must change our way of thinking. We must change our laws. We must attract people like Nayely and abolish those that harm our country. We are hurting ourselves by forcing Nayely Arreola to leave this country. Howe can politics be so blind?

Truly,

JOSE VELAZQUEZ,
Granite Hills High School
Trigonometry teacher.

IF I COULD CHANGE THE WORLD . . .

(By Nayely B. Arreola)

The world has changed dramatically throughout the years. Disrespect, abuse, and quick judgment are major factors that have caused human suffering. They are my main concern because we need to value individuality. In my speech today I am going to talk about three ways I feel we could change the world.

If I could change our interactions with elderly people, the world would be a better place. I disagree with the pessimistic attitude that some young Americans take towards the elderly. Our country should honor and respect our senior citizens. For example, in other countries convalescent homes do not exist, because family members take care of their older family members. They demonstrate an appreciation, and respect by giving their elderly person a special significance in their own life. The children take care of the parents when they grow older and cannot do it themselves. The sons or daughters give their loved ones a special value and view age as a wonderful experience because they can learn from the elderly family members. If this were not possible, then I would change the convalescent homes from a hospital environment to more of a home environment. In order to ensure better treatment of the elderly the main focus should be on their dignity, comfort, and well-being.

By keeping the elderly at home, the children can receive love and attention from

someone other than their parents. Some kids come home to empty houses when their parents are working hard to maintain their career. Instead of watching TV, they can actually learn something about themselves and the origin of their family history. In order to change the world, we should appreciate our elderly people because they have a lot to offer us.

Elderly people have a lot to teach us about the world, society, and culture because they have grown wise throughout the years. They can help us learn from their mistakes so that we won't have to go through it again and learn the hard way. It is an honor to sit by them and hear so many things that they have encountered during their lifetime. We have degraded the value of age in America drastically by placing so much emphasis on youth and looking youthful.

Second, we have degraded the beauty of other races. I would make people colorblind, so that they would not care about a person's color or race. Prejudice ignores a person's character, causing one person to feel superior over another person. Racism has caused conflicts and problems throughout history. A person who is racist does not know the big mistake that he or she is making. They fail to truly meet the wonderful people who they neglect.

Furthermore, another thing that I would change in the world is the suffering and abuse of an innocent child. Children are gifts from heaven, but when they go through a life of torment or anguish, they reflect that later in their lives. These children have low self-esteem.

Most of them repeat the same type of abuse toward their children, causing the chain to repeat itself, again and again throughout generations. The life of an abused child is a sad life. If child suffering were eliminated, we would have happier children, thus healthier adults. They would be prepared to succeed in the light of success and would not be left in the darkness of despair. It would make them view the world as a wonderful place.

In conclusion, I cannot change the world into a wonderful place or impact it without changing myself. If I were able to change the world, I would begin with myself and erase all evil within my heart, in hopes of setting an example for others to follow. I can only change one life at a time in order to change the world into honoring the life of an individual. We cannot disrespect the elderly, judge a person by their color or abuse a child who in its innocence didn't ask to be born. We should show respect and dignity without caring the size, age or color. We should get past the fashion, clothes, and looking good in order for us to truly be compassionate to see what lies in the depths of a person's heart. In order to change our world the answer is definitely in changing the hearts of our people. We must all do our part. Today I have accepted this challenge—I ask you can you?

By Mr. SPECTER (for himself and Mr. BUNNING):

S. 1131. A bill to increase, effective December 1, 2003, the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans; to the Committee on Veterans' Affairs.

Mr. SPECTER. Mr. President, I have sought recognition to comment on legislation I am introducing today to provide a cost-of-living, COLA, adjustment for certain veterans' benefits programs. This COLA adjustment would affect payments made to nearly 3 million Department of Veterans Affairs, VA, beneficiaries, and would be reflected in beneficiary checks that are received in January 2004, and thereafter.

An annual cost-of-living adjustment in veterans benefits is an important tool which protects veterans' cash-transfer benefits against the corrosive effects of inflation. The principal programs affected by the adjustment would be compensation paid to disabled veterans, and dependency and indemnity compensation, DIC, payments made to the surviving spouses, minor children and other dependents of persons who died in service, or who died after service as a result of service-connected injuries or diseases.

The President's budget anticipates inflation to be at a two percent level at the close of this year as measured by the consumer price index, CPI, published by the Department of Labor's Bureau of Labor Statistics. If inflation is held to the 2 percent level, that will be the level of COLA adjustment under this legislation since it ties the increase directly to the CPI increase as measured by the Department of Labor. Whatever the CPI increase eventually turns out to be, however, veterans' and survivors' benefits payments must be protected by being increased by a like amount. The Congress already concurred with that judgment with the recent passage of the budget resolution; that resolution sets aside the funds necessary to finance the COLA increase envisioned by this legislation.

I ask my colleagues to support this vital legislation.

I yield the floor, and I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1131

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Veterans' Compensation Cost-of-Living Adjustment Act of 2003''.

SEC. 2. INCREASE IN RATES OF DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION.

(a) RATE ADJUSTMENT.—The Secretary of Veterans Affairs shall, effective on December 1, 2003, increase the dollar amounts in effect for the payment of disability compensation and dependency and indemnity compensation by the Secretary, as specified in subsection (b).

(b) AMOUNTS TO BE INCREASED.—The dollar amounts to be increased pursuant to subsection (a) are the following:

(1) COMPENSATION.—Each of the dollar amounts in effect under section 1114 of title 38, United States Code.

(2) ADDITIONAL COMPENSATION FOR DEPENDENTS.—Each of the dollar amounts in effect under sections 1115(1) of such title.

(3) CLOTHING ALLOWANCE.—The dollar amount in effect under section 1162 of such title.

(4) NEW DIC RATES.—The dollar amounts in effect under paragraphs (1) and (2) of section 1311(a) of such title.

(5) OLD DIC RATES.—Each of the dollar amounts in effect under section 1311(a)(3) of such title.

(6) ADDITIONAL DIC FOR SURVIVING SPOUSES WITH MINOR CHILDREN.—The dollar amount in effect under section 1311(b) of such title.

(7) ADDITIONAL DIC FOR DISABILITY.—The dollar amounts in effect under sections 1311(c) and 1311(d) of such title.

(8) DIC FOR DEPENDENT CHILDREN.—The dollar amounts in effect under sections 1313(a) and 1314 of such title.

(c) DETERMINATION OF INCREASE.—(1) The increase under subsection (a) shall be made in the dollar amounts specified in subsection (b) as in effect on November 30, 2003.

(2) Except as provided in paragraph (3), each such amount shall be increased by the same percentage as the percentage by which benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 2003, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

(3) Each dollar amount increased pursuant to paragraph (2) shall, if not a whole dollar amount, be rounded down to the next lower whole dollar amount.

(d) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85–857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

SEC. 3. PUBLICATION OF ADJUSTED RATES.

At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year 2004, the Secretary of Veterans Affairs shall publish in the Federal Register the amounts specified in subsection (b) of section 2, as increased pursuant to that section.

By Mr. SPECTER (for himself, Mr. BUNNING, and Mr. GRAHAM of South Carolina):

S. 1132. A bill to amend title 38, United States Code, to improve and enhance certain benefits for survivors of veterans, and for other purposes; to the Committee on Veterans' Affairs.

Mr. SPECTER. Mr. President, I have sought recognition to comment on legislation I have introduced today to further honor the sacrifices made by the family members of those who were killed or injured in service to our country. As we celebrate the victory won on the battlefield in Iraq, we must remember that the loss of American lives—even a relative few—was a sobering price to pay.

The loss of life in service is most acutely felt by the spouses and children left behind. For them, we must make every effort—however inadequate that effort might be in comparison to the enormity of their loss—to recognize their needs. This bill attempts to do so by increasing educational assistance benefits for survivors, by providing additional dependency and indemnity compensation payments for

bereaved families, by authorizing a remarried spouse to be buried in a national cemetery with his or her deceased veteran-spouse, and by providing health, training and compensation benefits to children of certain veterans who served in or near the Korean demilitarized zone, DMZ, in the late 1960s, and who were born with Agent Orange-induced spina bifida.

The legislation I introduce today would increase the rate of monthly Survivors' and Dependents' Education Assistance, DEA, benefits from $680 to $985. DEA benefits are provided to the spouses and children of veterans who were killed, or profoundly wounded, in service. The increase I propose today would create parity between DEA benefits and veterans' educational assistance, Montgomery GI Bill, benefits. Such parity was recommended by a recent Department of Veterans Affairs, VA, program evaluation and is dictated by the common sense observation that college tuition is no less expensive for widows and orphans than it is for veterans.

Under this legislation, DEA-eligible survivors, like Montgomery GI Bill beneficiaries, would receive an aggregate of $35,460 worth of education benefits—$985 monthly for a total of 36 months. Thus, both veterans and survivors would have the resources necessary to meet the average cost of tuition, fees, and room and board at four-year, public institutions of higher learning. As was stated by VA's Deputy Secretary, Dr. Leo Mackay, at a Committee on Veterans Affairs hearing on June 28, 2001, VA ''believe[s] it is only fair that these benefits should be at the same level as those provided to veterans.'' VA estimates that a monthly benefit at that level will entice 90% of eligible persons to use the benefit.

This legislation would also put into effect a key policy recommendation made by a VA-contracted study examining the adequacy of survivors' Dependency and Indemnification Compensation, DIC, benefit. The 2001 study called for the DIC benefit—the basic rate of which is now set at $948 per month—to be increased by $250 per month during the 5-year period following the death of a veteran to further ease the transition of surviving spouses with dependent children. The contractor study based its recommendations on the reported income needs and expenses of DIC recipients; it found that spouses with children reported higher levels of unmet need than spouses without children—even though spouses with dependent children already receive an additional $237 in monthly DIC benefits per child. In short, the contractor found that while widows with children are already afforded additional DIC benefits, they need more.

In July 2001, VA estimated that there were approximately 14,500 surviving spouses with dependent children. Reading the profiles of some of the young men and women who lost their lives in Iraq, I know that several spouses will, sadly, be added to that number. This provision of my bill is a small way to further recognize the needs of families based on an objective assessment of what those needs are.

Section four of this bill would codify a practice that VA routinely allows through a waiver process. Under current practice, when the remarried widow of a deceased veteran dies, her second husband must grant VA permission before VA will allow, under a waiver process, the widow to be buried in a national cemetery with her deceased veteran-husband. A woman, for example, who was married for 50 years to a World War II veteran and who remarries late in life after her first husband dies should not have to depend on a waiver process to ensure burial with her first husband. Remarried spouses whose second marriages end due to death or divorce have a statutory right to burial with their deceased veteran-spouse. The same statutory right should be afforded to remarried spouses who, though married at death, never lost their desire to be united with a prior spouse already at rest in a national cemetery.

Finally, my legislation would provide benefits to spina bifida children of veterans who served in or near the Korean DMZ between 1967 and 1969. Benefits would be provided on the same basis, and under the same rationale, as they are to children of Vietnam veterans who are born with spina bifida. In 1996, Congress authorized benefits for Vietnam children born with spina bifida based on evidence reported by the Institute of Medicine of an association between exposure to Agent Orange and the appearance of the birth defect spina bifida in a veteran's offspring. The same contaminant found in Agent Orange—dioxin—was also used to clear brush in and near the Korean DMZ during the late 1960s. Indeed, veterans who served near the Korean DMZ during that time are already presumed by VA to have been exposed to herbicides, unless military records demonstrate otherwise, and they are, accordingly, already awarded compensation on a presumptive basis if they fall ill from conditions presumed by law to be presumptively service-connected for Vietnam veterans. VA, however, exercises no such latitude in addressing the needs of the children of Korean DMZ veterans born with spina bifida. It should—and this bill would direct VA to do so.

I first learned of this inequity from Mr. John Ruzalski, a resident of Hawley, PA. Mr. Ruzalski is a Korean DMZ veteran whose 27-year-old son suffers from spina bifida. I am grateful to Mr. Ruzalski for his service in Korea, and for bringing this matter to light, and am hopeful that the Congress can reward his vigilance on behalf of his son. Clearly, it makes no sense for VA to presume that Korean DMZ veterans should be treated like Vietnam veterans for purposes of compensating the veteran's service-related illnesses and yet treat their spina bifida children differently.

In summary, the provisions of this legislation will make a difference in the lives of those who fallen servicemembers loved even more than country—their families. I ask my colleagues for their support.

I ask unanimous consent that the text of this bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1132

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Veterans' Survivors Benefits Enhancements Act of 2003''.

SEC. 2. INCREASE IN RATES OF SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE.

(a) SURVIVORS' AND DEPENDENTS' EDUCATIONAL ASSISTANCE.—Section 3532 of title 38, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking ''at the monthly rate of'' and all that follows and inserting ''at the monthly rate of $985 for full-time, $740 for three-quarter-time, or $492 for half-time pursuit.''; and

(B) in paragraph (2), by striking ''at the rate of'' and all that follows and inserting ''at the rate of the lesser of—

''(A) the established charges for tuition and fees that the educational institution involved requires similarly circumstanced nonveterans enrolled in the same program to pay; or

''(B) $985 per month for a full-time course.'';

(2) in subsection (b), by striking ''$670'' and inserting ''$985''; and

(3) in subsection (c)(2), by striking ''shall be'' and all that follows and inserting ''shall be $795 for full-time, $596 for three-quarter-time, or $398 for half-time pursuit.''.

(b) CORRESPONDENCE COURSES.—Section 3534(b) of that title is amended by striking ''$670'' and inserting ''$985''.

(c) SPECIAL RESTORATIVE TRAINING.—Section 3542(a) of that title is amended—

(1) by striking ''$670'' and inserting ''$985''; and

(2) by striking ''$210'' each place it appears and inserting ''$307''.

(d) APPRENTICESHIP TRAINING.—Section 3687(b)(2) of that title is amended by striking ''shall be $488 for the first six months'' and all that follows and inserting ''shall be $717 for the first six months, $536 for the second six months, $356 for the third six months, and $179 for the fourth and any succeeding six-month period of training.''.

(e) EFFECTIVE DATE.—(1) The amendments made by this section shall take effect on October 1, 2003, and shall apply with respect to educational assistance allowances payable under chapter 35 and section 3687(b)(2) of title 38, United States Code, for months beginning on or after that date.

(2) No adjustment in rates of monthly training allowances shall be made under section 3687(d) of title 38, United States Code, for fiscal year 2004.

SEC. 3. MODIFICATION OF DURATION OF EDUCATIONAL ASSISTANCE.

Section 3511(a)(1) of title 38, United States Code, is amended by striking ''45 months'' and all that follows and inserting ''45 months, or 36 months in the case of a person who first files a claim for educational assistance under this chapter after the date of the

enactment of the Veterans' Survivors Benefits Enhancements Act of 2003, or the equivalent thereof in part-time training.''.

SEC. 4. ADDITIONAL DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES WITH DEPENDENT CHILDREN.

(a) ADDITIONAL DEPENDENCY AND INDEMNITY COMPENSATION.—Section 1311 of title 38, United States Code, is amended by adding at the end the following new subsection:

''(e)(1) Subject to paragraphs (2) and (3), if there is a surviving spouse with one or more children below the age of eighteen, the dependency and indemnity compensation paid monthly to the surviving spouse shall be increased by $250, regardless of the number of such children.

''(2) Dependency and indemnity compensation shall be increased for a month under this subsection only for months occurring during the five-year period beginning on the date of death of the veteran on which such dependency and indemnity compensation is based.

''(3) The increase in dependency and indemnity compensation of a surviving spouse under this subsection shall cease beginning with the first month commencing after the month in which all children of the surviving spouse have attained the age of eighteen.

''(4) Dependency and indemnity compensation under this subsection is in addition to any other dependency and indemnity compensation payable by law.''.

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

SEC. 5. ELIGIBILITY OF SURVIVING SPOUSES WHO REMARRY FOR BURIAL IN NATIONAL CEMETERIES.

(a) IN GENERAL.—Section 2402(5) of title 38, United States Code, is amended by striking ''(which for purposes of this chapter includes an unremarried surviving spouse who had a subsequent remarriage which was terminated by death or divorce)'' and inserting ''(which for purposes of this chapter includes a surviving spouse who had a subsequent remarriage)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to deaths occurring on or after January 1, 2000.

SEC. 6. BENEFIT FOR CHILDREN WITH SPINA BIFIDA OF VETERANS OF CERTAIN SERVICE IN KOREA.

(a) IN GENERAL.—Chapter 18 of title 38, United States Code, is amended—

(1) by redesignating subchapter III, and sections 1821, 1822, 1823, and 1824, as subchapter IV, and sections 1831, 1832, 1833, and 1834, respectively; and

(2) by inserting after subchapter II the following new subchapter III:

''SUBCHAPTER III—CHILDREN OF CERTAIN KOREA SERVICE VETERANS BORN WITH SPINA BIFIDA

''§ 1821. Benefits for children of certain Korea service veterans born with spina bifida

''(a) BENEFITS AUTHORIZED.—The Secretary may provide to any child of a veteran of covered service in Korea who is suffering from spina bifida the health care, vocational training and rehabilitation, and monetary allowance required to be paid to a child of a Vietnam veteran who is suffering from spina bifida under subchapter I of this chapter as if such child of a veteran of covered service in Korea were a child of a Vietnam veteran who is suffering from spina bifida under such subchapter I.

''(b) SPINA BIFIDA CONDITIONS COVERED.—This section applies with respect to all forms and manifestations of spina bifida, except spina bifida occulta.

''(c) VETERAN OF COVERED SERVICE IN KOREA.—For purposes of this section, a veteran of covered service in Korea is any individual, without regard to the characterization of that individual's service, who—

''(1) served in the active military, naval, or air service in or near the Korean demilitarized zone (DMZ), as determined by the Secretary in consultation with the Secretary of Defense, during the period beginning on January 1, 1967, and ending on December 31, 1969; and

''(2) is determined by the Secretary, in consultation with the Secretary of Defense, to have been exposed to a herbicide agent during such service in or near the Korean demilitarized zone.

''(d) HERBICIDE AGENT.—For purposes of this section, the term 'herbicide agent' means a chemical in a herbicide used in support of United States and allied military operations in or near the Korean demilitarized zone, as determined by the Secretary in consultation with the Secretary of Defense, during the period beginning on January 1, 1967, and ending on December 31, 1969.''.

(b) CHILD DEFINED.—Section 1831 of that title, as redesignated by subsection (a), is further amended by striking paragraph (1) and inserting the following new paragraph (1):

''(1) The term 'child' means the following:

''(A) For purposes of subchapters I and II of this chapter, an individual, regardless of age or marital status, who—

''(i) is the natural child of a Vietnam veteran; and

''(ii) was conceived after the date on which that veteran first entered the Republic of Vietnam during the Vietnam era.

''(B) For purposes of subchapter III of this chapter, an individual, regardless of age or marital status, who—

''(i) is the natural child of a veteran of covered service in Korea (as determined for purposes of section 1821 of this title); and

''(ii) was conceived after the date on which that veteran first entered service described in subsection (c) of that section.''.

(c) NONDUPLICATION OF BENEFITS.—Section 1834(a) of that title, as redesignated by subsection (a), is further amended by adding at the end the following new sentence: ''In the case of a child eligible for benefits under subchapter I or II of this chapter who is also eligible for benefits under subchapter III of this chapter, a monetary allowance shall be paid under the subchapter of this chapter elected by the child.''.

(d) CONFORMING AMENDMENT.—(1) Section 1811(1)(A) of that title is amended by striking ''section 1821(1)'' and inserting ''section 1831(1)''.

(2) The heading for chapter 18 of that title is amended to read as follows:

''CHAPTER 18—BENEFITS FOR CHILDREN OF VIETNAM VETERANS AND CERTAIN OTHER VETERANS''.

(e) CLERICAL AMENDMENTS.—(1) The table of sections at the beginning of chapter 18 of that title is amended by striking the items relating to subchapter III and inserting the following new items:

''SUBCHAPTER III—CHILDREN OF CERTAIN KOREA SERVICE VETERANS BORN WITH SPINA BIFIDA

''1821. Benefits for children of certain Korea service veterans born with spina bifida.

''SUBCHAPTER IV—GENERAL PROVISIONS

''1831. Definitions.
''1832. Applicability of certain administrative provisions.
''1833. Treatment of receipt of monetary allowance and other benefits.
''1834. Nonduplication of benefits.''.

(2) The table of chapters at the beginning of title 38, United States Code, and at the beginning of part II of such title, are each amended by striking the item relating to chapter 18 and inserting the following new item:

''18. Chapter 18—Benefits for Children of Vietnam Veterans and Certain Other Veterans ..... 1802''.

By Mr. SPECTER (by request):

S. 1133. A bill to amend title 38, United States Code, to improve the authorities of the Department of Veterans Affairs relating to compensation, dependency and indemnity compensation, pension, education benefits, life insurance benefits, and memorial benefits, to improve the administration of benefits for veterans, and for other purposes; to the Committee on Veterans' Affairs.

Mr. SPECTER. Mr. President, as Chairman of the Committee on Veterans' Affairs, I have today introduced, at the request of the Secretary of Veterans Affairs, S.1133, the proposed ''Veterans Programs Improvement Act of 2003.'' The Secretary of Veterans Affairs has submitted this proposed legislation to the President of the Senate by letter dated April 25, 2003.

My introduction of this measure is in keeping with the policy which I have adopted of generally introducing—so that there will be specific bills to which my colleagues and others may direct their attention and comments—all Administration-proposed draft legislation referred to the Committee on Veterans' Affairs. Thus, I reserve the right to support or oppose the provisions of, as well as any amendment to, this legislation.

I ask unanimous consent that the text of the bill be printed in the RECORD, together with the transmittal letter and a section-by-section analysis which accompanied it.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1133

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

SECTION 1. SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE.

(a) SHORT TITLE.—This act may be cited as the ''Veterans Programs Improvement Act of 2003''.

(b) REFERENCES.—Except as otherwise expressly provided, wherever in this Act an amendment is expressed in terms of an amendment to a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

SEC. 2. INCREASE IN RATES OF DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION.

(a) RATE ADJUSTMENT.—The Secretary of Veterans Affairs shall, effective on December 1, 2003, increase the dollar amounts in effect for the payment of disability compensation and dependency and indemnity compensation by the Secretary, as specified in subsection (b).

(b) AMOUNTS TO BE INCREASED.—The dollar amounts to be increased pursuant to subsection (a) are the following:

(1) COMPENSATION.—Each of the dollar amounts in effect under section 1114;

(2) ADDITIONAL COMPENSATION FOR DEPENDENTS.—Each of the dollar amounts in effect under section 1115(1);

(3) CLOTHING ALLOWANCE.—The dollar amount in effect under section 1162;

(4) NEW DIC RATES.—Each of the dollar amounts in effect under paragraphs (1) and (2) of section 1311(a);

(5) OLD DIC RATES.—Each of the dollar amounts in effect under section 1311(a)(3);

(6) ADDITIONAL DIC FOR SURVIVING SPOUSES WITH MINOR CHILDREN.—The dollar amount in effect under section 1311(b);

(7) ADDITIONAL DIC FOR DISABILITY.—Each of the dollar amounts in effect under subsections (c) and (d) of section 1311; and

(8) DIC FOR DEPENDENT CHILDREN.—Each of the dollar amounts in effect under sections 1313(a) and 1314.

(c) DETERMINATION OF INCREASE.—(1) The increase under subsection (a) shall be made in the dollar amounts specified in subsection (b) as in effect on November 30, 2003.

(2) Except as provided in paragraph (3), each such amount shall be increased by the same percentage as the percentage by which benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 2003, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

(3) Each dollar amount increased pursuant to paragraph (2) shall, if not a whole dollar amount, be rounded down to the next lower whole dollar amount.

(d) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law No. 85–857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

(e) PUBLICATION OF ADJUSTED RATES.—At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year 2004, the Secretary of Veterans Affairs shall publish in the Federal Register the amounts specified in subsection (b) as increased pursuant to subsection (a).

SEC. 3. REPEAL OF 45-DAY RULE FOR EFFECTIVE DATE OF AWARD OF DEATH PENSION.

Subsection (d) of section 5110 is amended—

(1) by striking the designation ''(1)'';

(2) by striking ''death compensation or dependency and indemnity compensation'' and inserting ''death compensation, dependency and indemnity compensation, or death pension''; and

(3) by striking paragraph (2).

SEC. 4. EXCLUSION OF LUMP-SUM LIFE INSURANCE PROCEEDS FROM DETERMINATIONS OF ANNUAL INCOME FOR PENSION PURPOSES.

Subsection (a) of section 1503 is amended—

(1) by striking ''and'' at the end of paragraph (9);

(2) by striking ''materials.'' at the end of paragraph (10)(B) and inserting ''materials; and''; and

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

''(11) lump-sum proceeds of any life insurance policy or policies on a veteran, for purposes of pension under subchapter III of this chapter.''.

SEC. 5. CLARIFICATION OF PROHIBITION ON PAYMENT OF COMPENSATION FOR ALCOHOL OR DRUG-RELATED DISABILITY.

(a) CLARIFICATION.—Chapter 11 is amended—

(1) in section 1110, by striking ''drugs.'' and inserting ''drugs, even if the abuse is secondary to a service-connected disability.''; and

(2) in section 1131, by striking ''drugs.'' and inserting ''drugs, even if the abuse is secondary to a service-connected disability.''.

(b) APPLICABILITY.—The amendments made by subsection (a) shall apply to any claim—

(1) filed on or after the date of enactment of this Act; or

(2) filed before the date of enactment of this Act and not finally decided as of that date.

SEC. 6. ALTERNATIVE BENEFICIARIES FOR NATIONAL SERVICE LIFE INSURANCE AND UNITED STATES GOVERNMENT LIFE INSURANCE.

(a) NATIONAL SERVICE LIFE INSURANCE.—(1) Section 1917 is amended by adding at the end the following new subsection:

''(f)(1) Following the death of the insured and in a case not covered by subsection (d)—

''(A) if the first beneficiary otherwise entitled to payment of the insurance does not make a claim for such payment within two years after the death of the insured, payment may be made to another beneficiary designated by the insured, in the order of precedence as designated by the insured, as if the first beneficiary had predeceased the insured; and

''(B) if, within four years after the death of the insured, no claim has been filed by a person designated by the insured as a beneficiary and the Secretary has not received any notice in writing that any such claim will be made, payment may (notwithstanding any other provision of law) be made to such person as may in the judgment of the secretary be equitably entitled thereto.

''(2) Payment of insurance under paragraph (1) shall be a bar to recovery by any other person.''.

(b) UNITED STATES GOVERNMENT LIFE INSURANCE.—Section 1952 is amended by adding at the end the following new subsection:

''(c)(1) Following the death of the insured and in a case not covered by section 1950 of this title—

''(A) if the first beneficiary otherwise entitled to payment of the insurance does not make a claim for such payment within two years after the death of the insured, payment may be made to another beneficiary designated by the insured, in the order of precedence as designated by the insured, as if the first beneficiary had predeceased the insured; and

''(B) if, within four years after the death of the insured, no claim has been filed by a person designated by the insured as a beneficiary and the Secretary has not received any notice in writing that any such claim will be made, payment may (notwithstanding any other provision of law) be made to such person as may in the judgment of the Secretary be equitably entitled thereto.

''(2) Payment of insurance under paragraph (1) shall be a bar to recovery by any other person.''.

(c) TRANSITION PROVISION.—In the case of a person insured under subchapter I or II of chapter 19, title 38, United States Code, who dies before the date of the enactment of this Act, the two-year and four-year periods specified in subsection (f)(1) of section 1917 of title 38, United States Code, as added by subsection (a), and subsection (c)(1) of section 1952 of such title, as added by subsection (b), as applicable, shall for purposes of the applicable subsection be treated as being the two-year and four-year periods, respectively, beginning on the date of the enactment of this Act.

SEC. 7. TIME LIMITATION ON RECEIPT OF CLAIM INFORMATION PURSUANT TO REQUEST BY DEPARTMENT OF VETERANS AFFAIRS.

(a) IN GENERAL.—Section 5102 is amended by adding at the end the following new subsection:

''(c) TIME LIMITATION.—(1) If information that a claimant and the claimant's representative, if any, are notified under subsection (b) is necessary to complete an application is not received by the Secretary within one year from the date of such notification, no benefit may be paid or furnished by reason of the claimant's application.

''(2) This subsection shall not apply to any application or claim for Government life insurance benefits.''.

(b) REPEAL OF SUPERSEDED PROVISIONS.—Section 5103 is amended—

(1) by striking ''(a) REQUIRED INFORMATION AND EVIDENCE.—''; and

(2) by striking subsection (b).

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if enacted on November 9, 2000, immediately after the enactment of the Veterans Claims Assistance Act of 2000 (Public Law 106–475; 114 Stat. 2096).

SEC. 8. BURIAL PLOT ALLOWANCE.

(a) Subsection (b) of section 2303 is amended—

(1) in the matter preceding paragraph (1), by striking ''a burial allowance under such section 2302, or under such subsection, who was discharged from the active military, naval, or air service for a disability incurred or aggravated in line of duty, or who is a veteran of any war'' and inserting ''burial in a national cemetery under section 2402 of this title''; and

(2) in paragraph (2), by striking ''(other than a veteran whose eligibility for benefits under this subsection is based on being a veteran of any war)'' and inserting ''is eligible for a burial allowance under section 2302 of title or under subsection (a) of this section, or was discharged from the active military, naval, or air service for a disability incurred or aggravated in line of duty, and such veteran''.

(b) Section 2307 is amended in the last sentence by striking ''and (b)'' and inserting ''and (b)(2)''.

SEC. 9. PROVISION OF MARKERS FOR PRIVATELY MARKED GRAVES.

(a) IN GENERAL.—Subsection (d) of section 502 of the Veterans Education and Benefits Expansion Act of 2001 (Public Law 107–103; 115 Stat. 995), as amended by section 203 of the Veterans Benefits Act of 2002 (Public Law 107–330; 116 Stat. 2824), is further amended by striking ''September 11, 2001'' and inserting ''November 1, 1990''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the enactment of section 502 of Public Law 107–103.

SEC. 10. EXPANSION OF BURIAL ELIGIBILITY FOR REMARRIED SPOUSES.

(a) IN GENERAL.—Paragraph (5) of section 2402 is amended by striking ''(which for purposes of this chapter includes an unremarried surviving spouse who had a subsequent remarriage which was terminated by death or divorce)'' and inserting ''(which for purposes of this chapter includes a surviving spouse who remarries following the veteran's death)''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to deaths occurring on or after the date of the enactment of this Act.

SEC. 11. MAKE PERMANENT AUTHORITY FOR STATE CEMETERY GRANTS PROGRAM.

(a) PERMANENT AUTHORIZATION.—Paragraph (2) of section 2408(a) is amended—

(1) by striking ''for fiscal year 1999 and for each succeeding fiscal year through fiscal year 2004''; and

(2) by adding at the end ''Funds appropriated under the preceding sentence shall remain available until expended.''.

(b) TECHNICAL AMENDMENT.—Subsection (e) of section 2408 is amended by striking ''Sums appropriated under subsection (a) of this section shall remain available until expended.''.

SEC. 12. FORFEITURE OF BENEFITS FOR SUBVERSIVE ACTIVITIES.

(a) ADDITION OF CERTAIN OFFENSES.—Paragraph (2) of section 6105(b) is amended by striking ''sections 792, 793, 794, 798, 2381, 2382, 2383, 2384, 2385, 2387, 2388, 2389, 2390, and chapter 105 of title 18'' and inserting ''sections 175, 229, 792, 793, 794, 798, 831, 1091, 2332a, 2332b, 2381, 2382, 2383, 2384, 2385, 2387, 2388, 2389, 2390, and chapter 105 of title 18''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to claims filed after the date of the enactment of this Act.

SEC 13. VETERANS' ADVISORY COMMITTEE ON EDUCATION.

Section 3692 is amended—

91) in subsection (a), by inserting ''as far as practicable'' after ''include'';

(2) in subsections (a) and (b), by striking ''chapter 106'' and inserting ''chapter 1606'' both places it appears; and

(3) in subsection (c), by striking ''2003'' and inserting ''2013''.

SEC. 14. REPEAL OF EDUCATION LOAN PROGRAM.

(a) TERMINATION OF PROGRAM.—No loans shall be made under subchapter III of chapter 36 after the date of the enactment of this Act, and such subchapter shall be repealed 90 days after such date of enactment.

(b) CLOSING OF LOAN FUND.—All monies in the revolving fund established in the Treasury of the United States of America known as the ''Department of Veterans Affairs Education Loan Fund'' (the ''Fund'') on the day before the date of repeal of such subchapter III shall be transferred to the Department of Veterans Affairs Readjustment Benefits Account, and the Fund shall be closed.

(c) DISCHARGE OF LIABILITY.—The liability on any education loan debt outstanding under such subchapter III shall be discharged, and any overpayments declared under section 3698(e)(1) of that subchapter shall be waived without further process on the date funds are transferred as referred to in subsection (b) of this section.

(d) TECHNICAL AMENDMENT.—On the date of repeal of such subchapter III, as provided herein, the table of sections at the beginning of chapter 36 shall be amended by striking the items relating to subchapter III.

(e) CONFORMING AMENDMENT.—(1) Chapter 34 is amended—

(A) by repealing paragraph (2) of section 3462(a); and

(B) in paragraph (1) of section 3485(e), by striking ''(other than an education loan under subchapter III)''.

(2) Section 3512 is amended by repealing subsection (f).

(3) The amendments made by paragraphs (1)(B) and (2) shall take effect 90 days after the date of the enactment of this Act.

SEC. 15. RESTORATION OF CHAPTER 35 EDUCATION BENEFITS OF CERTAIN INDIVIDUALS.

(a) RESTORATION.—Subsection (h) of section 3512 is amended by inserting ''or is involuntarily ordered to full-time National Guard duty under section 502(f) of title 32'' following ''title 10''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as of September 11, 2001.

SEC. 16. EXPANSION OF MONTGOMERY GI BILL EDUCATION BENEFITS FOR CERTAIN SELF-EMPLOYMENT TRAINING.

(a) SELF-EMPLOYMENT TRAINING.—Subparagraph (B) of section 3002(3) is amended—

(1) in clause (i) by striking ''and'';

(2) by adding at the end the following clause:

''(iii) a program of self-employment on-job training approved as provided in section 3677(d) of this title; and''.

(b) PROGRAM APPROVAL.—Section 3677 is amended—

(1) in subsections (a) and (c), by inserting ''self-employment on-job training or'' after ''other than'';

(2) in subsection (b)(1), by inserting ''described in subsection (a)'' after ''offering training''; and

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

''(d)(1) Any State approving agency may approve a program of self-employment on-job training for purposes of chapter 30 of this title only when it finds that the training is generally recognized as needed or accepted for purposes of obtaining licensure to engage in the self-employment occupation or is required for ownership and operation of a franchise that is the objective of the training.

''(2) The training entity offering the training for which approval is sought under this chapter must submit to the State approving agency a written application for approval, in the form and with the content as prescribed by the Secretary, which shall include such information as is required by the State approving agency.

''(3) As a condition for approving a program of self-employment on-job training, the State approving agency must find upon investigation that the following criteria are met:

''(A) The training content is adequate to qualify the eligible individual for the self-employment occupation that is the objective of the training.

''(B) The training consists of full-time training for a period of less than six months.

''(C) The length of the training period is not longer than that customarily required to obtain the knowledge, skills, and experience needed to successfully engage in the particular self-employment occupation that is the objective of the training.

''(D) The training entity has adequate instructional space, equipment, materials, and personnel to provide satisfactory training on the job.

''(E) The training entity keeps adequate records of each trainee's progress toward the self-employment objective and, at the end of the training period, issues a license, certificate, or other document recording the individual's successful completion of the training program.

''(F) The training entity and the self-employment on-job training program meet such other criteria as the Secretary may prescribe and as the State approving agency, with the Secretary's approval, may establish.''.

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 3687(a) is amended by inserting ''subsections (a), (b), and (c) of'' before ''section 3677''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date six months after the enactment of this Act and shall apply to self-employment on-job training approved and pursued on or after that date.

THE SECRETARY OF VETERANS AFFAIRS

Washington, DC, April 25, 2003.

Hon. RICHARD B. CHENEY,
President of the Senate,
Washington, DC.

DEAR MR. PRESIDENT: I am transmitting a draft bill, the ''Veterans Programs Improvement Act of 2003'. I request that this draft bill be referred to the appropriate committee for prompt consideration and enactment.

INCREASE IN RATES OF DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

Section 2 of the draft bill would direct the Secretary of Veterans Affairs to increase administratively the rates of disability compensation for veterans with service-connected disability and of dependency and indemnity compensation (DIC) for the survivors of veterans whose deaths are service related, effective December 1, 2003. As provided in the Presidents fiscal year (FY) 2004 budget request, the rate of increase would be the same as the cost-of-living adjustment (COLA) that will be provided under current law to Social Security recipients, which is currently estimated to be 2 percent. We believe this proposed COLA is necessary and appropriate to protect the affected benefits from the eroding effects of inflation.

We estimate that enactment of this section would cost $355 million during FY 2004 and $4.3 billion over the period FY 2004 through FY 2013. However, this cost is already assumed in the Budget baseline and, therefore, would not have any effect on direct spending.

REPEAL OF 45-DAY RULE FOR EFFECTIVE DATE OF AWARD OF DEATH PENSION AND EXCLUSION OF LUMP-SUM INSURANCE PROCEEDS FROM DETERMINATIONS OF ANNUAL INCOME FOR PENSION PURPOSES

Section 3 of the draft bill would amend 38 U.S.C. §5110(d) to make an award of death pension effective the first day of the month in which the death occurred if the claim is received within one year from the date of death. Section 4 of the draft bill would amend 38 U.S.C. §1503(a) to add lump-sum proceeds of life insurance policies to the list of payments that do not count as income for purposes of determining eligibility for death pension benefits administered by the Department of Veterans Affairs (VA) under chapter 15 of title 38, United States Code.

Under 38 U.S.C. §5110(a), an award based on a death pension claim received more than 45 days after the veterans death can be effective no earlier than the date of the claim. Pursuant to current 38 U.S.C. §5110(d)(2), however, if VA receives an application for death pension within 45 days of the veteran's death, then the effective date of a death pension award is the first day of the month in which the death occurred. Section 5110(d)(2)'s original one-year period was reduced to the current 45 days by the Deficit Reduction Act of 1984, Pub. L. No. 98–369, 98 Stat. 494, 854–901, as a cost-saving measure. Unfortunately, the ''45-day rule'' created a situation that has led to unfair and unequal treatment of applications for VA death pension.

The practical effect of the ''45-day rule'' in many cases has been to exclude lump-sum life insurance proceeds received within 45 days of the veteran's death from the countable income for pension claimants who file their claims more than 45 days after the date of the veteran's death. In contrast, claimants who both receive insurance proceeds and file pension claims within 45 days of the veteran's death have insurance proceeds counted as annual income, often reducing or precluding pension benefits during their first year of potential eligibility. In other words, claimants who receive insurance proceeds within 45 days of death, but who wait 45 days or longer to file pension claims, can receive pension effective from the date of claim without regard to recently-received insurance proceeds. In essence, claimants receiving lump-sum insurance proceeds under the current law are encouraged to forego entitlement from the date of death in exchange for the exclusion of the insurance payment in determining countable income for the following 12 months.

While many veterans' advocates are aware of this situation and advise claimants who receive life insurance proceeds within 45 days of death to postpone filing their claims, the current law unfairly penalizes claimants who are not well versed in such technical details. Fairness dictates that VA rules and

procedures be straightforward, particularly for claimants who are coping with the losses of loved ones. Consequently, we believe the ''45-day rule'' should be eliminated in favor of a rule making death pension benefits effective from the first day of the month of the veterans death if the claim is received within one year of that date.

However, we believe that this change must go hand in hand with an amendment, provided in section 4 of the draft bill, excluding lump-sum life insurance proceeds from the computation of income for death pension purposes. Lump-sum life insurance proceeds of genuine consequence are more appropriately address in terms of net worth, as provided in 38 U.S.C. §1543, than in terms of income. Pursuant of section 1543, a claimant is ineligible to receive death pension benefits if his or her net worth is such that it is reasonable that some portion of it should be consumed for his or her maintenance. In our view, a surviving spouse whose income, excluding lump-sum life insurance proceeds, and net worth do not constitute a bar to pension deserves help from VA.

We believe these proposed amendments are necessary and appropriate to eliminate unequal treatment of death pension applicants and to uphold one of the fundamental principles of the pension program, which is to ensure that those with the greatest need receive the greatest benefit.

We estimate that the net effect of enactment of both section 3 and section 4 would cost $649 thousand for FY 2004 and $12.8 million for the ten-year period FY 2004 through FY 2013.

CLARIFICATION OF PROHIBITION ON PAYMENT OF COMPENSATION FOR ALCOHOL OR DRUG-RELATED DISABILITY

Section 5(a) of the draft bill would amend 38 U.S.C. §§1110 and 1131 to clarify that the prohibition on payment of compensation for a disability that is a result of the veteran's own abuse of alcohol or drugs applies even if the abuse is secondary to a service-connected disability. Section 5(b) would make that amendment applicable to claims filed on or after the date of enactment and to claims filed before then but not finally decided as of that date.

Section 1110 and 1131 of title 38, United States Code, authorize the payment of compensation for disability resulting from injury or disease incurred or aggravated in line of duty in active service, during a period of war or during other than a period of war, respectively. Sections 1110 also currently provide, ''but on compensation shall be paid if the disability is a result of the veterans own willful misconduct or abuse of alcohol or drugs.'' Before their amendment in 1990, the provisions currently codified in sections 1110 and 1131 prohibited compensation ''if the disability is the result of the veteran's own willful misconduct.'' In 1990, they were amended to also prohibit compensation if the disability is a result of the veteran's own alcohol or drug abuse.

VA has long interpreted those provisions to authorize compensation not only for disability immediately resulting from injury or disease incurred or aggravated in service, but also for disability more remotely resulting from such injury or disease. That interpretation is embodied in 38 C.F.R. §3.310(a), which provides that, generally, disability which is proximately due to or the result of a service-connected disease or injury shall be service connected. Thus, VA pays compensation for primary service-connected disability and for secondary service-connected disability. However, consistent with the plain meaning of sections 1110 and 1131, if a disability, whether primary or secondary, is a result of the veteran's own alcohol or drug abuse, VA did not pay compensation.

This has changed. On February 2, 2001, a three-judge panel of the United States Court of Appeals for the Federal Circuit interpreted section 1110 as not precluding compensation for an alcohol or drug-abuse-related disability arising secondarily from a service-connected disability. Allen v. Prncipi, 237 F.3d 1368, 1370 (Fed. Cir. 2001). More specifically, the panel held that section 1110 ''does not preclude compensation for an alcohol or drug abuse disability secondary to a service-connected disability or use of an alcohol or drug abuse disability as evidence of the increased severity of a service-connected disability.'' Id. at 1381. The Government filed a petition for rehearing and rehearing en banc, which the panel and full court denied on October 16, 2001. Allen v. Pincipi, 268 F.3d 1340, 1341 (Fed. Cir. 2001). However, five of the eleven judges who considered the petition for rehearing en banc dissented from the order denying rehearing, opening that that court's interpretation is wrong. 268 F.3d at 1341–42.

We are concerned that payment of additional compensation based on the abuse of alcohol or drugs is contrary to congressional intent and is not in veterans' best interests because it removes an incentive to refrain from debilitating and self-destructive behavior.

The Federal Circuit's interpretation in Allen could also greatly increase the amount of compensation VA pays for service-connected disabilities. Under the court's interpretation, any veteran with a service-connected disability who abuses alcohol or drugs is potentially eligible for an increased amount of compensation if he or she can offer evidence that the substance abuse is a way of coping with the pain or loss the disability causes. Under this interpretation, alcohol or drug abuse disabilities that are secondary to either physical or mental disorders are compensable.

The potential for increased costs is illustrated by mental disorders, which are frequently associated with alcohol and drug abuse. Almost 421,000 veterans are currently receiving compensation for a service-connected mental disability. All but 97,000 of those disabilities are currently rated less than 100 percent disabling and could potentially be rated totally disabling on the basis of secondary alcohol or drug abuse. Even if the service connection of disability from alcohol or drug abuse does not result in an increased schedular evaluation, temporary total evaluations could be assigned whenever a veteran is hospitalized for more than twenty-one days for treatment or observation related to the abuse. Even the 97,000 cases of a service-connected mental disability evaluated at 100 percent disabling have potential for increased compensation for secondary alcohol or drug abuse if the statutory criteria for special monthly compensation are met.

The potential increase in compensation does not end there. Under the Federal Circuit's interpretation, VA is required to pay compensation for the secondary effects of the abuse of alcohol or drugs. Once alcohol or drug abuse is service connected as being secondary to another service-connected disability, then service connection can be established for any disability that is a result of the service-connected abuse of alcohol or drugs. If alcohol or drug abuse results in a disease, such as cirrhosis of the liver, then that disease would also be service connected and provide a basis for compensation under the court's interpretation.

Of course, an increase in the amount of compensation VA pays for service-connected disabilities will increase the benefit cost of the compensation program. Section 5 of this draft would avoid those increased costs. Our estimate of savings that would result from enactment of the draft bill is based on the payment of only basic compensation for alcohol or drug abuse disabilities secondary to service-connected disabilities (*i.e.,* it does not consider temporary total evaluations, special monthly compensation, or compensation for the secondary effects of alcohol or drug abuse). We estimate that this provision would result in benefit cost savings of $127 million and administrative cost savings of $44 million in FY 2004 and benefit cost savings of $4.6 billion and administrative cost savings of $97 million for the ten-month period FY 2004 through FY 2013.

ALTERNATIVE BENEFICIARIES FOR NATIONAL SERVICE LIFE INSURANCE AND UNITED STATES GOVERNMENT LIFE INSURANCE

Section 6 would authorize the payment of unclaimed National Service Life Insurance (NSLI) and United States Government Life Insurance (USGLI) proceeds to an alternative beneficiary.

Under current law, there is no time limit under which a named beneficiary of an NSLI or USGLI policy is required to claim the proceeds. Consequently, when the insured dies and the beneficiary does not file a claim for the proceeds, VA is required to hold the unclaimed funds indefinitely in order to honor any possible future claims by the beneficiary. VA holds the proceeds as a liability. While extensive efforts are made to locate and pay these individuals, there are cases where the beneficiary simply cannot be found. Under current law, we are not permitted to pay the proceeds to a contingent or alternative beneficiary unless we can determine that the principal beneficiary predeceased the insured. Consequently, payment of the proceeds to other beneficiaries is withheld.

A majority of the existing liabilities of unclaimed proceeds were established over ten years ago. As time passes, the likelihood of locating and paying a principal beneficiary becomes more remote. In fact, the older a liability becomes, the more unlikely it is that it will ever be paid even though other legitimate heirs of the insured have been located.

Section 6 would authorize the Secretary to pay NSLI and USGLI proceeds to an alternative beneficiary when the proceeds have not been claimed by the named beneficiary within two years following the death of the insured or within two years of this bill's enactment, whichever is later. The principal beneficiary would have two years following the insured's death to file a claim. Afterward, a contingent beneficiary would have two additional years within which to file a claim. Payment would be made as if the principal beneficiary had predeceased the insured. If there is no contingent beneficiary to receive the proceeds, payment would be made to those equitably entitled, as determined by the Secretary. As occurs under current law, no payment would be made if payment would escheat to a State. Such payment would bar recovery of the proceeds by any other individual.

Section 6 of the bill would apply retroactively as well as prospectively, and is similar to the time-limitation provisions of the Servicemember's and Veterans' Group Life Insurance programs and the Federal Employees Group Life Insurance program.

Insofar as payment to beneficiaries is made from the insurance trust funds, there are no direct appropriated benefit costs associated with this section of the bill. The liabilities are already set aside and would eventually be paid, either as payment to beneficiaries that eventually claim the proceeds, or released from liability reserves and paid as dividends.

There are approximately 4,000 existing policies in which payment has not been made due to the fact that we cannot locate the primary beneficiary, despite extensive efforts.

Over the years, the sum of moneys had as aggregated to approximately $23 million. Each year, about 200 additional policies (with an average face value of $9600, or approximately $1.9 million annually) are placed into this liability because the law prohibits payment to a contingent beneficiary or to the veteran's heirs. It is estimated that approximately two-thirds of the 4,000 policies would eventually be paid as a result of this legislation. Additionally, in anticipation of the fact that VA will not be able to pay about one-third of these policies, nearly $7 million has already been released to surplus and made available for dividend distribution.

VA estimates that the enactment of this section would result in costs of $15 million during the five-year period FY 2004 through FY 2008 and a total of $17 million during the ten-year period FY 2004 through FY 2013.

TIME LIMITATION ON RECEIPT OF CLAIM INFORMATION PURSUANT TO REQUEST BY DEPARTMENT OF VETERANS AFFAIRS

Section 7(a) and (b) of the draft bill would make a technical correction to the statutory provisions created by the Veterans Claims Assistance Act of 2000 (VCAA), Pub. L. No. 106–475, 114 Stat. 2096. Section 7(c) would make that correction effective as if enacted immediately after the VCAA.

Before the enactment of the VCAA, 38 U.S.C. §5103(a) required VA, if a claimant's application for benefits was incomplete, to notify the claimant of the evidence necessary to complete the application. Section 5103(a) further provided: ''If such evidence is not received within one year from the date of such notification, no benefits may be paid or furnished by reason of such application.''

In accordance with former section 5103(a), VA regulations provide that, if evidence requested in connection with a claim is not furnished within one year after the date of request, the claim will be considered abandoned. After the expiration of one year, VA will take no further action unless it receives a new claim. Furthermore, should the right to benefits be finally established, benefits based on such evidence would commence no earlier than the date the new claim was filed. 38 C.F.R. §3.158(a).

Before the enactment of the VCAA, title 38, United States Code, contained no provision requiring VA to notify a claimant of the evidence necessary to substantiate a claim.

Section 3(a) of the VCAA struck former 38 U.S.C. §§5102 and 5103 and added new sections 5102 and 5103. 114 Stat. at 2096–97. Now section 5102(b) requires VA, if a claimant's application for a benefit is incomplete, to notify the claimant (and his or her representative, if any) of the information necessary to complete the application. Section 5102 contains no provision concerning a time limitation for the submission of information necessary to complete an application.

Now section 5103(a) requires VA, upon receipt of a complete or substantially complete application for benefits, to notify the claimant (and his or her representative, if any) of any information and evidence not previously provided to VA that is necessary to substantiate the claim. Furthermore, that notice must indicate which portion of that information and evidence, if any, is to be provided by the claimant and which portion, if any, VA will attempt to obtain on the claimant's behalf. Section 5103(b)(1) provides, in the case of information or evidence that the claimant is notified is to be provided by him or her, if VA does not receive such information or evidence within one year from the date of such notification, no benefit may be paid or furnished by reason of the claimant's application.

As a result of the amendments made by the VCAA, the statutory provision imposing a one-year limitation now relates to the substantiation of claims rather than to the completion of applications. We do not believe Congress intended this change from prior law. This change raises several potential problems.

Without a statutory limitation of one year to complete an application, VA no longer has a statutory basis for closing an application as abandoned. Thus, if a claimant were to submit an incomplete application for benefits, but not respond to VA's notice of the information necessary to complete it until many years later, the award of any benefit granted on the basis of that application would have to be effective from the date of the application, even though the claimant took no action to complete it for many years. Further, it appears that VA would be authorized to close or deny the claim based on the claimant's failure to respond. We do not believe Congress intended this result. Rather, we believe that the former one-year statutory limitation on the time available to complete an application should be restored.

The statutory limitation of one year to substantiate a claim also raises potential problems. One such problem is the possibility that courts will interpret the provision to preclude VA from deciding a claim until one year has expired from the date VA gives notice of the information and evidence necessary to substantiate the claim. Exactly that interpretation was offered by several veterans service organizations challenging VA's regulations implementing the VCAA. Under those regulations, as part of VA's notice under section 5103(a), VA will request the claimant to provide any evidence in the claimant's possession that pertains to the claim. We ask for the evidence within 30 days, but tell the claimant that one year is available to respond. If the claimant has not responded to the request within 30 days, VA may decide the claim before expiration of the one year, based on all the information and evidence contained in the file, including information and evidence it has obtained on the claimant's behalf. However, VA will have to readjudicate the claim if the claimant subsequently provides the information and evidence within one year of the date of the request. 38 C.F.R. §3.159(b)(1).

VA issued those rules ''to allow for the timely processing of claims.'' 66 Fed. Reg. 17,834, 17,835 (2001). Once an application had been substantially completed, VA does not want to have to wait one year to decide the claim, given the large backlog of claims awaiting adjudication by VA and the Secretary's commitment to reducing the backlog and shortening the time VA takes to adjudicate claims. What VA considers to be Congress' inadvertent moving of the one-year limitation from the provision relating to completion of applications to the provision relating to the substantiation of claims could impede VA's efforts to improve service to veterans. VA doubts that Congress intended to require VA, after requesting evidence from a claimant, to keep the claim open and pending for a full year if the claimant has not responded.

Furthermore, section 5103(b)(1)'s clear and unambiguous language appears to prohibit the payment of benefits even though VA could allow a claim. For example, VA might be able to allow a claim on the basis of evidence VA obtained on the claimant's behalf, even though the claimant has not provided the evidence requested of him or her. Or VA might find clear and unmistakable error in a prior denial and need to grant benefits on the claim that was erroneously denied. Yet section 5103(b)(1) prohibits the payment or furnishing of any benefit if VA does not receive within one year the information or evidence the claimant is to provide according to VA's notice. Surely, Congress did not intend such a results.

Finally, some of VA's pro-veteran regulations will have to be changed unless the one-year time limitation is removed from section 5103. For example, 38 C.F.R. §20.1304(a) permits an appellant to submit additional evidence during the 90 days following notice that an appeal has been certified to the Board of Veterans' Appeals and the appellate record has been transferred to the Board. That 90-day period may extend beyond the one-year period following notice of the information and evidence necessary to substantiate the claims given under section 5103(a), in which case it would conflict with the statutory mandate that ''no benefit may be paid or furnished by reason of the claimant's application'' if VA does not receive the evidence within one year from the date of the section 5103(a) notice. Another potentially conflicting regulation is 38 C.F.R. §3.156(b), which deems new and material evidence received before expiration of the one-year appeal period (beginning when notice of the decision on a claim is sent) or before an appellate decision is made if a timely appeal is filed to have been filed in connection with the claim pending at the beginning of the appeal period. Because the one-year appeal period necessarily extends beyond the one-year substantiation period, the regulation authorizes the grant of benefits based on evidence not timely received under section 5103(b), contrary to the statutory mandate.

Accordingly, we propose a technical amendment to sections 5102 and 5103 that would prevent these problems. Section 7 would restore the one-year limitation to section 5102 and remove it from section 5103. It would make these technical amendments effective as if enacted immediately after the VCAA.

No costs are associated with this proposal. These amendments would allow VA to close inactive or abandoned claims and would prevent unjustified retroactive awards.

BURIAL PLOT ALLOWANCE

Section 8 of the draft bill would amend 38 U.S.C. §§2303(b) and 2307 to authorize payment of the burial plot allowance to states for each veteran interred in a state veterans cemetery at not cost to the veteran's estate or survivors.

Current section 2302(b)(1) authorizes VA to pay to a state a $300 plot or interment allowance for each eligible veteran buried in qualifying state veterans' cemetery. Such allowance authorized only if the veteran: (1) was a veteran of any war; (2) was discharged from active service for a service-connected disability; (3) was receiving VA compensation or pension at the time of death; or (4) died in a VA facility. Under current section 2307, survivors of veterans who die as a result of service-connected disabilities may seek reimbursement of burial and funeral expenses not exceeding $2,000. If, however, a burial and funeral allowance is paid to a veteran's survivors under section 2307, states cannot also receive a plot allowance for burial of the veteran. The proposed amendment would expand VA's authority to pay the plot allowance to states for burial in State veterans' cemeteries of all eligible peacetime veterans and all wartime veterans who die of service-connected disabilities.

This amendment would encourage state participation in the State Cemetery Grants Program. In 1978, Congress established the State Cemetery Grants Program to complement VA's national cemetery system by assisting states in providing burial plots for veterans in areas where existing national cemeteries cannot satisfy veterans' burial needs. State officials have indicated to VA that they consider future maintenance costs

when deciding whether to pursue a state cemetery grant. To the extent that the amendment would help defray those maintenance costs and encourage states to establish veterans' cemeteries, it would make the benefit of burial in such a cemetery an accessible option for more veterans.

The proposed amendment would allow states to receive plot allowance payments for approximately 1,200 additional interments annually. We estimate the costs associated with the enactment of this amendment would be $360,000 for FY 2004 and $3.6 million for the ten-year period from FY 2004 through FY 2013.

PROVISION OF MARKERS FOR PRIVATELY MARKED GRAVES

Section 9 would change the applicability date of VA's current authority to provide a marker for the private-cemetery grave of a veteran, regardless of whether the grave has been marked at private expense. Section 2306(a) of title 38, United States Code, has long authorized VA to provide a Government headstone or marker for the unmarked grave of an eligible individual. Section 502 of the Veterans Education and Benefits Expansion Act of 3001, Pub. L. No. 107–103, §502, 115 Stat. 976, 994, which was signed into law on December 27, 2001, authorized VA to furnish appropriate marker for the grave of an eligible veteran buried in a private cemetery, regardless of whether the grave was already marked with a non-Government marker. This authorization was made applicable to veterans who died on or after that Act's enactment date. Public Law 107–440 extended this authority to include deaths.

Under current law, if a veteran died before September 11, 2001, provision of a Government headstone or market is authorized only if the veterans' grave is unmarked. If a veteran died after September 11, 2001, provision of a Government headstone or market is authorized regardless of whether the grave is already marked at private expense. While recent changes in the law have allowed VA to begin to meet the needs of families who view the government-furnished market as a means of honoring and publicly recognizing a veteran's military service, VA is now in the difficult position of having to deny a benefit based solely on when a veteran died.

Moreover, the law has never precluded the addition of a privately purchased headstone to a grave after place of a government-furnished marker, resulting in double marking. However, when a private marker had been placed in the first instance, a Government marker may not be provided if the veteran died before September 11, 2001. We believe this creates an arbitrary distinction disadvantaging families who promptly obtained a private marker.

From October 18, 1979, until November 1, 1990, with the enactment of the Omnibus Budget and Reconciliation Act of 1990, VA paid a headstone or marker allowance to those families who purchased a private headstone or marker in lieu of a Government headstone or marker. Those families all had the opportunity to benefit from the VA-marker program. Our proposal would benefit families of those veterans who died between November 1, 1990, and September 11, 2001.

We estimate that the mandatory cost of this proposal would be $4.9 million if FY 2004 and $12.4 million during the period FY 2004 through FY 2013.

EXPANSION OF BURIAL ELIGIBILITY FOR REMARRIED SPOUSES

Section 10 would allow a veteran's surviving spouse who marries a non-veteran after the veteran's death to be eligible for burial in a VA national cemetery based on his or her marriage to the veteran. Over the last several years, the National Cemetery Administration has seen an increase in the number of requests for burial of a veteran's widow or widower who has married a non-veteran after the veteran has died. These cases involve spouses of veterans who have been married for many years and have raised a family with the veteran. Typically, the veteran's children and grandchildren, and of the current spouse, support the burial of the decedent with the original veteran-spouse in a VA national cemetery. However, current law does not permit it if the remarriage remained in effect when the veteran's survivor predeceased the new spouse.

Public Law 103–446 revised eligibility criteria for burial in a national cemetery to reinstate burial eligibility for a surviving spouse of an eligible veteran whose subsequent remarriage to a non-veteran has been terminated by death or dissolved by divorce. The current proposal would be consistent with that amendment in further acknowledging the importance of the first marriage to the veteran's family. This proposal would allow the deceased veteran to be buried with a spouse with whom he or she always expected to be buried with a spouse with whom he or she always expected to be buried. It would also allow the veteran's children to visit a single gravesite to pay their respects to their parents.

We estimate that the cost associated with this proposal would be minimal. The average number of requests for burials for individuals previously married to an eligible veteran who subsequently married a non-veteran is estimated to be 200 per year; the majority of these burials would be second interments. The cost of a second interment (including a headstone or marker) in a VA national cemetery ranges from just over $400 to nearly $800, depending on the type of burial and placement of the remains, with an average cost of approximately $550. For FY 2004, we anticipate the cost of the proposal would be $110,000. Our ten-year cost estimate (FY 2004 through FY 2013) is $1.1 million.

MAKE PERMANENT AUTHORITY FOR STATE CEMETERY GRANTS PROGRAM

Section 2408 of title 38, United States Code, authorizes VA to make grants to states to assist them in establishing, expanding, or improving state veterans' cemeteries. Section 2408(a)(2) currently authorizes appropriations for making those grants through fiscal year 2004. Section 11 of our proposed bill would permanently authorize such appropriations.

VA's State Cemetery Grants Program is an important component in meeting the burial needs of our Nation's veterans. State veterans' cemeteries supplement VA's national cemetery system in providing burial options to veterans throughout the Nation. VA's State Cemetery Grants Program has already helped to fund 49 operational state veterans' cemeteries, and six more are under construction. VA has received over 30 additional pre-applications from states requesting grants. There is a tremendous, on-going demand for grants to improve or expand existing state veterans' cemeteries, and VA's proposal would assist long-term planning for this important program.

Appropriations for VA's State Home Grants Program (authorized by subchapter III of chapter 81, title 38, United States Code) are permanently authorized under 38 U.S.C. §7133(a). The amendment made by section 11 of this bill would improve the consistency in the operation of the two programs.

The costs associated with this proposal would be those included in VA's annual budget request for use in providing grants to states. The President's budget submission to Congress for FY 2004 includes a request for $32 million for the State Cemetery Grants Program.

FORFEITURE OF BENEFITS FOR SUBVERSIVE ACTIVITIES

Section 12 would amend 38 U.S.C. §6105 to supplement the list of offenses conviction of which would result in a bar to all gratuitous VA benefits. Section 6105 provides that an individual convicted after September 1, 1959, of any of several specified offenses involving subversive activities shall have no right to gratuitous benefits, including national cemetery burial, under laws administered by the Secretary of Veterans Affairs and that no other person shall be entitled to such benefits on account of such individual. Congress' primary concern in enacting this provision was to prevent VA benefits from being provided based on military service of persons found guilty of offenses involving national security. This proposal would amend section 6105 to supplement the list of offenses conviction of which would result in a bar to all gratuitous VA benefits to include additional offenses that have come into being since enactment of section 6105.

This proposal would extend the current prohibition on payments of gratuitous benefits to persons convicted of subversive activities to include six additional classes of activities. The following offenses from title 18, United States Code, would be added: sections 175 (Prohibitions with respect to biological weapons); 229 (Prohibited activities with respect to chemical weapons); 831 (Prohibited transactions involving nuclear materials); 1091 (Genocide); 2332a (Use of certain weapons of mass destruction); and 2332b (Acts of terrorism transcending national boundaries). All of these offenses, which involve serious threats to national security, were added to title 18, United States Code, after the enactment of section 6105.

There is no cost associated with this proposal. Cost savings would be insignificant.

VETERANS' ADVISORY COMMITTEE ON EDUCATION

Section 13 would extend to the year 2013 the expiration date of the Veterans' Advisory Committee on Education. It would also amend the language requiring that veterans from specific wartime and post-wartime periods be members of the Committee to state that Committee positions must be filled with such individuals as far as practicable. Finally, this section would make a technical amendment to reflect that, under title 10, United States Code, as reorganized, chapter 106 is now designated chapter 1606.

Under current law, the authority for the Committee will expire on December 31, 2003. VA favors extending the existence of the Education Advisory Committee. The Committee has been useful for the Secretary in keeping in touch with the education community, as well as the veterans' service organizations. Over the last several years, the Committee has made a number of recommendations that have, in turn, become legislative proposals. We believe the Committee's discussions and recommendations are an invaluable aid to our efforts in administering the education program.

The amendment that would require that veterans from certain periods, e.g. World War II, the Korean conflict era, or post-Korean conflict era, be included as members of the Committee only as far as practicable allows for flexibility in filling Committee positions if finding members of specific populations who wish to serve on the Committee might be problematic.

We estimate the costs associated with the extension of the Committee would be $25,400 for FY 2004 and $200,000 for the ten-year period from FY 2004 through FY 2013.

REPEAL OF EDUCATION LOAN PROGRAM

Section 14 would repeal the VA education loan program and waive any existing repayment obligations, to include overpayments

due to default on such loans. The program, in effect since January 1, 1975, currently is available to issue loans up to a maximum of $2,500 per academic year to spouses and surviving spouses who are past their delimiting dates with remaining entitlement to chapter 35 benefits. The population for this program is very limited, and with other options in the public and private sectors, there is no longer a demand for these loans. In fact, VA has not issued a loan under this program in several years, but the government has paid an estimated $70,000 a year to administer it. VA's October 2002 monthly loans statistics show 20 current education loans in the amount of $14,987.08 and 116 defaulted education loans totaling $105,908.10. As is apparent, it costs VA more to administer the loan program than to forgive the debts currently outstanding.

RESTORATION OF CHAPTER 35 EDUCATION BENEFITS OF CERTAIN INDIVIDUALS

Section 15 would amend the law to provide that individuals who qualify for chapter 35 benefits and are involuntarily ordered to full-time National Guard duty under 32 U.S.C. §502(f) after September 11, 2001, would have their individual delimiting dates (the ending date of the individual's eligibility) extended by an amount of time equal to that period of full-time duty plus 4 months.

Public Law 107–103 restored entitlement to National Guard personnel who qualified for chapter 35 benefits who had to discontinue course pursuit as a result of being called to active duty under specific sections of title 10, United States Code. Our proposal would provide the same delimiting date extension to National Guard members who are activated under title 32.

We estimate the costs associated with the enactment of section 15 would be $150,000 for FY 2004 and approximately $5 million for the ten-year period from FY 2004 through FY 2013.

EXPANSION OF MONTGOMERY GI BILL EDUCATION BENEFITS FOR CERTAIN SELF-EMPLOYMENT TRAINING

Section 16 would expand the Montgomery GI Bill chapter 30 program by authorizing education assistance benefits for veterans under that program for on-job training in certain self-employment training programs. Such training might, for example, include that necessary for operation of a franchise or to gain a commercial drivers' license to become an independent trucker.

The Veterans Entrepreneurship and Small Business Development Act of 1999 (Pub. L. 106–50) requires that all Federal agencies aggressively support self-employment for veterans and service-disabled veterans, directly and through public-private partnerships. This amendment will provide veterans considering self-employment with improved access to capital for training. Thus, more veterans will be encouraged to initiate steps towards self-employment and sustainable self-sufficiency.

We estimate the costs associated with the enactment of section 16 would be $357,000 for FY 2004 and approximately $3.9 million for the ten-year period from FY 2004 through FY 2013.

The Budget Enforcement Act's pay-as-you-go (PAYGO) requirements and discretionary spending caps expired on September 30, 2002. The attached proposals affect revenues and direct spending. This bill is currently estimated to produce cost savings of $116.1 million for FY 2004 and $4.52 billion for FY 2004 through FY 2013. These proposals were included in the President's FY 2004 Budget and should be considered in conjunction with all other proposals in the Budget. The Administration supports the extension of budget enforcement mechanisms in a manner that ensures fiscal discipline and is consistent with the President's Budget.

The Office of Management and Budget advises that there is no objection to the transmission of this bill and that its enactment would be in accord with the Administration's program.

Sincerely yours,

ANTHONY J. PRINCIPI

Enclosure.

SECTION-BY-SECTION ANALYSIS OF DRAFT BILL—VETERANS PROGRAMS IMPROVEMENT ACT OF 2003

SECTION 1. SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE

Section 1(a) would provide a short title for the Act: the ''Veterans Programs Improvement Act of 2003.'' Section 1(b) would provide that all amendments made by the Act, unless otherwise specified, are to a section or other provision of title 38, United States Code.

SECTION 2. INCREASE IN RATES OF DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

Section 2 would direct the Secretary of Veterans Affairs to administratively increase the rates of disability compensation for veterans with service-connected disabilities and of dependency and indemnity compensation (DIC) for the survivors of veterans whose deaths are service related, effective December 1, 2003. As provided in the President's fiscal year 2004 budget request, the rate of increase would be the same as the cost of living adjustment that will be provided under current law to Social Security recipients, which is currently estimated to be 2 percent.

SECTION 3. REPEAL OF 45-DAY RULE FOR EFFECTIVE DATE OF AWARD OF DEATH PENSION

Section 3 would amend 38 U.s.C. §5110(d) to make an award of death pension effective the first day of the month in which the death occurred if the claim is received within one year from the date of death.

SECTION 4. EXCLUSION OF LUMP-SUM LIFE INSURANCE PROCEEDS FROM DETERMINATIONS OF ANNUAL INCOME FOR PENSION PURPOSES

Section 4 would amend 38 U.S.C. §1503(a) to add lump-sum proceeds of life insurance policies to the list of payments that do not count as income for purposes of determining eligibility for death pension benefits administered by the Department of Veterans Affairs (VA) under chapter 15 of title 38, United States Code.

SECTION 5. CLARIFICATION OF PROHIBITION ON PAYMENT OF COMPENSATION FOR ALCOHOL OR DRUG-RELATED DISABILITY

Section 5(a) would amend 38 U.S.C. §§1110 and 1131 to clarify that the prohibition on payment of compensation for a disability that is a result of the veteran's own abuse of alcohol or drugs applies even if the abuse is secondary to a service-connected disability. Section 5(b) would make that amendment applicable to claims filed on or after the date of enactment and to claims filed before then but not finally decided as of that date.

SECTION 6. ALTERNATIVE BENEFICIARIES FOR NATIONAL SERVICE LIFE INSURANCE AND UNITED STATES GOVERNMENT LIFE INSURANCE

Section 6 would authorize the payment of unclaimed National Service Life Insurance and United States Government Life Insurance proceeds to an alternative beneficiary.

SECTION 7. TIME LIMITATION ON RECEIPT OF CLAIM INFORMATION PURSUANT TO REQUEST BY DEPARTMENT OF VETERANS AFFAIRS

Section 7(a) and (b) would make a technical correction to the statutory provisions created by the Veterans Claims Assistance Act of 2000 (VCAA), Pub. L. No. 106–475, 114 Stat. 2096. It would change the applicability of a one-year time limit from the substantiation of a claim to the completion of an application. Section 7(c) would make that correction effective as if enacted immediately after the VCAA.

SECTION 8. BURIAL PLOT ALLOWANCE

Section 8 would amend 38 U.S.C. §§2302(b) and 2307 to authorize payment of the burial plot allowance to states for each veteran interred in a state veterans' cemetery at no cost to the veteran's estate or survivors.

SECTION 9. PROVISION OF MARKERS FOR PRIVATELY MARKED GRAVES

Section 9 would change the applicability date (to deaths occurring on or after November 1, 1990) of VA's current authority to provide a marker for the private-cemetery grave of a veteran, regardless of whether the grave has been marked at private expense.

SECTION 10. EXPANSION OF BURIAL ELIGIBILITY FOR REMARRIED SPOUSES

Section 10 would allow a veteran's surviving spouse who marries a non-veteran after the veteran's death to be eligible for burial in a VA national cemetery based on his or her marriage to the veteran.

SECTION 11. MAKE PERMANENT AUTHORITY FOR STATE CEMETERY GRANTS PROGRAM

Section 11 would permanently authorize appropriations for the State Cemetery Grants Program under 38 U.S.C. §2408, which authorizes VA to make grants to states to assist them in establishing, expanding, or improving state veterans' cemeteries.

SECTION 12. FORFEITURE OF BENEFITS FOR SUBVERSIVE ACTIVITIES

Section 12 would amend 38 U.S.C. §6105 to supplement the list of offenses conviction of which bars entitlement to all gratuitous VA benefits.

SECTION 13. VETERANS' ADVISORY COMMITTEE ON EDUCATION

Section 13 would extend to the year 2013 the expiration date of the Veterans' Advisory Committee on Education. It would also amend the language requiring that veterans from specific wartime and post-wartime periods be members of the Committee to state that Committee positions must be filled with such individuals when practicable. Finally, this section would make a technical amendment to reflect that, under title 10, United States Code, as reorganized, chapter 106 is now designated chapter 1606.

SECTION 14. REPEAL OF EDUCATIONAL LOAN PROGRAM

Section 14 would repeal the VA education loan program and waive any existing repayment obligations, to include overpayments due to default on such loans.

SECTION 15. RESTORATION OF CHAPTER 35 EDUCATION BENEFITS OF CERTAIN INDIVIDUALS

Section 15 would provide that individuals who qualify for chapter 35 benefits and are involuntarily ordered to full-time National Guard duty under 32 U.S.C. §502(f) after September 11, 2001, would have their individual delimiting dates (the ending date of the individual's eligibility) extended by an amount of time equal to that period of full-time duty plus 4 months.

SECTION 16. EXPANSION OF MONTGOMERY GI BILL EDUCATION BENEFITS FOR CERTAIN SELF-EMPLOYMENT TRAINING

Section 16 would expand the Montgomery GI Bill chapter 30 program by authorizing education assistance benefits for veterans under that program for on-job training in certain self-employment training programs.

By Mr. BOND (for himself and Mr. INHOFE) (by request):

S. 1134. A bill to reauthorize and improve the programs authorized by the Public Works and Economic Development Act of 1965; to the Committee on Environment and Public Works.

Mr. BOND. Mr. President, in these times of economic distress and hardship we must focus our efforts to assist the more impoverished regions of our country. With this in mind, it is my pleasure to rise today to introduce, on behalf of President Bush, the Economic Development Administration Reauthorization Act of 2003.

This bill will allow the Economic Development Administration, commonly known as the EDA, to assist communities in the development of their local economy. Simply put, it will help to bring jobs to our cities and towns by reauthorizing the mission of the EDA, while focusing the Administration's efforts on localized economic growth.

EDA was established under the Public Works and Economic Development Act of 1965. Throughout the near forty years of its existence, EDA has helped to generate employment, retain existing jobs, and stimulate industrial and commercial growth in rural and urban areas of the nation that experience high unemployment, low income or other severe economic distress.

EDA has consistently been guided by the basic principle that 'distressed communities must be empowered to develop and implement their own economic development and revitalization strategies'. To achieve these goals, EDA works in partnership with State and local governments by providing Federal grants to public and private nonprofit organizations, regional economic development agencies and Indian tribes.

This bill seeks to improve the coordination, flexibility, and performance of EDA. It focuses on methods to ensure that EDA can more easily work in coordination with other agencies involved in economic development, such as the Army Corps of Engineers or the Department of Labor. It attempts to improve EDA's ability to respond to rapidly changing economic conditions within regions and it highlights the need to focus on the performance of grantees—whether grantees actually increase jobs and economic growth.

During the last decade, in my home State of Missouri, EDA has implemented over 300 projects and invested more than $115 million into my state's economy. These projects have included improvements to the Cornerstone Industrial Park in St. Louis, the renovation of a blighted neighborhood outside Kansas City, and construction assistance for the Center for Emerging Technologies in St. Louis. EDA assistance in Missouri has truly been a boon to local investment and economic growth. Reauthorization of EDA will enable future projects like these throughout our country for years to come.

In this time of economic difficulty, strong partnership between federal and local governments are crucial. My hope is that through a sustained focus on spurring growth in our economy through continued support of the EDA, we can surmount the economic challenges of today and prepare the way for a more prosperous future.

I ask unanimous consent that the text of the bill be printed in the RECORD.

S. 1134

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

SECTION 1. SHORT TITLE.

SHORT TITLE.—This Act may be cited as the ''Economic Development Administration Reauthorization Act of 2003''.

SEC. 2. FINDINGS AND DECLARATIONS.

Section 2 of the Public Works and Economic Development Act of 1965, as amended (''PWEDA'') (42 U.S.C. §3121), is revised to read as follows:

''SEC. 2. FINDINGS AND DECLARATIONS.

''(a) FINDINGS.—Congress finds that—

''(1) while the fundamentals for growth in the American economy remain strong, there continue to be areas experiencing chronic high unemployment, underemployment, low per capita incomes, and outmigration as well as areas facing sudden and severe economic dislocations due to structural economic changes, changing trade patterns, certain Federal actions (including environmental requirements that result in the removal of economic activities from a locality), and natural disasters;

''(2) sustained economic growth in our Nation, States, cities and rural areas is produced by expanding free enterprise through trade and enhanced competitiveness of regions;

''(3) the goal of Federal economic development programs is to raise the standard of living for all citizens and increase the wealth and overall rate of growth of the economy by encouraging local and regional communities to develop a more competitive and diversified economic base by—

''(A) promoting job creation through increased innovation, productivity, and entrepreneurship; and

''(B) empowering local and regional communities experiencing chronic high unemployment and low per capita income to attract substantially increased private-sector capital investment;

''(4) while economic development is an inherently local process, the Federal Government should work in partnership with public and private local, regional, Tribal and State organizations to maximize the impact of existing resources and enable regions, communities, and citizens to participate more fully in the American dream and national prosperity;

''(5) in order to avoid wasteful duplication of effort and achieve meaningful, long-lasting results, Federal, State, Tribal and local economic development activities should have a clear focus, improved coordination, a comprehensive approach, common measures of success, and simplified and consistent requirements; and

''(6) Federal economic development efforts will be more effective if they are coordinated with, and build upon, the trade, workforce investment, and technology programs of the United States.

''(b) DECLARATIONS.—Congress declares that, in order to promote a strong and growing economy throughout the United States:

''(1) assistance under this Act should be made available to both rural and urban distressed communities;

''(2) local communities should work in partnership with neighboring communities, Indian Tribes, the States, and the Federal Government to increase their capacity to develop and implement comprehensive economic development strategies to enhance regional competitiveness in the global economy and support long-term development of regional economies; and

''(3) whether suffering from long-term distress or a sudden dislocation, distressed communities should be encouraged to focus on strengthening entrepreneurship and competitiveness, and to take advantage of the development opportunities afforded by technological innovation and expanding and newly opened global markets.''.

SEC. 3. DEFINITIONS.

Section 3 of PWEDA (42 U.S.C. §3122) is amended as follows:

(1) Subparagraph (4)(A) of this section is amended by striking subparagraph (i) and re-designating successive subpararphs (ii) through (vii) as (i) through (vi) and revising subparagraph (iv) as re-designated to read as follows:

''(iv) a city or other political subdivision of a State, including a special purpose unit of State or local government, or a consortium of political subdivisions;''.

(2) Subparagraph 4(B) is amended by adding at the end thereof a new sentence:

''The requirement under subparagraph (A)(vi) that the nonprofit organization or association is 'acting in cooperation with officials of a political subdivision of a State' does not apply in the case of research, training and technical assistance grants under section 207 that are national or regional in scope.''.

(3) Paragraph (8), (9) and (10) are amended by re-designating them as paragraphs (9), (10) and (11) and a new paragraph (8) is added as follows:

''(8) REGIONAL COMMISSIONS.—The term 'Regional Commissions' as used in section 403 of this Act refers to the regional economic development authorities: the Delta Regional Authority (Pub. L. No. 106–554, Sec. 1(a)(4) [Div. B, title VI]. 114 Stat. 2763A–268) (7 U.S.C. §2009aa et seq.), the Denali Commission (Pub. L. No. 105–277, Div. C, title III, 112 Stat. 2681–637)(42 U.S.C. §3121 note), and the Northern Great Plains Regional Authority (Pub. L. 107–171, 116 Stat. 375) (7 U.S.,C. §2009bb et seq.).''.

(4) A new paragraph (12) is added at the end to read as follows:

''(12) UNIVERSITY CENTER.—The term 'university center' refers to a University Center for Economic Development established pursuant to the authority of section 207(a)(2)(D) of this Act.''.

SEC. 4. WORKING WITH NONPROFIT ORGANIZATIONS IN ESTABLISHMENT OF ECONOMIC DEVELOPMENT PARTNERSHIPS.

Section 101 of PWEDA (42 U.S.C. §3131) is amended as follows:

(1) In subsection (b) strike ''and multi-State regional organizations'' and insert in lieu thereof ''multi-State regional organizations, and nonprofit organizations.''

(2) In subsection (d) strike ''adjoining'' each time it occurs.

SEC. 5. SUB-GRANTS IN CONNECTION WITH PUBIC WORKS PROJECTS.

Section 201 of PWEDA (42 U.S.C. §3141) is amended by adding a new subsection (d) as follows:

''(d) SUB-GRANTS.—(1) Subject to paragraph (2), a recipient of a grant under this section may directly expend the grant funds or may redistribute the funds in the form of a subgrant to other recipients eligible to receive assistance under this section to fund required components of the scope of work approved for the project.

''(2) Under paragraph (1), a receipt may not redistribute grant funds to a for-profit entity.''.

SEC. 6 CLARIFICATION OF GRANTS FOR STATE PLANNING.

Section 203 of PWEDA (42 U.S.C. §3143) is amended as follows:

(1) Revise paragraph (1) of subsection (d) to read as follows:

''(1) DEVELOPMENT.—Any State plan developed with assistance under this section shall, to the maximum extent practicable, take into consideration regional economic development strategies.'';

(2) Strike paragraph (3) of subsection (d) in its entirety and re-designate paragraphs (4) and (5) and (3) and (4);

(3) Revise re-designated paragraph (3) of subsection (d) by striking ''and'' at the end of subparagraph (C) and re-designating current subparagraph (D) as (E) and adding a new subparagraph (D) to read as follows:

''(D) assist in carrying out state's workforce investment strategy (as outlined in the State plan required under section 112 of the Workforce Investment Act of 1998 (29 U.S.C. §2822)); and'';

(4) Add a new subsection (e) at the end thereof as follows:

''(e) SUB-GRANTS.—(1) Subject to paragraph (2), a recipient of a grant under this section may directly expend the grant funds or may redistribute the funds in the form of a subgrant to other recipients eligible to receive assistance under this section to fund required components of the scope of work approved for the project.

''(2) Under paragraph (1), a recipient may not redistribute grant funds to a for-profit entity.''.

SEC. 7. SIMPLIFICATION OF DETERMINATION OF GRANT RATES.

Sections 204 and 205 of PWEDA (42 U.S.C. §§3144, 3145) are amended to read as follows:

''SEC. 204. COST SHARING.

''(a) FEDERAL SHARE.—The Secretary shall issue regulations to establish the applicable grant rates for projects based on the relative needs of the areas in which the projects are located. Except as provided in subsection (c) below, the amount of a grant for a project under this title may not exceed 80 percent of the cost of the project.

''(b) NON-FEDERAL SHARE.—In determining the amount of the non-Federal share of the cost of a project, the Secretary may provide credit toward the non-Federal share for all contributions both in cash and in-kind, fairly evaluated, including contributions of space, equipment, and services, and assumptions of debt.

''(c) INCREASE IN FEDERAL SHARE.—

''(1) INDIAN TRIBES.—In the case of a grant to an Indian tribe, the Secretary may increase the Federal share above the percentage specified in subsection (a) up to 100 percent of the cost of the project.

''(2) CERTAIN STATES, POLITICAL SUBDIVISIONS, AND NONPROFIT ORGANIZATIONS.—In the case of a grant to a State (or a political subdivision of a State), that the Secretary determines has exhausted its effective taxing and borrowing capacity, or in the case of a grant to a nonprofit organization that the Secretary determines has exhausted its effective borrowing capacity, the Secretary may increase the Federal share above the percentage specified in subsection (a) up to 100 percent of the cost of the project.

''SEC. 205. GRANTS SUPPLEMENTING OTHER AGENCY GRANTS. (42 U.S.C. §3145)

''(a) DEFINITION OF DESIGNATED FEDERAL GRANT PROGRAM.—In this section, the term 'designated Federal grant program' means any Federal grant program that—

''(1) provides assistance in the construction or equipping of public works, public service, or development facilities;

''(2) is designated as eligible for an allocation of funds under this section by the Secretary; and

''(3) assists projects that are—

''(A) eligible for assistance under this title; and

''(B) consistent with a comprehensive economic development strategy.

''(b) SUPPLEMENTARY GRANTS.—Subject to subsection (c) below, in order to assist eligible recipients to take advantage of designated Federal grant programs, on the application of an eligible recipient, the secretary may make a supplementary grant for a project for which the eligible recipient is eligible but, because of the recipient's economic situation, for which the eligible recipient cannot provide the required non-Federal share.

''(c) REQUIREMENTS APPLICABLE TO SUPPLEMENTARY GRANTS.—

''(1) AMOUNT OF SUPPLEMENTARY GRANTS.—The share of the project cost supported by a supplementary grant under this section may not exceed the applicable grant rate under section 204.

''(2) FORM OF SUPPLEMENTARY GRANTS.—The Secretray shall make supplementary grants by

''(A) the payment of funds made available under this Act to the heads of the Federal agencies responsible for carrying out the applicable Federal programs, or

''(B) the award of funds under this Act which will be combined with funds transferred from other Federal agencies in projects administered by the secretary.''.

''(3) FEDERAL SHARE LIMITATIONS SPECIFIED IN OTHER LAWS.—Notwithstanding any requirement as to the amount or source of non-Federal funds that may be applicable to a Federal program, funds provided under this section may be used to increase the Federal share for specific projects under the program that are carried out in areas described in section 301(a) above the Federal share of the cost of the project authorized by the law governing the program.''.

SEC. 8. REGULATIONS ON ALLOCATIONS TO ENSURE JOB CREATION POTENTIAL.

Subsection 206 of PWEDA (42 U.S.C. §3146) is amended by striking ''and'' at the end of subparagraph (1)(C), inserting ''and'' at the end of paragraph (2), and adding a new paragraph (3) at the end thereof to read as follows:

''(3) allocations of assistance under this title promote job creation through increased innovation, productivity, and entrepreneurship, and financial assistance extended pursuant to such allocations will have a high probability of meeting or exceeding applicable performance requirements established in connection with extension of the assistance.''.

SEC. 9. INCREASED FLEXIBILITY IN GRANTS FOR TRAINING, RESEARCH, AND TECHNICAL ASSISTANCE.

(a) Section 207 of PWEDA (42 U.S.C. §3147) is amended by striking ''and'' at the end of subparagraph (2)(F) of subsection (a), re-designating current subparagraph (G) as (H), and adding a new subparagraph (G) to read as follows:

''(G) studies that evaluate the effectiveness of collaborations between projects funded under this Act with projects funded under the Workforce Investment Act of 1998 (29 U.S.C. §2801 et seq.); and ''.

(b) Section 207 is further amended by adding a new subsection (c) to read as follows:

''(c) SUB-GRANTS.—A recipient of a grant under this section may directly expend the grant funds or may redistribute the funds in the form of a sub-grant to other recipients eligible to receive assistance under this section to fund required components of the scope of work approved for the project.''.

SEC. 10. REMOVAL OF SECTION.

Section 208 of PWEDA (42 U.S.C. §3148) is stricken in its entirety and insert in lieu thereof:

''SEC. 208. [Repealed].''.

SEC. 11. IMPROVEMENTS IN ADMINISTRATION GRANTS FOR ECONOMIC ADJUSTMENT INVOLVING REVOLVING LOAN FUND PROJECTS.

(a) Subsection (d) of section 209 of PWEDA (42 U.S.C. §3149) is amended by striking ''an eligible'' in each case it occurs in paragraphs (1) and (2) inserting in lieu thereof ''a recipient''.

(b) Section 209 of PWEDA (42 U.S.C. §3149) is amended by adding a new subsection (e) at the end thereof as follows:

''(e) SPECIAL PROVISIONS RELATING TO REVOLVING LOAN FUND GRANTS.—The Secretary shall promulgate regulations to ensure the proper operation and financial integrity of revolving loan funds established by recipients with assistance under this section.

''(1) EFFICIENT ADMINISTRATION.—In order to improve the ability to manage and administer the Federal interest in revolving loan funds and in accordance with regulation issued for such purposes, the Secretary may amend and consolidate grant agreements governing revolving loan funds to provide flexibility with respect to lending areas and borrower criteria. In addition, the Secretary may assign or transfer assets of a revolving loan fund to a third party for the purpose of liquidation and a third party may retain assets of the fund to defray costs related to liquidation. The Secretary may also take such other actions with respect to management and administration as the Secretary determines to be appropriate to carry out the purposes of this Act, including actions to enable revolving loan fund operators to sell or securitize loans to the secondary market (except that such actions may not include issuance of a Federal guaranty by the Secretary).

''(2) RELEASE OF FEDERAL INTERESTS.—The Secretary may release, in whole or in part, any property interest in connection with a revolving loan fund grant after the date that is 20 years after the date on which the grant was awarded, provided that the recipient—

''(A) is in compliance with the terms of its grant and operating the fund at an acceptable level of performance as determined by the Secretary; and

''(B) reimburses the government prior to the release for the amount of the Secretary's investment in the fund or the pro-rata share of the fund at the time of the release, whichever is less.

Any action taken by the Secretary pursuant to this subsection with respect to a revolving loan fund shall not constitute a new obligation provided that all grant funds associated with the original grant award have been disbursed to the recipient.''.

SEC. 12. USE OF FUNDS IN PROJECTS CONSTRUCTED UNDER PROJECTED COST.

Section 211 of PWEDA (42 U.S.C. §3151) is amended to read as follows:

''SEC. 211. USE OF FUNDS IN PROJECTS CONSTRUCTED UNDER PROJECTED COST.

''In any case in which the Secretary has made a grant for a construction project under sections 201 or 209 of this title, and before closeout of the project, the Secretary determines that the cost of the project based on the designs and specifications that were the basis of the grant has decreased because of decreases in costs—

''(1) without further appropriations action, the Secretary may approve the use of the excess funds or a portion of the funds to improve the project; and

''(2) any amount of excess funds remaining after application of paragraph (1) may used for other investments authorized for support under this Act.

In addition to paragraphs (1) and (2) of this section, in the event of construction

underruns in projects utilizing funds transferred from other Federal agencies pursuant to section 604 of this Act, the Secretary may utilize thee funds in conjunction with paragraphs (1) and (2) with the approval of the originating agency or will return the funds to the originating agency.''.

SEC. 13. SPECIAL IMPACT AREAS.

Title II of PWEDA is further amended by adding a new section 214 as follows:

''SEC. 214. SPECIAL IMPACT AREAS.

''SPECIAL IMPACT AREAS.—The Secretary is authorized to make grants, enter into contracts and provide technical assistance for projects and programs that the Secretary finds will fulfill a pressing need of the area and be useful in alleviating or preventing conditions of excessive unemployment or underemployment or assist in providing useful employment opportunities for the unemployed or underemployed residents in the areas. In extending assistance under this section, the Secretary may waive, in whole or in part, as appropriate, the provisions of section 302 of this Act provided that the Secretary determines that such assistance will carry out the purposes of the Act.''.

SEC. 14. PERFORMANCE INCENTIVES.

Title II of PWEDA is further amended by adding a new section 215 as follows:

''SEC. 215. PERFORMANCE INCENTIVES.

''(a) In accordance with regulations issued for such purposes, the Secretary may award transferable performance credits in an amount that does not exceed 10 percent of the grant amount awarded under sections 201 or 209 of this Act on or after the effective date of this amendment. The Secretary shall base such performance incentives on the extent to which a recipient meets or exceeds performance requirements established in connection with extension of the assistance.

''(b) A recipient awarded a transferable performance credit under this section may redeem the credit to increase the Federal share of a subsequent grant funded under sections 201 and 209 of this Act above the maximum Federal share allowable under section 204 up to 80 percent of the project cost. A performance credit must be redeemed within 5 years of its issue date.

''(c) An original recipient may also sell or transfer the credit in its entirety to another eligible recipient for use in connection with a grant approved by the Secretary under this Act without reimbursement to the Secretary for redemption in accordance with subsection (b) above.

''(d) The Secretary shall attach such terms and conditions or limitations as the Secretary deems appropriate in issuing a performance credit. Performance credits shall be paid out of appropriations for economic development assistance programs made available in the year of redemption to the extent of availability.

''(e) The Secretary shall include information regarding issuance of performance credits in the annual report under section 603 of this Act.''.

SEC. 15. COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGIES.

Sub-paragraph (a)(3)(A) of section 302 of PWEDA (42 U.S.C. §3162) is amended by adding ''maximizes effective development and use of the workforce (consistent with any applicable state and local workforce investment strategy under the Workforce Investment Act of 1998 (29 U.S.C. §2801 et. seq.),'' between ''access,'' and ''enhances''.

SEC. 16. DESIGNATION OF ECONOMIC DEVELOPMENT DISTRICTS.

Sub-paragraph (a)(3)(B) of section 401 of PWEDA (42 U.S.C. §3171) is amended by striking ''by each affected State and''.

SEC. 17. DISTRICT INCENTIVES.

Section 403 of PWEDA (42 U.S.C. §3173) is amended by striking it in its entirety and re-designating sections 404 and 405 as sections 403 and 404. Section 403 as re-designated is amended by adding at the end the following new sentence:

''If any part of an economic development district is in a region covered by one or more other Regional Commissions as defined in section 3(8) of this Act, the economic development district shall ensure that a copy of the comprehensive economic development strategy of the district is provided to the affected regional commission.''.

SEC. 18. ECONOMIC DEVELOPMENT INFORMATION CLEARINGHOUSE.

Section 502 of PWEDA (42 U.S.C. §3192) is amended to read as follows:

''SEC. 502. ECONOMIC DEVELOPMENT INFORMATION CLEARINGHOUSE.

''In carrying out this Act, the Secretary shall—

''(1) maintain a central information clearinghouse on the Internet with information on economic development, economic adjustment, disaster recovery, defense conversion, and trade adjustment programs and activities of the Federal government, links to State economic development organizations, and links to other appropriate economic development resources;

''(2) assist potential and actual applications for economic development, economic adjustment, disaster recovery, defense conversion, and trade adjustment assistance under Federal and State laws in locating and applying for the assistance;

''(3) assist areas described in section 301(a) and other areas by providing to interested persons, communities, industries, and businesses in the areas any technical information, market research, or other forms of assistance, information, or advice that would be useful in alleviating or preventing conditions of excessive unemployment or underemployment in the areas; and

''(4) obtain appropriate information from other Federal agencies needed to carry out the duties under this Act.''.

SEC. 19. REMOVAL OF UNUSED AUTHORITY.

Section 505 of PWEDA (42 U.S.C. §3195) is amended by striking it in its entirety and sections 506 and 507 are re-designated as sections 505 and 506.

SEC. 20. PERFORMANCE EVALUATIONS OF GRANT RECIPIENTS.

Section 505 of PWEDA (42 U.S.C. §3196) as re-designated is amended as follows:

(1) In subsection (c), strike ''after the effective date of the Economic Development Administration Reform Act of 1998''.

(2) In paragraph (d)(2), strike ''and'' before ''disseminating results'' and insert '', and measuring the outcome-based results of the university centers' activities'' before the period at the end thereof.

(3) In paragraph (d)(3) of section 506, insert before the period at the end thereof ''as evidenced by outcome-based results, including the number of jobs created or retained, and amount of private-sector funds leveraged''.

(4) In subsection (e) of section 506, strike ''university center or'' each occasion it occurs.

SEC. 21. CITATION CORRECTIONS.

Section 602 of PWEDA (42 U.S.C. §3212) is amended by striking the citations to ''40 U.S.C. §276A–276A–5'' and ''section 276c'' and inserting in lieu thereof, ''40 U.S.C. §3141 et seq.'' and ''section 3145'' respectively.

SEC. 22. DELETION OF UNNECESSARY PROVISION.

Section 609 of PWEDA (42 U.S.C. §3219) is amended by striking subsection (a) in its entirety and striking the subsection designation ''(b)''.

SEC. 23. GENERAL AUTHORIZATION OF APPROPRIATIONS.

Section 701 of PWEDA (42 U.S.C. §3231) is amended to read as follows:

''SEC 701. GENERAL AUTHORIZATION OF APPROPRIATIONS.

''(a) ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS.—There are authorized to be appropriated for economic development assistance programs to carry out this Act $331,027,000 for fiscal year 2004, and such sums as may be necessary for fiscal years 2005, 2006, 2007, and 2008, to remain available until expended.

''(b) SALARIES AND EXPENSES.—There are authorized to be appropriated for salaries and expenses of administering this Act $33,377,000 for fiscal year 2004, and such sums as may be necessary for each of the fiscal years from 2005 through 2008, to remain available until expended.''.

Mr. INHOFE. Mr. President, today I join my colleague from Missouri, Senator BOND, in introducing by request a bill to reauthorize the Economic Development Administration.

EDA works with partners in local communities to create wealth and minimize poverty by promoting favorable business environments to attract private investment. Studies show that EDA uses Federal dollars efficiently and effectively. EDA's average cost of creating and retaining long-term jobs is among the lowest in government.

In my home State of Oklahoma, we have some communities that struggle with economic distress, and EDA has worked long and hard with those communities to bring in private capital investment and jobs. In fact, over the last ten years, EDA projects have resulted in more than 15,000 jobs being created or saved. With an investment of about $53 million, we have leveraged another 50 million in State and local dollars and more than 1.1 billion in private sector dollars. I would call that a wonderful success story.

I am pleased that the President has chosen to send to Congress a reauthorization bill for this agency. His bill promotes coordination, flexibility and performance—all excellent goals. The EDA's authorization is set to expire on September 30, 2003, and I look forward to working with the Administration, as well as my colleagues here in the Senate and in the House of Representatives, to try to reauthorize it before then.

By Mr. HATCH (for himself, Mr. JEFFORDS, Mr. GRASSLEY, Mrs. LINCOLN, and Mr. BINGAMAN):

S. 1135. A bill to amend title XVIII of the Social Security Act to establish a uniform national medicare physician fee schedule; to the Committee on Finance.

Mr. HATCH. Mr. President, today I am pleased to introduce the ''Medicare Physician Payment Equity Act of 2003,'' a bill that corrects a long-standing inequity in Medicare reimbursement to rural physicians. I am delighted that my colleagues, Senators JEFFORDS, GRASSLEY, LINCOLN, and BINGAMAN have joined me in addressing this issue and introducing this bill.

Although many Americans are not aware of it, Medicare currently reimburses physicians practicing in many

rural areas at a lower rate than those practicing in more densely populated areas. A complicated formula, the geographic physician cost index, reimburses physicians according to presumed regional differences in the costs of their work, practice expenses, and medical liability insurance premiums. But in almost every case, this formula penalizes physicians who practice in rural settings.

As a result, the unfortunate effect of the current formula is that it may contribute to regional disparities in access to health care. Rural areas tend to have fewer physicians, fewer hospitals and patients often have less access to subspecialty care. Penalizing doctors who practice in rural settings by paying them substantially less than their urban colleagues may contribute to this inequity in access to care.

According to the Rural Policy Research Institute, the Medicare payment for an intermediate office outpatient visit in 2003 is 30 percent higher in New York City, $59.33, than it is in St. George, UT, $45.75, and the reimbursement for an emergency room visit is 22 percent higher in New York City, $161.82, than it is in St. George, UT, $131.96.

Proponents of this system that pays doctors differently for the same work claim that the purchasing power of physician compensation should be similar regardless of where the work is performed. But others, and I am one of them, believe that doctors should be compensated equally and appropriately for their work regardless of where that work is performed. I believe that it is time that we provide physicians with equal pay for equal work. Physicians deserve it and their patients do also. After all, the citizen in Utah pays Federal taxes at the same rate as the citizen in New York. Why should the citizen in Utah receive cheaper service?

The practice expense component of the geographic physician cost index also penalizes rural physicians and their patients. Proponents of the current system claim that it is more expensive for doctors to practice medicine in urban areas where the cost of living is higher and the cost of paying employees is thought to be higher. The practice expense geographic physician cost index rewards physicians in these ''high practice expense'' areas by reimbursing physician services at a higher rate.

While it might be tempting to think that practice expenses in urban areas are higher than those in rural areas, this is not necessarily the case. Rural physicians sometimes must offer higher wages to attract nurses and technicians to work in their communities. Furthermore, the formula that is used to calculate the geographic practice expense does not take certain key elements into consideration. Volume discounts can result in lower costs for capital goods and supplies in densely populated areas. Furthermore, a physician in a rural area who purchases an expensive, but necessary piece of equipment, such as an ultrasound machine, may use that equipment less frequently than a physician from a densely populated area. As a result, the rural doctor may not be able to pay for the capital investment as quickly as the urban physician. The practice expense for the rural physician in such a case is higher.

In fact, we have known for years that additional resources are sometimes necessary to attract doctors to practice in rural settings. Physicians, nurses and allied health professionals are less prevalent and hospitals are fewer and farther between in rural settings. In some cases, certain services and subspecialty care are not available at all. For this reason, Federal and State programs have offered tuition payment and loan forgiveness programs to student physicians who agree to practice in underserved areas, many of which are rural.

Federal payment policy with respect to physician services delivered in rural and underserved areas has been described as contradictory—paying bonuses to physicians for practicing in rural and underserved areas on the one hand while devaluing physician clinical decision-making and patient services in rural areas less, on the other. The bottom line is this: For many years we have found it difficult in this country to increase access to health care and improve the quality of health care in rural communities. Penalizing physicians for practicing in rural settings just does not make sense.

All Medicare beneficiaries, whether they live in an urban or rural area, deserve excellent health care and access to outstanding doctors. The bill I am introducing today, the Medicare Physician Payment Act, addresses current disparities by creating a system that reimburses physicians equitably regardless of where they practice. The bill addresses all three components of the geographic physician cost index, work, practice expense, and medical liability costs, by increasing reimbursement for physicians in disadvantaged areas over a three-year period and by eliminating disparities in reimbursement altogether in the year four. If we pass this bill, doctors will no longer be discouraged from practicing in the rural communities that desperately need their services. I look forward to working with my colleagues in the 108th Congress to pass this legislation.

Mr. JEFFORDS. Mr. President, I am pleased to join with my colleagues Senators HATCH, GRASSLEY, LINCOLN, and BINGAMAN in introducing the Medicare Physician Payment Equity Act of 2003. This bill corrects a longstanding inequity in the Medicare Part B reimbursement methodology that pays rural physicians less than what is received by physicians for more densely populated areas who provide the same exact service. I am pleased that we are able to offer a legislative solution to this payment inequity.

Establishing Medicare reimbursement for physician services is a complex process and many factors go into setting rates. Without going into all of the intricacies of how fees are set, let me note that, for any specific service, the physician fee schedule has three components—physician work, practice expenses, and the cost of malpractice insurance. Each of these components is further subjected to a geographic adjustment, which is lower for rural areas than for urban areas.

In my own State of Vermont, we face a chronic shortage of doctors in our rural areas. Yet, when we need to find a physician for a rural clinic, we compete in a national market to find providers. The inequities in payments these physicians receive, however, makes it all the more difficult to recruit and retain physicians. Rural physicians have the same training, spend the same time with patients, and manage the same office pressures as their urban counterparts. Their work should be valued equally, and that is what this bill accomplishes.

I've heard from many people in Vermont about this issue. Tim Thompson, M.D., President of the Vermont Medical Society, expressed his concern that while Vermonters pay the same premiums as other Americans to support the Medicare program, our doctors are paid less. This occurs without regard to the quality or efficiency of health care services they provide. In fact, according to the Center for Medicare Services, Vermont physicians provide the second highest quality care in the country, but the State is ranked forty-fourth in payments per Medicare beneficiary. We should do more to reward quality health care regardless of whether it is provided in an urban or rural setting. The Vermont Medical Society has told me that they strongly support the Medicare Physician Payment Equity Act of 2003 as an important first step in reducing the existing inequities in payment levels.

I look forward to working with my colleagues to pass the Medicare Physician Payment Equity Act of 2003.

By Mr. SPECTER (for himself and Mr. BUNNING):

S. 1136. A bill to restate, clarify, and revise the Soldiers' and Sailors' Civil Relief Act of 1940; to the Committee on Veterans' Affairs.

Mr. SPECTER. Mr. President, as Chairman of the Committee on Veterans' Affairs, I have sought recognition today to introduce legislation that would restate, revise and update the Soldiers' and Sailors' Civil Relief Act of 1940, SSCRA.

The SSCRA, in summary, suspends some of the legal obligations incurred by military personnel prior to entry into the service so that they might give their full attention to military duty. As was stated by the Supreme Court in LeMaistre v. Leffers, 333 U.S. 1, 6, 1948, SSCRA is to be read ''with an eye friendly to those who dropped their

affairs to answer their country's call.'' With operations in Iraq now wrapping up, it is an appropriate time for a review of this World War II-vintage legislation to see how it might be modified to better address the needs of 21st Century servicemen and women.

I should mention at this point that I am aware that a bill to revise the SSCRA, H.R. 100, is currently pending in the House, and that my colleague from Georgia, Senator Zell Miller, has introduced companion legislation in the Senate as S. 792. My legislation is similar to H.R. 100 and S. 792, but it contains modifications and additions to those bills as suggested by reservists and their families, the Department of Defense, and by other groups. It is my intention to work with Senator MILLER to craft legislation that incorporates the best features of the two bills.

This legislation would rename SSCRA the ''Servicemembers' Civil Relief Act'' to reflect that the Armed Forces are made up now of more than just soldiers and sailors, and keep in place the core protections that have been features of SSCRA for decades: stays of civil proceedings during a person's period of military service; an interest rate cap of 6 percent on debts incurred before active duty; protection from eviction and termination of preservice residential leases; and legal residency protection. But it would also add several new provisions to this core.

Currently, the Higher Education Act of 1965 prohibits the SSCRA's 6 percent interest cap from applying to Federally-insured student loans. This bill would remove that prohibition. It would also require institutions of higher education to permit students who are called to active duty to return and complete classes at no additional cost.

In addition, SSCRA now precludes evictions from premises occupied by servicemembers having a monthly rent $1200 or less. This $1200 ceiling was set in 1991; it has not been adjusted since. This legislation would raise the rent ceiling to $1950 or the amount of a servicemember's basic allowance for housing, whichever is higher. It would thereby take post-1991 inflation into account, and avoid the need for frequent amendments to the law since housing allowances are adjusted annually based on housing costs in the area where the servicemember is assigned.

When the SSCRA was originally enacted in 1940, automobiles were not commonly leased. That, of course, has changed; many people now choose leasing as a way to finance their personal transportation needs. This legislation would protect servicemembers who have leased cars—just as it does those who had chosen the more traditional form of auto financing—in two ways. First, it would prohibit lessors, like purchase financers, from repossessing personal property for nonpayment or breach without court action. Second, it would allow servicemembers called to active duty to terminate automobile leases just as they can real property leases.

This bill also takes steps to offer some protection to professionals and small business owners who are called to active duty. It would include the practice of law among the ''professional services'' for which professional liability insurance obligations could be suspended subject to mandatory reinstatement. It would also authorize the Secretary of Defense to designate other professional callings that would be subject to these protections. And it would protect the assets of small business owners during military service if the servicemember is personally liable for trade or business debts.

Since 1940, the Soldiers' and Sailors' Civil Relief Act has provided important protections to the men and women who wear the uniform. But 60-plus years later, it is time for Congress to take a critical look at this law and revise it to reflect changes in our society since it was originally enacted. With the assistance of the Department of Defense, the National Guard Bureau, the Enlisted Association of the National Guard, and the Small Business Administration, the staff of the Committee on Veterans' Affairs, most notably Mr. David Goetz, the Committee's Associate Counsel, has undertaken the painstaking review that has yielded this rather extensive bill. It is my intention to seek further comment and then guide this important reform legislation to enactment.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1136

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

SECTION 1. RESTATEMENT OF ACT.

The Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. App. 501 et seq.) is amended to read as follows:

''SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

''(a) SHORT TITLE.—This Act may be cited as the 'Servicemembers Civil Relief Act'.

''(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

''Sec. 1. Short title; table of contents.
''Sec. 2. Purposes.
''TITLE I—GENERAL PROVISIONS
''Sec. 101. Definitions.
''Sec. 102. Jurisdiction and applicability of Act.
''Sec. 103. Protection of persons secondarily liable.
''Sec. 104. Extension of protections to citizens serving with allied forces.
''Sec. 105. Notification of benefits.
''Sec. 106. Extension of rights and protections to Reserves ordered to report for military service and to persons ordered to report for induction.
''Sec. 107. Waiver of rights pursuant to written agreement.
''Sec. 108. Exercise of rights under Act not to affect certain future financial transactions.
''Sec. 109. Legal representatives.
''TITLE II—GENERAL RELIEF
''Sec. 201. Protection of servicemembers against default judgments.
''Sec. 202. Stay of proceedings when servicemember defendant has notice.
''Sec. 203. Fines and penalties under contracts.
''Sec. 204. Stay or vacation of execution of judgments, attachments, and garnishments.
''Sec. 205. Duration and term of stays; codefendants not in service.
''Sec. 206. Statute of limitations.
''Sec. 207. Maximum rate of interest on debts incurred before military service.
''TITLE III—RENT, INSTALLMENT CONTRACTS, MORTGAGES, LIENS, ASSIGNMENT, LEASES.
''Sec. 301. Evictions and distress.
''Sec. 302. Protection under installment contracts for purchase or lease.
''Sec. 303. Mortgages and trust deeds.
''Sec. 304. Settlement of stayed cases relating to personal property.
''Sec. 305. Termination of leases by lessees.
''Sec. 306. Protection of life insurance policy.
''Sec. 307. Enforcement of storage liens.
''Sec. 308. Extension of protections to dependents.
''TITLE IV—INSURANCE
''Sec. 401. Definitions.
''Sec. 402. Insurance rights and protections.
''Sec. 403. Application for insurance protection.
''Sec. 404. Policies entitled to protection and lapse of policies.
''Sec. 405. Policy restrictions.
''Sec. 406. Deduction of unpaid premiums.
''Sec. 407. Premiums and interest guaranteed by United States.
''Sec. 408. Regulations.
''Sec. 409. Review of findings of fact and conclusions of law.
''TITLE V—TAXES AND PUBLIC LANDS
''Sec. 501. Taxes respecting personal property, money, credits, and real property.
''Sec. 502. Rights in public lands.
''Sec. 503. Desert-land entries.
''Sec. 504. Mining claims.
''Sec. 505. Mineral permits and leases.
''Sec. 506. Perfection or defense of rights.
''Sec. 507. Distribution of information concerning benefits of title.
''Sec. 508. Land rights of servicemembers.
''Sec. 509. Regulations.
''Sec. 510. Income taxes.
''Sec. 511. Residence for tax purposes.
''TITLE VI—ADMINISTRATIVE REMEDIES
''Sec. 601. Inappropriate use of Act.
''Sec. 602. Certificates of service; persons reported missing.
''Sec. 603. Interlocutory orders.
''TITLE VII—FURTHER RELIEF
''Sec. 701. Anticipatory relief.
''Sec. 702. Power of attorney.
''Sec. 703. Professional liability protection.
''Sec. 704. Health insurance reinstatement.
''Sec. 705. Guarantee of residency for military personnel.
''Sec. 706. Business or trade obligations.
''Sec. 707. Return to classes at no extra cost.

''SEC. 2. PURPOSES.

''The purposes of this Act are—

''(1) to provide for, strengthen, and expedite the national defense through protection extended by this Act to servicemembers of the United States to enable such persons to devote their entire energy to the defense needs of the Nation; and

''(2) to provide for the temporary suspension of judicial and administrative proceedings and transactions that may adversely affect the civil rights of servicemembers during their military service.

"TITLE I—GENERAL PROVISIONS

"SEC. 101. DEFINITIONS.

''For the purposes of this Act:

''(1) SERVICEMEMBER.—The term 'servicemember' means a member of the uniformed services, as that term is defined in section 101(a)(5) of title 10, United States Code.

''(2) MILITARY SERVICE.—

''(A) With respect to a member of the Army, Navy, Air Force, Marine Corps, or Coast Guard, the term 'military service' means active duty, as that term is defined in section 101(d)(1) of title 10, United States Code.

''(B) Active service of commissioned officers of the Public Health Service or National Oceanic and Atmospheric Administration shall be deemed to be 'military service' for the purposes of this Act.

''(C) Service of a member of the National Guard under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days under section 502(f) of title 32, United States Code, for purposes of responding to a national emergency declared by the President and supported by Federal funds shall be deemed to be 'military service' for the purposes of this Act.

''(3) PERIOD OF MILITARY SERVICE.—The term 'period of military service' means the period beginning on the date on which a servicemember enters military service and ending on the date on which the servicemember is released from military service or dies while in military service.

''(4) DEPENDENT.—The term 'dependent', with respect to a servicemember, means—

''(A) the servicemember's spouse;

''(B) the servicemember's child (as defined in section 101(4) of title 38, United States Code); or

''(C) an individual for whom the servicemember provided more than one-half of the individual's support for 180 days immediately preceding an application for relief under this Act.

''(5) COURT.—The term 'court' means a court or an administrative agency of the United States or of any State (including any political subdivision of a State), whether or not a court or administrative agency of record.

''(6) STATE.—The term 'State' includes—

''(A) a commonwealth, territory, or possession of the United States; and

''(B) the District of Columbia.

''(7) SECRETARY CONCERNED.—The term 'Secretary concerned'—

''(A) with respect to a member of the armed forces, has the meaning given that term in section 101(a)(9) of title 10, United States Code;

''(B) with respect to a commissioned officer of the Public Health Service, means the Secretary of Health and Human Services; and

''(C) with respect to a commissioned officer of the National Oceanic and Atmospheric Administration, means the Secretary of Commerce.

''(8) MOTOR VEHICLE.—The term 'motor vehicle' has the meaning given that term in section 30102(a)(6) of title 49, United States Code.

"SEC. 102. JURISDICTION AND APPLICABILITY OF ACT.

''(a) JURISDICTION.—This Act applies to—

''(1) the United States;

''(2) each of the States, including the political subdivisions thereof; and

''(3) all territory subject to the jurisdiction of the United States.

''(b) APPLICABILITY TO PROCEEDINGS.—This Act applies to any judicial or administrative proceeding commenced in any court or agency in any jurisdiction subject to this Act. This Act does not apply to criminal proceedings.

''(c) COURT IN WHICH APPLICATION MAY BE MADE.—When under this Act any application is required to be made to a court in which no proceeding has already been commenced with respect to the matter, such application may be made to any court which would otherwise have jurisdiction over the matter.

"SEC. 103. PROTECTION OF PERSONS SECONDARILY LIABLE.

''(a) EXTENSION OF PROTECTION WHEN ACTIONS STAYED, POSTPONED, OR SUSPENDED.—Whenever pursuant to this Act a court stays, postpones, or suspends (1) the enforcement of an obligation or liability, (2) the prosecution of a suit or proceeding, (3) the entry or enforcement of an order, writ, judgment, or decree, or (4) the performance of any other act, the court may likewise grant such a stay, postponement, or suspension to a surety, guarantor, endorser, accommodation maker, comaker, or other person who is or may be primarily or secondarily subject to the obligation or liability the performance or enforcement of which is stayed, postponed, or suspended.

''(b) VACATION OR SET-ASIDE OF JUDGMENTS.—When a judgment or decree is vacated or set aside, in whole or in part, pursuant to this Act, the court may also set aside or vacate, as the case may be, the judgment or decree as to a surety, guarantor, endorser, accommodation maker, comaker, or other person who is or may be primarily or secondarily liable on the contract or liability for the enforcement of the judgment or decree.

''(c) BAIL BOND NOT TO BE ENFORCED DURING PERIOD OF MILITARY SERVICE.—A court may not enforce a bail bond during the period of military service of the principal on the bond when military service prevents the surety from obtaining the attendance of the principal. The court may discharge the surety and exonerate the bail, in accordance with principles of equity and justice, during or after the period of military service of the principal.

''(d) WAIVER OF RIGHTS.—

''(1) WAIVERS NOT PRECLUDED.—This Act does not prevent a waiver in writing by a surety, guarantor, endorser, accommodation maker, comaker, or other person (whether primarily or secondarily liable on an obligation or liability) of the protections provided under subsections (a) and (b). Any such waiver is effective only if it is executed as an instrument separate from the obligation or liability with respect to which it applies.

''(2) WAIVER INVALIDATED UPON ENTRANCE TO MILITARY SERVICE.—If a waiver under paragraph (1) is executed by an individual who after the execution of the waiver enters military service, or by a dependent of an individual who after the execution of the waiver enters military service, the waiver is not valid after the beginning of the period of such military service unless the waiver was executed by such individual or dependent during the period specified in section 106.

"SEC. 104. EXTENSION OF PROTECTIONS TO CITIZENS SERVING WITH ALLIED FORCES.

''A citizen of the United States who is serving with the forces of a nation with which the United States is allied in the prosecution of a war or military action is entitled to the relief and protections provided under this Act if that service with the allied force is similar to military service as defined in this Act. The relief and protections provided to such citizen shall terminate on the date of discharge or release from such service.

"SEC. 105. NOTIFICATION OF BENEFITS.

''The Secretary concerned shall ensure that notice of the benefits accorded by this Act is provided to persons in military service and to persons entering military service.

"SEC. 106. EXTENSION OF RIGHTS AND PROTECTIONS TO RESERVES ORDERED TO REPORT FOR MILITARY SERVICE AND TO PERSONS ORDERED TO REPORT FOR INDUCTION.

''(a) RESERVES ORDERED TO REPORT FOR MILITARY SERVICE.—A member of a reserve component who is ordered to report for military service is entitled to the rights and protections of this title and titles II and III during the period beginning on the date of the member's receipt of the order and ending on the date on which the member reports for military service (or, if the order is revoked before the member so reports, or the date on which the order is revoked).

''(b) PERSONS ORDERED TO REPORT FOR INDUCTION.—A person who has been ordered to report for induction under the Military Selective Service Act (50 U.S.C. App. 451 et seq.) is entitled to the rights and protections provided a servicemember under this title and titles II and III during the period beginning on the date of receipt of the order for induction and ending on the date on which the person reports for induction (or, if the order to report for induction is revoked before the date on which the person reports for induction, on the date on which the order is revoked).

"SEC. 107. WAIVER OF RIGHTS PURSUANT TO WRITTEN AGREEMENT.

''(a) IN GENERAL.—A servicemember may waive any of the rights and protections provided by this Act. In the case of a waiver that permits an action described in subsection (b), the waiver is effective only if made pursuant to a written agreement of the parties that is executed during or after the servicemember's period of military service. The written agreement shall specify the legal instrument to which the waiver applies and, if the servicemember is not a party to that instrument, the servicemember concerned.

''(b) ACTIONS REQUIRING WAIVERS IN WRITING.—The requirement in subsection (a) for a written waiver applies to the following:

''(1) The modification, termination, or cancellation of—

''(A) a contract, lease, or bailment; or

''(B) an obligation secured by a mortgage, trust, deed, lien, or other security in the nature of a mortgage.

''(2) The repossession, retention, foreclosure, sale, forfeiture, or taking possession of property that—

''(A) is security for any obligation; or

''(B) was purchased or received under a contract, lease, or bailment.

''(c) COVERAGE OF PERIODS AFTER ORDERS RECEIVED.—For the purposes of this section—

''(1) a person to whom section 106 applies shall be considered to be a servicemember; and

''(2) the period with respect to such a person specified in subsection (a) or (b), as the case may be, of section 106 shall be considered to be a period of military service.

"SEC. 108. EXERCISE OF RIGHTS UNDER ACT NOT TO AFFECT CERTAIN FUTURE FINANCIAL TRANSACTIONS.

''Application by a servicemember for, or receipt by a servicemember of, a stay, postponement, or suspension pursuant to this Act in the payment of a tax, fine, penalty, insurance premium, or other civil obligation or liability of that servicemember shall not itself (without regard to other considerations) provide the basis for any of the following:

''(1) A determination by a lender or other person that the servicemember is unable to pay the civil obligation or liability in accordance with its terms.

''(2) With respect to a credit transaction between a creditor and the servicemember—

''(A) a denial or revocation of credit by the creditor;

''(B) a change by the creditor in the terms of an existing credit arrangement; or

''(C) a refusal by the creditor to grant credit to the servicemember in substantially the amount or on substantially the terms requested.

''(3) An adverse report relating to the creditworthiness of the servicemember by or to a person engaged in the practice of assembling or evaluating consumer credit information.

''(4) A refusal by an insurer to insure the servicemember.

''(5) An annotation in a servicemember's record by a creditor or a person engaged in the practice of assembling or evaluating consumer credit information, identifying the servicemember as a member of the National Guard or a reserve component.

''(6) A change in the terms offered or conditions required for the issuance of insurance.

''SEC. 109. LEGAL REPRESENTATIVES.

''(a) REPRESENTATIVE.—A legal representative of a servicemember for purposes of this Act is either of the following:

''(1) An attorney acting on the behalf of a servicemember.

''(2) An individual possessing a power of attorney.

''(b) APPLICATION.—Whenever the term 'servicemember' is used in this Act, such term shall be treated as including a reference to a legal representative of the servicemember.

''TITLE II—GENERAL RELIEF

''SEC. 201. PROTECTION OF SERVICEMEMBERS AGAINST DEFAULT JUDGMENTS.

''(a) APPLICABILITY OF SECTION.—This section applies to any civil action or proceeding in which the defendant does not make an appearance.

''(b) AFFIDAVIT REQUIREMENT.—

''(1) PLAINTIFF TO FILE AFFIDAVIT.—In any action or proceeding covered by this section, the court, before entering judgment for the plaintiff, shall require the plaintiff to file with the court an affidavit—

''(A) stating whether or not the defendant is in military service and showing necessary facts to support the affidavit; or

''(B) if the plaintiff is unable to determine whether or not the defendant is in military service, stating that the plaintiff is unable to determine whether or not the defendant is in military service.

''(2) APPOINTMENT OF ATTORNEY TO REPRESENT DEFENDANT IN MILITARY SERVICE.—If in an action covered by this section it appears that the defendant is in military service, the court may not enter a judgment until after the court appoints an attorney to represent the defendant. If an attorney appointed under this section to represent a servicemember cannot locate the servicemember, actions by the attorney in the case shall not waive any defense of the servicemember or otherwise bind the servicemember.

''(3) DEFENDANT'S MILITARY STATUS NOT ASCERTAINED BY AFFIDAVIT.—If based upon the affidavits filed in such an action, the court is unable to determine whether the defendant is in military service, the court, before entering judgment, may require the plaintiff to file a bond in an amount approved by the court. If the defendant is later found to be in military service, the bond shall be available to indemnify the defendant against any loss or damage the defendant may suffer by reason of any judgment for the plaintiff against the defendant, should the judgment be set aside in whole or in part. The bond shall remain in effect until expiration of the time for appeal and setting aside of a judgment under applicable Federal or State law or regulation or under any applicable ordinance of a political subdivision of a State. The court may issue such orders or enter such judgments as the court determines necessary to protect the rights of the defendant under this Act.

''(4) SATISFACTION OF REQUIREMENT FOR AFFIDAVIT.—The requirement for an affidavit under paragraph (1) may be satisfied by a statement, declaration, verification, or certificate, in writing, subscribed and certified or declared to be true under penalty of perjury.

''(c) PENALTY FOR MAKING OR USING FALSE AFFIDAVIT.—A person who makes or uses an affidavit permitted under subsection (b) (or a statement, declaration, verification, or certificate as authorized under subsection (b)(4)) knowing it to be false, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(d) STAY OF PROCEEDINGS.—In an action covered by this section in which the defendant is in military service, the court shall grant a stay of proceedings for a minimum period of 90 days under this subsection upon application of counsel, or on the court's own motion, if the court determines that—

''(1) there may be a defense to the action and a defense cannot be presented without the presence of the defendant; or

''(2) after due diligence, counsel has been unable to contact the defendant or otherwise determine if a meritorious defense exists.

''(e) INAPPLICABILITY OF SECTION 202 PROCEDURES.—A stay of proceedings under subsection (d) shall not be controlled by procedures or requirements under section 202.

''(f) SECTION 202 PROTECTION.—If a servicemember who is a defendant in an action covered by this section receives actual notice of the action, the servicemember may request a stay of proceeding under section 202.

''(g) VACATION OR SETTING ASIDE OF DEFAULT JUDGMENTS.—

''(1) AUTHORITY FOR COURT TO VACATE OR SET ASIDE JUDGMENT.—If a default judgment is entered in an action covered by this section against a servicemember during the servicemember's period of military service (or within 60 days after termination of or release from such military service), the court entering the judgment shall, upon application by or on behalf of the servicemember, reopen the judgment for the purpose of allowing the servicemember to defend the action if it appears that—

''(A) the servicemember was materially affected by reason of that military service in making a defense to the action; and

''(B) the servicemember has a meritorious or legal defense to the action or some part of it.

''(2) TIME FOR FILING APPLICATION.—An application under this subsection must be filed not later than 90 days after the date of the termination of or release from military service.

''(h) PROTECTION OF BONA FIDE PURCHASER.—If a court vacates, sets aside, or reverses a default judgment against a servicemember and the vacating, setting aside, or reversing is because of a provision of this Act, that action shall not impair a right or title acquired by a bona fide purchaser for value under the default judgment.

''SEC. 202. STAY OF PROCEEDINGS WHEN SERVICEMEMBER DEFENDANT HAS NOTICE.

''(a) APPLICABILITY OF SECTION.—This section applies to any civil action or proceeding in which the defendant at the time of filing an application under this section—

''(1) is in military service or is within 90 days after termination of or release from military service; and

''(2) has received notice of the action or proceeding.

''(b) AUTOMATIC STAY.—

''(1) AUTHORITY FOR STAY.—At any stage before final judgment in a civil action or proceeding in which a servicemember described in subsection (a) is a party, the court may on its own motion and shall, upon application by the servicemember, stay the action for a period of not less than 90 days, if the conditions in paragraph (2) are met.

''(2) CONDITIONS FOR STAY.—An application for a stay under paragraph (1) shall include the following:

''(A) A letter or other communication setting forth facts stating the manner in which current military duty requirements materially affect the servicemember's ability to appear and stating a date when the servicemember will be available to appear.

''(B) A letter or other communication from the servicemember's commanding officer stating that the servicemember's current military duty prevents appearance and that military leave is not authorized for the servicemember at the time of the letter.

''(c) APPLICATION NOT A WAIVER OF DEFENSES.—An application for a stay by a servicemember or a servicemember's representative under this section does not constitute an appearance for jurisdictional purposes and does not constitute a waiver of any substantive or procedural defense (including a defense relating to lack of personal jurisdiction).

''(d) ADDITIONAL STAY.—

''(1) APPLICATION.—A servicemember who is granted a stay of a civil action or proceeding under subsection (b) may apply for an additional stay based on continuing material affect of military duty on the servicemember's ability to appear. Such an application may be made by the servicemember at the time of the initial application under subsection (b) or when it appears that the servicemember is unavailable to prosecute or defend the action. The same information required under subsection (b)(2) shall be included in an application under this subsection.

''(2) APPOINTMENT OF COUNSEL WHEN ADDITIONAL STAY REFUSED.—If the court refuses to grant an additional stay of proceedings under paragraph (1), the court shall appoint counsel to represent the servicemember in the action or proceeding.

''(e) COORDINATION WITH SECTION 201.—A servicemember who applies for a stay under this section and is unsuccessful may not seek the protections afforded by section 201.

''(f) INAPPLICABILITY TO SECTION 301.—The protections of this section do not apply to section 301.

''SEC. 203. FINES AND PENALTIES UNDER CONTRACTS.

''(a) PROHIBITION OF PENALTIES.—When an action for compliance with the terms of a contract is stayed pursuant to this Act, a penalty shall not accrue for failure to comply with the terms of the contract during the period of the stay.

''(b) REDUCTION OR WAIVER OF FINES OR PENALTIES.—If a servicemember fails to perform an obligation arising under a contract and a penalty is incurred arising from that nonperformance, a court may reduce or waive the fine or penalty if—

''(1) the servicemember was in military service at the time the fine or penalty was incurred; and

''(2) the ability of the servicemember to perform the obligation was materially affected by such military service.

''SEC. 204. STAY OR VACATION OF EXECUTION OF JUDGMENTS, ATTACHMENTS, AND GARNISHMENTS.

''(a) COURT ACTION UPON MATERIAL AFFECT DETERMINATION.—If a servicemember, in the opinion of the court, is materially affected

by reason of military service in complying with a court judgment or order, the court may on its own motion and shall on application by the servicemember—

''(1) stay the execution of such judgment or order entered against the servicemember; and

''(2) vacate or stay an attachment or garnishment of property, money, or debts in the possession of the servicemember or a third party, whether before or after such judgment.

''(b) APPLICABILITY.—This section applies to an action or proceeding commenced in a court against a servicemember before or during the period of the servicemember's military service or within 60 days after such service terminates.

''SEC. 205. DURATION AND TERM OF STAYS; CODEFENDANTS NOT IN SERVICE.

''(a) PERIOD OF STAY.—A stay of an action, proceeding, attachment, or execution made pursuant to the provisions of this Act by a court may be ordered for the period of military service and 90 days thereafter, or for any part of that period. The court may set the terms and amounts for such installment payments as is considered reasonable by the court.

''(b) CODEFENDANTS.—If the servicemember is a codefendant with others who are not in military service and who are not entitled to the relief and protections provided under this Act, the plaintiff may proceed against those other defendants with the approval of the court.

''(c) INAPPLICABILITY OF SECTION.—This section does not apply to sections 202 and 701.

''SEC. 206. STATUTE OF LIMITATIONS.

''(a) TOLLING OF STATUTES OF LIMITATION DURING MILITARY SERVICE.—The period of a servicemember's military service may not be included in computing any period limited by law, regulation, or order for the bringing of any action or proceeding in a court, or in any board, bureau, commission, department, or other agency of a State (or political subdivision of a State) or the United States by or against the servicemember or the servicemember's heirs, executors, administrators, or assigns.

''(b) REDEMPTION OF REAL PROPERTY.—A period of military service may not be included in computing any period provided by law for the redemption of real property sold or forfeited to enforce an obligation, tax, or assessment.

''(c) INAPPLICABILITY TO INTERNAL REVENUE LAWS.—This section does not apply to any period of limitation prescribed by or under the internal revenue laws of the United States.

''SEC. 207. MAXIMUM RATE OF INTEREST ON DEBTS INCURRED BEFORE MILITARY SERVICE.

''(a) INTEREST RATE LIMITATION.—

''(1) 6-PERCENT LIMIT.—An obligation or liability bearing interest at a rate in excess of 6 percent per year that is incurred by a servicemember, or the servicemember and the servicemember's spouse jointly, before the servicemember enters military service shall not bear interest at a rate in excess of 6 percent per year during the period of military service.

''(2) APPLICABILITY TO STUDENT LOANS.—Notwithstanding section 428(d) of the Higher Education Act of 1965 (20 U.S.C. 1078(d)), paragraph (1) applies with respect to an obligation or liability of a servicemember, or the servicemember and the servicemember's spouse jointly, entered into under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.)

''(3) FORGIVENESS OF INTEREST IN EXCESS OF 6 PERCENT.—Interest at a rate in excess of 6 percent per year that would otherwise be incurred but for the prohibition in paragraph (1) is forgiven.

''(4) PREVENTION OF ACCELERATION OF PRINCIPAL.—The amount of any periodic payment due from a servicemember under the terms of the instrument that created an obligation or liability covered by this section shall be reduced by the amount of the interest forgiven under paragraph (3) that is allocable to the period for which such payment is made.

''(b) IMPLEMENTATION OF LIMITATION.—

''(1) WRITTEN NOTICE TO CREDITOR.—In order for an obligation or liability of a servicemember to be subject to the interest rate limitation in subsection (a), the servicemember shall provide to the creditor written notice and a copy of the military orders calling the servicemember to military service and any orders further extending military service, not later than 180 days after the date of the servicemember's termination or release from military service.

''(2) LIMITATION EFFECTIVE AS OF DATE OF ORDER TO ACTIVE DUTY.—Upon receipt of written notice and a copy of orders calling a servicemember to military service, the creditor shall treat the debt in accordance with subsection (a), effective as of the date on which the servicemember is called to military service.

''(c) CREDITOR PROTECTION.—A court may grant a creditor relief from the limitations of this section if, in the opinion of the court, the ability of the servicemember to pay interest upon the obligation or liability at a rate in excess of 6 percent per year is not materially affected by reason of the servicemember's military service.

''(d) INTEREST DEFINED.—As used in this section, the term 'interest' means simple interest plus service charges, renewal charges, fees, or any other charges (except bona fide insurance) with respect to an obligation or liability.

''TITLE III—RENT, INSTALLMENT CONTRACTS, MORTGAGES, LIENS, ASSIGNMENT, LEASES

''SEC. 301. EVICTIONS AND DISTRESS.

''(a) COURT-ORDERED EVICTION.—Except by court order, a landlord (or another person with paramount title) may not—

''(1) evict a servicemember, or the dependents of a servicemember, during a period of military service of the servicemember, from premises—

''(A) that are occupied or intended to be occupied primarily as a residence; and

''(B) for which the monthly rent does not exceed the greater of—

''(i) $1,950; or

''(ii) the monthly basic allowance for housing to which the servicemember is entitled under section 403 of title 37, United States Code; or

''(2) subject such premises to a distress during the period of military service.

''(b) STAY OF EXECUTION.—

''(1) COURT AUTHORITY.—Upon an application for eviction or distress with respect to premises covered by this section, the court may on its own motion and shall, if a request is made by or on behalf of a servicemember whose ability to pay the agreed rent is materially affected by military service—

''(A) stay the proceedings for a period of 90 days, unless in the opinion of the court, justice and equity require a longer or shorter period of time; or

''(B) adjust the obligation under the lease to preserve the interests of all parties.

''(2) RELIEF TO LANDLORD.—If a stay is granted under paragraph (1), the court may grant to the landlord (or other person with paramount title) such relief as equity may require.

''(c) PENALTIES.—

''(1) MISDEMEANOR.—Except as provided in subsection (a), a person who knowingly takes part in an eviction or distress described in subsection (a), or who knowingly attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES AND RIGHTS.—The remedies and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion (or wrongful eviction) otherwise available under the law to the person claiming relief under this section, including any award for consequential and punitive damages.

''(d) RENT ALLOTMENT FROM PAY OF SERVICEMEMBER.—To the extent required by a court order related to property which is the subject of a court action under this section, the Secretary concerned shall make an allotment from the pay of a servicemember to satisfy the terms of such order, except that any such allotment shall be subject to regulations prescribed by the Secretary concerned establishing the maximum amount of pay of servicemembers that may be allotted under this subsection.

''(e) LIMITATION OF APPLICABILITY.—Section 202 is not applicable to this section.

''SEC. 302. PROTECTION UNDER INSTALLMENT CONTRACTS FOR PURCHASE OR LEASE.

''(a) PROTECTION UPON BREACH OF CONTRACT.—

''(1) PROTECTION AFTER ENTERING MILITARY SERVICE.—After a servicemember enters military service, a contract by the servicemember for—

''(A) the purchase of real or personal property (including a motor vehicle); or

''(B) the lease or bailment of such property,

may not be rescinded or terminated for a breach of terms of the contract occurring before or during that person's military service, nor may the property be repossessed for such breach without a court order.

''(2) APPLICABILITY.—This section applies only to a contract for which a deposit or installment has been paid by the servicemember before the servicemember enters military service.

''(b) PENALTIES.—

''(1) MISDEMEANOR.—A person who knowingly resumes possession of property in violation of subsection (a), or in violation of section 108, or who knowingly attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES AND RIGHTS.—The remedies and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion otherwise available under law to the person claiming relief under this section, including any award for consequential and punitive damages.

''(c) AUTHORITY OF COURT.—In a hearing based on this section, the court—

''(1) may order repayment to the servicemember of all or part of the prior installments or deposits as a condition of terminating the contract and resuming possession of the property;

''(2) may, on its own motion, and shall on application by a servicemember when the servicemember's ability to comply with the contract is materially affected by military service, stay the proceedings for a period of time as, in the opinion of the court, justice and equity require; or

''(3) may make other disposition as is equitable to preserve the interests of all parties.

''SEC. 303. MORTGAGES AND TRUST DEEDS.

''(a) MORTGAGE AS SECURITY.—This section applies only to an obligation on real or personal property owned by a servicemember that—

''(1) originated before the period of the servicemember's military service and for which the servicemember is still obligated; and

''(2) is secured by a mortgage, trust deed, or other security in the nature of a mortgage.

''(b) STAY OF PROCEEDINGS AND ADJUSTMENT OF OBLIGATION.—In an action filed during, or within 90 days after, a servicemember's period of military service to enforce an obligation described in subsection (a), the court may after a hearing and on its own motion and shall upon application by a servicemember when the servicemember's ability to comply with the obligation is materially affected by military service—

''(1) stay the proceedings for a period of time as justice and equity require, or

''(2) adjust the obligation to preserve the interests of all parties.

''(c) SALE OR FORECLOSURE.—A sale, foreclosure, or seizure of property for a breach of an obligation described in subsection (a) shall not be valid if made during, or within 90 days after, the period of the servicemember's military service except—

''(1) upon a court order granted before such sale, foreclosure, or seizure with a return made and approved by the court; or

''(2) if made pursuant to an agreement as provided in section 108.

''(d) PENALTIES.—

''(1) MISDEMEANOR.—A person who knowingly makes or causes to be made a sale, foreclosure, or seizure of property that is prohibited by subsection (c), or who knowingly attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES.—The remedies and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion otherwise available under law to the person claiming relief under this section, including consequential and punitive damages.

''SEC. 304. SETTLEMENT OF STAYED CASES RELATING TO PERSONAL PROPERTY.

''(a) APPRAISAL OF PROPERTY.—When a stay is granted pursuant to this Act in a proceeding to foreclose a mortgage on or to repossess personal property, or to rescind or terminate a contract for the purchase of personal property, the court may appoint three disinterested parties to appraise the property.

''(b) EQUITY PAYMENT.—Based on the appraisal, and if undue hardship to the servicemember's dependents will not result, the court may order that the amount of the servicemember's equity in the property be paid to the servicemember, or the servicemember's dependents, as a condition of foreclosing the mortgage, repossessing the property, or rescinding or terminating the contract.

''SEC. 305. TERMINATION OF LEASES BY LESSEES.

''(a) COVERED LEASES OF REAL PROPERTY.—This section applies to the lease of premises occupied, or intended to be occupied, by a servicemember or a servicemember's dependents for a residential, professional, business, agricultural, or similar purpose if—

''(1) the lease is executed by or on behalf of a person who thereafter and during the term of the lease enters military service; or

''(2) the servicemember, while in military service, executes a lease and thereafter receives military orders for a permanent change of station or to deploy with a military unit for a period of not less than 90 days.

''(b) COVERED LEASES OF VEHICLES.—This section applies to the lease of a motor vehicle used, or intended to be used, by a servicemember or a servicemember's dependents if the lease is executed by or on behalf of a person who thereafter and during the term of the lease enters military service.

''(c) NOTICE TO LESSOR.—

''(1) DELIVERY OF NOTICE.—A lease described in subsection (a) or (b) is terminated when written notice is delivered by the lessee to the lessor (or the lessor's grantee) or to the lessor's agent (or the agent's grantee).

''(2) TIME FOR NOTICE.—The written notice may be delivered at any time after the lessee's entry into military service or, in the case of a lease described in subsection (a), the date of the military orders for a permanent change of station or to deploy for a period of not less than 90 days.

''(3) NATURE OF NOTICE.—Delivery may be accomplished—

''(A) by hand delivery;

''(B) by private business carrier; or

''(C) by placing the written notice in an envelope with sufficient postage and addressed to the lessor (or the lessor's grantee) or to the lessor's agent (or the agent's grantee) and depositing the written notice in the United States mails.

''(d) EFFECTIVE DATE OF TERMINATION.—

''(1) LEASE WITH MONTHLY RENT.—Termination of a lease providing for monthly payment of rent shall be effective 30 days after the first date on which the next rental payment is due and payable after the date on which the notice is delivered.

''(2) OTHER LEASE.—All other leases terminate on the last day of the month following the month in which the notice is delivered.

''(e) ARREARAGES.—Rents or lease amounts unpaid for the period preceding termination shall be paid on a prorated basis.

''(f) AMOUNTS PAID IN ADVANCE.—Rents or lease amounts paid in advance for a period succeeding termination shall be refunded to the lessee by the lessor (or the lessor's assignee or the assignee's agent).

''(g) RELIEF TO LESSOR.—Upon application by the lessor to a court before the termination date provided in the written notice, relief granted by this section to a servicemember may be modified as justice and equity require.

''(h) PENALTIES.—

''(1) MISDEMEANOR.—Any person who knowingly seizes, holds, or detains the personal effects, security deposit, or other property of a servicemember or a servicemember's dependent who lawfully terminates a lease covered by this section, or who knowingly interferes with the removal of such property from premises covered by such lease, for the purpose of subjecting or attempting to subject any of such property to a claim for rent or lease payments accruing after the date of termination of such lease, or attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES.—The remedy and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion otherwise available under law to the person claiming relief under this section, including any award for consequential or punitive damages.

''SEC. 306. PROTECTION OF LIFE INSURANCE POLICY.

''(a) ASSIGNMENT OF POLICY PROTECTED.—If a life insurance policy on the life of a servicemember is assigned before military service to secure the payment of an obligation, the assignee of the policy (except the insurer in connection with a policy loan) may not exercise, during a period of military service of the servicemember or within one year thereafter, any right or option obtained under the assignment without a court order.

''(b) EXCEPTION.—The prohibition in subsection (a) shall not apply—

''(1) if the assignee has the written consent of the insured made during the period described in subsection (a);

''(2) when the premiums on the policy are due and unpaid; or

''(3) upon the death of the insured.

''(c) ORDER REFUSED BECAUSE OF MATERIAL AFFECT.—A court which receives an application for an order required under subsection (a) may refuse to grant such order if the court determines the ability of the servicemember to comply with the terms of the obligation is materially affected by military service.

''(d) TREATMENT OF GUARANTEED PREMIUMS.—For purposes of this subsection, premiums guaranteed under the provisions of title IV shall not be considered due and unpaid.

''(e) PENALTIES.—

''(1) MISDEMEANOR.—A person who knowingly takes an action contrary to this section, or attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES.—The remedy and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion otherwise available under law to the person claiming relief under this section, including any consequential or punitive damages.

''SEC. 307. ENFORCEMENT OF STORAGE LIENS.

''(a) LIENS.—

''(1) LIMITATION ON FORECLOSURE OR ENFORCEMENT.—A person holding a lien on the property or effects of a servicemember may not, during any period of military service of the servicemember and for 90 days thereafter, foreclose or enforce any lien on such property or effects without a court order granted before foreclosure or enforcement.

''(2) LIEN DEFINED.—For the purposes of paragraph (1), the term 'lien' includes a lien for storage, repair, or cleaning of the property or effects of a servicemember or a lien on such property or effects for any other reason.

''(b) STAY OF PROCEEDINGS.—In a proceeding to foreclose or enforce a lien subject to this section, the court may on its own motion, and shall if requested by a servicemember whose ability to comply with the obligation resulting in the proceeding is materially affected by military service—

''(1) stay the proceeding for a period of time as justice and equity require; or

''(2) adjust the obligation to preserve the interests of all parties.

The provisions of this subsection do not affect the scope of section 303.

''(c) PENALTIES.—

''(1) MISDEMEANOR.—A person who knowingly takes an action contrary to this section, or attempts to do so, shall be fined as provided in title 18, United States Code, imprisoned for not more than one year, or both.

''(2) PRESERVATION OF OTHER REMEDIES.—The remedy and rights provided under this section are in addition to and do not preclude any remedy for wrongful conversion otherwise available under law to the person claiming relief under this section, including any consequential or punitive damages.

''SEC. 308. EXTENSION OF PROTECTIONS TO DEPENDENTS.

''Upon application to a court, a dependent of a servicemember is entitled to the protections of this title if the dependent's ability to comply with a lease, contract, bailment, or other obligation is materially affected by reason of the servicemember's military service.

''TITLE IV—INSURANCE

''SEC. 401. DEFINITIONS.

''For the purposes of this title:

''(1) POLICY.—The term 'policy' means any contract for whole, endowment, universal, or term life insurance, including any benefit in the nature of such insurance arising out of membership in any fraternal or beneficial association which—

''(A) provides that the insurer may not—

''(i) decrease the amount of coverage or increase the amount of premiums if the insured is in military service; or

''(ii) limit or restrict coverage for any activity required by military service; and

''(B) is in force not less than 180 days before the date of the insured's entry into military service and at the time of application under this title.

''(2) PREMIUM.—The term 'premium' means the amount specified in an insurance policy to be paid to keep the policy in force.

''(3) INSURED.—The term 'insured' means a servicemember whose life is insured under a policy.

''(4) INSURER.—The term 'insurer' includes any firm, corporation, partnership, association, or business that is chartered or authorized to provide insurance and issue contracts or policies by the laws of a State or the United States.

''SEC. 402. INSURANCE RIGHTS AND PROTECTIONS.

''(a) RIGHTS AND PROTECTIONS.—The rights and protections under this title apply to the insured when the insured, the insured's designee, or the insured's beneficiary applies in writing for protection under this title, unless the Secretary of Veterans Affairs determines that the insured's policy is not entitled to protection under this title.

''(b) NOTIFICATION AND APPLICATION.—The Secretary of Veterans Affairs shall notify the Secretary concerned of the procedures to be used to apply for the protections provided under this title. The applicant shall send the original application to the insurer and a copy to the Secretary of Veterans Affairs.

''(c) LIMITATION ON AMOUNT.—The total amount of life insurance coverage protection provided by this title for a servicemember may not exceed $250,000, or an amount equal to the Servicemember's Group Life Insurance maximum limit, whichever is greater, regardless of the number of policies submitted.

''SEC. 403. APPLICATION FOR INSURANCE PROTECTION.

''(a) APPLICATION PROCEDURE.—An application for protection under this title shall—

''(1) be in writing and signed by the insured, the insured's designee, or the insured's beneficiary, as the case may be;

''(2) identify the policy and the insurer; and

''(3) include an acknowledgement that the insured's rights under the policy are subject to and modified by the provisions of this title.

''(b) ADDITIONAL REQUIREMENTS.—The Secretary of Veterans Affairs may require additional information from the applicant, the insured, and the insurer to determine if the policy is entitled to protection under this title.

''(c) NOTICE TO THE SECRETARY BY THE INSURED.—Upon receipt of the application of the insured, the insurer shall furnish a report concerning the policy to the Secretary of Veterans Affairs as required by regulations prescribed by the Secretary.

''(d) POLICY MODIFICATION.—Upon application for protection under this title, the insured and the insurer shall have constructively agreed to any policy modification necessary to give this title full force and effect.

''SEC. 404. POLICIES ENTITLED TO PROTECTION AND LAPSE OF POLICIES.

''(a) DETERMINATION.—The Secretary of Veterans Affairs shall determine whether a policy is entitled to protection under this title and shall notify the insured and the insurer of that determination.

''(b) LAPSE PROTECTION.—A policy that the Secretary determines is entitled to protection under this title shall not lapse or otherwise terminate or be forfeited for the nonpayment of a premium, or interest or indebtedness on a premium, after the date of the application for protection.

''(c) TIME APPLICATION.—The protection provided by this title applies during the insured's period of military service and for a period of two years thereafter.

''SEC. 405. POLICY RESTRICTIONS.

''(a) DIVIDENDS.—While a policy is protected under this title, a dividend or other monetary benefit under a policy may not be paid to an insured or used to purchase dividend additions without the approval of the Secretary of Veterans Affairs. If such approval is not obtained, the dividends or benefits shall be added to the value of the policy to be used as a credit when final settlement is made with the insurer.

''(b) SPECIFIC RESTRICTIONS.—While a policy is protected under this title, cash value, loan value, withdrawal of dividend accumulation, unearned premiums, or other value of similar character may not be available to the insured without the approval of the Secretary. The right of the insured to change a beneficiary designation or select an optional settlement for a beneficiary shall not be affected by the provisions of this title.

''SEC. 406. DEDUCTION OF UNPAID PREMIUMS.

''(a) SETTLEMENT OF PROCEEDS.—If a policy matures as a result of a servicemember's death or otherwise during the period of protection of the policy under this title, the insurer in making settlement shall deduct from the insurance proceeds the amount of the unpaid premiums guaranteed under this title, together with interest due at the rate fixed in the policy for policy loans.

''(b) INTEREST RATE.—If the interest rate is not specifically fixed in the policy, the rate shall be the same as for policy loans in other policies issued by the insurer at the time the insured's policy was issued.

''(c) REPORTING REQUIREMENT.—The amount deducted under this section, if any, shall be reported by the insurer to the Secretary of Veterans Affairs.

''SEC. 407. PREMIUMS AND INTEREST GUARANTEED BY UNITED STATES.

''(a) GUARANTEE OF PREMIUMS AND INTEREST BY THE UNITED STATES.—

''(1) GUARANTEE.—Payment of premiums, and interest on premiums at the rate specified in section 406, which become due on a policy under the protection of this title is guaranteed by the United States. If the amount guaranteed is not paid to the insurer before the period of insurance protection under this title expires, the amount due shall be treated by the insurer as a policy loan on the policy.

''(2) POLICY TERMINATION.—If, at the expiration of insurance protection under this title, the cash surrender value of a policy is less than the amount due to pay premiums and interest on premiums on the policy, the policy shall terminate. Upon such termination, the United States shall pay the insurer the difference between the amount due and the cash surrender value.

''(b) RECOVERY FROM INSURED OF AMOUNTS PAID BY THE UNITED STATES.—

''(1) DEBT PAYABLE TO THE UNITED STATES.—The amount paid by the United States to an insurer under this title shall be a debt payable to the United States by the insured on whose policy payment was made.

''(2) COLLECTION.—Such amount may be collected by the United States, either as an offset from any amount due the insured by the United States or as otherwise authorized by law.

''(3) DEBT NOT DISCHARGEABLE IN BANKRUPTCY.—Such debt payable to the United States is not dischargeable in bankruptcy proceedings.

''(c) CREDITING OF AMOUNTS RECOVERED.—Any amounts received by the United States as repayment of debts incurred by an insured under this title shall be credited to the appropriation for the payment of claims under this title.

''SEC. 408. REGULATIONS.

''The Secretary of Veterans Affairs shall prescribe regulations for the implementation of this title.

''SEC. 409. REVIEW OF FINDINGS OF FACT AND CONCLUSIONS OF LAW.

''The findings of fact and conclusions of law made by the Secretary of Veterans Affairs in administering this title may be reviewed by the Board of Veterans' Appeals and the United States Court of Appeals for Veterans Claims.

''TITLE V—TAXES AND PUBLIC LANDS

''SEC. 501. TAXES RESPECTING PERSONAL PROPERTY, MONEY, CREDITS, AND REAL PROPERTY.

''(a) APPLICATION.—This section applies in any case in which a tax or assessment, whether general or special (other than a tax on personal income), falls due and remains unpaid before or during a period of military service with respect to a servicemember's—

''(1) personal property; or

''(2) real property occupied for dwelling, professional, business, or agricultural purposes by a servicemember or the servicemember's dependents or employees—

''(A) before the servicemember's entry into military service; and

''(B) during the time the tax or assessment remains unpaid.

''(b) SALE OF PROPERTY.—

''(1) LIMITATION ON SALE OF PROPERTY TO ENFORCE TAX ASSESSMENT.—Property described in subsection (a) may not be sold to enforce the collection of such tax or assessment except by court order and upon the determination by the court that military service does not materially affect the servicemember's ability to pay the unpaid tax or assessment.

''(2) STAY OF COURT PROCEEDINGS.—A court may stay a proceeding to enforce the collection of such tax or assessment, or sale of such property, during a period of military service of the servicemember and for a period not more than 180 days after the termination of, or release of the servicemember from, military service.

''(c) REDEMPTION.—When property described in subsection (a) is sold or forfeited to enforce the collection of a tax or assessment, a servicemember shall have the right to redeem or commence an action to redeem the servicemember's property during the period of military service or within 180 days after termination of or release from military service. This subsection may not be construed to shorten any period provided by the law of a State (including any political subdivision of a State) for redemption.

''(d) INTEREST ON TAX OR ASSESSMENT.—Whenever a servicemember does not pay a tax or assessment on property described in subsection (a) when due, the amount of the tax or assessment due and unpaid shall bear interest until paid at the rate of 6 percent per year. An additional penalty or interest shall not be incurred by reason of nonpayment. A lien for such unpaid tax or assessment may include interest under this subsection.

''(e) JOINT OWNERSHIP APPLICATION.—This section applies to all forms of property described in subsection (a) owned individually

by a servicemember or jointly by a servicemember and a dependent or dependents.

"SEC. 502. RIGHTS IN PUBLIC LANDS.

''(a) RIGHTS NOT FORFEITED.—The rights of a servicemember to lands owned or controlled by the United States, and initiated or acquired by the servicemember under the laws of the United States (including the mining and mineral leasing laws) before military service, shall not be forfeited or prejudiced as a result of being absent from the land, or by failing to begin or complete any work or improvements to the land, during the period of military service.

''(b) TEMPORARY SUSPENSION OF PERMITS OR LICENSES.—If a permittee or licensee under the Act of June 28, 1934 (43 U.S.C. 315 et seq.), enters military service, the permittee or licensee may suspend the permit or license for the period of military service and for 180 days after termination of or release from military service.

''(c) REGULATIONS.—Regulations prescribed by the Secretary of the Interior shall provide for such suspension of permits and licenses and for the remission, reduction, or refund of grazing fees during the period of such suspension.

"SEC. 503. DESERT-LAND ENTRIES.

''(a) DESERT-LAND RIGHTS NOT FORFEITED.—A desert-land entry made or held under the desert-land laws before the entrance of the entryman or the entryman's successor in interest into military service shall not be subject to contest or cancellation—

''(1) for failure to expend any required amount per acre per year in improvements upon the claim;

''(2) for failure to effect the reclamation of the claim during the period the entryman or the entryman's successor in interest is in the military service, or for 180 days after termination of or release from military service; or

''(3) during any period of hospitalization or rehabilitation due to an injury or disability incurred in the line of duty.

The time within which the entryman or claimant is required to make such expenditures and effect reclamation of the land shall be exclusive of the time periods described in paragraphs (2) and (3).

''(b) SERVICE-RELATED DISABILITY.—If an entryman or claimant is honorably discharged and is unable to accomplish reclamation of, and payment for, desert land due to a disability incurred in the line of duty, the entryman or claimant may make proof without further reclamation or payments, under regulations prescribed by the Secretary of the Interior, and receive a patent for the land entered or claimed.

''(c) FILING REQUIREMENT.—In order to obtain the protection of this section, the entryman or claimant shall, within 180 days after entry into military service, cause to be filed in the land office of the district where the claim is situated a notice communicating the fact of military service and the desire to hold the claim under this section.

"SEC. 504. MINING CLAIMS.

''(a) REQUIREMENTS SUSPENDED.—The provisions of section 2324 of the Revised Statutes of the United States (30 U.S.C. 28) specified in subsection (b) shall not apply to a servicemember's claims or interests in claims, regularly located and recorded, during a period of military service and 180 days thereafter, or during any period of hospitalization or rehabilitation due to injuries or disabilities incurred in the line of duty.

''(b) REQUIREMENTS.—The provisions in section 2324 of the Revised Statutes that shall not apply under subsection (a) are those which require that on each mining claim located after May 10, 1872, and until a patent has been issued for such claim, not less than $100 worth of labor shall be performed or improvements made during each year.

''(c) PERIOD OF PROTECTION FROM FORFEITURE.—A mining claim or an interest in a claim owned by a servicemember that has been regularly located and recorded shall not be subject to forfeiture for nonperformance of annual assessments during the period of military service and for 180 days thereafter, or for any period of hospitalization or rehabilitation described in subsection (a).

''(d) FILING REQUIREMENT.—In order to obtain the protections of this section, the claimant of a mining location shall, before the end of the assessment year in which military service is begun or within 60 days after the end of such assessment year, cause to be filed in the office where the location notice or certificate is recorded a notice communicating the fact of military service and the desire to hold the mining claim under this section.

"SEC. 505. MINERAL PERMITS AND LEASES.

''(a) SUSPENSION DURING MILITARY SERVICE.—A person holding a permit or lease on the public domain under the Federal mineral leasing laws who enters military service may suspend all operations under the permit or lease for the duration of military service and for 180 days thereafter. The term of the permit or lease shall not run during the period of suspension, nor shall any rental or royalties be charged against the permit or lease during the period of suspension.

''(b) NOTIFICATION.—In order to obtain the protection of this section, the permittee or lessee shall, within 180 days after entry into military service, notify the Secretary of the Interior by registered mail of the fact that military service has begun and of the desire to hold the claim under this section.

''(c) CONTRACT MODIFICATION.—This section shall not be construed to supersede the terms of any contract for operation of a permit or lease.

"SEC. 506. PERFECTION OR DEFENSE OF RIGHTS.

''(a) RIGHT TO TAKE ACTION NOT AFFECTED.—This title shall not affect the right of a servicemember to take action during a period of military service that is authorized by law or regulations of the Department of the Interior, for the perfection, defense, or further assertion of rights initiated or acquired before entering military service.

''(b) AFFIDAVITS AND PROOFS.—

''(1) IN GENERAL.—A servicemember during a period of military service may make any affidavit or submit any proof required by law, practice, or regulation of the Department of the Interior in connection with the entry, perfection, defense, or further assertion of rights initiated or acquired before entering military service before an officer authorized to provide notary services under section 1044a of title 10, United States Code, or any superior commissioned officer.

''(2) LEGAL STATUS OF AFFIDAVITS.—Such affidavits shall be binding in law and subject to the same penalties as prescribed by section 1001 of title 18, United State Code.

"SEC. 507. DISTRIBUTION OF INFORMATION CONCERNING BENEFITS OF TITLE.

''(a) DISTRIBUTION OF INFORMATION BY SECRETARY CONCERNED.—The Secretary concerned shall issue to servicemembers information explaining the provisions of this title.

''(b) APPLICATION FORMS.—The Secretary concerned shall provide application forms to servicemembers requesting relief under this title.

''(c) INFORMATION FROM SECRETARY OF THE INTERIOR.—The Secretary of the Interior shall furnish to the Secretary concerned information explaining the provisions of this title (other than sections 501, 510, and 511) and related application forms.

"SEC. 508. LAND RIGHTS OF SERVICEMEMBERS.

''(a) NO AGE LIMITATIONS.—Any servicemember under the age of 21 in military service shall be entitled to the same rights under the laws relating to lands owned or controlled by the United States, including mining and mineral leasing laws, as those servicemembers who are 21 years of age.

''(b) RESIDENCY REQUIREMENT.—Any requirement related to the establishment of a residence within a limited time shall be suspended as to entry by a servicemember in military service until 180 days after termination of or release from military service.

''(c) ENTRY APPLICATIONS.—Applications for entry may be verified before a person authorized to administer oaths under section 1044a of title 10, United States Code, or under the laws of the State where the land is situated.

"SEC. 509. REGULATIONS.

''The Secretary of the Interior may issue regulations necessary to carry out this title (other than sections 501, 510, and 511).

"SEC. 510. INCOME TAXES.

''(a) DEFERRAL OF TAX.—Upon notice to the Internal Revenue Service or the tax authority of a State or a political subdivision of a State, the collection of income tax on the income of a servicemember falling due before or during military service shall be deferred for a period not more than 180 days after termination of or release from military service, if a servicemember's ability to pay such income tax is materially affected by military service.

''(b) ACCRUAL OF INTEREST OR PENALTY.—No interest or penalty shall accrue for the period of deferment by reason of nonpayment on any amount of tax deferred under this section.

''(c) STATUTE OF LIMITATIONS.—The running of a statute of limitations against the collection of tax deferred under this section, by seizure or otherwise, shall be suspended for the period of military service of the servicemember and for an additional period of 270 days thereafter.

''(d) APPLICATION LIMITATION.—This section shall not apply to the tax imposed on employees by section 3101 of the Internal Revenue Code of 1986.

"SEC. 511. RESIDENCE FOR TAX PURPOSES.

''(a) RESIDENCE OR DOMICILE.—A servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the servicemember by reason of being absent or present in any tax jurisdiction of the United States solely in compliance with military orders.

''(b) MILITARY SERVICE COMPENSATION.—Compensation of a servicemember for military service shall not be deemed to be income for services performed or from sources within a tax jurisdiction of the United States if the servicemember is not a resident or domiciliary of the jurisdiction in which the servicemember is serving in compliance with military orders.

''(c) PERSONAL PROPERTY.—

''(1) RELIEF FROM PERSONAL PROPERTY TAXES.—The personal property of a servicemember shall not be deemed to be located or present in, or to have a situs for taxation in, the tax jurisdiction in which the servicemember is serving in compliance with military orders.

''(2) EXCEPTION FOR PROPERTY WITHIN MEMBER'S DOMICILE OR RESIDENCE.—This subsection applies to personal property or its use within any tax jurisdiction other than the servicemember's domicile or residence.

''(3) EXCEPTION FOR PROPERTY USED IN TRADE OR BUSINESS.—This section does not prevent taxation by a tax jurisdiction with

respect to personal property used in or arising from a trade or business, if it has jurisdiction.

''(4) RELATIONSHIP TO LAW OF STATE OF DOMICILE.—Eligibility for relief from personal property taxes under this subsection is not contingent on whether or not such taxes are paid to the State of domicile.

''(d) INCREASE OF TAX LIABILITY.—A tax jurisdiction may not use the military compensation of a nonresident servicemember to increase the tax liability imposed on other income earned by the nonresident servicemember or spouse subject to tax by the jurisdiction.

''(e) FEDERAL INDIAN RESERVATIONS.—An Indian servicemember whose legal residence or domicile is a Federal Indian reservation shall be taxed by the laws applicable to Federal Indian reservations and not the State where the reservation is located.

''(f) DEFINITIONS.—For purposes of this section:

''(1) PERSONAL PROPERTY.—The term 'personal property' means intangible and tangible property (including motor vehicles).

''(2) TAXATION.—The term 'taxation' includes licenses, fees, or excises imposed with respect to motor vehicles and their use, if the license, fee, or excise is paid by the servicemember in the servicemember's State of domicile or residence.

''(3) TAX JURISDICTION.—The term 'tax jurisdiction' means a State or a political subdivision of a State.

''TITLE VI—ADMINISTRATIVE REMEDIES

''SEC. 601. INAPPROPRIATE USE OF ACT.

''If a court determines, in any proceeding to enforce a civil right, that any interest, property, or contract has been transferred or acquired with the intent to delay the just enforcement of such right by taking advantage of this Act, the court shall enter such judgment or make such order as might lawfully be entered or made concerning such transfer or acquisition.

''SEC. 602. CERTIFICATES OF SERVICE; PERSONS REPORTED MISSING.

''(a) PRIMA FACIE EVIDENCE.—In any proceeding under this Act, a certificate signed by the Secretary concerned is prima facie evidence as to any of the following facts stated in the certificate:

''(1) That a person named is, is not, has been, or has not been in military service.

''(2) The time and the place the person entered military service.

''(3) The person's residence at the time the person entered military service.

''(4) The rank, branch, and unit of military service of the person upon entry.

''(5) The inclusive dates of the person's military service.

''(6) The monthly pay received by the person at the date of the certificate's issuance.

''(7) The time and place of the person's termination of or release from military service, or the person's death during military service.

''(b) CERTIFICATES.—The Secretary concerned shall furnish a certificate under subsection (a) upon receipt of an application for such a certificate. A certificate appearing to be signed by the Secretary concerned is prima facie evidence of its contents and of the signer's authority to issue it.

''(c) TREATMENT OF SERVICEMEMBERS IN MISSING STATUS.—A servicemember who has been reported missing is presumed to continue in service until accounted for. A requirement under this Act that begins or ends with the death of a servicemember does not begin or end until the servicemember's death is reported to, or determined by, the Secretary concerned or by a court of competent jurisdiction.

''SEC. 603. INTERLOCUTORY ORDERS.

''An interlocutory order issued by a court under this Act may be revoked, modified, or extended by the court upon its own motion or otherwise, upon notification to affected parties as required by the court.

''TITLE VII—FURTHER RELIEF

''SEC. 701. ANTICIPATORY RELIEF.

''(a) APPLICATION FOR RELIEF.—A servicemember may, during military service or within 180 days of termination of or release from military service, apply to a court for relief—

''(1) from any obligation or liability incurred by the servicemember before the servicemember's military service; or

''(2) from a tax or assessment falling due before or during the servicemember's military service.

''(b) TAX LIABILITY OR ASSESSMENT.—In a case covered by subsection (a), the court may, if the ability of the servicemember to comply with the terms of such obligation or liability or pay such tax or assessment has been materially affected by reason of military service, after appropriate notice and hearing, grant the following relief:

''(1) STAY OF ENFORCEMENT OF REAL ESTATE CONTRACTS.—

''(A) In the case of an obligation payable in installments under a contract for the purchase of real estate, or secured by a mortgage or other instrument in the nature of a mortgage upon real estate, the court may grant a stay of the enforcement of the obligation—

''(i) during the servicemember's period of military service; and

''(ii) from the date of termination of or release from military service, or from the date of application if made after termination of or release from military service.

''(B) Any stay under this paragraph shall be—

''(i) for a period equal to the remaining life of the installment contract or other instrument, plus a period of time equal to the period of military service of the servicemember, or any part of such combined period; and

''(ii) subject to payment of the balance of the principal and accumulated interest due and unpaid at the date of termination or release from the applicant's military service or from the date of application in equal installments during the combined period at the rate of interest on the unpaid balance prescribed in the contract or other instrument evidencing the obligation, and subject to other terms as may be equitable.

''(2) STAY OF ENFORCEMENT OF OTHER CONTRACTS.—

''(A) In the case of any other obligation, liability, tax, or assessment, the court may grant a stay of enforcement—

''(i) during the servicemember's military service; and

''(ii) from the date of termination of or release from military service, or from the date of application if made after termination or release from military service.

''(B) Any stay under this paragraph shall be—

''(i) for a period of time equal to the period of the servicemember's military service or any part of such period; and

''(ii) subject to payment of the balance of principal and accumulated interest due and unpaid at the date of termination or release from military service, or the date of application, in equal periodic installments during this extended period at the rate of interest as may be prescribed for this obligation, liability, tax, or assessment, if paid when due, and subject to other terms as may be equitable.

''(c) AFFECT OF STAY ON FINE OR PENALTY.—When a court grants a stay under this section, a fine or penalty shall not accrue on the obligation, liability, tax, or assessment for the period of compliance with the terms and conditions of the stay.

''SEC. 702. POWER OF ATTORNEY.

''(a) AUTOMATIC EXTENSION.—A power of attorney of a servicemember shall be automatically extended for the period the servicemember is in a missing status (as defined in section 551(2) of title 37, United States Code) if the power of attorney—

''(1) was duly executed by the servicemember—

''(A) while in military service; or

''(B) before entry into military service but after the servicemember—

''(i) received a call or order to report for military service; or

''(ii) was notified by an official of the Department of Defense that the person could receive a call or order to report for military service;

''(2) designates the servicemember's spouse, parent, or other named relative as the servicemember's attorney in fact for certain, specified, or all purposes; and

''(3) expires by its terms after the servicemember entered a missing status.

''(b) LIMITATION ON POWER OF ATTORNEY EXTENSION.—A power of attorney executed by a servicemember may not be extended under subsection (a) if the document by its terms clearly indicates that the power granted expires on the date specified even though the servicemember, after the date of execution of the document, enters a missing status.

''SEC. 703. PROFESSIONAL LIABILITY PROTECTION.

''(a) APPLICABILITY.—This section applies to a servicemember who—

''(1) after July 31, 1990, is ordered to active duty (other than for training) pursuant to sections 688, 12301(a), 12301(g), 12302, 12304, 12306, or 12307 of title 10, United States Code, or who is ordered to active duty under section 12301(d) of such title during a period when members are on active duty pursuant to any of the preceding sections; and

''(2) immediately before receiving the order to active duty—

''(A) was engaged in the furnishing of health-care or legal services or other services determined by the Secretary of Defense to be professional services; and

''(B) had in effect a professional liability insurance policy that does not continue to cover claims filed with respect to the servicemember during the period of the servicemember's active duty unless the premiums are paid for such coverage for such period.

''(b) SUSPENSION OF COVERAGE.—

''(1) SUSPENSION.—Coverage of a servicemember referred to in subsection (a) by a professional liability insurance policy shall be suspended by the insurance carrier in accordance with this subsection upon receipt of a written request from the servicemember, or the servicemember's legal representative, by the insurance carrier.

''(2) PREMIUMS FOR SUSPENDED CONTRACTS.—A professional liability insurance carrier—

''(A) may not require that premiums be paid by or on behalf of a servicemember for any professional liability insurance coverage suspended pursuant to paragraph (1); and

''(B) shall refund any amount paid for coverage for the period of such suspension or, upon the election of such servicemember, apply such amount for the payment of any premium becoming due upon the reinstatement of such coverage.

''(3) NONLIABILITY OF CARRIER DURING SUSPENSION.—A professional liability insurance carrier shall not be liable with respect to

any claim that is based on professional conduct (including any failure to take any action in a professional capacity) of a servicemember that occurs during a period of suspension of that servicemember's professional liability insurance under this subsection.

''(4) CERTAIN CLAIMS CONSIDERED TO ARISE BEFORE SUSPENSION.—For the purposes of paragraph (3), a claim based upon the failure of a professional to make adequate provision for a patient, client, or other person to receive professional services or other assistance during the period of the professional's active duty service shall be considered to be based on an action or failure to take action before the beginning of the period of the suspension of professional liability insurance under this subsection, except in a case in which professional services were provided after the date of the beginning of such period.

''(c) REINSTATEMENT OF COVERAGE.—

''(1) REINSTATEMENT REQUIRED.—Professional liability insurance coverage suspended in the case of any servicemember pursuant to subsection (b) shall be reinstated by the insurance carrier on the date on which that servicemember transmits to the insurance carrier a written request for reinstatement.

''(2) TIME AND PREMIUM FOR REINSTATEMENT.—The request of a servicemember for reinstatement shall be effective only if the servicemember transmits the request to the insurance carrier within 30 days after the date on which the servicemember is released from active duty. The insurance carrier shall notify the servicemember of the due date for payment of the premium of such insurance. Such premium shall be paid by the servicemember within 30 days after receipt of that notice.

''(3) PERIOD OF REINSTATED COVERAGE.—The period for which professional liability insurance coverage shall be reinstated for a servicemember under this subsection may not be less than the balance of the period for which coverage would have continued under the insurance policy if the coverage had not been suspended.

''(d) INCREASE IN PREMIUM.—

''(1) LIMITATION ON PREMIUM INCREASES.—An insurance carrier may not increase the amount of the premium charged for professional liability insurance coverage of any servicemember for the minimum period of the reinstatement of such coverage required under subsection (c)(3) to an amount greater than the amount chargeable for such coverage for such period before the suspension.

''(2) EXCEPTION.—Paragraph (1) does not prevent an increase in premium to the extent of any general increase in the premiums charged by that carrier for the same professional liability coverage for persons similarly covered by such insurance during the period of the suspension.

''(e) CONTINUATION OF COVERAGE OF UNAFFECTED PERSONS.—This section does not—

''(1) require a suspension of professional liability insurance protection for any person who is not a person referred to in subsection (a) and who is covered by the same professional liability insurance as a person referred to in such subsection; or

''(2) relieve any person of the obligation to pay premiums for the coverage not required to be suspended.

''(f) STAY OF CIVIL OR ADMINISTRATIVE ACTIONS.—

''(1) STAY OF ACTIONS.—A civil or administrative action for damages on the basis of the alleged professional negligence or other professional liability of a servicemember whose professional liability insurance coverage has been suspended under subsection (b) shall be stayed until the end of the period of the suspension if—

''(A) the action was commenced during the period of the suspension;

''(B) the action is based on an act or omission that occurred before the date on which the suspension became effective; and

''(C) the suspended professional liability insurance would, except for the suspension, on its face cover the alleged professional negligence or other professional liability negligence or other professional liability of the servicemember.

''(2) DATE OF COMMENCEMENT OF ACTION.—Whenever a civil or administrative action for damages is stayed under paragraph (1) in the case of any servicemember, the action shall have been deemed to have been filed on the date on which the professional liability insurance coverage of the servicemember is reinstated under subsection (c).

''(g) EFFECT OF SUSPENSION UPON LIMITATIONS PERIOD.—In the case of a civil or administrative action for which a stay could have been granted under subsection (f) by reason of the suspension of professional liability insurance coverage of the defendant under this section, the period of the suspension of the coverage shall be excluded from the computation of any statutory period of limitation on the commencement of such action.

''(h) DEATH DURING PERIOD OF SUSPENSION.—If a servicemember whose professional liability insurance coverage is suspended under subsection (b) dies during the period of the suspension—

''(1) the requirement for the grant or continuance of a stay in any civil or administrative action against such servicemember under subsection (f)(1) shall terminate on the date of the death of such servicemember; and

''(2) the carrier of the professional liability insurance so suspended shall be liable for any claim for damages for professional negligence or other professional liability of the deceased servicemember in the same manner and to the same extent as such carrier would be liable if the servicemember had died while covered by such insurance but before the claim was filed.

''(i) DEFINITIONS.—For purposes of this section:

''(1) The term 'active duty' has the meaning given that term in section 101(d)(1) of title 10, United States Code.

''(2) The term 'profession' includes occupation.

''(3) The term 'professional' includes occupational.

''SEC. 704. HEALTH INSURANCE REINSTATEMENT.

''(a) REINSTATEMENT OF HEALTH INSURANCE.—A servicemember who, by reason of military service as defined in section 703(a)(1), is entitled to the rights and protections of this Act shall also be entitled upon termination or release from such service to reinstatement of any health insurance that—

''(1) was in effect on the day before such service commenced; and

''(2) was terminated effective on a date during the period of such service.

''(b) NO EXCLUSION OR WAITING PERIOD.—The reinstatement of health care insurance coverage for the health or physical condition of a servicemember described in subsection (a), or any other person who is covered by the insurance by reason of the coverage of the servicemember, shall not be subject to an exclusion or a waiting period, if—

''(1) the condition arose before or during the period of such service;

''(2) an exclusion or a waiting period would not have been imposed for the condition during the period of coverage; and

''(3) if the condition relates to the servicemember, the condition has not been determined by the Secretary of Veterans Affairs to be a disability incurred or aggravated in the line of duty (within the meaning of section 105 of title 38, United States Code).

''(c) EXCEPTIONS.—Subsection (a) does not apply to a servicemember entitled to participate in employer-offered insurance benefits pursuant to the provisions of chapter 43 of title 38, United States Code.

''(d) TIME FOR APPLYING FOR REINSTATEMENT.—An application under this section must be filed not later than 120 days after the date of the termination of or release from military service.

''SEC. 705. GUARANTEE OF RESIDENCY FOR MILITARY PERSONNEL.

''For the purposes of voting for any Federal office (as defined in section 301 of the Federal Election Campaign Act of 1971 (2 U.S.C. 431)) or a State or local office, a person who is absent from a State in compliance with military or naval orders shall not, solely by reason of that absence—

''(1) be deemed to have lost a residence or domicile in that State, without regard to whether or not the person intends to return to that State;

''(2) be deemed to have acquired a residence or domicile in any other State; or

''(3) be deemed to have become a resident in or a resident of any other State.

''SEC. 706. BUSINESS OR TRADE OBLIGATIONS.

''(a) AVAILABILITY OF NON-BUSINESS ASSETS TO SATISFY OBLIGATIONS.—If the trade or business (without regard to the form in which such trade or business is carried out) of a servicemember has an obligation or liability for which the servicemember is personally liable, the assets of the servicemember not held in connection with the trade or business may not be available for satisfaction of the obligation or liability during the servicemember's military service.

''(b) RELIEF TO OBLIGORS.—Upon application to a court by the holder of an obligation or liability covered by this section, relief granted by this section to a servicemember may be modified as justice and equity require.

''SEC. 707. RETURN TO CLASSES AT NO ADDITIONAL COST.

''(a) IN GENERAL.—Each institution of higher education that receives Federal assistance or participates in a program assisted under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) shall permit each student who is enrolled in the institution and enters into military service—

''(1) to return to the institution of higher education after completion of the period of military service; and

''(2) complete, at no additional cost, each class the student was unable to complete as a result of the period of military service.

''(b) INSTITUTION OF HIGHER EDUCATION DEFINED.—In this section, the term 'institution of higher education' has the meaning given the term in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001).''.

SEC. 2. CONFORMING AMENDMENTS.

(a) MILITARY SELECTIVE SERVICE ACT.—Section 14 of the Military Selective Service Act (50 U.S.C. App. 464) is repealed.

(b) TITLE 5, UNITED STATES CODE.—(1) Section 5520a(k)(2)(A) of title 5, United States Code, is amended by striking ''Soldiers' and Sailors' Civil Relief Act of 1940'' and inserting ''Servicemembers Civil Relief Act''; and

(2) Section 5569(e) of title 5, United States Code, is amended—

(A) in paragraph (1), by striking ''provided by the Soldiers' and Sailors' Civil Relief Act of 1940'' and all that follows through ''of such Act'' and inserting ''provided by the Servicemembers Civil Relief Act, including the benefits provided by section 702 of such Act but excluding the benefits provided by sections 104 and 106, title IV, and title V (other than sections 501 and 510) of such Act''; and

(B) in paragraph (2), by striking ''person in the military service'' and inserting ''servicemember''.

(c) TITLE 10, UNITED STATES CODE.—Section 1408(b)(1)(D) of title 10, United States Code, is amended by striking ''Soldiers' and Sailors' Civil Relief Act of 1940'' and inserting ''Servicemembers Civil Relief Act''.

(d) INTERNAL REVENUE CODE.—Section 7654(d)(1) of the Internal Revenue Code of 1986 is amended by striking ''Soldiers' and Sailors' Civil Relief Act'' and inserting ''Servicemembers Civil Relief Act''.

(e) PUBLIC LAW 91–621.—Section 3(a)(3) of Public Law 91–621 (33 U.S.C. 857–3(a)(3)) is amended by striking ''Soldiers' and Sailors' Civil Relief Act of 1940, as amended'' and inserting ''Servicemembers Civil Relief Act''.

(f) PUBLIC HEALTH SERVICE ACT.—Section 212(e) of the Public Health Service Act (42 U.S.C. 213(e)) is amended by striking ''Soldiers' and Sailors' Civil Relief Act of 1940'' and inserting ''Servicemembers Civil Relief Act''.

(g) ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965.—Section 8001 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7701) is amended by striking ''section 514 of the Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. App. 574)'' in the matter preceding paragraph (1) and inserting ''section 511 of the Servicemembers Civil Relief Act''.

SEC. 3. EFFECTIVE DATE.

The amendment made by section 1 shall apply to any case decided after the date of the enactment of this Act.

By Mr. COLEMAN:

S. 1138. A bill to amend the Employee Retirement Income Security Act of 1974, Public Health Service Act, and the Internal Revenue Code of 1986 to provide parity with respect to substance abuse treatment benefits under group health plans and health insurance coverage; to the Committee on Health, Education, Labor, and Pensions.

Mr. COLEMAN. Mr. President, I ask unanimous consent that the bill I introduce today to provide parity with respect to substance abuse treatment benefits under group health plans and health insurance coverage be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1138

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Help Expand Access to Recovery and Treatment Act of 2003'' or the ''HEART Act''.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Substance abuse, if left untreated, is a medical emergency and a private and public heath crisis.

(2) Nothing in this Act should be construed as prohibiting application of the concept of parity to substance abuse treatment provided by faith-based treatment providers.

SEC. 3. PARITY IN SUBSTANCE ABUSE TREATMENT BENEFITS.

(a) GROUP HEALTH PLANS.—

(1) PUBLIC HEALTH SERVICE ACT AMENDMENTS.—

(A) IN GENERAL.—Subpart 2 of part A of title XXVII of the Public Health Service Act is amended by adding at the end the following new section:

''SEC. 2707. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

''(2) 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.

''(c) EXEMPTIONS.—

''(1) SMALL EMPLOYER EXEMPTION.—

''(A) IN GENERAL.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year of a small employer.

''(B) SMALL EMPLOYER.—For purposes of subparagraph (A), the term 'small employer' means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(C) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this paragraph—

''(i) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

''(ii) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(iii) PREDECESSORS.—Any reference in this paragraph to an employer shall include a reference to any predecessor of such employer.

''(2) INCREASED COST EXEMPTION.—This section shall not apply with respect to a group health plan (or health insurance coverage offered in connection with a group health plan) if the application of this section to such plan (or to such coverage) results in an increase in the cost under the plan (or for such coverage) of at least 1 percent.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section:

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical and surgical services, as defined under the terms of the plan or coverage (as the case may be), but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse treatment services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Nonhospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—the term 'substance abuse' includes chemical dependency.

''(f) NOTICE.—a group health plan under this part shall comply with the notice requirement under section 714(f) of the Employee Retirement Income Security Act of 1974 with respect to the requirements of this section as if such section applied to such plan.''.

(B) CONFORMING AMENDMENT.—Section 2723(c) of such Act (42 U.S.C. 300gg—23(c)) is amended by striking ''section 2704'' and inserting ''sections 2704 and 2707''.

(2) ERISA AMENDMENTS.—

(A) IN GENERAL.—Subpart B of part 7 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new section:

''SEC. 714. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan (or health insurance coverage offered in connection with such a plan) that provides both medical and surgical benefits and substance abuse treatment benefits, the plan or coverage shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring a group health plan (or health insurance coverage offered in connection with such a plan) to provide any substance abuse treatment benefits; or

''(2) 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.

''(c) EXEMPTIONS.—

''(1) SMALL EMPLOYER EXEMPTION.—

''(A) IN GENERAL.—This section shall not apply to any group health plan (and group health insurance coverage offered in connection with a group health plan) for any plan year of a small employer.

''(B) SMALL EMPLOYER.—For purposes of subparagraph (A), the term small employer

means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(C) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this paragraph—

''(i) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rules similar to the rules under subsections (b), (c), (m), and (o) of section 414 of the Internal Revenue Code of 1986 shall apply for purposes of treating persons as a single employer.

''(ii) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(iii) PREDECESSORS.—Any reference in this paragraph to an employer shall include a reference to any predecessor of such employer.

''(2) INCREASED COST EXEMPTION.—This section shall not apply with respect to a group health plan (or health insurance coverage offered in connection with a group health plan) if the application of this section to such plan (or to such coverage) results in an increase in the cost under the plan (or for such coverage) of at least 1 percent.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section:

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan or health insurance coverage, any day or visit limits imposed on coverage of benefits under the plan or coverage during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan or health insurance coverage, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan or coverage.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan or coverage (as the case may be), but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse treatment services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Nonhospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—The term 'substance abuse' includes chemical dependency.

''(f) NOTICE UNDER GROUP HEALTH PLAN.—The imposition of the requirements of this section shall be treated as a material modification in the terms of the plan described in section 102(a)(1), for purposes of assuring notice of such requirements under the plan; except that the summary description required to be provided under the last sentence of section 104(b)(1) with respect to such modification shall be provided by not later than 60 days after the first day of the first plan year in which such requirements apply.''.

(B) Section 731(c) of such Act (29 U.S.C. 1191(c)) is amended by striking ''section 711'' and inserting ''sections 711 and 714''.

(C) Section 732(a) of such Act (29 U.S.C. 1191a(a)) is amended by striking ''section 711'' and inserting ''sections 711 and 714''.

(D) The table of contents in section 1 of such Act is amended by inserting after the item relating to section 713 the following new item:

''714. Parity in the application of treatment limitations and financial requirements to substance abuse treatment benefits.''.

(3) INTERNAL REVENUE CODE AMENDMENTS.—(A) Subchapter B of chapter 100 of the Internal Revenue Code of 1986 (relating to other requirements) is amended by adding at the end the following new section:

''SEC. 9813. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE TREATMENT BENEFITS.

''(a) IN GENERAL.—In the case of a group health plan that proves both medical and surgical benefits and substance abuse treatment benefits, the plan shall not impose treatment limitations or financial requirements on the substance abuse treatment benefits unless similar limitations or requirements are imposed for medical and surgical benefits.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as a requiring a group health plan to provide any substance abuse treatment benefits; or

''(2) to prevent a group health plan from negotiating the level and type of reimbursement with a provider for care provided in accordance with this section.

''(c) EXEMPTIONS.—

''(1) SMALL EMPLOYER EXEMPTION.—

''(A) IN GENERAL.—This section shall not apply to any group health plan for any plan year of a small employer.

''(B) SMALL EMPLOYER.—For purposes of subparagraph (A), the term 'small employer' means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least 2 but not more than 50 employees on business days during the preceding calendar year and who employs at least 2 employees on the first day of the plan year.

''(C) APPLICATION OF CERTAIN RULES IN DETERMINATION OF EMPLOYER SIZE.—For purposes of this paragraph—

''(i) APPLICATION OF AGGREGATION RULE FOR EMPLOYERS.—Rule similar to the rules under subsections (b), (c), (m), and (o) of section 414 shall apply for purposes of treating persons as a single employer.

''(ii) EMPLOYERS NOT IN EXISTENCE IN PRECEDING YEAR.—In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is a small employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

''(iii) PREDECESSORS.—Any reference in this paragraph to an employer shall include a reference to any predecessor of such employer.

''(2) INCREASED COST EXEMPTION.—This section shall not apply with respect to a group health plan if the application of this section to such plan results in an increase in the cost under the plan of at least 1 percent.

''(d) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a group health plan that offers a participant or beneficiary two or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(e) DEFINITIONS.—For purposes of this section:

''(1) TREATMENT LIMITATION.—The term 'treatment limitation' means, with respect to benefits under a group health plan, any day or visit limits imposed on coverage of benefits under the plan during a period of time.

''(2) FINANCIAL REQUIREMENT.—The term 'financial requirement' means, with respect to benefits under a group health plan, any deductible, coinsurance, or cost-sharing or an annual or lifetime dollar limit imposed with respect to the benefits under the plan.

''(3) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan, but does not include substance abuse treatment benefits.

''(4) SUBSTANCE ABUSE TREATMENT BENEFITS.—The term 'substance abuse treatment benefits' means benefits with respect to substance abuse treatment services.

''(5) SUBSTANCE ABUSE TREATMENT SERVICES.—The term 'substance abuse treatment services' means any of the following items and services provided for the treatment of substance abuse:

''(A) Inpatient treatment, including detoxification.

''(B) Non-hospital residential treatment.

''(C) Outpatient treatment, including screening and assessment, medication management, individual, group, and family counseling, and relapse prevention.

''(D) Prevention services, including health education and individual and group counseling to encourage the reduction of risk factors for substance abuse.

''(6) SUBSTANCE ABUSE.—The term 'substance abuse' includes chemical dependency.''.

''(B) Section 4980D(d)(1) of such Code is amended by inserting ''(other than a failure attributable to section 9813)'' after ''on any failure''.

''(C) The table of sections of subchapter B of chapter 100 of such Code is amended by adding at the end the following new item:

''9813. Parity in the application of treatment limitations and financial requirements to substance abuse treatment benefits.''.

(b) INDIVIDUAL HEALTH INSURANCE.—(1) Part B of title XXVII of the Public Health Service Act is amended by inserting after section 2752 the following new section:

"SEC. 2753. PARITY IN THE APPLICATION OF TREATMENT LIMITATIONS AND FINANCIAL REQUIREMENTS TO SUBSTANCE ABUSE BENEFITS.

''(a) IN GENERAL.—The provisions of section 2707 (other than subsection (e)) shall apply to health insurance coverage offered by a health insurance issuer in the individual market in the same manner as it applies 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) NOTICE.—A health insurance issuer under this part shall comply with the notice requirement under section 714(f) of the Employee Retirement Income Security Act of 1974 with respect to the requirements referred to in subsection (a) as if such section applied to such issuer and such issuer were a group health plan.''.

(2) Section 2762(b)(2) of such Act (42 U.S.C. 300gg-62(b)(2)) is amended by striking ''section 2751'' and inserting ''sections 2751 and 2753''.

(c) EFFECTIVE DATES.—(1) Subject to paragraph (3), the amendments made by subsection (a) apply with respect to group health plans for plan years beginning on or after January 1, 2004.

(2) The amendments made by subsection (b) apply with respect to health insurance covered offered, sold, issued, renewed, in effect, or operated in the individual market on or after January 1, 2004.

(3) 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 subsection (a) 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, 2004.

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 subsection (a) shall not be treated as a termination of such collective bargaining agreement.

(d) COORDINATED REGULATIONS.—Section 104(1) of the Health Insurance Portability and Accountability Act of 1996 is amended by striking ''this subtitle (and the amendments made this subtitle and section 401)'' and inserting ''the provisions of part 7 of the subtitle B of title I of the Employee Retirement Congressional Income Security Act of 1974, and the provisions of parts A and C of title XXVII of the Public Health Service Act, and chapter 100 of the Internal Revenue Code of 1986''.

(e) PREEMPTION.—Nothing in the amendments made by this section shall be construed to preempt any provision of State law that provides protections to individuals that are greater than the protections provided under such amendments.

By Mr. DEWINE (for himself and Mr. LAUTENBERG):

S. 1139. A bill to direct the National Highway Traffic Safety Administration to establish and carry out traffic safety law enforcement and compliance campaigns, and for other purposes; to the Committee on Commerce, Science, and Transportation.

Mr. DEWINE. Mr. President, I rise today, along with my colleague from New Jersey, Senator LAUTENBERG, to introduce a bi-partisan bill aimed at reducing the number of vehicle incidents associated with drinking and driving.

Last year, the Nation experienced an increase in alcohol-related traffic fatalities for the third year in a row. This increase resulted in 17,970 deaths or 42 percent of the 42,850 people killed in traffic incidents. Statistics from the National Highway Traffic Safety Administration show that motor vehicle crashes are the leading cause of death for Americans ages 1 to 35 years of age. In fact, on average, 117 people die each day from motor vehicle crashes in the United States.

Our bill—the Traffic Safety Law Enforcement Campaign Act—would require States to conduct a combined media/law enforcement campaign aimed at reducing these traffic fatalities. Specifically, the law enforcement portion consists of sobriety checkpoints in the District of Columbia and in the 39 States that allow them and saturation patrols in those States that do not. The Centers for Disease Control estimate that the sobriety checkpoints proposed in the underlying bill may reduce alcohol related crashes by as much as 20 percent. More than 75 percent of the public has indicated in NHTSA polls support for sobriety checkpoints. In fact, NHTSA has concluded that 62 percent of Americans want sobriety checkpoints to be used more often.

I urge each of my colleagues to join this bi-partisan effort to save lives and promote highway safety.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1139

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Traffic Safety Law Enforcement Campaign Act''.

SEC. 2. TRAFFIC SAFETY LAW ENFORCEMENT CAMPAIGNS.

(a) IN GENERAL.—The Administration of the National Highway Traffic Safety Administration shall establish a program to conduct at least 3 high-visibility traffic safety law enforcement campaigns each year.

(b) FOCUS.—The campaigns shall focus on—

(1) reducing alcohol-impaired driving;

(2) increasing seat belt use; and

(3) a combination of reducing alcohol-impaired driving and increasing seat belt use.

(c) ADVERTISING.—The Administrator may use, or authorize the use of, funds available to carry out this section for the development, production, and use of broadcast and print media advertising in carrying out this section.

(d) EVALUATION AND REPORT.—The Administrator shall evaluate the effectiveness of the campaigns at the end of each year and submit a report to the Senate Committee on Commerce, Science, and Transportation and the House of Representatives Committee on Transportation and Infrastructure within 90 days after the end of each year setting forth the findings, conclusions, and recommendations of the Administrator with respect to the program.

SEC. 3. FUNDING.

(a) IN GENERAL.—There are authorized to be appropriated out of the Highway Trust Fund (other than from the Mass Transmit Account) to the Administrator to carry out this Act $150,000,000 for each of fiscal years 2004 through 2009, of which—

(a) $48,000,000 shall be used for each fiscal year for nationwide advertising by the Administration;

(2) $48,000,000 shall be made available each fiscal year by the Administrator to States for advertising;

(3) $48,000,000 shall be made available each fiscal year by the Administrator to States for traffic safety law enforcement; and

(4) $6,000,000 shall be available to the Administrator for evaluation of the program under section 2.

(b) PROGRAM STANDARDS.—Within 120 days after the date of enactment of this Act, the Administrator shall promulgate program standards and criteria for the use of funds under subsection (a)(2) and (3) that will ensure the effective and appropriate use of such funds in accordance with this Act, taking into account State efforts, needs, administrative resources, and priorities.

(c) APPORTIONMENT.—The Administrator shall apportion funds under subsection (a)(2) and (3) among the States on the same basis as funds are apportioned among the States under section 402(c) of title 23, United States Code.

By Mr. LAUTENBERG (for himself, Mr. DEWINE, and Mrs. FEINSTEIN):

S. 1140. A bill to amend titles 23 and 49, United States Code, concerning length and weight limitations for vehicles operating on Federal-aid highways, and for other purposes; to the Committee on Environment and Public Works.

Mr. LAUTENBERG. Mr. President, today, I am proud to introduce, along with my colleagues Senator DEWINE and Senator FEINSTEIN, legislation which will make our roads safer and last longer. Anyone who has ever shared the road with a large tractor trailer truck has wondered whether the truck driver is aware of the smaller vehicles around the truck. Anyone who has seen the third trailer on a triple-trailer truck swinging around like the tail end of a snake knows that these trucks are to be avoided.

The State of New Jersey sees its share of the Nation's truck traffic, but, incidentally, not its share of federal highway dollars. We are concerned about these 53-foot, 80,000-pound vehicles on our highways and the pressure from other states to increase weight and length limitations to allow bigger trucks to come through our State. This

makes truck safety even more important to New Jersey drivers.

Twelve years ago, I got a provision into the highway reauthorization bill we call ''ICE-TEA'' to ban triple-trailer trucks and other so-called ''longer combination vehicles'', LCVs, from New Jersey and most other States. At that time and ever since, the trucking industry has fought to defeat and repeal this ban, under the guise of arguments for ''states' rights'' and ''unfair re-distribution of business to railroads.'' But these are not rational arguments for allowing bigger and heavier trucks as well as triple-trailer trucks on our roads. Additionally, the trucking industry's proclaimed hardships have not materialized. In fact, the trucking companies have survived the current laws quite well, and trucks have refined their role in our national freight transportation system.

Our bill, the ''Safe Highways and Infrastructure Preservation Act, will extend the current limited ban which only applies to our 44,000-mile Interstate Highway System to the entire 156,000-mile National Highway System, NHS. This extension will make more roads safer and will further reduce the wear and tear of our highways and bridges.

Bigger trucks are not safe. The U.S. Department of Transportation has determined that multi-trailer trucks are likely to be involved in more fatal crashes—*11 percent more*—than today's single-trailer trucks. By expanding the limits on triples and other longer combination vehicles to the entire NHS—*including more than 2,000 miles of highway in New Jersey*—the Safe Highways and Infrastructure Protection Act will save lives and prevent further deterioration of our roads and bridges.

Triple-trailers and other LCVs do more damage to our roads and bridges but don't come close to paying associated maintenance and repair costs. The fees, tolls and gasoline taxes paid by the operator of a 100,000-pound truck only covers 40 percent of the cost of the damage that truck does to our roads and bridges. The rest of the taxpayers make up the difference. I believe that motorists should not have to share the road with these dangerous behemoths *and* pay for the extra damage they cause.

I thank my colleagues Senator DEWINE and Senator FEINSTEIN for joining me in sponsoring this important legislation, and I look forward to working with my colleagues in the Congress to improve the highway safety and increase the remaining life of our country's roads and bridges.

By Mr. LAUTENBERG (for himself and Mr. DEWINE):

S. 1141. A bill to amend title 23, United States Code, to increase penalties for individuals who operate motor vehicles while intoxicated or under the influence of alcohol; to the Committee on Environment and Public Works.

Mr. LAUTENBERG. Mr. President, today Senator MIKE DEWINE of Ohio and I are helping to make a big stride in re-arming our country in the war against drunk driving. Together, we have introduced two pieces of legislation which will help reduce the number of civilian casualties in this war by arming our government safety officials with the weapons they need to keep drunk drivers off of our roads.

First, I am proud to be a cosponsor of Senator DEWINE's legislation on improving enforcement of drunk driving laws. There are some good drunk driving laws on the books and they should not be ignored. Since September 11, 2001, much of our country's law enforcement focus has been on ensuring the security of citizens from terrorist attack. This legislation will ensure that efforts to reduce drunk driving are not given short shrift. Almost 18,000 people died last year in alcohol-related motor vehicle traffic crashes, and we must not neglect the safety of our highways. This bill provides needed resources for law enforcement and will deter people from drinking and driving to begin with.

Second, I am proud to introduce, along with Senator DEWINE, legislation targeting higher-risk drivers. This includes repeat offenders and drivers with blood alcohol concentration levels of 0.15 percent or higher. Once these offenders are caught, we need to make sure they don't fall through the cracks in the legal system. These criminals should not be behind the wheel—I believe they are a menace to our society, and we should not tolerate their existence.

I have long been interested in making our roads and highways safer. During my previous tenure, I saw to it that the Federal government took responsibility for reducing the number of fatalities due to drunk driving. I authored laws to increase the minimum drinking age for alcoholic beverages from 18 to 21, and to encourage States to establish .08 percent as the blood alcohol concentration standard for drunk driving nationwide. These laws have made our roads and highways safer and my hope is that they have saved many precious lives.

I feel that the Federal Government needs to take a strong leadership role to reduce alcohol-impaired driving. States cannot deal with these problems in a comprehensive manner. We have passed legislation encouraging states to establish tougher standards for highways safety and drunk driving, but: 32 States still don't have a primary enforcement safety belt law; 11 States still have not adopted the .08 percent Blood Alcohol Content (BAC) standard; 24 States still don't have an open container law; and 27 States still don't have a repeat offender law for drunk driving offenses.

I am particularly disappointed that my home State of New Jersey has not yet adopted the .08 percent BAC standard. At risk are millions of dollars in Federal highway funding that our State desperately needs to repair and improve our roads and bridges. Here in Congress, I fight desperately for this funding. But the State puts this funding at risk rather than make a sensible safety choice and adopt a .08 percent BAC standard. This is why I feel that the Federal Government needs to take a leadership role in setting policies that will save lives by reducing drunk driving.

I feel that States need stronger ''encouragement'' to address these important highway safety issues. We have already tried threatening withholding highway construction funds, but if we allow a loophole for States to recover the funds within 4 years; maybe that still is not enough encouragement.

Now it is time to take the next step in getting drunk drivers off our roads. I look forward to working with Senator DEWINE and the rest of my colleagues in the Senate to reduce the 18,000 alcohol-related traffic fatalities that occur each year. I urge my colleagues to join me and Senator DEWINE in supporting both of these important pieces of legislation.

SUBMITTED RESOLUTIONS

SENATE RESOLUTION 153—EXPRESSING THE SENSE OF THE SENATE THAT CHANGES TO ATHLETICS POLICIES ISSUED UNDER TITLE IX OF THE EDUCATION AMENDMENTS OF 1972 WOULD CONTRADICT THE SPIRIT OF ATHLETIC EQUALITY AND THE INTENT TO PROHIBIT SEX DISCRIMINATION IN EDUCATION PROGRAMS OR ACTIVITIES RECEIVING FEDERAL FINANCIAL ASSISTANCE

Mrs. MURRAY (for herself, Ms. SNOWE, Mr. DASCHLE, and Mr. KENNEDY) submitted the following resolution; which was referred to the Committee on Health, Education, Labor, and Pensions:

S. RES. 153

Whereas title IX of the Education Amendments of 1972 (20 U.S.C. 1681 et seq.), also known as the ''Patsy Takemoto Mink Equal Opportunity in Education Act'' (referred to in this resolution as ''title IX''), prohibits education programs or activities, including athletic programs or activities, that receive Federal financial assistance from discriminating on the basis of sex;

Whereas prior to 1972 and the enactment of title IX, virtually no college offered athletic scholarships to women, fewer than 32,000 women participated in collegiate sports, and women's sports received only 2 percent of college athletic dollars;

Whereas the regulation implementing title IX was submitted to Congress, multiple hearings were held, and the regulation became effective July 21, 1975, with specific provisions governing athletic programs and the awarding of athletic scholarships;

Whereas according to the Department of Education's 1979 Policy Interpretation, which interprets the application of title IX

and its implementing regulations to athletics, an educational institution may demonstrate compliance with title IX's requirement that it allocate athletic participation opportunities on a nondiscriminatory basis to male and female athletes by meeting 1 of the criteria in a 3-part test, by demonstrating—

(1) that intercollegiate level participation opportunities for male and female students are provided in numbers substantially proportionate to their respective enrollments at the institution;

(2) a history and continuing practice of program expansion responsive to the developing interests and abilities of members of the underrepresented athletes' sex; or

(3) that the interests and abilities of the members of the underrepresented athletes' sex have been fully and effectively accommodated by the present program;

Whereas the 1979 Policy Interpretation and its 3-part test have been in place for over 2 decades and have been supported by both Republican and Democratic administrations;

Whereas 2 out of 3 educational institutions comply with the second or third criterion of the 3-part test;

Whereas the Office for Civil Rights of the Department of Education issued a Clarification of Intercollegiate Athletics Policy Guidance in 1996 regarding the 3-part test—

(1) confirming that educational institutions can comply with title IX's requirement of nondiscriminatory allocation of athletic participation opportunities by meeting any single part of the 3-part test;

(2) setting out specific examples for compliance to guide the institutions; and

(3) confirming that there are no strict numerical formulas for determining title IX compliance;

Whereas the 1979 Policy Interpretation and the 1996 clarification provide educational institutions with ample and fair guidance on compliance with title IX and provide flexibility to the institutions so that they may determine for themselves how best to comply with the law;

Whereas the enforcement mechanism of title IX, the 3-part test, has been upheld as legal and valid by each of the 8 United States Courts of Appeals to consider it;

Whereas since the beginning of title IX implementation, men's participation in intercollegiate sports has increased from 220,178 to 231,866, and women's participation in those sports has increased from 31,852 to 162,783, an increase of more than 400 percent;

Whereas the number of girls participating in athletics at the high school varsity level has increased from 294,015 in 1972 to 2,784,154 in 2001, an 847 percent increase;

Whereas sex discrimination in athletics persists, despite the strides made under title IX, with, for example, female athletes receiving only 42 percent of the college athletic participation opportunities nationwide, even though female students make up 56 percent of the college population, and female athletes receiving $133,000,000 fewer athletic scholarship dollars per year than their male counterparts;

Whereas nothing in title IX or its policies requires educational institutions to reduce men's athletic participation opportunities to come into compliance with participation requirements and 72 percent of colleges and universities that have added women's teams have done so without cutting any teams for men;

Whereas recommendations made by the Commission on Opportunity in Athletics for changes to the athletics policies issued under title IX would seriously weaken title IX's protections and result in significant losses in athletic participation opportunities and scholarships to which women and girls are entitled under current law; and

Whereas those recommended changes to the title IX athletics policies would allow an educational institution that fails to equally accommodate its male and female students to be in compliance with title IX without having to fully demonstrate that discrimination does not exist in the institution's athletic programs: Now, therefore, be it

Resolved, That it is the sense of the Senate that—

(1) changes to athletics policies issued under title IX would contradict the spirit and intent of title IX's mandate to provide equal opportunities in athletics;

(2) the current title IX athletics policies, namely, the 1975 regulations issued under title IX, and the 1979 Policy Interpretation, as clarified in the 1996 Clarification of Intercollegiate Athletics Policy Guidance, should remain unchanged and be enforced vigorously to eliminate the continuing discrimination against women and girls in athletics; and

(3) if the Department of Education changes the current title IX athletics policies, Congress will respond with legislation to restore the policies and preserve the right to equal opportunities in athletics, as mandated by title IX.

Mr. DASCHLE. Mr. President, today is opening day for the seventh season of the Women's National Basketball Association. The league's incredible success demonstrates the enormous influence that title IX has had on women in sports, and in society.

Since the WNBA's inception, the number of players and teams in the league have doubled, and its popularity has skyrocketed throughout the Nation, and all over the world. It is fitting, therefore, that the WNBA has helped lead the way in support of maintaining title IX and its enforcement. The league has circulated a petition and collected over 25,000 signatures, including those of current and former NBA and WNBA players, as well as of an impressive array of other prominent Americans, to voice concern over the proposed changes.

It is in the spirit of this overwhelming support for the effort to provide equal opportunities for all of America's students that I join my Senate colleagues in offering a bipartisan resolution on title IX.

Specifically, our resolution would express the sense of the Senate that the changes to title IX policies recommended by the Commission on Opportunity in Athletics would run contrary to the spirit and purpose of the original law, and that the current mechanisms for enforcement are both fair and reasonable. Our resolution would also state that Congress will respond to any changes in title IX policy with legislation to restore these protections, and to preserve the right to equal opportunities in athletics.

The enactment of title IX in 1972 was a landmark moment in this history of American education policy. For the first time ever, women and girls in schools across the Nation could be sure they would receive the same educational opportunities as their male counterparts—opportunities to learn, grow, and compete.

But this issue is about more than equality under the law; it is about demonstrating to our children that confidence and success in our society, in our workplaces, and on our athletic fields know no gender. It is about teaching our girls and boys the skills they need to participate in our society.

Studies have shown that girls who play sports are less likely to become depressed, fall victim to an eating disorder, take drugs, get pregnant, and contract breast cancer later in life. Thus, as a result of title IX and the doors that it has opened, our Nation has produced a stronger, healthier, happier generation of girls than ever before.

Title IX's successes have been overwhelming. Prior to 1972 and the enactment of title IX, virtually no college offered athletic scholarships to women, fewer than 32,000 women participated in collegiate sports, and women's sports received only 2 percent of schools' athletic funds.

Since the implementation of title IX, men's participation in collegiate sports has increased, and women's participation has increased more than 400 percent. At the high school level, the increase in athletic opportunities for women and girls has been even more staggering; since 1972, female participation in high school varsity athletics has increased from 294,015 to 2,784,154, an increase of 847 percent.

While title IX has already enjoyed many successes, the fact remains that sex discrimination in athletics persists. Unfortunately, the Secretary's Commission on Opportunity in Athletics has proposed changes to title IX enforcement that are deeply troubling.

The Commission's report ignores clear evidence showing that our daughters' new opportunities have not come at the expense of our sons. Nothing in title IX or its policies requires schools to reduce men's opportunities to comply with participation requirements, and 72 percent of colleges and universities that have added women's athletic teams have done so without cutting any teams for men. In fact, evidence suggests that we must do more to strengthen title IX enforcement, not weaken it.

Currently, despite the fact that women comprise 56 percent of the college population, female athletes receive only 42 percent of the college participation opportunities nationwide. In addition, women and girls receive $133 million fewer scholarship dollars annually than their male counterparts.

The changes being proposed would significantly weaken the existing mechanisms for enforcing title IX's provisions—mechanisums that have been in place for decades and have provided adequate flexibility to educational institutions seeking to demonstrate compliance.

Moreover, the current enforcement mechanism has been repeatedly affirmed—by the regulations issued by the Department of Education in 1975,

by the Department's 1979 policy review, and by the 1996 Clarification of Intercollegiate Athletics Policy Guidance.

These policies have remained unchanged for 20 years, thanks to the affirmation of both Republican and Democratic administrations. Instead of evaluating proposals that could weaken title IX, the administration should focus on efforts to continue to build on its history of success.

The argument used by detractors of title IX in favor of the Commission's recommendations is that title IX has increased athletic opportunities for women to the detriment of those available to men. This is simply not true.

Today, the Senate must take a strong stand in favor of title IX as it is currently written and enforced. Title IX is an integral part of the effort to provide America's students with the opportunities they need and deserve to achieve their full potential, and we must not retreat from this goal. I urge my colleagues to join me in support of this important resolution.

Mr. KENNEDY. Mr. President, Title IX of the Education Amendments of 1972 prohibits discrimination on the basis of sex in all education programs and activities that receive Federal funding, including sports. When Congress passed this important civil rights law, it intended to give girls and women opportunities equal to those of boys and men in all education programs receiving taxpayer dollars. Today, on opening day of the Women's National Basketball Association's seventh season, we see again the enormous impact of Title IX on women's sports. Since its first season in 1997, the WNBA has doubled its number of teams from 8 to 16. Last year, millions of fans from countries throughout the world tuned to see 176 women play professional basketball in 256 regular-season WNBA games.

Over the past 31 years, Title IX has expanded athletic opportunities at all levels for all women. Fewer than 32,000 women participated in college sports before Title IX. Today, the number is 163,000. Opportunities for girls in high school have grown even more incredibly, from 294,000 to almost 2.8 million.

Athletic opportunities contribute to better health for women, and they also translate into better outcomes in many other areas as well. Participation in sports builds confidence, improves self-esteem, reduces stress, teaches teamwork, and improves achievement in education.

The female athletes of the past 31 years who have reaped the benefits of Title IX are a tribute to its success. Countless women have taken the lessons they learned on the playing field and applied them to the rest of their lives. They serve as role models for us all. And one of the things they have proved so clearly is that when the opportunities are there, women will show up to play.

But it's never clear sailing for Title IX. Despite all the progress in athletic opportunities under the current law, women continue to lag behind men in playing time and funding. Women in Division I colleges comprise 53 percent of the student body, but they receive only 41 percent of the opportunities to play in intercollegiate sports, 43 percent of athletic scholarship dollars, 36 percent of athletic budgets, and 32 percent of the dollars spent to recruit new athletes.

Even though parity is not yet achieved, a movement is under way to undermine Title IX. The Bush Administration's Commission on Opportunity in Athletics has issued recommendations that would drastically reduce its enforcement and put women and girls at a disadvantage by permitting schools to reduce athletic opportunities and scholarships for women. The Women's Sports Foundation estimates that college women would lose 50,000 slots and $122 million in scholarships under one of the Commission proposals. High school girls would lose 305,000 opportunities. What is needed is even stronger enforcement of Title IX, not weakening or modifying it. The Department of Education should concentrate its efforts on fully and fairly enforcing the existing law through existing mechanisms.

Current law on Title IX is fair, and it provides schools with flexibility in meeting its requirements. They can comply in any one of three ways: by showing that the percentages of male and female athletes are substantially proportionate to the percentage of male and female student enrolled full-time; by demonstrating a history and continuing practice of program expansion to meet the needs of the under-represented athletes; or by demonstrating that their interests and abilities have been fully and effectively accommodated.

This three-part test has been in place for over two decades, and has been supported by both Republican and Democratic administrations. It has been upheld by all eight Federal Courts of Appeals who have considered it.

Some critics claim that the first prongs of the three prong test, called the proportionality text, has become the de facto test of compliance. But in fact, 2 out of 3 schools comply with Title IX through the second and third options, not through proportionality.

The major complaint is that Title IX has hurt men's sports. Yet, since the beginning of Title IX implementation, men's participation in intercollegiate sports has actually increased, and so has the total number of teams for men. Nothing in Title IX or its policies requires schools to reduce men's opportunities. 72 percent of colleges and universities that had added women's teams have done so without cutting any teams for men. When schools have discontinued men's or women's teams, a lack of student interest was cited as the most important factor in the decision. Schools also discontinue men's and women's teams because of choices about how to allocate their resources. These decisions are not the product of a Title IX mandate.

Unfortunately, the President's Commission was not representative of the whole Title IX community. Two-thirds of the Commissioners represented Division I–A colleges, which have the largest men's basketball and football budgets and therefore the most to gain from weakening Title IX. No Division II or III colleges, no community colleges, and no high schools were represented, even though they tend to have the most successful record of implementation of Title IX. Twice as many opponents of Title IX were asked to testify before the Commission, compared to proponents of the law. Institutions that had been sued for non-compliance and lost their cases were invited to testify, but the women who were discriminated against and who brought these suits and the schools that have complied with the law successfully were not invited.

In response to the unfairness of the process and resulting findings, two of the Commissioners issued a minority report summarizing the problems with the Commission and its recommendations. Secretary of Education Paige has refused to consider the concerns raised in the minority report. Needless to say, the Commission was not fair and impartial, and it should not be the basis by which Congress judges Title IX. The Commission's proposals contradict the spirit of athletic equality and the intent to prohibit discrimination against girls and women in education.

Today, we submit a bipartisan resolution to maintain Title IX and strengthen its enforcement. Only then will full promise be achieved. We must retreat from the Nation's commitment to equal opportunity for women and girls in education and athletics. Girls and boys, women and men, need education opportunities such as athletics to allow them to build character, self-esteem and motivation. The past 31 years demonstrate the amazing advances that women and girls have made in athletics when they are given the opportunities to play, and it would be shameful for Congress or the Administration to misuse that extraordinary success as an excuse to retreat now.

AMENDMENTS SUBMITTED AND PROPOSED

SA 799. Mr. GRAHAM, of South Carolina submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table.

SA 800. Mr. DOMENICI submitted an amendment intended to be proposed by him to the bill S. 1050, supra; which was ordered to lie on the table.

SA 801. Mrs. FEINSTEIN (for herself, Mr. REID, and Mrs. BOXER) submitted an amendment intended to be proposed by her to the bill S. 1050, supra; which was ordered to lie on the table.

SA 802. Mr. LOTT submitted an amendment intended to be proposed by him to the bill S. 1050, supra; which was ordered to lie on the table.

SA 803. Mr. DODD submitted an amendment intended to be proposed by him to the bill S. 1050, supra; which was ordered to lie on the table.

SA 804. Mr. WARNER (for Mr. SMITH) proposed an amendment to the bill S. 1050, supra.

SA 805. Mr. LEVIN (for Mr. SARBANES (for himself and Ms. MIKULSKI)) proposed an amendment to the bill S. 1050, supra.

SA 806. Mr. LEVIN (for Mr. BIDEN (for himself and Mr. CARPER)) proposed an amendment to the bill S. 1050, supra.

SA 807. Mr. LEVIN (for Mr. BINGAMAN) proposed an amendment to the bill S. 1050, supra.

SA 808. Mr. WARNER (for Mr. SANTORUM) proposed an amendment to the bill S. 1050, supra.

SA 809. Mr. WARNER (for Mr. SANTORUM) proposed an amendment to the bill S. 1050, supra.

SA 810. Mr. WARNER (for Mr. DOMENICI (for himself and Mr. BINGAMAN)) proposed an amendment to the bill S. 1050, supra.

SA 811. Mr. WARNER (for himself and Mr. THOMAS) proposed an amendment to the bill S. 1050, supra.

SA 812. Mr. WARNER (for Mr. MCCAIN) proposed an amendment to the bill S. 1050, supra.

SA 813. Mr. WARNER (for Mr. SPECTER) proposed an amendment to the bill S. 1050, supra.

SA 814. Mr. WARNER (for Mr. CHAMBLISS) proposed an amendment to the bill S. 1050, supra.

SA 815. Mr. LEVIN (for Ms. MIKULSKI) proposed an amendment to the bill S. 1050, supra.

SA 816. Mr. WARNER (for Mr. BENNETT) proposed an amendment to the bill S. 1050, supra.

SA 817. Mr. WARNER (for Mr. MCCAIN (for himself, Mr. SESSIONS, Mr. GRAHAM, of South Carolina, and Mr. BAYH)) proposed an amendment to the bill S. 1050, supra.

SA 818. Mr. LEVIN (for Mrs. BOXER) proposed an amendment to the bill S. 1050, supra.

SA 819. Mr. WARNER proposed an amendment to the bill S. 1050 , supra.

SA 820. Mr. WARNER (for Mr. SESSIONS) proposed an amendment to the bill S. 1050, supra.

SA 821. Mr. LEVIN (for Ms. LANDRIEU (for himself, Mr. LEVIN, Ms. MURKOWSKI, and Mr. BREAUX)) proposed an amendment to the bill S. 1050, supra.

SA 822. Mr. WARNER proposed an amendment to the bill S. 1050 , supra.

SA 823. Mr. LEVIN (for Ms. LANDRIEU (for himself and Mr. BREAUX)) proposed an amendment to the bill S. 1050, supra.

SA 824. Mr. LEVIN (for Mrs. FEINSTEIN (for himself, Mr. REID, and Mrs. BOXER)) proposed an amendment to the bill S. 1050, supra.

SA 825. Mrs. BOXER (for herself and Mr. CORZINE) proposed an amendment to the bill S. 1050, supra.

SA 826. Mr. WARNER (for himself, Mrs. BOXER, and Mr. LAUTENBERG) proposed an amendment to the bill S. 1050, supra.

SA 827. Mr. DOMENICI (for himself, Mr. MCCAIN, Mr. NELSON, of Florida, and Mr. CORNYN) submitted an amendment intended to be proposed by him to the bill S. 1050, supra; which was ordered to lie on the table.

SA 828. Mr. LEVIN (for Mr. KERRY (for himself and Mr. KENNEDY)) proposed an amendment to the bill S. 1050, supra.

SA 829. Mr. WARNER (for Mr. VOINOVICH (for himself and Mr. DEWINE)) proposed an amendment to the bill S. 1050, supra.

SA 830. Mr. WARNER (for Mrs. HUTCHISON) proposed an amendment to the bill S. 1050, supra.

SA 831. Mr. WARNER (for Mr. DOMENICI (for himself, Mr. MCCAIN, Mr. NELSON, of Florida, and Mr. CORNYN)) proposed an amendment to the bill S. 1050, supra.

TEXT OF AMENDMENTS

SA 799. Mr. GRAHAM of South Carolina submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

On page 40, between lines 7 and 8, insert the following:

SEC. 235. COLLABORATIVE INFORMATION WARFARE NETWORK.

(a) INCREASE IN RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, NAVY.—The amount authorized to be appropriated by section 201(2) for research, development, test, and evaluation for the Navy is hereby increased by $8,000,000.

(b) AVAILABILITY FOR COLLABORATIVE INFORMATION WARFARE NETWORK.—Of the amount authorized to be appropriated by section 201(2) for research, development, test, and evaluation for the Navy, as increased by subsection (a), $8,000,000 may be available for the Collaborative Information Warfare Network.

(c) OFFSET.—The amount authorized to be appropriated by section 301(4) for operation and maintenance for the Air Force is hereby reduced by $8,000,000.

SA 800. Mr. DOMENICI submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

At the end of subtitle B of title II, add the following:

SEC. 213. BORON ENERGY CELL TECHNOLOGY.

(a) INCREASE IN RDT&E, AIR FORCE.—The amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force is hereby increased by $5,000,000.

(b) AVAILABILITY FOR BORON ENERGY CELL TECHNOLOGY.—(1) of the amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force, as increased by subsection (a), $5,000,000 may be available for research, development, test, and evaluation on boron energy cell technology.

(2) The amount available under paragraph (1) for the purpose specified in that paragraph is in addition to any other amounts available under this Act for that purpose.

(c) OFFSET FROM OPERATIONS AND MAINTENANCE, ARMY.—The amount authorized to be appropriated by section 301(1), for operations and maintenance for the Army is hereby reduced by $5,000,000.

SA 801. Mrs. FEINSTEIN (for herself, Mr. REID, and Mrs. BOXER) submitted an amendment intended to be proposed by her to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

At the end of subtitle B of title III, add the following:

SEC. 332. SUBMITTAL OF SURVEY ON PERCHLORATE CONTAMINATION AT DEPARTMENT OF DEFENSE SITES.

(a) SUBMITTAL OF PERCHLORATE SURVEY.—Not later than 30 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the appropriate committees of Congress the 2001 survey to identify the potential for perchlorate contamination at all active and closed Department of Defense sites that was prepared by the United States Air Force Research Laboratory, Aerospace Expeditionary Force Technologies Division, Tyndall Air Force Base and Applied Research Associates.

(b) APPROPRIATE COMMITTEES OF CONGRESS DEFINED.—In this section, the term ''appropriate committees of Congress'' means—

(1) the Committee on Environment and Public Works of the Senate; and

(2) the Committee on Energy and Commerce of the House of Representatives.

SA 802. Mr. LOTT submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

On page 25, between lines 11 and 12, and insert the following:

SEC. 213. COMPOSITE SAIL TEST ARTICLES.

(a) AMOUNT FOR ARTICLES.—Of the total amount authorized to be appropriated under section 201(2) for Virginia class submarine development, $2,000,000 shall be available for the development and fabrication of composite sail test articles for incorporation into designs for future submarines.

(b) ADJUSTMENTS IN AUTHORIZATIONS OF APPROPRIATIONS.—(1) The total amount authorized to be appropriated under section 201(2) is hereby increased by $2,000,000, the additional amount to be available for Virginia class submarine development.

(2) The total amount authorized to be appropriated under section 104 is hereby reduced by $2,000,000, to be derived from amounts for Special Operations Forces operational enhancements.

SA 803. Mr. DODD submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year

for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

Strike section 852, and insert the following:

SEC. 852. FEDERAL SUPPORT FOR ENHANCEMENT OF STATE AND LOCAL ANTI-TERRORISM RESPONSE CAPABILITIES.

(a) PROCUREMENTS OF ANTI-TERRORISM TECHNOLOGIES AND SERVICES BY STATE AND LOCAL GOVERNMENTS THROUGH FEDERAL CONTRACTS.—

(1) ESTABLISHMENT OF PROGRAM.—The President shall designate an officer or employee of the United States—

(A) to establish, and the designated official shall establish, a program under which States and units of local government may procure through contracts entered into by the designated official anti-terrorism technologies or anti-terrorism services for the purpose of preventing, detecting, identifying, otherwise deterring, or recovering from acts of terrorism; and

(B) to carry out the SAFER grant program provided for under subsection (f).

(2) DESIGNATED FEDERAL PROCUREMENT OFFICIAL FOR PROGRAM.—In this section, the officer or employee designated by the President under paragraph (1) shall be referred to as the ''designated Federal procurement official''.

(3) AUTHORITIES.—Under the program, the designated Federal procurement official—

(A) may, but shall not be required to, award contracts using the same authorities as are provided to the Administrator of General Services under section 309(b)(3) of the Federal Property and Administrative Services Act (41 U.S.C. 259(b)(3)); and

(B) may make SAFER grants in accordance with subsection (f).

(4) OFFERS NOT REQUIRED TO STATE AND LOCAL GOVERNMENTS.—A contractor that sells anti-terrorism technology or anti-terrorism services to the Federal Government may not be required to offer such technology or services to a State or unit of local government under the program.

(b) RESPONSIBILITIES OF THE CONTRACTING OFFICIAL.—In carrying out the program established under this section, the designated Federal procurement official shall—

(1) produce and maintain a catalog of anti-terrorism technologies and anti-terrorism services suitable for procurement by States and units of local government under this program; and

(2) establish procedures in accordance with subsection (c) to address the procurement of anti-terrorism technologies and anti-terrorism services by States and units of local government under contracts awarded by the designated official.

(c) REQUIRED PROCEDURES.—The procedures required by subsection (b)(2) shall implement the following requirements and authorities:

(1) SUBMISSIONS BY STATES.—

(A) REQUESTS AND PAYMENTS.—Except as provided in subparagraph (B), each State desiring to participate in a procurement of anti-terrorism technologies or anti-terrorism services through a contract entered into by the designated Federal procurement official under this section shall submit to that official in such form and manner and at such times as such official prescribes, the following:

(i) REQUEST.—A request consisting of an enumeration of the technologies or services, respectively, that are desired by the State and units of local government within the State.

(ii) PAYMENT.—Advance payment for each requested technology or service in an amount determined by the designated official based on estimated or actual costs of the technology or service and administrative costs incurred by such official.

(B) OTHER CONTRACTS.—The designated Federal procurement official may award and designate contracts under which States and units of local government may procure anti-terrorism technologies and anti-terrorism services directly from the contractors. No indemnification may be provided under Public Law 85–804 pursuant to an exercise of authority under section 851 for procurements that are made directly between contractors and States or units of local government.

(2) PERMITTED CATALOG TECHNOLOGIES AND SERVICES.—A State may include in a request submitted under paragraph (1) only a technology or service listed in the catalog produced under subsection (b)(1).

(3) COORDINATION OF LOCAL REQUESTS WITHIN STATE.—The Governor of a State may establish such procedures as the Governor considers appropriate for administering and coordinating requests for anti-terrorism technologies or anti-terrorism services from units of local government within the State.

(4) SHIPMENT AND TRANSPORTATION COSTS.—A State requesting anti-terrorism technologies or anti-terrorism services shall be responsible for arranging and paying for any shipment or transportation of the technologies or services, respectively, to the State and localities within the State.

(d) REIMBURSEMENT OF ACTUAL COSTS.—In the case of a procurement made by or for a State or unit of local government under the procedures established under this section, the designated Federal procurement official shall require the State or unit of local government to reimburse the Department for the actual costs it has incurred for such procurement.

(e) TIME FOR IMPLEMENTATION.—The catalog and procedures required by subsection (b) of this section shall be completed as soon as practicable and no later than 210 days after the enactment of this Act.

(f) SAFER GRANT PROGRAM.—

(1) AUTHORITY.—The designated Federal procurement official in cooperation with the Secretary of the Department of Homeland Security or his designee, is authorized to make grants to eligible entities for the purpose of supporting increases in the number of permanent positions for firefighters in fire services to ensure staffing at levels and with skill mixes that are adequate emergency response to incidents or threats of terrorism.

(2) USE OF FUNDS.—The proceeds of a SAFER grant to an eligible entity may be used only for the purpose specified in paragraph (1).

(3) DURATION.—A SAFER grant to an eligible entity shall provide funding for a period of 4 years. The proceeds of the grant shall be disbursed to the eligible entity in 4 equal annual installments.

(4) NON-FEDERAL SHARE.—

(A) REQUIREMENT.—An eligible entity may receive a SAFER grant only if the entity enters into an agreement with the designated Federal procurement official to contribute non-Federal funds to achieve the purpose of the grant in the following amounts:

(i) During the second year in which funds of a SAFER grant are received, an amount equal to 25 percent of the amount of the SAFER grant funds received that year.

(ii) During the third year in which funds of a SAFER grant are received, an amount equal to 50 percent of the amount of the SAFER grant funds received that year.

(iii) During the fourth year in which funds of a SAFER grant are received, an amount equal to 75 percent of the amount of the SAFER grant funds received that year.

(B) WAIVER.—The designated Federal procurement official may waive the requirement for a non-Federal contribution described in subparagraph (A) in the case of any eligible entity.

(C) ASSET FORFEITURE FUNDS.—An eligible entity may use funds received from the disposal of property transferred to the eligible entity pursuant to section 9703(h) of title 31, United States Code, section 981(e) of title 18, United States Code, or section 616 of the Tariff Act of 1930 (19 U.S.C. 1616a) to provide the non-Federal share required under paragraph (1).

(D) BIA FUNDS.—Funds appropriated for the activities of any agency of a tribal organization or for the Bureau of Indian Affairs to perform firefighting functions on any Indian lands may be used to provide the share required under subparagraph (A), and such funds shall be deemed to be non-Federal funds for such purpose.

(5) APPLICATIONS.—

(A) REQUIREMENT.—To receive a SAFER grant, an eligible entity shall submit an application for the grant to the designated Federal procurement official.

(B) CONTENT.—Each application for a SAFER grant shall contain, for each fire service covered by the application, the following information:

(i) A long-term strategy for increasing the force of firefighters in the fire service to ensure readiness for appropriate and effective emergency response to incidents or threats of terrorism.

(ii) A detailed plan for implementing the strategy that reflects consultation with community groups, consultation with appropriate private and public entities, and consideration of any master plan that applies to the eligible entity.

(iii) An assessment of the ability of the eligible entity to increase the force of firefighters in the fire service without Federal assistance.

(iv) An assessment of the levels of community support for increasing that force, including financial and in-kind contributions and any other available community resources.

(v) Specific plans for obtaining necessary support and continued funding for the firefighter positions proposed to be added to the fire service with SAFER grant funds.

(vi) An assurance that the eligible entity will, to the extent practicable, seek to recruit and employ (or accept the voluntary services of) firefighters who are members of racial and ethnic minority groups or women.

(vii) Any additional information that the designated Federal procurement official considers appropriate.

(C) SPECIAL RULE FOR SMALL COMMUNITIES.—The designated Federal procurement official may authorize an eligible entity responsible for a population of less than 50,000 to submit an application without information required under subparagraph (B), and may otherwise make special provisions to facilitate the expedited submission, processing, and approval of an application by such an entity.

(D) PREFERENTIAL CONSIDERATION.—The designated Federal procurement official may give preferential consideration, to the extent feasible, to an application submitted by an eligible entity that agrees to contribute a non-Federal share higher than the share required under paragraph (4)(A).

(E) ASSISTANCE WITH APPLICATIONS.—The designated Federal procurement official is authorized to provide technical assistance to an eligible entity for the purpose of assisting with the preparation of an application for a SAFER grant.

(6) SPECIAL RULES ON USE OF FUNDS.—

(A) SUPPLEMENT NOT SUPPLANT.—The proceeds of a SAFER grant made to an eligible entity shall be used to supplement and not

supplant other Federal funds, State funds, or funds from a subdivision of a State, or, in the case of a tribal organization, funds supplied by the Bureau of Indian Affairs, that are available for salaries or benefits for firefighters.

(B) LIMITATION RELATING TO COMPENSATION OF FIREFIGHTERS.—

(i) IN GENERAL.—The proceeds of a SAFER grant may not be used to fund the pay and benefits of a full-time firefighter if the total annual amount of the pay and benefits for that firefighter exceeds $100,000. The designated Federal procurement official may waive the prohibition in the proceeding sentence in any particular case.

(ii) ADJUSTMENT FOR INFLATION.—Effective on October 1 of each year, the total annual amount applicable under subparagraph (A) shall be increased by the percentage (rounded to the nearest one-tenth of one percent) by which the Consumer Price Index for all-urban consumers published by the Department of Labor for July of such year exceeds the Consumer Price Index for all-urban consumers published by the Department of Labor for July of the preceding year. The first adjustment shall be made on October 1, 2004.

(7) PERFORMANCE EVALUATION.—

(A) REQUIREMENT FOR INFORMATION.—The designated Federal procurement official shall evaluate, each year, whether an entity receiving SAFER grant funds in such year is substantially complying with the terms and conditions of the grant. The entity shall submit to the designated Federal procurement official any information that the designated Federal procurement official requires for that year for the purpose of the evaluation.

(B) REVOCATION OR SUSPENSION OF FUNDING.—If the designated Federal procurement official determines that a recipient of a SAFER grant is not in substantial compliance with the terms and conditions of the grant the designated Federal procurement official may revoke or suspend funding of the grant.

(8) ACCESS TO DOCUMENTS.—

(A) AUDITS BY DESIGNATED FEDERAL PROCUREMENT OFFICIAL.—The designated Federal procurement official shall have access for the purpose of audit and examination to any pertinent books, documents, papers, or records of an eligible entity that receives a SAFER grant.

(B) AUDITS BY THE COMPTROLLER GENERAL.—Subparagraph (A) shall also apply with respect to audits and examinations conducted by the Comptroller General of the United States or by an authorized representative of the Comptroller General.

(9) TERMINATION OF SAFER GRANT AUTHORITY.—

(A) IN GENERAL.—The authority to award a SAFER grant shall terminate at the end of September 30, 2010.

(B) REPORT TO CONGRESS.—Not later than two years after the date of the enactment of this Act, the designated Federal procurement official shall submit to Congress a report on the SAFER grant program under this section. The report shall include an assessment of the effectiveness of the program for achieving its purpose, and may include any recommendations that the designated Federal procurement official has for increasing the forces of firefighters in fire services.

(10) DEFINITIONS.—In this subsection:

(A) ELIGIBLE ENTITY.—The term ''eligible entity'' means—

(i) a State;

(ii) a subdivision of a State;

(iii) a tribal organization;

(iv) any other public entity that the designated Federal procurement official determines appropriate for eligibility under this section; and

(v) a multijurisdictional or regional consortium of the entities described in clauses (i) through (iv).

(B) FIREFIGHTER.—The term ''firefighter'' means an employee or volunteer member of a fire service, including a firefighter, paramedic, emergency medical technician, rescue worker, ambulance personnel, or hazardous materials worker, who—

(i) is trained in fire suppression and has the legal authority and responsibility to engage in fire suppression; or

(ii) is engaged in the prevention, control, and extinguishment of fires or response to emergency situations where life, property, or the environment is at risk.

(C) FIRE SERVICE.—The term ''fire service'' includes an organization described in section 4(5) of the Federal Fire Prevention and Control Act of 1974 that is under the jurisdiction of a tribal organization.

(D) MASTER PLAN.—The term ''master plan'' has the meaning given the term in section 10 of the Federal Fire Prevention and Control Act of 1974.

(E) SAFER GRANT.—The term 'SAFER grant' means a grant of financial assistance under this subsection.

(F) TRIBAL ORGANIZATION.—The term ''tribal organization'' has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(11) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for the purpose of carrying out this section such sums as may be necessary from the Department of Homeland Security, up to—

(A) $1,000,000,000 for fiscal year 2004;

(B) $1,030,000,000 for fiscal year 2005;

(C) $1,061,000,000 for fiscal year 2006;

(D) $1,093,000,000 for fiscal year 2007;

(E) $1,126,000,000 for fiscal year 2008;

(F) $1,159,000,000 for fiscal year 2009; and

(G) $1,194,000,000 for fiscal year 2010.

SA 804. Mr. WARNER (for Mr. SMITH) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle C of title XXVIII, add the following:

SEC. 2825. LAND EXCHANGE, NAVAL AND MARINE CORPS RESERVE CENTER, PORTLAND OREGON.

(a) CONVEYANCE AUTHORIZED.—The Secretary of the Navy may convey to the United Parcel Service, Inc. (in this section referred to as ''UPS''), any or all right, title, and interest of the United States in and to a parcel of real property, including improvements thereon, consisting of approximately 14 acres in Portland, Oregon, and comprising the Naval and Marine Corps Reserve Center for the purpose of facilitating the expansion of the UPS main distribution complex in Portland.

(b) PROPERTY RECEIVED IN EXCHANGE.—(1) As consideration for the conveyance under subsection (a), UPS shall —

(A) convey to the United States a parcel of real property determined to be suitable by the Secretary; and

(B) design, construct, and convey such replacement facilities on the property conveyed under subparagraph (A) as the Secretary considers appropriate.

(2) The value of the real property and replacement facilities received by the Secretary under this subsection shall be at least equal to the fair market value of the real property conveyed under subsection (a), as determined by the Secretary.

(c) PAYMENT OF COSTS OF CONVEYANCE.—(1) The Secretary may require UPS to cover costs to be incurred by the Secretary, or to reimburse the Secretary for costs incurred by the Secretary, to carry out the conveyance under subsection (a), including survey costs, costs related to environmental documentation, relocation expenses incurred under subsection (b), and other administrative costs related to the conveyance. If amounts are collected from UPS in advance of the Secretary incurring the actual costs, and the amount collected exceeds the costs actually incurred by the Secretary to carry out the conveyance, the Secretary shall refund the excess amount to UPS.

(2) Amounts received as reimbursement under paragraph (1) shall be credited to the fund or account that was used to cover the costs incurred by the Secretary in carrying out the conveyance. Amounts so credited shall be merged with amounts in such fund or account, and shall be available for the same purposes, and subject to the same conditions and limitations, as amounts in such fund or account.

(d) CONDITION OF CONVEYANCE.—The Secretary may not make the conveyance authorized by subsection (a) until the Secretary determines that the replacement facilities required by subsection (b) are suitable and available for the relocation of the operations of the Naval and Marine Corps Reserve Center.

(e) EXEMPTION FROM FEDERAL SCREENING.—The conveyance authorized by subsection (a) is exempt from the requirement to screen the property for other Federal use pursuant to sections 2693 and 2696 of title 10, United States Code.

(f) DESCRIPTION OF PROPERTY.—The exact acreage and legal description of the property to be conveyed under this section shall be determined by surveys satisfactory to the Secretary.

(g) ADDITIONAL TERMS AND CONDITIONS.—The Secretary may require such additional terms and conditions in connection with the conveyances under this section as the Secretary considers appropriate to protect the interests of the United States.

SA 805. Mr. LEVIN (for Mr. SARBANES (for himself and Ms. MIKULSKI)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 370, between lines 15 and 16, insert the following new section:

SEC. 2825. LAND CONVEYANCE, FORT RITCHIE, MARYLAND.

(a) CONVEYANCE AUTHORIZED.—The Secretary of the Army shall convey, without consideration, to the PenMar Development Corporation, a public instrumentality of the State of Maryland (in this section referred to as the ''Corporation''), all right, title, and interest of the United States in and to a parcel of real property, including improvements thereon, at former Fort Ritchie, Cascade, Maryland, consisting of approximately 33 acres, that is currently being leased by the International Masonry Institute (in this section referred to as the ''Institute''), for the purpose of enabling the Corporation to sell the property to the Institute for the economic development of former Fort Ritchie.

(b) EXEMPTION FROM FEDERAL SCREENING REQUIREMENT.—The conveyance authorized

by subsection (a) shall be exempt from the requirement to screen the property concerned for further Federal use pursuant to section 2696 of title 10, United States Code, under the Defense Base and Realignment Act of 1990 (part A of title XXIX of Public Law 101–510; 10 U.S.C. 2687 note) or under any other applicable law or regulation.

(c) DESCRIPTION OF PROPERTY.—The exact acreage and legal description of the real property to be conveyed under subsection (a) shall be determined by a survey satisfactory to the Secretary. The cost of the survey shall be borne by the Corporation.

(d) ADDITIONAL TERMS AND CONDITIONS.—The Secretary may require such additional terms and conditions in connection with the conveyance under subsection (a) as the Secretary considers appropriate to protect the interests of the United States.

SA 806. Mr. LEVIN (for Mr. BIDEN (for himself and Mr. CARPER)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

(a) In section 411(a)(5), relating to the authorized strength for Selected Reserve personnel of the Air National Guard of the United States as of September 30, 2004, strike ''107,000'' and insert ''107,030''.

(b) The total amount authorized to be appropriated under section 104 is hereby reduced by $3,300,000, including $2,100,000 from SOF rotary wing upgrades and $1,200,000 from SOF operational enhancements.

SA 807. Mr. LEVIN (for Mr. BINGAMAN) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle B of title II, add the following:

SEC. 213. MAGNETIC LEVITATION.

(a) INCREASE IN AUTHORIZATION OF APPROPRIATIONS.—The amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force is hereby increased by $2,100,000, with the amount of the increase to be allocated to Major T&E Investment (PE 0604759F).

(b) AVAILABILITY.—(1) Of the amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force and available for Major T&E Investment, as increased by subsection (a), $2,100,000 may be available for research and development on magnetic levitation technologies at the high speed test track at Holloman Air Force Base, New Mexico.

(2) The amount available under paragraph (1) for the purpose specified in that paragraph is in addition to any other amounts available under this Act for that purpose.

(c) OFFSET.—The amount authorized to be appropriated by section 301(4) for operation and maintenance, Air Force, is hereby reduced by $2,100,000.

SA 808. Mr. WARNER (for Mr. SANTORUM) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

In subtitle B of title I, add after the subtitle heading the following:

SEC. 111. RAPID INFUSION PUMPS.

(a) AVAILABILITY OF FUNDS.—(1) Of the amount authorized to be appropriated by section 101(5) for other procurement, Army, $2,000,000 may be available for medical equipment for the procurement of rapid infusion (IV) pumps.

(2) The total amount authorized to be appropriated under section 101(5) is hereby increased by $2,000,000.

(b) OFFSET.—Of the amount authorized to be appropriated by section 301(1) for operations and maintenance, Army, the amount available is hereby reduced by $2,000,000.

SA 809. Mr. WARNER (for Mr. SANTORUM) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle B of title II, add the following:

SEC. 213. PORTABLE MOBILE EMERGENCY BROADBAND SYSTEMS.

(a) AVAILABILITY OF FUNDS.—(1) Of the amount authorized to be appropriated by section 201(1) for research, development, test, and evaluation for the Army, $2,000,000 may be available for the development of Portable Mobile Emergency Broadband Systems (MEBS).

(2) The total amount authorized to be appropriated under section 201(1) is hereby increased by $2,000,000.

(b) OFFSET.—The amount authorized to be appropriated by section 104 for Procurement, Defense-wide activities, SOF Operational Enhancements is hereby reduced by $2,000,000.

SA 810. Mr. WARNER (for Mr. DOMENICI (for himself and Mr. BINGAMAN)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle B of title II, add the following:

SEC. 213. BORON ENERGY CELL TECHNOLOGY.

(a) INCREASE IN RDT&E, AIR FORCE.—The amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force is hereby increased by $5,000,000.

(b) AVAILABILITY FOR BORON ENERGY CELL TECHNOLOGY.—(1) of the amount authorized to be appropriated by section 201(3) for research, development, test, and evaluation for the Air Force, as increased by subsection (a), $5,000,000 may be available for research, development, test, and evaluation on boron energy cell technology.

(2) The amount available under paragraph (1) for the purpose specified in that paragraph is in addition to any other amounts available under this Act for that purpose.

(c) OFFSET FROM OPERATIONS AND MAINTENANCE, ARMY.—The amount authorized to be appropriated by section 301(1), for operations and maintenance for the Army is hereby reduced by $5,000,000.

SA 811. Mr. WARNER (for himself and Mr. THOMAS)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 278, beginning on line 16, strike ''**FOR ASIA-PACIFIC CENTER FOR SECURITY STUDIES**''.

On page 280, after the matter following line 7, insert the following:

(c) ACCEPTANCE OF GUARANTEES WITH GIFTS IN DEVELOPMENT OF MARINE CORPS HERITAGE CENTER, MARINE CORPS BASE, QUANTICO, VIRGINIA.—(1) The Secretary of the Navy may utilize the authority in section 6975 of title 10, United States Code, for purposes of the project to develop the Marine Corps Heritage Center at Marine Corps Base, Quantico, Virginia, authorized by section 2884 of the Military Construction Authorization Act for Fiscal Year 2001 (division B of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001; as enacted into law by Public Law 106–398; 114 Stat. 1654A–440).

(2) The authority in paragraph (1) shall expire on December 31, 2006.

(3) The expiration under paragraph (2) of the authority in paragraph (1) shall not effect any qualified guarantee accepted pursuant to such authority for purposes of the project referred to in paragraph (1) before the date of the expiration of such authority under paragraph (2).

SA 812. Mr. WARNER (for Mr. MCCAIN) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 43, strike lines 4 through 9 and insert the following:

''SEC. 311. EMERGENCY AND MORALE COMMUNICATIONS PROGRAMS.

(a) ARMED FORCES EMERGENCY SERVICES.—Of the amount authorized to be appropriated by section 301(5) for operation and maintenance for Defense-wide activities, $5,000,000 shall be made available to the American Red Cross to fund the Armed Forces Emergency Services.

(b) DEPARTMENT OF DEFENSE MORALE TELECOMMUNICATIONS PROGRAM.—(1) As soon as possible after the date of enactment of this Act, the Secretary of Defense shall establish and carry out a program to provide, wherever practicable, prepaid phone cards, or an equivalent telecommunications benefit which includes access to telephone service, to members of the Armed Forces stationed outside the United States who are directly supporting military operations in Iraq or Afghanistan (as determined by the Secretary)

to enable them to make telephone calls to family and friends in the United States without cost to the member.

(2) The value of the benefit provided by paragraph (1) shall not exceed $40 per month per person.

(3) The program established by paragraph (1) shall terminate on September 30, 2004.

(4) In carrying out the program under this subsection, the Secretary shall maximize the use of existing Department of Defense telecommunications programs and capabilities, private entities free or reduced-cost services, and programs to enhance morale and welfare. In addition, and notwithstanding any limitation on the expenditure or obligation of appropriated amounts, the Secretary may use available funds appropriated to or for the use of the Department of Defense that are not otherwise obligated or expended to carry out the program.

(5) The Secretary may accept gifts and donations in order to defray the costs of the program. Such gifts and donations may be accepted from foreign governments; foundations or other charitable organizations, including those organized or operating under the laws of a foreign country; and any source in the private sector of the United States or a foreign country.

(6) The Secretary shall work with telecommunications providers to facilitate the deployment of additional telephones for use in calling the United States under the program as quickly as practicable, consistent with the timely provision of telecommunications benefits of the program, the Secretary should carry out this subsection in a manner that allows for competition in the provision of such benefits.

(7) The Secretary shall not take any action under this subsection that would compromise the military objectives or mission of the Department of Defense.

At the appropriate place, insert the following new section:

SEC. ___. AIR FARES FOR MEMBERS OF ARMED FORCES.

It is the sense of the Senate that each United States air carrier should—

(1) make every effort to allow active duty members of the armed forces to purchase tickets, on a space-available basis, for the lowest fares offered for the flights desired, without regard to advance purchase requirements and other restrictions; and

(2) offer flexible terms that allow members of the armed forces on active duty to purchase, modify, or cancel tickets without time restrictions, fees, or penalties.

At the end of subtitle B of title II, add the following:

SEC. 213. MODIFICATION OF PROGRAM ELEMENT OF SHORT-RANGE AIR DEFENSE RADAR PROGRAM OF THE ARMY.

The program element of the short-range air defense radar program of the Army may be modified from Program Element 602303A (Missile Technology) to Program Element 603772A (Advanced Tactical Computer Science and Sensor Technology).

On page 169, between lines 5 and 6, insert the following:

(d) INTEGRATED HEALING CARE PRACTICES.—(1) The Secretary of Defense and the Secretary of Veterans Affairs may, acting through the Department of Veterans Affairs–Department of Defense Joint Executive Committee, conduct a program to develop and evaluate integrated healing care practices for members of the Armed Forces and veterans.

(2) Amounts authorized to be appropriated by section 301(21) for the Defense Health Program may be available for the program under paragraph (1).

SA 816. Mr. WARNER (for Mr. BENNETT) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 276, between lines 5 and 6, insert the following:

SEC. 1025. STUDY OF BERYLLIUM INDUSTRIAL BASE.

(a) REQUIREMENT FOR STUDY.—The Secretary of Defense shall conduct a study of the adequacy of the industrial base of the United States to meet defense requirements of the United States for beryllium.

(b) REPORT.—Not later than January 30, 2004, the Secretary shall submit a report on the results of the study to Congress. The report shall contain, at a minimum, the following information:

(1) A discussion of the issues identified with respect to the long-term supply of beryllium.

(2) An assessment of the need, if any, for modernization of the primary sources of production of beryllium.

(3) A discussion of the advisability of, and concepts for, meeting the future defense requirements of the United States for beryllium and maintaining a stable domestic industrial base of sources of beryllium through—

(A) cooperative arrangements commonly referred to as public-private partnerships;

(B) the administration of the National Defense Stockpile under the Strategic and Critical Materials Stock Piling Act; and

(C) any other means that the Secretary identifies as feasible.

SA 817. Mr. WARNER (for Mr. MCCAIN (for himself, Mr. SESSIONS, Mr. GRAHAM of South Carolina, and Mr. BAYH)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 310, between lines 9 and 10, insert the following:

(D) A discussion of NATO decisionmaking on the implementation of the Prague Capabilities Commitment and the development of the NATO Response Force, including—

(i) an assessment whether the Prague Capabilities Commitment and the NATO Response Force are the sole jurisdiction of the Defense Planning Committee, the North Atlantic Council, or the Military Committee;

(ii) a description of the circumstances which led to the defense, military, security, and nuclear decisions of NATO on matters such as the Prague Capabilities Commitment and the NATO Response Force being made in bodies other than the Defense Planning Committee;

(iii) a description of the extent to which any member that does not participate in the integrated military structure of NATO contributes to each of the component committees of NATO, including any and all committees relevant to the Prague Capabilities Commitment and the NATO Response Force;

(iv) a description of the extent to which any member that does not participate in the integrated military structure of NATO participates in deliberations and decisions of NATO on resource policy, contribution ceilings, infrastructure, force structure, modernization, threat assessments, training, exercises, deployments, and other issues related to the Prague Capabilities Commitment or the NATO Response Force;

(v) a description and assessment of the impediments, if any, that would preclude or limit NATO from conducting deliberations and making decisions on matters such as the Prague Capabilities Commitment or the NATO Response Force solely in the Defense Planning Committee;

(vi) the recommendations of the Secretary of Defense on streamlining defense, military, and security decisionmaking within NATO relating to the Prague Capabilities Commitment, and NATO Response Force, and other matters, including an assessment of the feasibility and advisability of the greater utilization of the Defense Planning Committee for such purposes; and

(vii) if a report under this subparagraph is a report other than the first report under this subparagraph, the information submitted in such report under any of clauses (i) through (vi) may consist solely of an update of any information previously submitted under the applicable clause in a preceding report under this subparagraph.

SA 818. Mr. LEVIN (for Mrs. BOXER) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the appropriate place, add the following:

GAO STUDY.—Not later than April 1, 2004, the Comptroller General shall submit a report regarding the adequacy of special pays and allowances for service members who experience frequent deployments away from their permanent duty stations for periods less than 30 days. The policies regarding eligibility for family separation allowance, including those relating to required duration of absences from the permanently assigned duty station, should be assessed.

SA 819. Mr. WARNER proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 25, between lines 11 and 12, insert the following:

SEC. 213. AMOUNT FOR NETWORK CENTRIC OPERATIONS.

Of the amount authorized to be appropriated under section 201(1) for historically Black colleges and universities, $1,000,000 may be used for funding the initiation of a capability in such institutions to support the network centric operations of the Department of Defense.

SA 820. Mr. WARNER (for Mr. SESSIONS) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 155, between lines 10 and 11, insert the following:

(c) DEATH BENEFITS STUDY.—(1) It is the sense of Congress that—

(A) the sacrifices made by the members of the United States Armed Forces are significant and are worthy of meaningful expressions of gratitude by the Government of the United States, especially in cases of sacrifice through loss of life;

(B) the tragic events of September 11, 2001, and subsequent worldwide combat operations in the Global War on Terrorism and in Operation Iraqi Freedom have highlighted the significant disparity between the financial benefits for survivors of deceased members of the Armed Forces and the financial benefits for survivors of civilian victims of terrorism;

(C) the death benefits system composed of the death gratuity paid by the Department of Defense to survivors of members of the Armed Forces, the subsequently established Servicemembers' Group Life Insurance (SGLI) program, and other benefits for survivors of deceased members has evolved over time, but there are increasing indications that the evolution of such benefits has failed to keep pace with the expansion of indemnity and compensation available to segments of United States society outside the Armed Forces, a failure that is especially apparent in a comparison of the benefits for survivors of deceased members with the compensation provided to families of civilian victims of terrorism; and

(D) while Servicemembers' Group Life Insurance (SGLI) provides an assured source of life insurance for members of the Armed Forces that benefits the survivors of such members upon death, the SGLI program requires the members to pay for that life insurance coverage and does not provide an assured minimum benefit.

(2) The Secretary of Defense shall carry out a study of the totality of all current and projected death benefits for survivors of deceased members of the Armed Forces to determine the adequacy of such benefits. In carrying out the study, the Secretary shall—

(A) compare the Federal Government death benefits for survivors of deceased members of the Armed Forces with commercial and other private sector death benefits plans for segments of United States society outside the Armed Forces, and also with the benefits available under Public Law 107–37 (115 Stat. 219) (commonly known as the ''Public Safety Officer Benefits Bill'');

(B) assess the personnel policy effects that would result from a revision of the death gratuity benefit to provide a stratified schedule of entitlement amounts that places a premium on deaths resulting from participation in combat or from acts of terrorism;

(C) assess the adequacy of the current system of Survivor Benefit Plan annuities and Dependency and Indemnity Compensation and the anticipated effects of an elimination of the offset of Survivor Benefit Plan annuities by Dependency and Indemnity Compensation;

(D) examine the commercial insurability of members of the Armed Forces in high risk military occupational specialties; and

(E) examine the extent to which private trusts and foundations engage in fundraising or otherwise provide financial benefits for survivors of deceased members of the Armed Forces.

(3) Not later than March 1, 2004, the Secretary shall submit a report on the results of the study under paragraph (2) to the Committees on Armed Services of the Senate and the House of Representatives. The report shall include the following:

(A) The assessments, analyses, and conclusions resulting from the study.

(B) Proposed legislation to address the deficiencies in the system of Federal Government death benefits for survivors of deceased members of the Armed Forces that are identified in the course of the study.

(C) An estimate of the costs of the system of death benefits provided for in the proposed legislation.

(4) The Comptroller General shall conduct a study to identify the death benefits that are payable under Federal, State, and local laws for employees of the Federal Government, State governments, and local governments. Not later than November 1, 2003, the Comptroller General shall submit a report containing the results of the study to the Committees on Armed Services of the Senate and the House of Representatives.

SA 821. Mr. LEVIN (for Ms. LANDRIEU (for herself, Mr. LEVIN, Ms. MURKOWSKI, and Mr. BREAUX)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 291, between lines 14 and 15, insert the following:

SEC. 1039. FEDERAL ASSISTANCE FOR STATE PROGRAMS UNDER THE NATIONAL GUARD CHALLENGE PROGRAM.

(a) MAXIMUM FEDERAL SHARE.—Section 509(d) of title 32, United States Code, is amended—

(1) by striking paragraphs (1), (2), and (3);

(2) by redesignating paragraph (4) as paragraph (1);

(3) in paragraph (1), as so redesignated, by striking the period at the end and inserting ''; and''; and

(4) by adding at the end the following new paragraph (2);

''(2) for fiscal year 2004 (notwithstanding paragraph (1)), 65 percent of the costs of operating the State program during that year.''.

(b) STUDY.—(1) The Secretary of Defense shall carry out a study to evaluate (a) the adequacy of the requirement under section 509(d) of title 32, United States Code, for the United States to fund 60 percent of the costs of operating a State program to the National Guard Challenge Program and the State to fund 40 percent of such costs, and (b) the value of the challenge program to the Department of Defense.

(2) In carrying out the study under paragraph (1), the Secretary should identify potential alternatives to the matching funds structure provided for the National Guard Challenge Program under section 509(d) of title 32, United States Code, such as a range of Federal-State matching ratios, that would provide flexibility in the management of the program to better respond to temporary fiscal conditions.

(3) The Secretary shall include the results of the study, including findings, conclusions, and recommendations, in the next annual report to Congress under section 509(k) of title 32, United States Code, that is submitted to Congress after the date of the enactment of this Act.

(c) AMOUNT FOR FEDERAL ASSISTANCE.—(1) The amount authorized to be appropriated under section 301(10) is hereby increased by $3,000,000.

(2) Of the total amount authorized to be appropriated under section 301(10), $68,216,000 shall be available for the National Guard Challenge Program under section 509 of title 32, United States Code.

(3) The total amount authorized to be appropriated under section 301(4) is hereby reduced by $3,000,000.

SA 822. Mr. WARNER proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 69, line 5, strike **''AIRLIFT''**.

On page 70, between the matter following line 9 and line 10, insert the following:

(c) COSTS OF GOODS AND SERVICES PROVIDED TO DEPARTMENT OF STATE.—For any fee charged to the Department of Defense by the Department of State during any year for the maintenance, upgrade, or construction of United States diplomatic facilities, the Secretary of Defense may remit to the Department of State only that portion, if any, of the total amount of the fee charged for such year that exceeds the total amount of the costs incurred by the Department of Defense for providing goods and services to the Department of State during such year.

SA 823. Mr. LEVIN (for Ms. LANDRIEU (for herself and Mr. BREAUX)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle C of title XXVIII, add the following new section:

SEC. 2825. FEASIBILITY STUDY OF CONVEYANCE OF LOUISIANA ARMY AMMUNITION PLANT, DOYLINE, LOUISIANA.

(a) STUDY REQUIRED.—(1) The Secretary of the Army shall conduct a study of the feasibility, costs, and benefits for the conveyance of the Louisiana Army Ammunition Plant as a model for a public-private partnership for the utilization and development of the Plant and similar parcels of real property.

(2) In conducting the study, the Secretary shall consider—

(A) the feasibility and advisability of entering into negotiations with the State of Louisiana or the Louisiana National Guard for the conveyance of the Plant;

(B) means by which the conveyance of the Plant could—

(i) facilitate the execution by the Department of Defense of its national security mission;

(ii) facilitate the continued use of the Plant by the Louisiana National Guard and the execution by the Louisiana National Guard of its national security mission; and

(C) evidence presented by the State of Louisiana of the means by which the conveyance of the Plant could benefit current and potential private sector and governmental tenants of the Plant and facilitate the contribution of such tenants to economic development in Northwestern Louisiana;

(C) the amount and type of consideration that is appropriate for the conveyance of the Plant;

(D) the evidence presented by the State of Louisiana of the extent to which the conveyance of the Plant to a public-private partnership will contribute to economic growth in the State of Louisiana and in Northwestern Louisiana in particular;

(E) the value of any mineral rights in the lands of the Plant;

(F) the advisability of sharing revenues and rents paid by current and potential tenants of the Plant as a result of the Armament Retooling and Manufacturing Support Program; and

(b) LOUISIANA ARMY AMMUNITION PLANT.—In this section, the term ''Louisiana Army Ammunition Plant'' means the Louisiana Army Ammunition Plant in Doyline, Louisiana, consisting of approximately 14,949 acres, of which 13,665 acres are under license to the Military Department of the State of Louisiana and 1,284 acres are used by the Army Joint Munitions Command.

(c) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the study conducted under subsection (a). The report shall include the results of the study and any other matters in light of the study that the Secretary considers appropriate.

SA 824. Mr. LEVIN (for Mrs. FEINSTEIN (for herself, Mr. REID, and Mrs. BOXER)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle B of title III, add the following:

SEC. 332. SUBMITTAL OF SURVEY ON PERCHLORATE CONTAMINATION AT DEPARTMENT OF DEFENSE SITES.

(a) SUBMITTAL OF PERCHLORATE SURVEY.—Not later than 30 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the appropriate committees of Congress the 2001 survey to identify the potential for perchlorate contamination at all active and closed Department of Defense sites that was prepared by the United States Air Force Research Laboratory, Aerospace Expeditionary Force Technologies Division, Tyndall Air Force Base and Applied Research Associates.

(b) APPROPRIATE COMMITTEES OF CONGRESS DEFINED.—In this section, the term ''appropriate committees of Congress'' means—

(1) the Committee on Environment and Public Works of the Senate; and

(2) the Committee on Energy and Commerce of the House of Representatives.

SA 825. Mrs. BOXER (for herself and Mr. CORZINE) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the appropriate place insert the following:

SEC. .

(a) FINDINGS.—The Senate finds that—

(1) On March 8, 2003, the Army Corps of Engineers awarded a sole-source Indefinite Delivery/Indefinite Quantity contract for the reconstruction of the Iraqi oil industry.

(2) The Department of Defense has characterized this contract as a short-term ''bridge'' contract that will be used for an interim period until a contract can be awarded on a competitive basis.

(3) However, the estimated date of completion for this contract is March 2005 and the value is estimated by the Department of Defense to be $7 billion.

(4) The Department of Defense has established a goal of completing the follow-on competition and having a fully competitive contract in place by August 31, 2003. This goal was stated in a letter dated May 2, 2003.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) The taxpayers deserve fairness.

(2) Businesses deserve fairness.

(3) The Competitive in Contracting Act of 1984 establishes a preference for the award of competitive contracts.

(4) The Department of Defense should meet its goal of having a fully competitive contract in place by August 31, 2003 and performing work needed for the reconstruction of the Iraqi oil industry after such date under that competitive contract.

(c) REPORT TO CONGRESS.—If the Department of Defense fails to meet its own stated goal of having a fully competitive contract in place by August 31, 2003, the Secretary of Defense shall submit a report to Congress by September 30, 2003, detailing the reasons for allowing this sole-source contract to continue.

SA 826. Mr. WARNER (for himself, Mrs. BOXER, and Mr. LAUTENBERG) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the appropriate place, insert the following:

SEC. . SENSE OF THE SENATE ON COMPETITIVE AWARD OF CONTRACTS FOR IRAQI RECONSTRUCTION.

It is the sense of the Senate that the Department of Defense should fully comply with the Competition in Contracting Act (10 U.S.C. 2304 et seq) for any contract awarded for reconstruction activities in Iraq and should conduct a full and open competition for performing work needed for the reconstruction of the Iraqi oil industry as soon as practicable.

SA 827. Mr. DOMENICI (for himself, Mr. MCCAIN, Mr. NELSON of Florida, and Mr. CORNYN) submitted an amendment intended to be proposed by him to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; which was ordered to lie on the table; as follows:

At the end of subtitle D of title X, add the following:

SEC. 1039. SENSE OF SENATE ON RECONSIDERATION OF DECISION TO TERMINATE BORDER SEAPORT INSPECTION DUTIES OF NATIONAL GUARD UNDER NATIONAL GUARD DRUG INTERDICTION AND COUNTER-DRUG MISSION.

(a) FINDINGS.—The Senate makes the following findings:

(1) The counter-drug inspection mission of the National Guard is highly important to preventing the infiltration of illegal narcotics across United States borders.

(2) The expertise of members of the National Guard in vehicle inspections at United States borders have made invaluable contributions to the identification and seizure of illegal narcotics being smuggled across United States borders.

(3) The support provided by the National Guard to the Customs Service and the Border Patrol has greatly enhanced the capability of the Customs Service and the Border Patrol to perform counter-terrorism surveillance and other border protection duties.

(b) SENSE OF SENATE.—It is the sense of the Senate that the Secretary of Defense should reconsider the decision of the Department of Defense to terminate the border inspection and seaport inspection duties of the National Guard as part of the drug interdiction and counter-drug mission of the National Guard.

SA 828. Mr. LEVIN (for Mr. KERRY, (for himself and Mr. KENNEDY)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

At the end of subtitle C of title VI, add the following:

SEC. 634. TRANSPORTATION OF DEPENDENTS TO PRESENCE OF MEMBERS OF THE ARMED FORCES WHO ARE RETIRED FOR ILLNESS OR INJURY INCURRED IN ACTIVE DUTY.

Section 411h(a) of title 37, United States Code, is amended—

(1) in paragraph (1), by striking ''paragraph (2)'' and inserting ''paragraph (3)'';

(2) by redesignating paragraph (2) as paragraph (3);

(3) by inserting after paragraph (1) the following new paragraph (2):

''(2) Under the regulations prescribed under paragraph (1), transportation described in subsection (c) may be provided for not more than two family members of a member otherwise described in paragraph (3) who is retired for an illness or injury described in that paragraph if the attending physician or surgeon and the commander or head of the military medical facility exercising control over the member determine that the presence of the family member would be in the best interests of the family member.''; and

(4) in paragraph (3), as so redesignated, by striking ''paragraph (1)'' and inserting ''paragraph (1) or (2)''.

SA 829. Mr. WARNER (for Mr. VOINOVICH, (for himself and Mr. DEWINE)) proposed an amendment to the bill S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes; as follows:

On page 103, between lines 18 and 19, insert the following:

''(3) The Department of the Army, the Department of the Navy, and the Department of Transportation shall bear the cost of the instruction at the Air Force Institute of Technology that is received by officers detailed for that instruction by the Secretaries of the Army, Navy, and Transportation, respectively. In the case of an enlisted member

permitted to receive instruction at the Institute, the Secretary of the Air Force shall charge that member only for such costs and fees as the Secretary considers appropriate (taking into consideration the admission of enlisted members on a space-available basis).

On page 71, strike lines 12 through 21, and insert the following:

(d) AVAILABILITY OF FUNDS FOR LOCAL EDUCATIONAL AGENCIES AFFECTED BY THE BROOKS AIR FORCE BASE DEMONSTRATION PROJECT.—(1) Up to $500K of the funds made available under subsection (a) may (notwithstanding the limitation in such subsection) also be used for making basic support payments for fiscal year 2004 to a local educational agency that received a basic support payment for fiscal year 2003, but whose payment for fiscal year 2004 would be reduced because of the conversion of Federal property to non-Federal ownership under the Department of Defense infrastructure demonstration project at Brooks Air Force Base, Texas, and the amounts of such basic support payments for fiscal year 2004 shall be computed as if the converted property were Federal property for purposes of receiving the basic support payments for the period in which the demonstration project is ongoing, as documented by the local educational agency to the satisfaction of the Secretary.

(2) If funds are used as authorized under paragraph (1), the Secretary shall reduce the amount of any basic support payment for fiscal year 2004 for a local educational agency described in paragraph (1) by the amount of any revenue that the agency received during fiscal year 2002 from the Brooks Development Authority as a result of the demonstration project described in paragraph (1).

(e) DEFINITIONS.—In this section:

(1) The term ''educational agencies assistance'' means assistance authorized under section 386(b) of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102–484; 20 U.S.C. 7703 note).

(2) The term ''local educational agency'' has the meaning given that term in section 8013(9) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7713(9)).

(3) The term ''basic support payment'' means a payment authorized under section 8003(b(1)) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7703(b)(1)).

At the end of subtitle D of title X, add the following:

SEC. 1039. SENSE OF SENATE ON RECONSIDERATION OF DECISION TO TERMINATE BORDER SEAPORT INSPECTION DUTIES OF NATIONAL GUARD UNDER NATIONAL GUARD DRUG INTERDICTION AND COUNTER-DRUG MISSION.

(a) FINDINGS.—The Senate makes the following findings:

(1) The counter-drug inspection mission of the National Guard is highly important to preventing the infiltration of illegal narcotics across United States borders.

(2) The expertise of members of the National Guard in vehicle inspections at United States borders have made invaluable contributions to the identification and seizure of illegal narcotics being smuggled across United States borders.

(3) The support provided by the National Guard to the Customs Service and the Border Patrol has greatly enhanced the capability of the Customs Service and the Border Patrol to perform counter-terrorism surveillance and other border protection duties.

(b) SENSE OF SENATE.—It is the sense of the Senate that the Secretary of Defense should reconsider the decision of the Department of Defense to terminate the border inspection and seaport inspection duties of the National Guard as part of the drug interdiction and counter-drug mission of the National Guard.

NOTICES OF HEARINGS/MEETINGS

COMMITTEE ON RULES AND ADMINISTRATION

Mr. LOTT. Mr. President, I wish to announce that the Committee on Rules and Administration will meet at 9:30 a.m., Thursday, June 5, 2003, in Room 301 Russell Senate Office Building, to conduct a hearing on Senate Rule XXII and proposals to amend this rule.

For further information concerning this meeting, please contact Susan Wells at 202–224–6352.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. WARNER. Mr. President, I ask unanimous consent that the Committee on Commerce, Science, and Transportation be authorized to meet on Thursday, May 22, 2003, at 10 a.m., on Media Ownership, in SR–253.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. WARNER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, May 22, 2003, at 2:30 p.m., to hold a hearing on Iraq Stabilization and Reconstruction: U.S. Policy and Plans.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON INDIAN AFFAIRS

Mr. WARNER. Mr. President, I ask unanimous consent that the Committee on Indian Affairs be authorized to meet on Thursday, May 22, 2003, at 10 a.m., in Room 485 of the Russell Senate Office Building to conduct an oversight hearing on the Status of Telecommunications in Indian Country.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. WARNER. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet to conduct a mark up on Thursday, May 22, 2003, at 9:30 a.m., in Dirksen Room 226.

I. Nominations: Michael Chertoff to the U.S. Circuit Judge for the Third Circuit; David G. Campbell to the U.S. District Judge for the District of Arizona; Robert D. McCallum to be Associate Attorney General, U.S. Department of Justice; Peter D. Keisler to be Assistant Attorney General, Civil Division, U.S. Department of Justice; R. Hewitt Pate to be Assistant Attorney General, Antitrust Division, U.S. Department of Justice; and David B. Rivkin to the Foreign Claims Settlement Commission.

II. Bills: S. 554, A bill to allow media coverage of court proceedings [Grassley/Cornyn/Craig/DeWine/Graham/Schumer]; S. 1023, A bill to increase the annual salaries of justices and judges of the United States [Hatch/Chambliss/Cornyn/Durbin/Feinstein/Kennedy/Leahy]; S. 858, A bill to extend the Abraham Lincoln Bicentennial Commission, and for other purposes [Durbin/Bunning]; S. Res. 136, A resolution recognizing the 140th anniversary of the founding of the Brotherhood of Locomotive Engineers, and congratulating members and officers of the Brotherhood of Locomotive Engineers for the union's many achievements [Kennedy/DeWine]; S. Res. 92, A resolution designating September 17, 2003 as ''Constitution Day'' [DeWine/Hatch]; S. Res. 145, Designating June 2003 as ''National Safety Month'' [Fitzgerald/Feinstein]; and S. Res. 133, A resolution condemning bigotry and violence against Arab Americans, Muslim Americans, South-Asian Americans, and Sikh Americans [Durbin/Biden/Chambliss/DeWine/Feingold].

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. WARNER. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet to conduct a hearing on ''Judicial Nominations'' on Thursday, May 22, 2003, at 2 p.m., in the Dirksen Senate Office Building Room 226.

Panel I: [senators].

Panel II: Richard C. Wesley to be United States Circuit Judge for the Second Circuit.

Panel III: J. Ronnie Greer to be United States District Judge for the Eastern District of Tennessee; Thomas M. Hardiman to be United States District Judge for the Western District of Pennsylvania; Mark R. Kravitz to be United States District Judge for the District of Connecticut; and John A. Woodcock, to be United States District Judge for the District of Maine.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. WARNER. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Thursday, May 22, 2003, at 2:30 p.m., to hold a closed hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON COMMUNICATIONS

Mr. WARNER. Mr. President, I ask unanimous consent that the Subcommittee on Communications be authorized to meet on Thursday, May 22, 2003, in Rural Wireless Broadband, at 2:30 p.m. in SD–562.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON COMPETITION, FOREIGN COMMERCE AND INFRASTRUCTURE

Mr. WARNER. Mr. President, I ask unanimous consent that the Subcommittee on Competition, Foreign Commerce and Infrastructure be authorized to meet on Thursday, May 22, 2003, at 2:30 p.m., on NHTSA Reauthorization, in SR–253.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ECONOMIC POLICY

Mr. WARNER. Mr. President, I ask unanimous consent that the Subcommittee on Economic Policy of the

Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on May 22, 2003, at 10 a.m., to conduct an oversight hearing on ''Jumpstarting the Economy: Increasing Investment in the Equity Markets.''

The PRESIDING OFFICER. Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. GRAHAM. Mr. President, I ask unanimous consent that Mr. Robert Dean, a congressional fellow in my office, be granted the privilege of the floor now and for the duration of the debate on the tax bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HATCH. Mr. President, I ask unanimous consent that Patrick Shen, a detailee on my Judicial Committee staff, be granted the privilege of the floor for the duration of this session.

The PRESIDING OFFICER. Without objection, it is so ordered.

MEASURE READ THE FIRST TIME—S. 1104

Mr. FRIST. Mr. President, I understand that S. 1104 is at the desk, and I ask for its first reading.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative clerk read as follows:

A bill (S. 1104) to amend title 10, United States Code, to provide for parental involvement in abortions of dependent children of members of the Armed Forces.

Mr. FRIST. I now ask for its second reading and object to further proceeding on this matter.

The PRESIDING OFFICER. Objection is heard. The bill will be read for the second time on the next legislative day.

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. FRIST. Mr. President, I ask unanimous consent that the Senate proceed to executive session to consider the following nominations on today's Executive Calendar: Calendar Nos. 90, 91, 178, 179, 180, 181, 182, 183, 184, 185, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198.

I further ask unanimous consent that the nominations be confirmed en bloc; that the motions to reconsider be laid upon table; that the President be immediately notified of the Senate's action; and that the Senate then return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

The nominations considered and confirmed are as follows:

UNITED STATES SENTENCING COMMISSION

Michael E. Horowitz, of Maryland, to be a Member of the United States Sentencing Commission for a term expiring October 31, 2007.

Ricardo H. Hinojosa, of Texas, to be a Member of the United States Sentencing Commission for a term expiring October 31, 2007.

DEPARTMENT OF JUSTICE

Mark Moki Hanohano, of Hawaii, to be United States Marshal for the District of Hawaii for the term of four years.

THE JUDICIARY

L. Scott Coogler, of Alabama, to be United States District Judge for the Northern District of Alabama.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Steven B. Nesmith, of Pennsylvania, to be an Assistant Secretary of Housing and Urban Development.

NATIONAL INSTITUTE OF BUILDING SCIENCES

Lane Carson, of Louisiana, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2004.

James Broaddus, of Texas, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2004.

Jose Teran, of Florida, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2005.

Morgan Edwards, of North Carolina, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2005.

EXECUTIVE OFFICE OF THE PRESIDENT

Nicholas Gregory Mankiw, of Massachusetts, to be a Member of the Council of Economic Advisers.

DEPARTMENT OF STATE

Jeffrey Lunstead, of the District of Columbia, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Democratic Socialist Republic of Sri Lanka, and to serve concurrently and without additional compensation as Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Maldives.

James B. Foley, of New York, a Career Member of the Senior Foreign Service, Class of Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Haiti.

Steven A. Browning, of Texas, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Malawi.

Harry K. Thomas, Jr., of New York, a Career Member of the Senior Foreign Service, Class of Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the People's Republic of Bangladesh.

Richard W. Erdman, of Maryland, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the People's Democratic Republic of Algeria.

Michael B. Enzi, of Wyoming, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Paul Sarbanes, of Maryland, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

James Shinn, of New Jersey, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Cynthis Costa, of South Carolina, to be an Alternate Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Ralph Martinez, of Florida, to be an Alternate Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

NOMINATIONS OF RICARDO HINOJOSA AND MICHAEL HOROWITZ

Mr. KENNEDY. Mr. President, I support the nominations of Ricardo Hinojosa and Michael Horowitz to the United States Sentencing Commission. The Sentencing Commission is responsible for developing guidelines for sentencing in Federal courts; collecting data about crime and sentencing; and serving as a resource to Congress, the White House, the Justice Department, and the judiciary on crime and sentencing policy. It is therefore critical that nominations to this commission continue to be made in a fair, cooperative, and bipartisan manner.

When Mr. Hinojosa's and Mr. Horowitz's nominations came up in the Judiciary Committee in March 2003, I voted ''present'' because I was concerned about the process by which the White House had selected them. In particular, I was concerned that instead of the bipartisan selection process by which previous nominees had been named, the White House had selected Mr. Horowitz as an ostensible ''Democratic'' nominee without any consultation with Senate Democrats.

Since that vote in committee, I have been informed that White House Counsel Alberto Gonzales has assured the ranking member of our committee, Senator LEAHY, that the White House is treating both Mr. Hinojosa and Mr. Horowitz as Republican nominees to the commission. I further understand that when the next three vacancies arise on the commission in October, the President will either reappoint all three commissioners now holding those seats—Ruben Castillo, William Sessions, and Michael O'Neill—or will consult in the traditional and appropriate manner with the Democratic leadership before announcing a replacement nominee for a current Democratic commissioner. Based on that understanding, I have decided to support these important nominations to the U.S. Sentencing Commission.

LEGISLATIVE SESSION

The PRESIDING OFFICER. The Senate will now return to legislative session.

ADDITIONAL PERMANENT JUDGESHIP IN THE DISTRICT OF IDAHO

Mr. FRIST. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 102, S. 878.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative clerk read as follows:

A bill (S. 878) to authorize additional permanent judgeship in the District of Idaho, and for other purposes.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on the Judiciary, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

[Strike the part shown in black brackets and insert the part shown in italic.]

S. 878

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

[SECTION 1. DISTRICT JUDGESHIP FOR THE DISTRICT OF IDAHO.

[(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of Idaho.

[(b) TECHNICAL AND CONFORMING AMENDMENT.—The table contained in section 133(a) of title 28, United States Code, is amended by striking the item relating to Idaho and inserting the following:

''Idaho ..... 3''.]

SECTION 1. DISTRICT JUDGESHIP FOR THE NORTHERN DISTRICT OF ALABAMA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the northern district of Alabama.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Alabama and inserting the following:

''Alabama:
Northern 8
Middle 3
Southern ..... 3.''.

SEC. 2. DISTRICT JUDGESHIPS FOR THE DISTRICT OF ARIZONA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate, 2 additional district judges for the district of Arizona.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Arizona and inserting the following:

''Arizona ..... 14''.

SEC. 3. DISTRICT JUDGESHIPS FOR THE EASTERN AND SOUTHERN DISTRICTS OF CALIFORNIA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate—

(1) 3 additional district judges for the eastern district of California; and

(2) 1 additional district judge for the southern district of California.

(b) CONVERSION OF TEMPORARY JUDGESHIP TO PERMANENT JUDGESHIP.—The existing judgeship for the eastern district of California authorized by section 203(c) of the Judicial Improvements Act of 1990 (28 U.S.C. 133 note; Public Law 101–650) shall, as of the date of enactment of this Act, be authorized under section 133 of title 28, United States Code, and the incumbent in that office shall hold the office under section 133 of title 28, United States Code (as amended by this Act).

(c) TECHNICAL AND CONFORMING AMENDMENT.—

(1) IN GENERAL.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to California and inserting the following:

''California:
Northern 14
Eastern 10
Central 27
Southern ..... 14''.

(2) EFFECTIVE DATE.—This subsection shall take effect on the later of—

(A) the date of enactment of this Act; or

(B) July 16, 2003.

SEC. 4. DISTRICT JUDGESHIP FOR THE DISTRICT OF IDAHO.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of Idaho.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Idaho and inserting the following:

''Idaho ..... 3''.

SEC. 5. TEMPORARY JUDGESHIP FOR THE NORTHERN DISTRICT OF IOWA.

(a) IN GENERAL.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional judge for the northern district of Iowa.

(b) VACANCY NOT FILLED.—The first vacancy in the office of district judge in the northern district of Iowa occurring 10 years or more after the confirmation date of the judge named to fill the temporary district judgeship created by this subsection, shall not be filled.

SEC. 6. CONVERSION OF TEMPORARY JUDGESHIP TO PERMANENT JUDGESHIP FOR THE DISTRICT OF NEBRASKA.

(a) IN GENERAL.—The existing judgeship for the district of Nebraska authorized by section 203(c) of the Judicial Improvements Act of 1990 (28 U.S.C. 133 note; Public Law 101–650) shall, as of the date of enactment of this Act, be authorized under section 133 of title 28, United States Code, and the incumbent in that office shall hold the office under section 133 of title 28, United States Code (as amended by this Act).

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Nebraska and inserting the following:

''Nebraska ..... 4.''.

SEC. 7. DISTRICT JUDGESHIPS FOR THE EASTERN DISTRICT OF NEW YORK.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate, 2 additional district judges for the eastern district of New York.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

(1) IN GENERAL.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to New York and inserting the following:

''New York:
Northern 5
Southern 28
Eastern 17
Western ..... 4''.

(2) EFFECTIVE DATE.—This subsection shall take effect on the later of—

(A) the date of enactment of this Act; or

(B) July 16, 2003.

SEC. 8. TEMPORARY JUDGESHIP FOR THE EASTERN DISTRICT OF NEW YORK.

(a) IN GENERAL.—The President shall appoint, by and with the advice and consent of the Senate 1 additional judge for the eastern district of New York.

(b) VACANCY NOT FILLED.—The first vacancy in the office of district judge in the eastern district of New York occurring 10 years or more after the confirmation date of the judge named to fill the temporary district judgeship created by this subsection, shall not be filled.

SEC. 9. DISTRICT JUDGESHIP FOR THE DISTRICT OF SOUTH CAROLINA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of South Carolina.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to South Carolina and inserting the following:

''South Carolina ..... 11''.

SEC. 10. DISTRICT JUDGESHIP FOR THE DISTRICT OF UTAH.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP FOR THE DISTRICT OF UTAH.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of Utah.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Utah and inserting the following:

''Utah ..... 6.''.

SEC. 11. BANKRUPTCY JUDGESHIPS.

(a) SHORT TITLE.—This section may be cited as the ''Bankruptcy Judgeship Act of 2003''.

(b) AUTHORIZATION FOR ADDITIONAL BANKRUPTCY JUDGESHIPS.—The following judgeship positions shall be filled in the manner prescribed in section 152(a)(1) of title 28, United States Code, for the appointment of bankruptcy judges provided for in section 152(a)(2) of such title:

(1) Two additional bankruptcy judgeships for the southern district of New York.

(2) Four additional bankruptcy judgeships for the district of Delaware.

(3) One additional bankruptcy judgeship for the district of New Jersey.

(4) One additional bankruptcy judgeship for the eastern district of Pennsylvania.

(5) Three additional bankruptcy judgeships for the district of Maryland.

(6) One additional bankruptcy judgeship for the eastern district of North Carolina.

(7) One additional bankruptcy judgeship for the district of South Carolina.

(8) One additional bankruptcy judgeship for the eastern district of Virginia.

(9) Two additional bankruptcy judgeships for the eastern district of Michigan.

(10) Two additional bankruptcy judgeships for the western district of Tennessee.

(11) One additional bankruptcy judgeship for the eastern and western districts of Arkansas.

(12) Two additional bankruptcy judgeships for the district of Nevada.

(13) One additional bankruptcy judgeship for the district of Utah.

(14) Two additional bankruptcy judgeships for the middle district of Florida.

(15) Two additional bankruptcy judgeships for the southern district of Florida.

(16) Two additional bankruptcy judgeships for the northern district of Georgia.

(17) One additional bankruptcy judgeship for the southern district of Georgia.

(c) TEMPORARY BANKRUPTCY JUDGESHIPS.—

(1) AUTHORIZATION FOR ADDITIONAL TEMPORARY BANKRUPTCY JUDGESHIPS.—The following judgeship positions shall be filled in the manner prescribed in section 152(a)(1) of title 28, United States Code, for the appointment of bankruptcy judges provided for in section 152(a)(2) of such title:

(A) One additional bankruptcy judgeship for the district of Puerto Rico.

(B) One additional bankruptcy judgeship for the northern district of New York.

(C) One additional bankruptcy judgeship for the middle district of Pennsylvania.

(D) One additional bankruptcy judgeship for the district of Maryland.

(E) One additional bankruptcy judgeship for the northern district of Mississippi.

(F) One additional bankruptcy judgeship for the southern district of Mississippi.

(G) One additional bankruptcy judgeship for the southern district of Georgia.

(2) VACANCIES.—

(A) IN GENERAL.—The first vacancy occurring in the office of bankruptcy judge in each of the judicial districts set forth in paragraph (1)—

(i) occurring 5 years or more after the appointment date of the bankruptcy judge appointed under paragraph (1) to such office; and

(ii) resulting from the death, retirement, resignation, or removal of a bankruptcy judge;

shall not be filled.

(B) TERM EXPIRATION.—In the case of a vacancy resulting from the expiration of the term of a bankruptcy judge not described in subparagraph (A), that judge shall be eligible for reappointment as a bankruptcy judge in that district.

(3) EXTENSION OF EXISTING TEMPORARY BANKRUPTCY JUDGESHIPS.—

(A) IN GENERAL.—The temporary bankruptcy judgeships authorized for the northern district of Alabama and the eastern district of Tennessee under paragraphs (1) and (9) of section 3(a) of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note) are extended until the first vacancy occurring in the office of a bankruptcy judge in the applicable district resulting from the death, retirement, resignation, or removal of a bankruptcy judge and occurring 5 years or more after the date of enactment of this Act.

(B) APPLICABILITY OF OTHER PROVISIONS.—All other provisions of section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note) remain applicable to the temporary bankruptcy judgeships referred to in this subsection.

(d) TRANSFER OF BANKRUPTCY JUDGESHIP SHARED BY THE MIDDLE DISTRICT OF GEORGIA AND THE SOUTHERN DISTRICT OF GEORGIA.—The bankruptcy judgeship presently shared by the southern district of Georgia and the middle district of Georgia shall be converted to a bankruptcy judgeship for the middle district of Georgia.

(e) CONVERSION OF EXISTING TEMPORARY BANKRUPTCY JUDGESHIPS.—

(1) DISTRICT OF DELAWARE.—The temporary bankruptcy judgeship authorized for the district of Delaware pursuant to section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note), shall be converted to a permanent bankruptcy judgeship.

(2) DISTRICT OF PUERTO RICO.—The temporary bankruptcy judgeship authorized for the district of Puerto Rico pursuant to section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note), shall be converted to a permanent bankruptcy judgeship.

(f) TECHNICAL AMENDMENTS.—Section 152(a)(2) of title 28, United States Code, is amended—

(1) in the item relating to the eastern and western districts of Arkansas, by striking ''3'' and inserting ''4'';

(2) in the item relating to the district of Delaware, by striking ''1'' and inserting ''6'';

(3) in the item relating to the middle district of Florida, by striking ''8'' and inserting ''10'';

(4) in the item relating to the southern district of Florida, by striking ''5'' and inserting ''7'';

(5) in the item relating to the northern district of Georgia, by striking ''8'' and inserting ''10'';

(6) in the item relating to the middle district of Georgia, by striking ''2'' and inserting ''3'';

(7) in the item relating to the southern district of Georgia, by striking ''2'' and inserting ''3'';

(8) in the collective item relating to the middle and southern districts of Georgia, by striking ''Middle and Southern . . . . . 1'';

(9) in the item relating to the district of Maryland, by striking ''4'' and inserting ''7'';

(10) in the item relating to the eastern district of Michigan, by striking ''4'' and inserting ''6'';

(11) in the item relating to the district of Nevada, by striking ''3'' and inserting ''5'';

(12) in the item relating to the district of New Jersey, by striking ''8'' and inserting ''9'';

(13) in the item relating to the southern district of New York, by striking ''9'' and inserting ''11'';

(14) in the item relating to the eastern district of North Carolina, by striking ''2'' and inserting ''3'';

(15) in the item relating to the eastern district of Pennsylvania, by striking ''5'' and inserting ''6'';

(16) in the item relating to the district of Puerto Rico, by striking ''2'' and inserting ''3'';

(17) in the item relating to the district of South Carolina, by striking ''2'' and inserting ''3'';

(18) in the item relating to the western district of Tennessee, by striking ''4'' and inserting ''6'';

(19) in the item relating to the district of Utah, by striking ''3'' and inserting ''4''; and

(20) in the item relating to the eastern district of Virginia, by striking ''5'' and inserting ''6''.

Mr. FRIST. I ask unanimous consent the committee substitute amendment be agreed to.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendment, in the nature of a substitute, was agreed to.

Mr. FRIST. I ask unanimous consent the bill, as amended, be read a third time and passed, the motion to reconsider be laid upon the table, and any statements related to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 878), as amended, was read the third time and passed.

S. 878

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

SECTION 1. DISTRICT JUDGESHIP FOR THE NORTHERN DISTRICT OF ALABAMA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the northern district of Alabama.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Alabama and inserting the following:

''Alabama:
Northern 8
Middle 3
Southern ..... 3.''.

SEC. 2. DISTRICT JUDGESHIPS FOR THE DISTRICT OF ARIZONA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate, 2 additional district judges for the district of Arizona.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Arizona and inserting the following:

''Arizona ..... 14.''.

SEC. 3. DISTRICT JUDGESHIPS FOR THE EASTERN AND SOUTHERN DISTRICTS OF CALIFORNIA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate—

(1) 3 additional district judges for the eastern district of California; and

(2) 1 additional district judge for the southern district of California.

(b) CONVERSION OF TEMPORARY JUDGESHIP TO PERMANENT JUDGESHIP.—The existing judgeship for the eastern district of California authorized by section 203(c) of the Judicial Improvements Act of 1990 (28 U.S.C. 133 note; Public Law 101–650) shall, as of the date of enactment of this Act, be authorized under section 133 of title 28, United States Code, and the incumbent in that office shall hold the office under section 133 of title 28, United States Code (as amended by this Act).

(c) TECHNICAL AND CONFORMING AMENDMENT.—

(1) IN GENERAL.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to California and inserting the following:

''California:
Northern 14
Eastern 10
Central 27
Southern ..... 14.''.

(2) EFFECTIVE DATE.—This subsection shall take effect on the later of—

(A) the date of enactment of this Act; or

(B) July 16, 2003.

SEC. 4. DISTRICT JUDGESHIP FOR THE DISTRICT OF IDAHO.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of Idaho.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Idaho and inserting the following:

''Idaho ..... 3.''.

SEC. 5. TEMPORARY JUDGESHIP FOR THE NORTHERN DISTRICT OF IOWA.

(a) IN GENERAL.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional judge for the northern district of Iowa.

(b) VACANCY NOT FILLED.—The first vacancy in the office of district judge in the northern district of Iowa occurring 10 years or more after the confirmation date of the judge named to fill the temporary district judgeship created by this subsection, shall not be filled.

SEC. 6. CONVERSION OF TEMPORARY JUDGESHIP TO PERMANENT JUDGESHIP FOR THE DISTRICT OF NEBRASKA.

(a) IN GENERAL.—The existing judgeship for the district of Nebraska authorized by section 203(c) of the Judicial Improvements Act of 1990 (28 U.S.C. 133 note; Public Law 101–650) shall, as of the date of enactment of this Act, be authorized under section 133 of title 28, United States Code, and the incumbent in that office shall hold the office under section 133 of title 28, United States Code (as amended by this Act).

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Nebraska and inserting the following:

''Nebraska ..... 4.''.

SEC. 7. DISTRICT JUDGESHIPS FOR THE EASTERN DISTRICT OF NEW YORK.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIPS.—The President shall appoint, by and with the advice and consent of the Senate, 2 additional district judges for the eastern district of New York.

(b) TECHNICAL AND CONFORMING AMENDMENT.—

(1) IN GENERAL.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to New York and inserting the following:

''New York:
Northern 5
Southern 28
Eastern 17
Western ..... 4.''.

(2) EFFECTIVE DATE.—This subsection shall take effect on the later of—

(A) the date of enactment of this Act; or

(B) July 16, 2003.

SEC. 8. TEMPORARY JUDGESHIP FOR THE EASTERN DISTRICT OF NEW YORK.

(a) IN GENERAL.—The President shall appoint, by and with the advice and consent of the Senate 1 additional judge for the eastern district of New York.

(b) VACANCY NOT FILLED.—The first vacancy in the office of district judge in the eastern district of New York occurring 10 years or more after the confirmation date of the judge named to fill the temporary district judgeship created by this subsection, shall not be filled.

SEC. 9. DISTRICT JUDGESHIP FOR THE DISTRICT OF SOUTH CAROLINA.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of South Carolina.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to South Carolina and inserting the following:

''South Carolina ..... 11.''.

SEC. 10. DISTRICT JUDGESHIP FOR THE DISTRICT OF UTAH.

(a) ADDITIONAL PERMANENT DISTRICT JUDGESHIP FOR THE DISTRICT OF UTAH.—The President shall appoint, by and with the advice and consent of the Senate, 1 additional district judge for the district of Utah.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table under section 133(a) of title 28, United States Code, is amended by striking the item relating to Utah and inserting the following:

''Utah ..... 6.''.

SEC. 11. BANKRUPTCY JUDGESHIPS.

(a) SHORT TITLE.—This section may be cited as the ''Bankruptcy Judgeship Act of 2003''.

(b) AUTHORIZATION FOR ADDITIONAL BANKRUPTCY JUDGESHIPS.—The following judgeship positions shall be filled in the manner prescribed in section 152(a)(1) of title 28, United States Code, for the appointment of bankruptcy judges provided for in section 152(a)(2) of such title:

(1) Two additional bankruptcy judgeships for the southern district of New York.

(2) Four additional bankruptcy judgeships for the district of Delaware.

(3) One additional bankruptcy judgeship for the district of New Jersey.

(4) One additional bankruptcy judgeship for the eastern district of Pennsylvania.

(5) Three additional bankruptcy judgeships for the district of Maryland.

(6) One additional bankruptcy judgeship for the eastern district of North Carolina.

(7) One additional bankruptcy judgeship for the district of South Carolina.

(8) One additional bankruptcy judgeship for the eastern district of Virginia.

(9) Two additional bankruptcy judgeships for the eastern district of Michigan.

(10) Two additional bankruptcy judgeships for the western district of Tennessee.

(11) One additional bankruptcy judgeship for the eastern and western districts of Arkansas.

(12) Two additional bankruptcy judgeships for the district of Nevada.

(13) One additional bankruptcy judgeship for the district of Utah.

(14) Two additional bankruptcy judgeships for the middle district of Florida.

(15) Two additional bankruptcy judgeships for the southern district of Florida.

(16) Two additional bankruptcy judgeships for the northern district of Georgia.

(17) One additional bankruptcy judgeship for the southern district of Georgia.

(c) TEMPORARY BANKRUPTCY JUDGESHIPS.—

(1) AUTHORIZATION FOR ADDITIONAL TEMPORARY BANKRUPTCY JUDGESHIPS.—The following judgeship positions shall be filled in the manner prescribed in section 152(a)(1) of title 28, United States Code, for the appointment of bankruptcy judges provided for in section 152(a)(2) of such title:

(A) One additional bankruptcy judgeship for the district of Puerto Rico.

(B) One additional bankruptcy judgeship for the northern district of New York.

(C) One additional bankruptcy judgeship for the middle district of Pennsylvania.

(D) One additional bankruptcy judgeship for the district of Maryland.

(E) One additional bankruptcy judgeship for the northern district of Mississippi.

(F) One additional bankruptcy judgeship for the southern district of Mississippi.

(G) One additional bankruptcy judgeship for the southern district of Georgia.

(2) VACANCIES.—

(A) IN GENERAL.—The first vacancy occurring in the office of bankruptcy judge in each of the judicial districts set forth in paragraph (1)—

(i) occurring 5 years or more after the appointment date of the bankruptcy judge appointed under paragraph (1) to such office; and

(ii) resulting from the death, retirement, resignation, or removal of a bankruptcy judge;

shall not be filled.

(B) TERM EXPIRATION.—In the case of a vacancy resulting from the expiration of the term of a bankruptcy judge not described in subparagraph (A), that judge shall be eligible for reappointment as a bankruptcy judge in that district.

(3) EXTENSION OF EXISTING TEMPORARY BANKRUPTCY JUDGESHIPS.—

(A) IN GENERAL.—The temporary bankruptcy judgeships authorized for the northern district of Alabama and the eastern district of Tennessee under paragraphs (1) and (9) of section 3(a) of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note) are extended until the first vacancy occurring in the office of a bankruptcy judge in the applicable district resulting from the death, retirement, resignation, or removal of a bankruptcy judge and occurring 5 years or more after the date of enactment of this Act.

(B) APPLICABILITY OF OTHER PROVISIONS.—All other provisions of section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note) remain applicable to the temporary bankruptcy judgeships referred to in this subsection.

(d) TRANSFER OF BANKRUPTCY JUDGESHIP SHARED BY THE MIDDLE DISTRICT OF GEORGIA AND THE SOUTHERN DISTRICT OF GEORGIA.—The bankruptcy judgeship presently shared by the southern district of Georgia and the middle district of Georgia shall be converted to a bankruptcy judgeship for the middle district of Georgia.

(e) CONVERSION OF EXISTING TEMPORARY BANKRUPTCY JUDGESHIPS.—

(1) DISTRICT OF DELAWARE.—The temporary bankruptcy judgeship authorized for the district of Delaware pursuant to section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note), shall be converted to a permanent bankruptcy judgeship.

(2) DISTRICT OF PUERTO RICO.—The temporary bankruptcy judgeship authorized for the district of Puerto Rico pursuant to section 3 of the Bankruptcy Judgeship Act of 1992 (28 U.S.C. 152 note), shall be converted to a permanent bankruptcy judgeship.

(f) TECHNICAL AMENDMENTS.—Section 152(a)(2) of title 28, United States Code, is amended—

(1) in the item relating to the eastern and western districts of Arkansas, by striking ''3'' and inserting ''4'';

(2) in the item relating to the district of Delaware, by striking ''1'' and inserting ''6'';

(3) in the item relating to the middle district of Florida, by striking ''8'' and inserting ''10'';

(4) in the item relating to the southern district of Florida, by striking ''5'' and inserting ''7'';

(5) in the item relating to the northern district of Georgia, by striking ''8'' and inserting ''10'';

(6) in the item relating to the middle district of Georgia, by striking ''2'' and inserting ''3'';

(7) in the item relating to the southern district of Georgia, by striking ''2'' and inserting ''3'';

(8) in the collective item relating to the middle and southern districts of Georgia, by striking ''Middle and Southern . . . . . 1'';

(9) in the item relating to the district of Maryland, by striking ''4'' and inserting ''7'';

(10) in the item relating to the eastern district of Michigan, by striking ''4'' and inserting ''6'';

(11) in the item relating to the district of Nevada, by striking ''3'' and inserting ''5'';

(12) in the item relating to the district of New Jersey, by striking ''8'' and inserting ''9'';

(13) in the item relating to the southern district of New York, by striking ''9'' and inserting ''11'';

(14) in the item relating to the eastern district of North Carolina, by striking ''2'' and inserting ''3'';

(15) in the item relating to the eastern district of Pennsylvania, by striking ''5'' and inserting ''6'';

(16) in the item relating to the district of Puerto Rico, by striking ''2'' and inserting ''3'';

(17) in the item relating to the district of South Carolina, by striking ''2'' and inserting ''3'';

(18) in the item relating to the western district of Tennessee, by striking ''4'' and inserting ''6'';

(19) in the item relating to the district of Utah, by striking ''3'' and inserting ''4''; and

(20) in the item relating to the eastern district of Virginia, by striking ''5'' and inserting ''6''.

PREVENTION OF ANTI-SEMITIC VIOLENCE

Mr. FRIST. Mr. President, I ask unanimous consent the Senate proceed to the immediate consideration of Calendar No. 105, S. Con. Res. 7.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 7) expressing the sense of Congress that the sharp escalation of anti-Semitic violence within many participating States of the Organization for Security and Cooperation in Europe (OSCE) is a profound concern and effort that should be undertaken to prevent future occurrences.

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. CAMPBELL. Mr. President, I appreciate the broad bipartisan support given to Senate Concurrent Resolution 7, and the prompt action by the Committee on Foreign Relations, allowing for timely consideration of this resolution by the full Senate. Anti-Semitism is an evil that has bedeviled previous generations, formed a black spot on human history, and remains a problem to this day. As Co-Chairman of the Helsinki Commission, I have been particularly concerned over the disturbing rise

in anti-Semitism and related violence in many participating States of the 55-nation Organization for Security and Cooperation in Europe, OSCE, including the United States.

The anti-Semitic violence we witnessed in 2002, which stretched the breadth of the OSCE region, is a wake-up call that this evil still lives today, often coupled with a resurgence of aggressive nationalism and an increase in neo-Nazi ''skin head'' activity. Together with colleagues on the Helsinki Commission, we have diligently urged the leaders of OSCE participating States to confront and combat the plague of anti-Semitism. Through concerted efforts by the State Department and the U.S. Mission to the OSCE, a conference focused on anti-Semitism—called for in the pending resolution—will be convened in Vienna, Austria, June 19–20.

Meanwhile, the Helsinki Commission has undertaken a number of initiatives aimed at further elevating the attention given to rising anti-Semitism. In the year since the Commission's hearing on this issue, Commissioners have pursued it within the OSCE Parliamentary Assembly as well as in contacts with officials from countries of particular concern. I would point to France as a country that has recognized the problem and acted to confront anti-Semitism and related violence with tougher laws and more vigorous law enforcement. I urge French officials to remain vigilant, while recognizing that none of our countries is immune.

A recent opinion survey of adults in five European countries conducted by the Anti-Defamation League, ADL, found that 21 percent harbor ''strong anti-Semitic views.'' At the same time, the survey revealed that 61 percent of the individuals polled stated they are ''very concerned'' or ''fairly concerned'' about violence directed against European Jews. An ADL national poll of 1000 American adults found that 17 percent of Americans holds views about Jews that are ''unquestionably anti-Semitic,'' an increase of 5 percent from the previous survey conducted four years earlier. According to ADL there were 1,559 reported anti-Semitic incidents in the U.S. in 2002, with attacks on campuses rising by 24 percent over the previous year.

Mr. President, if anti-Semitism is ignored and allowed to fester and grow, our societies and civilization will suffer. A particularly disturbing element we have observed is the growth of anti-Semitic acts and attitudes among young people ranging from a rise in incidents on U.S. college campuses to violent attacks perpetrated on Jews by young members of immigrant communities in Western Europe. Education is essential to reversing the rise in anti-Semitism. Our young people must be taught about the Holocaust and other acts of genocide. Institutions such as the Holocaust Memorial Museum are making valuable contributions to promote the sharing of this experience at home and abroad. Such activity should have our strong support as a vital tool in confronting and combating anti-Semitism.

Mr. President, passage of the Senate Concurrent Resolution 7 will put the United States Senate on record and send an unequivocal message that anti-Semitism must be confronted, and it must be confronted now.

Mr. FRIST. Mr. President, I ask unanimous consent the concurrent resolution be agreed to, the preamble be agreed to, and the motion to reconsider be laid upon the table, with no intervening action or debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The concurrent resolution (S. Con. Res. 7) was agreed to.

The preamble was agreed to.

The concurrent resolution, with its preamble, reads as follows:

S. CON. RES. 7

Whereas the expressions of anti-Semitism experienced throughout the region encompassing the participating States of the Organization for Security and Cooperation in Europe (OSCE) have included physical assaults, with some instances involving weapons or stones, arson of synagogues, and desecration of Jewish cultural sites, such as cemeteries and statues;

Whereas vicious propaganda and violence in many OSCE States against Jews, foreigners, and others portrayed as alien have reached alarming levels, in part due to the dangerous promotion of aggressive nationalism by political figures and others;

Whereas violence and other manifestations of xenophobia and discrimination can never be justified by political issues or international developments;

Whereas the Copenhagen Concluding Document adopted by the OSCE in 1990 was the first international agreement to condemn anti-Semitic acts, and the OSCE participating States pledged to ''clearly and unequivocally condemn totalitarianism, racial and ethnic hatred, anti-Semitism, xenophobia, and discrimination against anyone as well as persecution on religious and ideological grounds'';

Whereas the OSCE Parliamentary Assembly at its meeting in Berlin in July 2002, unanimously adopted a resolution that, among other things, called upon participating States to ensure aggressive law enforcement by local and national authorities, including thorough investigation of anti-Semitic criminal acts, apprehension of perpetrators, initiation of appropriate criminal prosecutions, and judicial proceedings;

Whereas Decision No. 6 adopted by the OSCE Ministerial Council at its Tenth Meeting held in Porto, Portugal in December 2002 (the ''Porto Ministerial Declaration'') condemned ''the recent increase in anti-Semitic incidents in the OSCE area, recognizing the role that the existence of anti-Semitism has played throughout history as a major threat to freedom'';

Whereas the Porto Ministerial Declaration also urged ''the convening of separately designated human dimension events on issues addressed in this decision, including on the topics of anti-Semitism, discrimination and racism, and xenophobia''; and

Whereas on December 10, 2002, at the Washington Parliamentary Forum on Confronting and Combating anti-Semitism in the OSCE Region, representatives of the United States Congress and the German Parliament agreed to denounce all forms of anti-Semitism and agreed that ''anti-Semitic bigotry must have no place in our democratic societies'': Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That it is the sense of Congress that—

(1) officials of the executive branch and Members of Congress should raise the issue of anti-Semitism in their bilateral contacts with other countries and at multilateral fora, including meetings of the Permanent Council of the Organization for Security and Cooperation in Europe (OSCE) and the Twelfth Annual Session of the OSCE Parliamentary Assembly to be convened in July 2003;

(2) participating States of the OSCE should unequivocally condemn anti-Semitism (including violence against Jews and Jewish cultural sites), racial and ethnic hatred, xenophobia, and discrimination, as well as persecution on religious grounds whenever it occurs;

(3) participating States of the OSCE should ensure effective law enforcement by local and national authorities to prevent and counter criminal acts stemming from anti-Semitism, xenophobia, or racial or ethnic hatred, whether directed at individuals, communities, or property, including maintaining mechanisms for the thorough investigation and prosecution of such acts;

(4) participating States of the OSCE should promote the creation of educational efforts throughout the region encompassing the participating States of the OSCE to counter anti-Semitic stereotypes and attitudes among younger people, increase Holocaust awareness programs, and help identify the necessary resources to accomplish this goal;

(5) legislators in all OSCE participating States should play a leading role in combating anti-Semitism and ensure that the resolution adopted at the 2002 meeting of the OSCE Parliamentary Assembly in Berlin is followed up by a series of concrete actions at the national level; and

(6) the OSCE should organize a separately designated human dimension event on anti-Semitism as early as possible in 2003, consistent with the Porto Ministerial Declaration adopted by the OSCE at the Tenth Meeting of the OSCE Ministerial Council in December 2002.

CONDEMNING BIGOTRY AND VIOLENCE

Mr. FRIST. Mr. President, I ask unanimous consent that the Judiciary Committee be discharged from further consideration of S. Res. 133 and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report the resolution by title.

The legislative clerk read as follows:

A resolution (S. Res. 133) condemning bigotry and violence against Arab Americans, Muslim Americans, South Asian-Americans, and Sikh Americans.

There being no objection, the Senate proceeded to consider the resolution.

Mr. SUNUNU. Mr. President, I support S. Res. 133, a resolution expressing the Senate's condemnation of acts of bigotry and violence against Arab Americans, Muslim Americans, South-Asian Americans, and Sikh Americans.

I am pleased to join the Senior Senator from Illinois, Mr. DURBIN, and the

Senator from Wisconsin, Mr. FEINGOLD, in sponsoring this resolution in the Senate. I would like to thank them for their leadership on this issue, along with the other Senators from both sides of the aisle who have joined us as cosponsors. And I would also like to thank Chairman HATCH, Ranking Member LEAHY, and the members of the Judiciary Committee for their favorable action on the resolution.

Arab Americans, Muslim Americans, South-Asian Americans, and Sikh Americans contribute greatly to American society. Many serve honorably in the armed services and as law enforcement officials. Like all law-abiding Americans, they deserve respect for their civil rights and civil liberties. This resolution condemns bias-motivated acts against members of these communities and calls upon Federal and local law enforcement to prosecute any criminal violations.

Regrettably, after the September 11 attacks and more recently after the start of military action in Iraq, acts of bigotry and violence against Arab Americans, Muslim Americans, South-Asian Americans, and Sikh Americans have increased. President Bush has condemned such incidents on more than one occasion, and it is appropriate for the Senate to join him and citizens across the country in expressing outrage over these acts.

I applaud the Senate's passage of this resolution, and I again thank the Senator from Illinois, Mr. DURBIN, and the Senator from Wisconsin, Mr. FEINGOLD, for working with me on this important issue.

Mr. FRIST. Mr. President, I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, and the motion to reconsider be laid upon the table, all with no intervening action or debate, and any statements related to this measure be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 133) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 133

Whereas all Americans are united in supporting American men and women who protect our Nation abroad and at home;

Whereas thousands of Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans serve in the military and in law enforcement, working to protect all Americans;

Whereas the Arab-American, Muslim-American, Sikh-American, and South-Asian-American communities are vibrant, peaceful, and law-abiding, and have greatly contributed to American society;

Whereas Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans, as do all Americans, condemn acts of violence and prejudice; and

Whereas the United States Senate is concerned by the number of bias-motivated crimes against Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans, and other Americans in recent months: Now, therefore, be it

Resolved, That the Senate—

(1) declares that the civil rights and civil liberties of all Americans, including Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans, should be protected;

(2) condemns bigotry and acts of violence against any Americans, including Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans;

(3) calls upon local, State, and Federal law enforcement authorities to work to prevent bias-motivated crimes against all Americans, including Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans; and

(4) calls upon local, State, and Federal law enforcement authorities to investigate and prosecute vigorously all such crimes committed against Arab Americans, Muslim Americans, Sikh Americans, and South-Asian Americans.

DESIGNATING SEPTEMBER 17, 2003 AS CONSTITUTION DAY

DESIGNATING JUNE 2003 AS NATIONAL SAFETY MONTH

Mr. FRIST. Mr. President, I ask unanimous consent the Senate proceed to the immediate consideration of Calendar Nos. 109 and 111, en bloc.

I ask unanimous consent that the resolutions be agreed to en bloc, the preambles be agreed to en bloc, the motions to reconsider be laid on the table on bloc, and any statements relating to these matters be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolutions (S. Res. 92 and S. Res. 145) were agreed to.

The preambles were agreed to.

The resolutions, with their preambles, read as follows:

S. RES. 92

Whereas the Constitution of the United States of America was signed on September 17, 1787, by 39 delegates from 12 States;

Whereas the Constitution was subsequently ratified by each of the original 13 States;

Whereas the Constitution was drafted in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty for the citizens of the United States;

Whereas the Constitution has provided the means and structure for this Nation and its citizens to achieve a level of prosperity, liberty, security, and justice that is unparalleled among nations;

Whereas the Constitution's contributions to the welfare of the human race reach far beyond the borders of the United States;

Whereas the Senate continues to strive to preserve and strengthen the values and rights bestowed by the Constitution upon the United States of America and its citizens; and

Whereas the preservation of such values and rights in the hearts and minds of American citizens would be advanced by official recognition of the signing of the Constitution: Now, therefore, be it

Resolved, That the Senate:

(1) designates September 17, 2003, as ''Constitution Day''; and

(2) calls upon the people of the United States to observe the day with appropriate ceremonies and respect.

S. RES. 145

Whereas the mission of the National Safety Council is to educate and influence society to adopt safety, health, and environmental policies, practices, and procedures that prevent and mitigate human suffering and economic losses arising from preventable causes;

Whereas the National Safety Council works to protect lives and promote health with innovative programs;

Whereas the National Safety Council, founded in 1913, is celebrating its 90th anniversary in 2003 as the premier source of safety and health information, education, and training in the United States;

Whereas the National Safety Council was congressionally chartered in 1953, and is celebrating its 50th anniversary in 2003 as a congressionally chartered organization;

Whereas, even with advancements in safety that create a safer environment for Americans, such as improvements in technology and new legislation, the unintentional-injury death toll is still unacceptable;

Whereas citizens deserve a solution to nationwide safety and health threats;

Whereas such a solution requires the cooperation of all levels of government, as well as the general public; and

Whereas the summer season, traditionally a time of increased unintentional-injury fatalities, is an appropriate time to focus attention on both the problem and the solution: Now, therefore, be it

Resolved, That the Senate—

(1) designates June 2003, as ''National Safety Month''; and

(2) requests that the President issue a proclamation calling upon the people of the United States to observe such month with appropriate ceremonies and activities that promote acknowledgement, gratitude, and respect for the advances of the National Safety Council and its mission.

EXTENSIONS OF REMARKS

RECOGNITION OF CHESTER CONNAWAY

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Chester Connaway of Jefferson County, Illinois. Chet was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Chet received this honor for his lifelong service to others. Upon his graduation from Mt. Vernon Township High School he joined the Army. He then served forty years in the Illinois Army National Guard. He now is the district director for Veterans Affairs Southern Division where he works to secure benefits for deserving veterans. Chet also is a member of the Field Grade School Board of Education and he served twenty years as treasurer of Wesley United Methodist Church. Chet and his wife Barbara have been married fifty years and have raised three daughters.

I want to congratulate and thank Chet for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is deserving of this prestigious honor.

IN RECOGNITION OF SIDNEY BAUMGARTEN

HON. CAROLYN B. MALONEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mrs. MALONEY. Mr. Speaker, I rise to pay tribute to Colonel Sidney Baumgarten, in recognition of his outstanding service and dedication to the Military and the City of New York, and for his 25 years of service to The East Side Chamber of Commerce and to New York Therapeutic Communities.

A native of Far Rockaway Beach, Mr. Baumgarten attended Brown University in Providence, Rhode Island, where he was elected to the Student Governing Council and earned three varsity letters. After receiving his Bachelor's degree, Mr. Baumgarten attended New York Law School, where he was a member of the Law Review and recipient of an American Jurisprudence Award.

After attending Brown University, Mr. Baumgarten entered military service, attending Signal School at Fort Dix. He served for 18 months in Europe with the 7th Army Command and was awarded 4 commendations. As an active member of the U.S. Army Reserve, he served as Detachment Commander, Company Commander and Adjutant for the 99th Signal Battalion and as Material Officer for the 518th Maintenance Battalion. At an early age, Mr. Baumgarten began his lifelong commitment to serving in the United States military, and recently retired as Colonel in the New York Guard, Chief of Staff of the Army Division at Camp Smith, New York. For his exceptional services in the aftermath of the World Trade Center attack, Mr. Baumgarten was presented with the NY State Conspicuous Service Medal by Governor Pataki in June 2002. Mr. Baumgarten has earned numerous other medals recognizing his service to the nation and the state.

In addition to his law profession and military service, Mr. Baumgarten's many interests led him to act as Chairman of the Board of Trustees of the Rockaway Cultural Society and President of the Regular Democratic Club of the Rockaways. He was also Post Judge Advocate of the VFW Post 1948, a member of the PAL Youth Council, and a director of the Queens Council on the Arts.

Professionally, Mr. Baumgarten was engaged in the private practice of law for 5 years, and was appointed Assistant District Attorney in 1967. As a member of the Appeals Bureau, he argued numerous criminal appeals before the State and Federal courts and expertly handled numerous cases involving prosecution of major crime figures. From November 1968 to December 1973, Mr. Baumgarten was Law Secretary to Justice Charles Margett, Associate Justice of the Appellate Term of the New York State Supreme Court and Administrative Judge of the Eleventh Judicial District.

Mr. Baumgarten has shared his expertise with colleagues as a lecturer on the subject of firearms and firearms legislation at the New York City Police Academy, and on the subject of appeals at the Queens County Bar Association and at Hofstra University School of Law.

In January 1974, Mr. Baumgarten was appointed Deputy to the Mayor with responsibility for programs and policies involving the Criminal Justice System, the Midtown Enforcement Project, gun control legislation, the Correction Department and many other matters. His expertise has made him a popular guest on many local and network radio and television programs including ABC News and the McNeil-Leherer Report. His successes were recently recognized by former Mayor Giuliani at a ceremony to celebrate the revitalization of Times Square. The Mayor credited Mr. Baumgarten with closing more than 200 illegal establishments during his tenure as head of Midtown enforcement.

Currently, Mr. Baumgarten is President of Spectral BioScience Corp, a company specializing in advanced medical devices and serves as Board Chairman of the East Side Chamber of Commerce and Chairman Emeritus of New York Therapeutic Communities, Inc. He continues to lead and serve my community, tirelessly working towards the betterment of the quality of life for New York City residents and, indeed, all Americans.

In recognition of these outstanding contributions, I ask my colleagues to join me in honoring Sidney Baumgarten for his outstanding service and dedication to the Military and the City of New York.

HONORING STAFF SGT. WILBERT DAVIS, SGT. FIRST CLASS PAUL R. SMITH, LANCE CORPORAL ANDREW JULIAN AVILES AND CPL. JOHN T. RIVERO

HON. JIM DAVIS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. DAVIS of Florida. Mr. Speaker, I rise in honor of four brave soldiers from the Tampa Bay area who lost their lives while serving our country in Iraq. These four men went to war to protect us and our liberty and ultimately gave their lives to preserve our inalienable rights.

On April 3, Staff Sgt. Wilbert Davis, 40, of the 3rd Battalion, 69th Armor, 3rd Infantry Division, died when his vehicle ran off the road as he was driving journalist Michael Kelly to Baghdad. A native of Tampa, Davis grew up in College Hill, pitched for the Belmont Heights Little League team, all the way to the World Series, and graduated from Tampa Bay Tech High School. A devoted husband and father of four, friends and family recall how dedicated Davis was to service. Joining the Army in 1985, he served in the Persian Gulf War and in Bosnia, Kosovo, Korea and Germany.

Just one day later, Tampa lost Sgt. First Class Paul R. Smith, 33, of the 11th Engineer Battalion. Also a graduate of Tampa Bay Tech, Smith knew early on that he wanted to serve as a professional soldier and raise a family. This husband and father of two enlisted right out of high school and served in the Gulf War, Bosnia and Kosovo. A man who is remembered for his dedication to the soldiers he led, Smith has been nominated for the prestigious Medal of Honor for saving dozens of lives before losing his own. During a surprise Iraqi assault, Smith died while manning a .50-caliber machine to fend off the attackers.

On April 7, Lance Cpl. Andrew Julian Aviles, 18, of the 4th Assault Amphibian Battalion, 4th Marine Division, was killed when an enemy artillery round struck his amphibious assault vehicle. A young man with an infectious sense of humor and a promising future in store, Aviles was the student government president of Robinson High School, played on the football and wrestling teams and graduated third in his class. A member of JROTC, Aviles passed up a full academic scholarship to Florida State University to enlist because he felt an obligation to serve his country.

On April 17, another bright future was lost when Cpl. John T. Rivero, 23, of the Florida National Guard's C Company, 2nd Battalion, 124th Infantry Regiment was killed when his Humvee overturned on a mission with Special Forces. A computer science and engineering student at USF, Rivero grew up in Gainesville and joined the Guard in 1998. He was promoted to Corporal during his service in the Middle East. Friends and family remember his big smile and even bigger heart and talk about his dedication to doing his best at everything he tried.

On behalf of the Tampa Bay community, I would like to extend my deepest sympathies to the families and friends of these four courageous soldiers. These men shared a dedication to the ideals that have made this country great. Their bravery and patriotism makes us all proud, and we will never forget their sacrifice.

PAYING TRIBUTE TO SAM SUPLIZIO

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. MCINNIS. Mr. Speaker, it is my pleasure to stand before this body of Congress to honor a man known as Colorado's ''Mr. Baseball.'' Sam Suplizio of Grand Junction, Colorado has spent his life playing, coaching, and promoting the game. As he retires from his position as Director and Chairman of the National Junior College World Series, I would like to pay tribute to this outstanding leader.

Fifty years ago, Sam was one of the top amateur baseball players in the nation. Following a brilliant collegiate career in which he became the University of New Mexico's first All-American baseball player, the New York Yankees signed Sam and quickly labeled him as their top prospect. As a minor leaguer in 1955, Sam hit more home runs than Roger Maris, and the next year the Yankees called him up to the big leagues. Unfortunately, only three days after joining the team, Sam suffered a career-ending injury while sliding into second base.

Despite the setback, Sam rebounded to become a professional scout, coach, and manager with the California Angels and Milwaukee Brewers. He coached superstars Paul Molitor, Robin Yount, and Bo Jackson, participated in selecting members of the U.S. Olympic Baseball Team, and earned a World Series Ring in 1982 with the Brewers.

While his association with professional baseball lasted 50 years, Sam always took the time to give back to the community. In addition to four decades of leadership with the Junior College World Series, thousands of little leaguers, high school, and college players in Colorado benefited from the free clinics Sam frequently conducted. As co-chairman of the Colorado Baseball Commission, Sam led the effort to bring the Rockies to Colorado and was instrumental in the building of Coors Field. He was so effective in that role that Colorado's Governor appointed him to help build a new stadium for the Denver Broncos as well.

Mr. Speaker, athletics teach our young people important life lessons about dedication, sacrifice, and teamwork, and I am proud to pay tribute to a man who has spent five decades imparting these values to our youth. Sam is a true public servant who has done so much for the game of baseball and the state of Colorado, and I am proud to honor him before this body of Congress today.

THE 300TH ANNIVERSARY OF THE FOUNDING OF ST. PETERSBURG

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. LANTOS. Mr. Speaker, in just a few days President Bush and President Putin, as well as leaders from a number of other countries from around the world, will meet in St. Petersburg, Russia for meetings on contemporary international political and economic issues. But at the same time, these world leaders will join in the celebration of the 300th anniversary of the founding of St. Petersburg. This significant milestone gives us an opportunity to reflect on the history and the significance of this key Russian metropolis.

The city was known as Petrograd during World War One and as Leningrad during the Soviet era, but from its very founding the extraordinary city of St. Petersburg has stood for Russia's Western-facing hopes and dreams. Russian Czar Peter the Great, St. Petersburg's founder, saw clearly that Russia's future lay in engagement with Europe, and believed that the creation of a Russian city with a distinctly European orientation was critical to Russia's development.

St. Petersburg was constructed as Peter's new capital despite the gravest of difficulties, a city that generations of Russians would toil to transform from a swampy wilderness into Europe's ''Venice of the North.'' The effort to create St. Petersburg drew upon the Russian traditions of sacrifice and fortitude that the world would see and respect during World War Two in our common struggle against European fascism.

Since its founding in 1703, St. Petersburg has embodied Russian dreams of all their country could become. Under Catherine the Great the city became one of the grandest centers of science, culture and art in Europe, with European and Russian traditions converging to produce a uniquely Russian style of social and urban development.

St. Petersburg's Hermitage museum is one of the largest and most respected art museums in the world. Catherine the Great founded it to house Russia's collection of many of the world's most precious artistic masterpieces. Russia's intellectual class, rising at that time, also centered in St. Petersburg, attracted by the spirit of liberal development and progress.

Mr. Speaker, St. Petersburg under Catherine the Great firmly made claim to its reputation as a European city of substance, and Russians had and continue to have reason to be proud of all that St. Petersburg represents in Russian society.

The Soviet era again brought great hardships to the people of St. Petersburg, but without the benefit of the freedoms and hope that had originally been the cornerstone of St. Petersburg's appeal. As the center of Russian intellectual activity, it should be no surprise that Stalin's crackdown on artists and thinkers hit St. Petersburg particularly hard. To have lived in the heart of Russian intellectual life, the city of Pushkin and Dostoyevsky, and then to watch the forces of repression and intolerance take hold must have been incredibly painful to bear.

Yet the strength and fortitude of the people of St. Petersburg would before long be on display for the world once again, as Hitler's armies encircled the city in September 1941. Thus began a siege and blockade of the city that lasted over 2½ years.

Yet never did this city of nearly three million, including hundreds of thousands of children, even contemplate surrender to Hitler and his abhorrent regime. The treasures of the Hermitage museum were hidden in basements, protected by sandbags, and university students continued to go to school and even to be awarded their degrees. The famous Russian composer Dmitry Shostakovich wrote his seventh ''Leningrad'' symphony during the siege and it was performed in the embattled city.

Mr. Speaker, this spirit of defiance and strength played a key part in the allied victory over fascism, and earned for Russia the respect of the free world.

St. Petersburg has now retaken its original name, one of the first decisions made by popular vote among residents in 1991. The city has also undergone a massive renovation project in preparation for this remarkable milestone, to restore to its buildings their original grandeur and dust off the cobwebs of Soviet neglect once and for all. One of Russia's true national treasures, St. Petersburg is among the country's most important cultural, industrial, tourist, transport and scientific centers.

Today, Mr. Speaker, as in the 300 years of struggle that now lie behind St. Petersburg, the city represents Russia's sense of optimism, its hopes and dreams for its future, and its firm belief that prosperity and national development lie in a strengthened commitment to its relationship with the West.

It is in America's national interest to support this relationship, to give meaning to Russian hopes and dreams, and to see St. Petersburg continue to emerge as a freedom-loving and democratic example to post-Communist societies everywhere. I invite my colleagues to support Russian transition by doing everything possible to achieve these goals, and by promoting the peaceful integration of Russia into the community of free and democratic peoples.

Mr. Speaker, it is with great pleasure and respect that I applaud the people of St. Petersburg as the city begins its fourth century on Russia's political, social and intellectual frontier. Theirs is a history of sacrifice and of devotion to the principle of intellectual freedom.

St. Petersburg's tradition of academic debate and intellectual freedom is also America's tradition, and Americans look forward to continuing to share with Russia in this vital and productive institution. I invite my colleagues in Congress to join me in congratulating the citizens of St. Petersburg and the people of all Russia on the 300th birthday of this extraordinary city.

RECOGNITION OF CLARA SONSINI

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Clara Sonsini of Jefferson County, Illinois. Clara was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Clara received this honor for her lifelong service to others. At the onset of World War II she left home and traveled to San Francisco to work for the government in homeland security. Later, Clara and her husband, Dan, moved to Mt. Vernon where they raised three children. Upon their high school graduation she began work at a local nursing home as a nurse's aid and eventually as activity director. Clara's other numerous community activities include Girl Scout Leader, Cub Scout Den Mother, YMCA volunteer, grade school homeroom leader, president of the PTA, and American Cancer Society and Red Cross volunteer. She remains vigorously involved with the St. Mary's/Good Samaritan Regional Health Center Auxiliary.

I want to congratulate and thank Clara for all she has done and will continue to do for the people in her community. She is a saint to all who know her and is deserving of this prestigious honor.

IN RECOGNITION OF USO OF METROPOLITAN NEW YORK

HON. CAROLYN B. MALONEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mrs. MALONEY. Mr. Speaker, I rise to pay tribute to USO of Metropolitan New York on the occasion of their 37th Annual Luncheon. This year, the USO is honoring Lorraine Bracco as Entertainer of the Year and Patricia Fili-Krushel, Vice President of Administration at AOL Time Warner, as Woman of the Year. Both women have made outstanding contributions to the New York City community.

The USO, founded in 1941 in response to a request by President Franklin D. Roosevelt, is dedicated to providing morale, welfare and recreation type services to uniformed military Personnel. They remain committed to extending a ''touch of home'' to military members through numerous programs and activities. The USO currently operates throughout the United States and overseas in 121 centers worldwide.

Lorraine Bracco, perhaps best known for her portrayal of psychiatrist Dr. Jennifer Melfi on the HBO hit series ''the Sopranos'', has earned multiple Emmy, Golden Globe, and Screen Actors Guild Award nominations for Best Actress in a Drama. Ms. Bracco was also nominated for an Academy Award for her performance in the movie ''Goodfellas''. A student at Stella Adler and the Actors Studio in New York City, Ms. Bracco made her American feature film debut in the 1987 Ridley Scott's thriller, ''Someone to Watch Over Me.'' In addition to extensive film and television credits, Ms. Bracco is a member of the Board of Directors of the environmental organization Riverkeeper, which serves to safeguard the Hudson River, its tributaries and the watershed of New York City against environmental violations by tracking down and stopping polluters. She is also a member of the Board of New York Council for the Humanities.

Patricia Fili-Krushel is the Executive Vice President of Administration of AOL Time Warner. In this role, Ms. Fili-Krushel works closely with AOL Time Warner's senior management team. Her responsibilities include human resources, employee development and growth, compensation and benefits, as well as security. Before joining AOL Time Warner, Ms. Fili-Krushel was President of the ABC Television network from 1998 to 2000 and was responsible for improving the ABC television ranking from number 3 to number 1. In 1996, she received the prestigious Vision Award for her contributions to the arts. In 1998, Ms. Fili-Krushel was featured by Fortune Magazine among its ''50 Most Powerful Women'' and in 1999, she received the Women's Project and Productions' Women of Achievement award. Ms. Fili-Krushel currently sits on the Board of Directors for Second Stage Theater, the Board of the Central Park Conservancy, the Board of Center for Communication and was recently named to Mayor Bloomberg's Commission on Women's Issues as Co-Chair of the Child Care initiative. She has made outstanding contributions to the field of communications as well as to improving the New York City community through numerous community service organizations.

In recognition of these outstanding contributions, I ask my colleagues to join me in honoring the USO of Metropolitan New York on the occasion of their 37th Annual Luncheon as well as in honoring Lorraine Bracco and Patrician Fili-Krushel for their efforts in improving the New York City community.

HONORING MARVIN DAVIES

HON. JIM DAVIS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. DAVIS of Florida. Mr. Speaker, I rise in honor of Marvin Davies, a longtime civil rights leader in Florida, who lost his life to cancer last month.

Davies began his battle for equality at an early age. By the time he was a college student at Florida Agricultural and Mechanical University, Davies was participating in protests with Dr. Martin Luther King Jr. and boycotts in Tallahassee, St. Augustine and Montgomery, Alabama. Chosen as Student of the Year, he graduated from FAMU ranked second in his class.

At age 32, Davies was offered the position of Field Secretary for Florida's NAACP. He served Florida's 138 NAACP branches for seven years and became a leader in the fight for equal opportunities for all Americans in employment, schools, hospitals and all other public places.

Later, Davies served as a special assistant and advisor to Senator BOB GRAHAM during his terms as Florida Governor and U.S. Senator, and worked as the state coordinator of the Martin Luther King, Jr. Foundation. Throughout his entire career, Davies was a public voice for minorities and improving the lives of young people in minority communities.

However, the people of St. Petersburg will remember him best for his work in our community. In 1968, Davies returned to St. Petersburg in support of city sanitation workers who were on strike for better wages and benefits. He served on the Coalition of African-American Leadership, created following the St. Petersburg city riots in 1996, as well as the Citizens Advisory Commission, appointed by the Clinton Administration to oversee the Federal assistance to the city after the civil unrest.

On behalf of the Tampa Bay area, I extend my deepest sympathies to Marvin Davies' family and friends. His life work will never be forgotten.

PAYING TRIBUTE TO KRISTOPHER ENTZ

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. MCINNIS. Mr. Speaker, it is with a heavy heart that I honor the life and memory of an outstanding young man from my district. Kristopher Entz, a 17-year-old student from Center, Colorado passed away recently. As his family and friends mourn their loss, I would like to pay tribute to the memory of Kristopher before this body of Congress and this nation.

Kristopher was a well-rounded, perpetually happy, all-American teenager, liked and admired by all. His sense of humor and penchant for pranks made him one of the most popular students at Sangre de Cristo High School. He was an outstanding student, as evidenced by his membership in the National Honor Society and his participation in Knowledge Bowl, an extra-curricular academic competition. Kristopher excelled in athletics as well, and was a terrific football player who also liked snowboarding, golf, and lifting weights.

Kristopher is survived by his parents Mike and Rhonda, his older sister Brynna, and a loving extended family, and my thoughts and prayers are with them during this difficult time. Kristopher's good-natured spirit will live on in the many lives he has touched in the San Luis Valley. His love, laughter, and dedication to his family, friends, school, and community will be greatly missed.

A TRIBUTE TO MIKE JENDRZEJCZYK

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. LANTOS. Mr. Speaker, today I rise to express my fundamental sadness over the sudden and tragic death of my good friend and fellow human rights defender, Mike Jendrzejczyk. Mike died unexpectedly on May 1 in Washington, D.C., at the age of 53. I would also like to take this opportunity to express the condolences of the entire Chamber to Mike's wife, Janet. I thank Mike for his indefatigable efforts in the defense of human rights, which was his service not only to this country but the entire world community. Mike's death leaves a void in the human rights community that we will continue to feel.

Mr. Speaker, we all knew Mike as the Washington Director of Human Rights Watch for the Asia division. In this capacity, Mike has worked with many of my colleagues and our staffs. In his 13 years with Human Rights Watch, all of us have relied on his expert opinions, his professional insights, and his undying commitment to human rights, which was an inspiration to all of us. His testimonies were a fixture of all committee proceedings dealing with Asia, as well as the Congressional

Human Rights Caucus. Mike's range of expertise was astounding by any standards, and included China, Japan, Burma, the World Bank, trade policy and human rights as well as the entire range of U.S. foreign policy in Asia. He was the leading human rights voice condemning the 1989 Chinese military crackdown in Tiananmen Square, he was the most vocal advocate of ethnic groups such as the Tibetans in China and the Montagnards in Vietnam. Increasingly, Mike raised our awareness for issues pertaining to Afghanistan, the consequences of the military coup in Pakistan and the increase in religious fundamentalism in this area.

Mike, we all will miss you terribly. We will miss your voice of reason, your expertise, your enthusiasm and your humor, and most of all, your guidance, as we face new and troubling challenges and dangers emanating from a region of the world which is not easy to understand, but which had become a second home to you. Your life will be a constant reminder and challenge to all of us to try harder, to reach further in the defense of human rights, to believe in a better world and to never accept things as they are, unchallenged.

RECOGNITION OF CLIFF FIELDS

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Cliff Fields of Jefferson County, Illinois. Cliff was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Cliff received this honor for his lifelong service to others. Whether it was his service in World War II or his work to bring business and industry to Mt. Vernon, he is known as an unselfish person who works tirelessly for the benefit of others. Fifty years ago Cliff founded the architectural firm of Fields, Goldman, and Magee. He has also served on the Summersville Grade School Board, Mt. Vernon Airport Authority, Economic Development Commission, Director for Mt. Vernon Savings & Loan and First Bank & Trust, and a Trustee for Mitchell Museum.

I want to congratulate and thank Cliff for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is deserving of this prestigious honor.

THE FCC AND THE TRIENNIAL REVIEW

HON. MARTIN FROST

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. FROST. Mr. Speaker, it has been over 3 months since the FCC completed their Triennial Review and voted on new rules for the telecommunications industry, the most significant change for that industry since the adoption of the 1996 Telecommunications Act. Yet, the FCC has still not issued the details.

This is a shame. So long as the FCC delays, uncertainty will reign in the telecommunications sector. For one whole quarter now, investment and growth in the sector have been stalled.

Mr. Speaker, the economy remains weak, showing no real signs of recovery, and numerous companies continue to lay off their employees. The current recession has been hard on workers. Telecommunications companies are set to invest billions of dollars in network infrastructure—investment that will help the weak economy and create and preserve jobs—but the current regulatory environment restricts growth and investment in the telecom sector.

The FCC needs to act quickly and issue a ruling to help the telecommunications industry grow their networks, and help get America back to work.

IN HONOR OF GEORGE M. SCALISE

HON. ANNA G. ESHOO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. ESHOO. Mr. Speaker, I rise today to honor George M. Scalise, who was recently named chairman of the Federal Reserve Bank of San Francisco.

George Scalise is a highly respected business leader in the high technology and semiconductor industries. As president of the Semiconductor Industry Association, SIA, George has distinguished himself as one of the premiere experts on the issues of international trade, competition, environmental safety and health, as well as workforce issues. In addition to his leadership of SIA, George Scalise serves on President George W. Bush's Council of Advisors on Science and Technology and on the boards of Cadence Design Systems and iSuppli Corporation. George previously served on the Boards of SEMATECH, the Semiconductor Research Corporation, and the Bay Area Economic Forum.

George Scalise is dedicated to investing in the education of future science and technology leaders. A graduate of Purdue University, George is on the advisory committees at the Leavey School of Business at Santa Clara University, the School of Engineering at the University of Southern California, the Engineering Visiting Committee at Purdue University and a member of the California Council on Science and Technology Fellows Program. He is also actively involved in the University Research Fund.

Mr. Speaker, I'm proud to have George Scalise as a constituent and my friend. He is one of the most effective and respected leaders in our country and our community, with a deep commitment to the betterment of our Nation. I ask the entire House of Representatives to join me in congratulating George M. Scalise on his chairmanship of the Federal Reserve Bank of San Francisco and wish him every success in shaping sound monetary policies for our country.

RECOGNITION OF DOROTHY BAKER

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Dorothy Baker of Jefferson County, Illinois. Dottie was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Dottie received this honor for her lifelong service to others. She is a wife and mother who raised three children. Today she is a regular participant in the Sweet Corn & Watermelon Festival, the American Cancer Society's Relay for Life, Jefferson County's Crime Watch program, Memorial Day services, the Mt. Vernon City Wide Cleanup, and the National Day of Prayer. She has also assisted with the Emergency 911 Telephone Testing process. Dottie is active in her church where she helps the elderly and assists others in any way possible.

I want to congratulate and thank Dottie for all she has done and will continue to do for the people in her community. She is a saint to all who know her and is deserving of this prestigious honor.

INTRODUCTION OF ''BAN ASBESTOS IN AMERICA ACT OF 2003''

HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. WAXMAN. Mr. Speaker, I am very pleased to introduce the ''Ban Asbestos in America Act of 2003'' in the House of Representatives. This is the companion bill to a bill that Senator Murray is reintroducing today in the Senate. Senator Murray has been a real leader in addressing the harm that Americans continue to suffer from exposure to asbestos. I thank her for her hard work on this serious problem.

We all know that asbestos can be deadly. It is a notorious carcinogen and causes other devastating diseases and disability. But what most Americans don't know is that this dangerous substance is still added, on purpose, to numerous products sold in this country. In 2001, companies in the United States used 13,000 metric tons of asbestos.

Sometimes it seems that people trust their government too much. Many Americans reasonably assume that since asbestos is harmful and unnecessary, and since Congress and EPA have taken action on asbestos, it must be illegal to add it to products. They assume that new products are safe in terms of risks from asbestos. In fact, EPA tried to ban asbestos years ago, but was sued and lost on some technical grounds.

The result is that people don't even know that some new products contain asbestos. And people don't realize that they still need to protect themselves against asbestos from these products. For example, many mechanics don't realize that asbestos is used in many brakes, exposing them and the public to dangerous asbestos dust. Asbestos is also still used in many roofing products and in gaskets. Continued exposure from new products is entirely avoidable—and this bill would fix the problem.

The ''Ban Asbestos in America Act'' also addresses other urgent needs related to harm from asbestos. It requires EPA, the Consumer Product Safety Commission, and the Department of Labor to establish a national public education program about the dangers posed by products with asbestos. For example, many homes in the United States contain vermiculite insulation in their attics—but most homeowners don't know that this vermiculite is often contaminated with asbestos. Homeowners and workers need to be made aware of the risk. People must be informed that they should not disturb this insulation. Yesterday EPA issued a brochure, but we need to do more to get the word out on this and other risks.

This bill also establishes a national registry for mesothelioma, a usually fatal form of cancer caused by exposure to asbestos. The registry will help scientists to better track and treat this terrible illness. The bill also authorizes funding for mesothelioma research and treatment.

We have not yet finished our job of protecting Americans from exposure to asbestos. We need a ban and public education about the risks that will remain. I'm introducing this bill to get the job done and make this country a safer place for people to work and live.

A TRIBUTE TO LUANA LAMKIN, AN ANGEL FOR CANCER PATIENTS IN OHIO

HON. DEBORAH PRYCE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Ms. PRYCE of Ohio. Mr. Speaker, I rise today to pay tribute to Luana Lamkin from Hilliard, Ohio, a former member of the Oncology Nursing Society's Board of Directors, and to celebrate May as the ninth annual Oncology Nursing Month. Oncology Nursing Month recognizes oncology nurses, educates the public about oncology nursing, provides an opportunity for special educational events for oncology nurses, and celebrates the accomplishments of oncology nurses.

The Oncology Nursing Society (ONS), the largest professional oncology group in the United States composed of more than 30,000 nurses and other health professionals, exists to promote excellence in oncology nursing and the provision of quality care to those individuals affected by cancer. As part of its mission, the Society honors and maintains nursing's historical and essential commitment to advocacy for the public good. ONS was founded in 1975, and held its first Annual Congress in 1976. Since the Society was established, 218 local chapters have been formed to provide a network for education and peer support at the community level.

In my State of Ohio there are more than 1,226 oncology nurses and health professionals that care for individuals with cancer and their families. In addition, Ohio has 9 local Oncology Nursing Society chapters located in the areas of Columbus, Cincinnati, Cleveland, Mansfield, Cuyahoga Falls, Lima, Zanesville, Whitehouse, and Dayton.

Luana Lamkin has been helping cancer patients and their families for the last thirty years. Luana is currently the Administrator of Cancer Services at the Grant/ Riverside Methodist Hospitals in Columbus, Ohio. Luana has been active in the Oncology Nursing Society since 1976 and recently served as National Treasurer for the ONS' Board of Directors. She has received numerous awards for her work on behalf of individuals with cancer including the ''Excellence in Nursing Administration'' from the Oncology Nursing Society and the ''Lane Adams Award'' from the American Cancer Society for Outstanding Nursing Leadership.

Luana has also worked with the National Dialogue on Cancer on nursing workforce issues. A number of studies and articles that Luana has written on the impact of the nursing shortage on cancer care have been published in distinguished publications such as the Oncology Nursing Forum, Cancer Nursing: Practices and Principles, Seminars in Oncology Nursing, and the Journal of Nursing Research. Since 1982, Luana has presented thirty papers to national and international audiences on a host of cancer care issues such as staff support systems, role development, community resources, patient and caregiver perspectives, strategic planning, issues and trends in cancer nursing, epidemiology, screening, detection, negotiating professional rewards and nursing shortage issues.

Over the last ten years, the setting where treatment for cancer is provided has changed dramatically. An estimated 80 percent of all Americans receive cancer care in community settings including cancer centers, physicians' offices, and hospital outpatient departments. Treatment regimens are as complex, if not more so, than regimens given in the inpatient setting a few short years ago. Oncology nurses are on the front-lines of the provision of quality cancer care for individuals with cancer. Nurses are involved in the care of a cancer patient from the beginning through the end of treatment. Oncology nurses are the front-line providers of care by administering chemotherapy, managing patient therapies and side-effects, working with insurance companies to ensure that patients receive the appropriate treatment, provide counseling to patients and family members, in addition to many other daily acts on behalf of cancer patients.

With an increasing number of people with cancer needing high quality health care coupled with an inadequate nursing workforce, our nation could quickly face a cancer care crises of serious proportion with limited access to quality cancer care, particularly in traditionally underserved areas. Without an adequate supply of nurses there will not be enough qualified oncology nurses to provide the quality cancer care to a growing population of people in need. I was proud to support the passage of the ''Nurse Reinvestment Act'' in the 107th Congress. This important piece of legislation, signed into law by President Bush, expanded and implemented programs at HRSA to address the multiple problems contributing to the nationwide nursing shortage, including the decline in nursing student enrollments, shortage of faculty, and dissatisfaction with nurse workplace environments.

I commend Luana Lamkin and the Oncology Nursing Society for all of their hard work to prevent and reduce suffering from cancer and to improve the lives of those 1.3 million Americans who will be diagnosed with cancer in 2003. I wish Luana and the Oncology Nursing Society the best of luck in all of their endeavors.

RECOGNITION OF DONALD BAKER

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize, Donald Baker of Jefferson County, IL. Don was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Don received this honor for his lifelong service to others. He served his country for 4 years in the U.S. Navy on the USS *Remy* during the Korean war. Today he is a regular participant in the Sweet Corn & Watermelon Festival, the American Cancer Society's Relay for Life, Jefferson County's Crime Watch program, Memorial Day services, the Mt. Vernon City Wide Cleanup, and the National Day of Prayer. He has also assisted with the Emergency 911 Telephone Testing process.

I want to congratulate and thank Don for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is very deserving of this prestigious honor.

NEW SOCIAL SECURITY OFFICE IN HALLANDALE

HON. KENDRICK B. MEEK

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. MEEK of Florida. Mr. Speaker, I rise today to call to the attention of my colleagues the grand opening of a new Social Security office within my Congressional District in Hallandale, FL.

The new office will serve a total of 16,400 Social Security beneficiaries and 1,678 Supplemental Security Income beneficiaries in the cities of Hallandale, Hollywood and Dania Beach, FL. These cities, renowned for their thriving senior citizen populations, have shared a Social Security office in Hallandale since 1973. However, because this population has grown significantly over the decades, a new, more modern facility was needed in order to better serve the community.

The new office, located at 1000 West Hallandale Beach Boulevard, will include many innovative improvements, such as front-end interviewing and interactive video training by satellite from Social Security national headquarters in Baltimore, Maryland, and other locations.

I work closely with the Social Security Administration in answering questions and solving problems brought to my attention by my constituents, and I look forward to working for many years to come with Lee Rojas, the manager of this new facility, his full-time staff of 12 and his four special employees.

I applaud the Social Security Administration for its decision to expand its services and improve its proximity to the more than 18,000 retirees who have earned Social Security benefits and rely on Social Security's services.

PERSONAL EXPLANATIONS

HON. XAVIER BECERRA

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. BECERRA. Mr. Speaker, on Wednesday, May 21, 2003, I was unavoidably detained, and therefore unable to cast my floor vote on rollcall Nos. 201 through 204. The votes I missed include rollcall vote 201 on the procedural vote of ordering the previous question; rollcall vote 202 on Agreeing to H. Res. 245 on Agreeing to the Resolution providing consideration of H.R. 1588; rollcall vote 202 on the Motion to Suspend the rules and pass H.R. 1170; and rollcall vote 203 on the Motion to Suspend the rules and pass H.R. 1911.

Had I been present for the votes, I would have voted ''aye'' on rollcall votes 203 and 204, and ''nay'' on roll call votes 201 and 202.

RECOGNITION OF JOHN NELSON COWEN

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize John Nelson Cowen of Jefferson County, IL. John was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

John received this honor for his lifelong service to others. Throughout his life John raised a family, sang for community events with the Barbershop Chorus, annually served at the Kiwanis Pancake and Sausage Breakfast, provided inexpensive housing to low income families, and contributed to the education of underprivileged children. He is still actively involved as a Sunday School teacher at Park Avenue Baptist Church where he has taught for 70 years. John also loves his country so much he chose to not draw Social Security so that others in need can benefit from it.

I want to congratulate and thank John for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is deserving of this prestigious honor.

TELECOMMUNICATIONS INDUSTRY

HON. MIKE ROGERS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. ROGERS of Michigan. Mr. Speaker, I come to the floor today to highlight the benefits that competition in the telecommunications industry has bestowed upon this nation.

In the seven years since the passage of the Telecommunications Act, millions of consumers and thousands of businesses have been given choices and enjoyed savings never before experienced during more than a century of monopoly control. In fact, it is estimated that if telecom competition were allowed to flourish across the nation, our citizens could save more than $9 billion a year on their telephone bills.

Take, for example, LDMI Telecommunications, a competitive telecom provider who offers services in Michigan. LDMI's President & CEO, Patrick O'Leary, has files full of letters from customers who are grateful to have a choice among providers and are able to save a significant amount of money in the process.

Here's what some of LDMI's customers have to say:

> ''When long distance was a monopoly we could only afford five inside sales reps due to the high cost of phone calls. Thanks to the lowest phone rates we've ever enjoyed, we now have sixteen inside sales reps and our market is now the continental United States. Our sales are over five million dollars. None of this growth would have been possible without competition in the telecommunications industry.''—a supplier of paper rolls for business machines in New Hudson, Michigan

> ''Since we became an LDMI customer in August, 1994, we have enjoyed not only excellent rates and saving, but have also experienced extremely courteous and overly competent customer service and technical support. To say that we are satisfied with the high quality of service and incredible savings would have to be considered an understatement.''—a law firm in Saginaw, Michigan

These reactions are extremely common among the millions of customers who are relying on competitive telecommunications providers for their voice and data communications services. LDMI, and many other small competitive companies who offer the same quality and cost-effective services to consumers and small businesses, would not exist but for the rules that require the Bell companies to provide competitors access to the public switched telephone network at reasonable, non-discriminatory rates.

Telecom competition serves as an economic catalyst, as well. As you can see from these customer testimonials, consumers and business owners have a great incentive to re-invest the savings on their telephone bills into new equipment or services. Moreover, the economy is bolstered by the spending of competitors and the Bell companies themselves on new technology, new networks, and innovative service packages. In fact, studies show that since passage of the 1996 Act, alternative telecom service providers have generated more than $100 billion in capital expenditures on state-of-the art infrastructure, while the Bells have accounted for another $50 billion in spending as a direct result of competition in their markets.

We must work to ensure that consumer benefits and economic stimulus are not stifled by government actions over voice and broadband services. The FCC is poised to issue an order that would preserve competition through the use of the Unbundled Network Element Platform—or UNE-P. The Commission should be thorough in its consideration of the details of the rules it is about to issue to ensure that competition remains viable, consumer choice is protected and technological innovation is allowed to blossom.

INTRODUCTION OF H.R. 2210, THE SCHOOL READINESS ACT OF 2003

HON. JOHN A. BOEHNER

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. BOEHNER. Mr. Speaker I am pleased to have the opportunity to congratulate the Gentleman from Delaware, Mr. CASTLE, on the introduction of the School Readiness Act of 2003, which reauthorizes the Head Start program. This legislation demonstrates a tremendous commitment to strengthening Head Start. It represents a great accomplishment not only for Mr. CASTLE, but for disadvantaged children and their families from across this nation.

As many of you know, President Bush's biggest domestic priority has consistently been education reform. In his State of the Union address in January 2002 the President outlined his plan (known as the Good Start, Grow Smart initiative) for ensuring that children are prepared to read and succeed in school. This proposal focused on strengthening Head Start, increasing partnerships with States, and providing information to teachers, caregivers and parents. The Bush Administration's proposal laid the foundation for many of the reforms in this legislation. I would like to take this opportunity to thank President Bush for his leadership on this issue.

I think we all recognize that Head Start is a great program that has helped millions of low-income children access the resources they need in order to help them succeed in school and later in life. I was troubled to learn, however, that while children in Head Start show improvement when compared to other disadvantaged children who are not enrolled in the program those same children are still far behind their more advantaged peers when it comes time to enter school. The School Readiness Act of 2003 will address this ''readiness gap'' in much the same way that the No Child Left Behind Act addressed the ''achievement gap'' between low income and middle class students.

I am particularly pleased that this legislation increases Head Start's emphasis on school readiness allows us to align the goals of Head Start with recent reforms of K–12 education, while continuing to maintain the comprehensive services that are provided by the program. The No Child Left Behind Act made it clear that children should be reading successfully by the end of the 3rd grade. The School Readiness Act of 2003 makes it clear that Head Start should be providing economically disadvantaged children with the opportunity to enter school with the literacy, pre-reading, and pre-math skills that are essential for success in school.

I am also pleased that the School Readiness Act of 2003 focuses on improving teacher quality in Head Start. Research has demonstrated that having a well qualified teacher in the classroom is one of the best predictors of student success. This is why the School Readiness Act of 2003 requires 100 percent of all new Head Start teachers to have at least an Associates Degree in early childhood education or a related field within three years. The legislation also requires 50 percent of Head Start teachers nationwide to hold at least a Bachelors Degree in early childhood education or a related field by 2008.

In order to provide an incentive for states to continue investing in early childhood education, the School Readiness Act of 2003 also creates a state demonstration project that allows a limited number of states to voluntarily apply for and receive the option of coordinating Head Start programs with their own early childhood education programs, in exchange for an agreement to maintain or expand funding for early childhood education. This state demonstration project would be limited to states with a demonstrated investment in early childhood education and an established, pre-existing preschool system. Participating states would be barred from making funding cuts to early childhood education programs as a condition of their participation. Current Head Start grantees in participating states would be guaranteed funding during the first year of implementation of the demonstration project. In addition, States would be strongly encouraged to continue utilizing current service providers that have demonstrated the capacity to provide high quality Head Start services consistent with State guidelines for school preparedness for children entering kindergarten.

I am confident that this type of state control and collaboration will allow states to increase all-day Head Start classes, better coordinate state pre-school programs with Head Start, and improve the alignment of Head Start instruction with state K–12 standards. These types of reforms will not only improve the school readiness of participating children, but will also allow States that are held accountable for student performance under the No Child Left Behind Act to have the opportunity to do everything possible to ensure that their students succeed.

Once again, I would like to congratulate Mr. CASTLE on the introduction of this legislation. I look forward to working with him, and other members of the House, as we continue our efforts to strengthen Head Start and ensure that our nation's neediest children are prepared to succeed in school.

RECOGNITION OF JACK GOLDMAN

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Jack Goldman of Jefferson County, Illinois. Jack was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Jack received this honor for his lifelong service to others. He served in World War II as a combat engineer in the United States Army. Jack participated in the invasions of Leyte and Okinawa. After serving his country he returned to Mt. Vernon where he has literally and figuratively changed his community. Jack became involved with the Acquisition Committee for the Arts in the City Foundation and as chairman of the Sculpture Committee for Cedarhurst. He was named Counselor Emeritus for Mitchell Museum in 1995. Jack is an architect with Fields, Goldman, and Magee; and is also a member of the Mt. Vernon Rotary Club and the Downtown Development Corporation. He and his wife, Joan, are members of United Methodist Church.

I want to congratulate and thank Jack for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is deserving of this prestigious honor.

INTRODUCTION OF H.R. 2210, THE SCHOOL READINESS ACT OF 2003

HON. MICHAEL N. CASTLE

OF DELAWARE

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. CASTLE. Mr. Speaker, I rise today to introduce the School Readiness Act of 2003, which reauthorizes the Head Start program. This legislation improves the Head Start Act by emphasizing that every child, regardless of their economic status, should have the best chance possible to succeed. I would like to thank the gentleman from Ohio (Mr. BOEHNER), the Chairman of the Committee on Education and the Workforce, for his assistance in developing this legislation.

In 1965, Head Start was created to give economically disadvantaged children access to the same educational, health, nutritional, social, and other services that were enjoyed by their more affluent peers. The goal of the program was, as it remains today, to provide children a solid foundation that will prepare them for success in school and later in life. As the centerpiece of the Federal government's efforts to support quality early childhood education for our nation's most disadvantaged youth, Head Start has served nearly 20 million low-income children and their families. Currently, Head Start serves over 900,000 children every day and has nearly 1,500 grantees across the United States. In my home state of Delaware, Head Start programs serve 1,594 children, with an additional 464 four year olds receiving assistance through state government funding.

We all can agree on the need for Head Start and its astounding successes. We must also recognize that Head Start can produce even greater results for children. Students who attend Head Start programs do start school more prepared than those with similar backgrounds that do not attend Head Start. However, Head Start students continue to enter kindergarten well below national norms in school readiness. By moving to close this school readiness gap, this bill will improve results for almost a million Head Start students across the nation.

The School Readiness Act of 2003 strengthens Head Start's academic focus while maintaining its comprehensive nature, eliminates out of date requirements and unnecessary demands on local grantees, improves teacher quality, demands grantee accountability while providing assistance to those that are underachieving, increases funding for Head Start, requires collaboration between early childhood education and care providers, and creates a demonstration project allowing some states to further coordinate state early childhood programs with Head Start.

Under this bill, Head Start children will enter school with demonstrated prereading, language, and pre-mathematics skills, as well as the benefits from the nutritional and health services that Head Start has always provided. Children's progress will no longer be based on arbitrary and out of date performance measures, but on scientifically based and clear criteria that will enable parents and teachers to accurately view a child's progress.

This bill will also require Head Start teachers to be more prepared to equip young children for school. By 2008, 50 percent of all Head Start teachers must have a baccalaureate degree, and after three years no new teachers will be hired without an associate degree.

This bill also improves the accountability of Head Start programs. As under current law, local grantees will be responsible for their use of the federal funds. Those that are identified as underachieving, however, will receive additional assistance. This bill demonstrates our commitment to Head Start by authorizing a $202 million increase, making it a $6.87 billion program.

Additionally, Head Start centers will now increase the likelihood of children starting kindergarten at the same level. This will be done through the efforts of Head Start programs to coordinate and reach out to other early childhood education and care providers, local school districts, local museums and libraries, and community and faith-based organizations. These efforts will be focused on the improved instruction and school readiness of children, as well as teacher training and quality improvement.

For some states, this bill will also provide the opportunity for increased integration of preschool programs with Head Start. This opportunity will only be available to states that have exhibited a substantial dedication to early childhood education and care through financial investment, the creation of statewide school readiness standards, professional development requirements for early childhood teachers, and have demonstrated inter-agency coordination. States that take advantage of this opportunity will be required to maintain their current investment, thus protecting Head Start from state budget cuts. In addition, Head Start grantees that have not exhibited any egregious or uncorrected deficiencies on Health and Human Services evaluations over the last five years would continue to receive funding during the first year of the state demonstration program.

The School Readiness Act of 2003 builds upon the reforms of previous reauthorizations of Head Start, as well as the recommendations of President Bush. I would like to take this opportunity to thank President Bush, and First Lady Laura Bush, for their leadership on this issue. The success of the White House Summit on Early Childhood Cognitive Development, which brought together hundreds of educators, researchers, librarians, business leaders and federal officials to help us better understand the issues surrounding early childhood learning, is a credit to this Administration.

I look forward to working with the members of the Education and Workforce Committee and other members of Congress as we work to craft this legislation that will improve the school readiness of disadvantaged children. I urge my colleagues to join me and the other original cosponsors in support of the School Readiness Act of 2003.

RECOGNITION OF NANCY GERMANN

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Nancy Germann of Jefferson County, Illinois. Nancy was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Nancy received this honor for her lifelong service to others. For thirty-three years she made a positive difference in the lives of students. She loves teaching so much she returned to the classroom after her retirement as a special education aide. Nancy is extremely involved in her church and community. Some of her activities include singing in the church choir, assisting with the soup kitchen and Thanksgiving dinner for the needy, and serving as a director for Cedarhurst Chamber Music along with helping with other Cedarhurst activities.

I want to congratulate and thank Nancy for all she has done and will continue to do for the people in her community. She is a saint to all who know her and is deserving of this prestigious honor.

HONORING CHARLES MIXSON

HON. GINNY BROWN-WAITE

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Ms. GINNY BROWN-WAITE of Florida. Mr. Speaker, I rise to honor an outstanding constituent of mine from the Fifth Congressional District of Florida who has, because of his extraordinary achievement, been named by the Florida Professional Engineers in Government as the 2003 Government Engineer of the Year.

Charles Mixson is the County Engineer and Public Works Director in my home town of Brooksville. He is a published author, his work having appeared in American Public Works Magazine in 2002. He graduated from the University of Florida in 1977 with a civil engineering degree and has since completed several continuing education courses.

He is a member of the Florida and National Engineering Societies, the Florida and National Association of County Engineers, the American Public Works Association, and the Florida Department of Transportation Greenbook Advisory Committee. He has served in leadership roles in several of these organizations.

In addition to his professional achievements, Mr. Mixson is an upstanding community leader, as he is an active supporter of the Boy Scouts and is the immediate past president of the Kiwanis Club of Brooksville.

Mr. Speaker, it is easy to see why the Florida Professional Engineers in Government chose Mr. Mixson as their Government Engineer of the Year. Mr. Mixson has certainly worked hard to earn this honor and he is deserving of every accolade I or his peers could bestow on him.

Mr. Speaker, I ask you to join me in congratulating and honoring a fine American and a man whom I am proud to represent in this chamber.

RECOGNITION OF ALFRED ''MUGSY'' BEAN

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Alfred ''Mugsy'' Bean of Jefferson County, Illinois. Mugsy was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Mugsy received this honor for his lifelong service to others. On the bombing of Pearl Harbor, Mugsy immediately volunteered for service to his country. He was embroiled in World War II for close to four years. For the past 25 years Mugsy has served as a member of American Legion Post 141 Funeral Detail and has worked on the Jefferson County Veteran's Memorial Committee. He is known to treat all with the same respect and to reach out to those in need. Mugsy has been married to Louise for 58 years and has raised four children.

I want to congratulate and thank Mugsy for all he has done and will continue to do for the people in his community. He is a saint to all who know him and is deserving of this prestigious honor.

ARMY SPECIALIST BRANDON JACOB ROWE

HON. DONALD A. MANZULLO

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. MANZULLO. Mr. Speaker, I recently had the honor of attending the memorial service for a heroic young man from Roscoe, Illinois, who selfishly gave his life to protect our families and our freedoms in the United States and to give the Iraqi people a future without terror and oppression.

Brandon Jacob Rowe would have turned 21 years old on April 14, 2003. But on March 31, the Army Specialist from the 101st Airborne Division was killed in an ambush near Najaf, Iraq. Brandon, who earned a waiver and was promoted to Specialist early, was one of two machine gunners in his infantry rifle platoon. According to Major Gen. Robert T. Clark, who presented Brandon's mother with her son's Purple Heart at the memorial service, machine gunners are the most important soldiers in a rifle platoon because they provide the firepower that protects the rest of the men. As Brandon's older brother, Brent, so aptly put it, ''He was my short little brother, but he was one hell of a man.''

I never met Brandon Rowe. But I learned of his character and his love for his country after meeting his courageous family. Brandon's mother, his father, his brothers, his sister, and his aunts, uncles and cousins are obviously in tremendous pain right now after losing him. Even amid that anguish, their pride for Brandon and their support of his mission shines through. Brandon made a tremendous impression on his family and all who knew him. I wish I had known him, Mr. Speaker.

I have enclosed a tribute to Brandon written by his Aunt Cecile shortly after his death. Brandon's sister, Leah, read the tribute at his memorial service on April 12 at Hononegah High School in Rockton, Illinois:

UNNAMED SOLDIER, ROSCOE, ILLINOIS

Now we can tell his name. His name is Brandon Jacob Rowe. He had other names—our son, our stepson, our grandson, our brother and brother-in-law, our nephew, our cousin, our boyfriend, our dear friend, our co-worker, our comrade-in-arms, our buddy, our neighbor and more. For what seemed to us a long, long while, though it was only a few days, he was known through media reports only as the first combat casualty from the 101st Airborne in Operation Iraqi Freedom.

His name is Brandon Jacob Rowe and he died in Iraq because he was committed to a cause. His death is not senseless, but full of purpose and meaning. He appreciated his freedom, and felt that everyone deserved to be free. He was proud of the job he was doing to serve his country.

He died trying to make life better for others, trying to do his part to rid the world of those who oppress the innocent. Brandon put his life, his heart, on the line so others he didn't even know wouldn't have to continue to live in terror. He had great admiration for his grandfather, who fought for our country's freedom and earned a Purple Heart as an Army paratrooper during the Second World War. Brandon wanted to do something with his life that had real value and merit. Brandon's life certainly had both.

Brandon was known for his sense of humor and fun, but he had a quiet, deep spirituality that others did not always see. They did know he was strong, and kind, and always looking out for others' welfare before his own. He sensed when others were lacking, or hurting, or needing a friend; he became that friend. Brandon always put others before himself, concerned about the welfare of his buddies, his teammates, his family and friends.

From his first smile to his last, the kindness and sweetness in his face shone out of him. His goodness drew people to him for all of his nearly 21 years. One could not see his smile without feeling happier, without feeling glad to know him.

We in his family love and honor Brandon, and thank all those who have shown love and support at this difficult time. We are grateful to his hometown friends and the members of the 101st Airborne he was so proud to be associated with, and with whom he served his country. He offered up the ultimate sacrifice. It was not in vain, Brandon, and we will not ever forget.

RECOGNITION OF WILMA KIMMEL

HON. JOHN SHIMKUS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. SHIMKUS. Mr. Speaker, I rise before you today to recognize Wilma Kimmel of Jefferson County, Illinois. Wilma was recently inducted into the Senior Saints Hall of Fame of Jefferson County.

Wilma received this honor for her lifelong service to others. She is known as a dedicated wife and mother. She and her husband, Ardell, raised three children. In order to help send her children to college she began work as a secretary for the Mt. Vernon School System where she worked for twenty years.

Wilma has been involved with the 4–H Club, Rend Lake Piecemakers Quilt Guild, and Herbs for Health and Fun. No one can say that Wilma is not devoted to her church. At Central Christian Church she is known as a ready and willing hand for wherever there is a need. She is described as one who gets the job done and one who never complains.

I want to congratulate and thank Wilma for all she has done and will continue to do for the people in her community. She is a saint to all who know her and is deserving of this prestigious honor.

A BILL TO AMEND THE FEDERAL MEAT INSPECTION ACT AND THE POULTRY PRODUCTS INSPECTION ACT

HON. TOM UDALL

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. UDALL of New Mexico. Mr. Speaker, I rise today to introduce a bill to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act, and grant the Secretary of Agriculture the power to order the recall of meat and poultry that is adulterated, misbranded, or otherwise unsafe. I am pleased to be joined in introducing this legislation by CAROLYN MCCARTHY (NY), EARL BLUMENAUER (OR), TIM RYAN (OH) and GEORGE MILLER (CA).

The announcement of the discovery of Bovine Spongiform Encephalopathy, also known as ''mad cow disease,'' in Canada this week, further highlights the importance of this legislation. Let me be clear that there is no evidence that our domestic meat products are compromised in any way. However, if they were ever found to be tainted, the Secretary currently has no authority to mandate the recall of these products. This is unacceptable today, more than ever.

I cannot overstate the importance of the nature of this legislation. It is imperative to the health and welfare of the American public that we bolster the regulation of the meat and poultry industry. The number of people affected annually from ingesting tainted meat and poultry products illuminates this proposition: 5,000 people die from food-borne illnesses each year. Furthermore, nearly 76 million people get sick annually from eating tainted food, of which 325,000 require hospitalization.

The Jack in the Box E. coli outbreak of 1993 prompted the imposition of a new regulatory system on the meat and poultry industry designed to help eliminate future deadly food-borne illness outbreaks. The Hazard Analysis and Critical Control Point (HACCP) program shifted the responsibility for ensuring meat safety from USDA inspectors to the meat companies themselves and instituted microbial tests for harmful bacteria. Since the implementation of the HACCP regulations, however, controversy has erupted over whether the new rules place too much power in the hands of the meat industry to regulate itself.

Due to the huge political clout of the meatpacking industry, USDA does not have, nor seem to want, the power to issue mandatory recalls of tainted meat and poultry products. Complying with agency recalls, therefore, is at the industry's discretion. The meat industry says that it has never failed to cooperate with a recall request from the USDA, thus mandatory recalls of tainted meat are not needed. I disagree.

Whenever there is a recall, press releases issued by these companies make very clear that the recall is voluntary. However, when USDA asks for a recall, a negotiation process ensues between the agency and the industry. Meanwhile, thousands of people would continue to eat potentially harmful meat. This is not a trivial matter. This is meat that is potentially contaminated and could result in death.

This is a question of accountability. Somebody must be held responsible for the quality and safety of the meat we consume. The government must ensure that the meatpacking industry produces only safe meat products. My bill will facilitate this need by amending the Federal Meat Inspection Act and the Poultry Products Inspection Act. My bill authorizes the Secretary of Agriculture to order the recall of meat and poultry that is adulterated, misbranded, or otherwise unsafe or tainted from the market. The time has come for this necessary step.

HONORING THE USS ''PLATTE''

HON. SAM GRAVES

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. GRAVES. Mr. Speaker, I proudly pause to recognize the USS *Platte* (AO–24) Navy Ship. On this day, the bell from the ship will be permanently loaned to the Platte County-KCI Area Convention and Visitors Bureau and the Platte County commission for display. Platte County has worked very hard to honor the service and the memory of the ship and those who served on board.

The USS *Platte* was built by the Bethlehem Steel Company in Baltimore, Maryland and commissioned at Norfolk, Virginia on December 1, 1939. On March 27, 1940, the ship was sent out to support the Panama Canal Zone fleet. After its service to this fleet, the USS *Platte* was reassigned to the base at San Pedro, California and carried liquid cargo, passengers and freight to and from Pearl Harbor. On December 7, 1941, during the attack on Pearl Harbor, the USS *Platte* was fortunately stationed in San Pedro. The USS *Platte* continued its service and on January 11, 1942 was assigned as a fueling ship for the Carrier Task Force Eight, which comprised of ships including the Aircraft Carrier Enterprise, flagship of Admiral William F. Halsey Jr.

Subsequently, the USS *Platte* served in World War II supporting the U.S. Pacific Fleet in the Coral Sea, New Guinea, the Solomon Islands, Western Aleutians, Gilbert Islands, Marshall Islands, Marianas Islands and the Philippine Islands. Additionally, the USS *Platte* provided logistical support during the Korean and Vietnam wars and refueled the aircraft Carrier Enterprise task force group off the Korean shore during the Pueblo crisis. For its service, the ship received eleven battle stars for World War II and 6 battle stars for Korean war service.

On May 17, 2002, the County Commission of Platte County, Missouri recognized the outstanding accomplishments and achievements of the USS *Platte* by hosting USS *Platte* veterans, families, and friends to declare the day as USS *Platte* Day for Platte County, Missouri.

Mr. Speaker, I proudly ask you to join me in commending the USS *Platte*, the men who served this great ship, and the Platte County Commission for their efforts in remembering this important ship and its many missions.

CONGRATULATIONS TO COMMONS LANE ELEMENTARY SCHOOL FOR RECEIVING A ''GOLD STAR'' AWARD

HON. WM. LACY CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. CLAY. Mr. Speaker, I rise to honor excellence personified by a public school in my district—Commons Lane Elementary School, in the Ferguson-Florissant School District.

In April the school was named 1 of 15 elementary schools in the State of Missouri to receive the ''Gold Star'' award for academic excellence. I proudly enter their name into the CONGRESSIONAL RECORD as part of a national celebration of their achievement.

The feat by Commons Lane was one of three schools in my District so honored. Some 35 public schools competed for the awards, for the 2002–2003 academic year.

Chosen by a panel of school administrators and other educators from across the State, all applications were evaluated and winners were selected during the month of April. The 15 schools were formally honored May 7 at a forum in Jefferson City, MO, the State Capital.

To be eligible for the award, schools had to meet academic performance criteria established by the U.S. Department of Education for the ''No Child Left Behind-Blue Ribbon Schools'' program.

Established in 1991, the Gold Star Schools program is sponsored by the Department of Elementary and Secondary Education, with financial support from State Farm Insurance Companies, Inc.

In the program, elementary and secondary schools are recognized in alternating years. Mr. Speaker, I submit to you that success in education can be achieved at all levels, and sometimes where it is least expected.

As we celebrate 15 Gold Star schools in the State of Missouri, with 3 in my district alone, I also hope and plan for the day that the majority of schools in the State achieve ''Gold Star'' status and we can happily raise the academic bar again, for the next generation of students.

If the students of today are a barometer, then the students of the future will most assuredly defy the odds against them and take their place in the modern world as well-educated leaders and decision-makers solving future problems.

As leaders in government, it is our responsibility to provide them the tools, the gifted teachers and the inspiration to achieve against great odds for even greater successes.

INTRODUCING THE ACCESS TO DIABETES SCREENING SERVICES ACT OF 2003

HON. GENE GREEN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. GREEN of Texas. Mr. Speaker, I rise today to introduce the Access to Diabetes Screening Services Act of 2003. This common-sense legislation will ensure that Medicare beneficiaries with diabetes are diagnosed and treated as soon as possible.

Diabetes is a serious, debilitating chronic illness that afflicts more than 17 million Americans, including 7 million Medicare beneficiaries. This sometimes silent disease causes many serious complications, including heart disease, stroke, blindness, kidney failure, and lower limb amputation. Unfortunately, more than one-third of people with diabetes won't realize it until they develop one of its deadly complications.

Diabetes imposes an enormous financial burden on our health care system. More than 25 percent of the Medicare budget is currently devoted to providing medical care to seniors living with diabetes. Congress recognized the need to address this problem when it required Medicare coverage of blood-glucose monitors and diabetes education services in the Balanced Budget Act. While this was a positive development in our fight against diabetes, it has done little to help us diagnose and treat the 2.3 million seniors who do not realize they have diabetes, or the 20 percent of Medicare beneficiaries who have pre-diabetes, a condition which, if left untreated, will develop into diabetes.

While diabetes is sometimes a silent disease, the risk factors are often obvious. Diabetes is prevalent among individuals who are overweight, aging, and lead a sedentary lifestyle. Other health conditions, such as gestational diabetes, high cholesterol, and hypertension often lead to diabetes. It is also more common in certain racial and ethnic groups, including Hispanics, African Americans, and certain Native Americans.

Currently, Medicare does not cover diabetes screening, even if a patient has some of these risk factors. We must strengthen the Medicare program to ensure that individuals get treatment before it is too late. By testing high-risk individuals, we will be able to diagnose and treat individuals earlier on, and subsequently prevent many complications. Studies have shown that people with pre-diabetes can prevent or delay the onset of type 2 diabetes by up to 58 percent through lifestyle interventions, including modest weight loss and increased physical activity.

That is why I am introducing this legislation, which would require Medicare to cover diabetes screening under Part B. Diagnosing diabetes and pre-diabetes through testing would improve the lives of our Nation's seniors and prevent an increase over the already huge amount of Medicare budget devoted to seniors with diabetes. In addition to improving the health and quality of life for millions of Americans, extending coverage to cover simple testing would save Medicare money in the long run by lowering the incidence of complications.

I urge my colleagues to support this legislation.

HEALTHY FORESTS RESTORATION ACT OF 2003

SPEECH OF

HON. TOM UDALL

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 20, 2003

Mr. UDALL of New Mexico. Mr. Speaker, I rise in opposition to H.R. 1904, the Healthy Forests Restoration Act of 2003.

I cannot overstate the importance of the nature of this legislation. As a Member of Congress from the west, I take very seriously the need to find a balanced approach to reduce the threat of catastrophic wildfire. The Cerro Grande fire, which occurred within my district in 2000, scorched over 40,000 acres and consumed over 400 homes and businesses in Los Alamos, NM. This tragic example highlights the importance of this issue in New Mexico.

Wildfire prevention and protection is of such grave importance that I am extremely concerned about, and strongly object to, the manner that this legislation was brought before us today. A Committee Print of this bill was received in my office, during a recess period, five days before it was scheduled for Resources Committee markup. Not only did we, nor the public, have time to analyze and digest its content, but the importance and depth of this issue was further undermined by the fact that this committee did not even hold any hearings on the bill before proceeding straight to mark-up.

In the past, I have worked with Mr. MCINNIS on fire issues and had hoped to be able to do so again this Congress. I believe that by working together on a bill in a bipartisan manner, we could have crafted legislation that protects our communities from catastrophic fires without the perceived need to impose unprecedented deadlines and standards for injunctive relief on the federal judiciary, and without emasculating our environmental laws. However, due to the manner in which this bill was presented to us, the opportunity to work together, or at least consider any viable alternatives to H.R. 1904, did not arise.

Considering this, I would like to point out that H.R. 1904 was not the sole option available to Congress for the protection of our at-risk communities from wildfire devastation. Similar to H.R. 1904's Section 104, which essentially eliminates any public alternatives to agency action as set out in NEPA, the majority did not allow us to consider any alternatives to H.R. 1904, aside from the Miller/Defazio Substitute offered here today. For example, in February Mr. UDALL of Colorado and I introduced H.R. 1042, the Forest Restoration and Fire Risk Reduction Act. Had we had an opportunity to hold hearings on our bill, Mr. UDALL and I would have been able to formally raise some of the issues not addressed in H.R. 1904, but that are critically important to wildfire prevention and protection.

H.R. 1042 refocuses the implementation of the National Fire Plan (NFP) to areas designated as ''wildland/urban interface,'' the critical zones that are of the highest risk to people, property and water supplies, by redirecting NFP funding and hazardous fuels reduction projects through state selection panels. H.R. 1042 would accomplish this through the collaboration between state and federal land managers, and local and tribal communities in both decision and implementation activities. Through their individual contributions, we could develop cost-effective restoration activities, and empower these diverse organizations to implement activities that value local and traditional knowledge, build ownership and civic pride, and ensure healthy, diverse, and productive forests and watersheds. Such collaboration would result in the efficient restoration of areas distressed by wildfires and help protect our homeowners and businesses from future losses.

While I agree with the general consensus that thinning our forests—by controlled burns or mechanical means—will lessen the likelihood of unusually severe fires, I cannot support the contention of the Bush Administration and the majority that to facilitate such projects we need to expunge our environmental laws and procedures for public comment and participation. The exemption of fire-risk reduction projects from environmental review and administrative appeals, and to deny the public the full and fair opportunity to have viable alternatives to agency action considered, circumvents established policy of public participation, an important aspect of our democratic process for making decisions affecting public lands. Excluding public comment does not assist in developing sound forest management.

H.R. 1042 makes some relatively innocuous procedural concessions that can expedite the process of resolving appeals, but, unlike H.R. 1904, it maintains these sound principles of law and public policy, and does not affect the traditional judicial review process and standards of equity inherent in our legal system.

H.R. 1904 contains unwarranted judicial review standards. Not only does it impose unreasonable time limits for filing cases in federal court after final agency action, H.R. 1904 contains an unprecedented provision that changes the fundamental legal standard of equitable relief. H.R. 1904 directs the court, when considering a motion for injunctive relief, to determine whether there would be harm to the defendant and whether the injunction would be in the public interest. In effect, these provisions tip the scales of justice in favor of the administrative agency.

The equitable balancing of competing claims has historically been part of the court's province. Injunctions are intrinsic to our federal judiciary's ability to remedy wrongs. Consequently, H.R. 1904's judicial review provisions serve to diminish the court's ability to balance competing interests, and blur the line separating the legislative role and the role of our courts.

In conclusion, I believe, as all of us from the western United States would likely agree, that it is imperative to support proactive programs that reduce the risk of catastrophic wildfires and aid in the restoration of lands that have met the same unfortunate fate as the Cerro Grande. However, such programs should be community-based and should not gut our environmental protection laws, nor affect existing standards of judicial review.

H.R. 1024 had the capacity to meet these important objectives. However, we were not offered the opportunity to consider that alternative. For this reason, and those reasons stated above, I must oppose H.R. 1904.

RECOGNIZING THE FARMERS AND MERCHANTS BANK OF HALE, MISSOURI ON THEIR 75TH ANNIVERSARY

HON. SAM GRAVES

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. GRAVES. Mr. Speaker, I proudly pause to recognize the 75th anniversary of the Farmers and Merchants Bank of Hale. The bank is one of the oldest continuously operating businesses in Hale, Missouri and I take this opportunity to commend their dedication and service to their community.

On May 2, 1928, the Farmers and Merchants Bank of Hale was commissioned and opened for business on the 9th of the month. Since its opening, the bank has only had six presidents. In addition, the Cowherd, Haynes and Franken families have all been involved with the bank from its beginning. When it was first starting out, the bank began with a capital of $20,000; today, the bank's capital exceeds $1,300,000 and has deposits of $13,250,000.

The bank has truly evolved with the times. Photographs taken of the bank in 1906 and 1977 show that the building remained the same. However, in 1978, the bank celebrated its 50th anniversary and the raising of a new building. Artifacts from the original bank were taken and displayed in the new building, including the original vaults, the black iron swinging gate and the big old clock that graced the main lobby. These artifacts remain with the bank to this day.

Mr. Speaker, I proudly ask you to join me in commending the Farmers and Merchants Bank of Hale, Missouri on their 75th anniversary and for their many contributions to the 6th District and the State of Missouri.

CONGRATULATIONS TO CONWAY ELEMENTARY SCHOOL FOR RECEIVING A ''GOLD STAR'' AWARD

HON. WM. LACY CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. CLAY. Mr. Speaker, I rise to honor excellence personified by a public school in my District—Conway Elementary School, in the Ladue School District.

In April the school was named one of 15 elementary schools in the State of Missouri to receive the ''Gold Star'' award for academic excellence. I proudly enter their name into the CONGRESSIONAL RECORD as part of a national celebration of their achievement.

The feat by staff and students at Conway Elementary School was one of three schools in my District so honored. Some thirty-five public schools competed for the awards, for the 2002–2003 academic year. Chosen by a panel of school administrators and other educators from across the state, all applications were evaluated and winners were selected during the month of April. The 15 schools were formally honored May 7 at a forum in Jefferson City, Mo., the State Capital. To be eligible for the award, schools had to meet academic performance criteria established by the U.S. Department of Education for the ''No Child Left Behind-Blue Ribbon Schools'' program.

Established in 1991, the Gold Star Schools program is sponsored by the Department of Elementary and Secondary Education, with financial support from State Farm Insurance Companies, Inc.

In the program, elementary and secondary schools are recognized in alternating years. Mr. Speaker, I submit to you that success in education can be achieved at all levels, and sometimes where it is least expected.

As we celebrate 15 Gold Star schools in the state of Missouri, with three in my district alone, I also hope and plan for the day that the majority of schools in the state achieve ''Gold Star'' status.

If that happens, we can happily raise the academic bar again, for the next generation of students. If the students of today are a barometer, then the students of the future will most assuredly defy the odds against them and take their place in the modern world as well-educated leaders and decision-makers solving future problems.

As leaders in government, it is our responsibility to provide them the tools, the gifted teachers and the inspiration to achieve against great odds for even greater successes.

UNITED STATES LEADERSHIP AGAINST HIV/AIDS, TUBERCULOSIS, AND MALARIA ACT OF 2003

SPEECH OF

HON. GENE GREEN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 21, 2003

Mr. GREEN of Texas. Mr. Speaker, I rise today in support of H.R. 1298, the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003.

There is no doubt that sub-Saharan Africa is in the midst of a crisis because of the HIV/AIDS epidemic. Although only 10 percent of the world's population resides in this area, it is home to more than 70 percent of individuals infected by HIV/AIDS. According to the United Nations, 29.4 million adults and children are infected with the HIV virus in the region, including 3 million children under the age of 15.

Although HIV/AIDS has become a treatable disease here in the United States, the public health infrastructure in Africa is ill-equipped to deal with this pandemic. This is evidenced by the fact that, of the 4 million individuals who have reached an advanced stage of the disease, only 50,000 individuals are receiving anti-retroviral treatment.

This problem is compounded by the increased spread of comorbidities such as tuberculosis and malaria. Tuberculosis is a leading cause of death for individuals with HIV/AIDS, causing one out of every three deaths for individuals with HIV/AIDS. Incidences of malaria have increased dramatically in recent years due to resistance of the malaria parasite to once effective drugs, and increasing resistance of mosquitoes to insecticides. The World Health Organization estimates between 300 million and 500 million new cases of malaria each year.

That is why this legislation is so important. This measure makes a substantial investment in our Nation's efforts to help Africa combat this horrible epidemic. The legislation provides up to $1 billion specifically for the Global Fund to Fight AIDS, TB and Malaria in 2004—a key multilateral mechanism for expanding prevention and treatment. It also allows the U.S. share of total contributions to the Global Fund of up to 33 percent, which solidifies our country's leadership and commitment to eradicating these diseases worldwide.

This legislation is carefully crafted, bipartisan, and will be truly effective in our efforts to combat HIV/AIDS, Tuberculosis and Malaria. I applaud the efforts of the Chairman and Ranking Member of the International Relations Committee for their work on this important legislation.

SIEFERT ELEMENTARY SCHOOL CELEBRATES 100TH YEAR ANNIVERSARY

HON. GERALD D. KLECZKA

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. KLECZKA. Mr. Speaker, on Thursday, May 29, 2003, Siefert Elementary School will be celebrating its 100th Year Anniversary, a historic event in the education of Milwaukee's youth.

Originally called Ninth District #1 when its doors were opened in 1903, the school was renamed Siefert Elementary School after Henry O.R. Siefert, who served as principal for 16 years. Siefert retired from Milwaukee Public Schools in 1922 at the age of 82, after serving Milwaukee area students for 63 years in numerous capacities, including teacher, principal and superintendent of the Milwaukee Public School System.

Located in the Midtown Neighborhood of Milwaukee, a community with diversity at its core, the school currently serves students from Head Start through 5th grade, and its mission is to ensure that all students reach their academic potential and become responsible, well-rounded citizens. The curriculum trains children to become competent, creative problem solvers, particularly in science and mathematics, and to be familiar with current technological advances.

Siefert Elementary challenges its young people, helping them develop the independent thinking skills they will need as they move beyond the halls of this outstanding school. It encourages each student to be an active partner in his or her individualized education program, working to achieve personal excellence in academics, communications, emotional intelligence and life planning in order to become a self-directed, contributing member of society. This Milwaukee Public School begins the process of equipping students with the tools required to function successfully in the global economy of the 21st century.

Celebrating 100 years of public education is a testament to how great things can be accomplished when students, teachers, administrators and parents work together. I salute Siefert Elementary efforts, and extend my best wishes for continued success in providing quality education for young people in our community.

LEGISLATION TO DESIGNATE THE FEDERAL COURTHOUSE IN SANTA FE, NM, AFTER JUDGE SANTIAGO CAMPOS

HON. TOM UDALL

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. UDALL of New Mexico. Mr. Speaker, I rise today to memorialize an outstanding jurist, an honorable man, and a leading Hispanic in the field of law by introducing legislation to name the Federal Courthouse in Santa Fe, NM, after Judge Santiago Campos. I am pleased to be joined in introducing this legislation by my colleagues, Mr. SERRANO, Mr. GRIJALVA, Mr. REYES, Mr. MENENDEZ, Ms. SOLIS, Mr. RODRIGUEZ, and Mr. PASTOR.

Judge Santiago Campos was the first Hispanic appointed to the Federal bench in New Mexico, serving from 1978 until his death in 2001, including as chief judge from 1987 through 1989. Judge Campos' career of public service only culminated with his service as a U.S. District Court Judge, as he also served in the U.S. Navy as a Seaman First Class from 1944 to 1946, as the Assistant and First Assistant Attorney General of New Mexico from 1954 to 1957, and as a District Court Judge from 1971 to 1978 in the First Judicial District in the State of New Mexico. Judge Campos served with distinction on the bench and displayed both firmness and compassion with those who entered his courtroom. He was a life long resident of New Mexico and graduated first in his law school class at the University of New Mexico.

Judge Campos was very active in his courtroom, often exercising his right to question witnesses in the middle of cross-examinations. Many agree that he became more involved in a case than other judges, but still let a lawyer try his own case. One of his most memorable cases ordered the Gannett Co. to return The New Mexican, Santa Fe's daily newspaper, to its former owner, Robert McKinney due to a breach of contract.

During his career, Campos was an honorary member of the Order of the Coif. He also received the Distinguished Achievement Award of the State Bar of New Mexico in 1993, and in the same year the University of New Mexico honored him with a Distinguished Achievement Award.

Sadly, Judge Campos passed away on January 20th, 2001. Following his passing, the New Mexico State Legislature passed a joint memorial requesting Congress to name the Federal Courthouse in Santa Fe, New Mexico, after Judge Campos who had his chambers in the courthouse for over 22 years. In addition, the judges of the Tenth Circuit Court of Appeals who reside in New Mexico and the district judges of the District of New Mexico unanimously requested and support Congressional action to name the Federal Courthouse after Judge Campos. I am pleased to take up this effort.

Last Congress I introduced this legislation and was able to work to get it passed by the House. Unfortunately the Senate did not act on this legislation. This year, however, I am hopeful that we will be able to get this legislation signed into law and honor this great man with a small token of appreciation for the remarkable life that he lived.

MEMBERS OF EAST NORRITON ENGINE COMPANY WITH OVER 30 YEARS OF SERVICE

HON. JIM GERLACH

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. GERLACH. Mr. Speaker, I rise today to honor seven members of the East Norriton Fire Engine Company. For over 30 years these fine individuals—Joseph Rothwein, George Myers, Joseph M. Pfizenmayer, Douglas Lindberg Sr., Donald Huston, Henry M. Carneavale, and Joseph T. Lesinski—have dedicated over a third of their lives, 242 years total, to saving life and property for East Norriton Township and the surrounding communities.

Joseph Rothwein is a 30-year member who has held numerous positions within the Company. He served on and chaired the Board of Trustees, held elected office as Financial Secretary for over 20 years, and was a recipient of the Life Membership Award in 1995.

George Myers, a 31-year member, is the current Assistant Fire Chief and Chairman of the Board of Trustees. He has held such positions as Fire Chief and Chief Engineer of the Company and presently is a training instructor at the Montgomery County Fire Academy and Pennsylvania Fire Academy. George is a two-time recipient of the Fire Fighter of the Year Award and received the Life Membership Award in 1991.

Joseph M. Pfizenmayer, a 32-year member, and current East Norriton Township Fire Marshall, has served as Chairman of the Board of Trustees and held numerous elected positions including Assistant Fire Chief. He was a training instructor at the Montgomery County Fire Academy and was Chairman of the Montgomery Fire Advisory Board. Joe is a recipient of the Fighter of the Year Award and was presented the Life Membership Award in 1991.

Douglas Lindberg Sr., a 33-year member, and current Vice Chairman of the Board of Trustees, has held numerous elected offices including Fire Chief and is currently a training officer at both the Montgomery County Fire Academy and the Pennsylvania Fire Academy. Doug was the first member of his Company to pass the Pennsylvania State Certification of Fire Fighter Level one and is a three-time recipient of the Fire Fighter of the Year Award. He received the Life Membership Award in 1989.

Donald Huston, a 36-year member, has held several elected positions including that of Fire Police Chief as well as serving on the Board of Trustees. Donald received the Life Membership Award in 1986.

Henry M. Carneavale, a 43-year member, has held numerous elected positions, most notably that of Fire Police Chief while also serving on the Board of Trustees. Hank is a recipient of the Life Membership Award in 1979.

Joseph T. Lesinski Sr., the senior member of this group at 47 years, and former Fire Chief and a 17-year line officer, has held several elected positions during his tenure, including Chairman of the Board of Trustees. Joe has the distinction of founding the first fire school in East Norriton. He is a current Senior Training Instructor at the Montgomery County Fire Academy and Pennsylvania Fire Academy and two-time recipient of the Fire Fighter of the Year Award and in 1975 he received the Life Membership Award.

The contributions of these fine men cannot be honored or praised enough by their fellow citizens. Their ongoing leadership and commitment to the East Norriton Fire Engine Company has made their community a safer place to live now and in the future.

TRIBUTE TO PRESIDENT CHEN SHUI-BIAN OF TAIWAN

HON. TODD TIAHRT

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. TIAHRT. Mr. Speaker, President Chen Shui-bian will soon be marking his third anniversary in office. His performance as leader of Taiwan has received widespread praise around the world. In dealing with China, President Chen has sought to assuage Beijing's anxieties about Taiwan's declaration of independence. Moreover, President Chen has taken major steps to reduce tension in the Taiwan Straits. Travel between Taiwan and the Chinese mainland has been made much easier. We hope that Taiwan and China will soon resume their dialogue on issues affecting both sides. Peace in the Straits is in everyone's interest.

President Chen was instrumental in making Taiwan's accession to the World Trade Organization a reality. We hope Taiwan will be successful in joining the International Civil Aviation Organization (ICAO) in the not too distant future. We also hope that Taiwan will be successful in gaining observer status at the World Health Assembly this May, especially with SARS affecting so many countries in Asia. As Secretary of State Colin Powell recently said, ''infectious disease knows no borders and requires an effective and coordinated response at local, national, and international levels.'' Taiwan is part of the world that has been severely affected by SARS. Taiwan belongs to the World Health Organization and must be included in all World Health Organization activities in curtailing the spread of SARS.

Relations between Taiwan and the United States have been growing stronger everyday. Taiwan is a strong ally of ours. To reduce their trade surplus, Taiwan has bought many types of American agricultural and consumer products. Their tourists choose the United States as their number one destination and many of their students have selected our colleges and universities for advanced study. I am particularly pleased to see Taiwan giving us full support in our campaign against global terrorism and their pledge for humanitarian assistance to post-war Iraq. We must treasure Taiwan's friendship and learn from President Chen's longstanding motto: ''Do your best for whatever the job requires.''

On the eve of President Chen's third anniversary in office, I salute President Chen for his many accomplishments and wish him good luck and good health.

TAIWAN'S ENTRY AS AN OBSERVER TO THE WHO

HON. ILEANA ROS-LEHTINEN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Ms. ROS-LEHTINEN. Mr. Speaker, this week, the World Health Organization met in Geneva to discuss its agenda and the tentative observer status of Taiwan into the Organization. This meeting came on the heels of a terrible outbreak now known as Severe Acute Respiratory Syndrome (SARS).

The people of Taiwan are courageously and resiliently combating this dreadful epidemic. Although their efforts have not gone unheard in the halls of Congress, as my colleagues and I have fought for H.R. 441 and final passage of S. 243, other nations that do not respect basic human rights have opposed the entry of Taiwan into the WHO.

SARS has dreadfully demonstrated to all nations that epidemics do not have borders. Unlike its neighbor to the North, Taiwan is an open and transparent nation that has committed its efforts to truthfully divulging the impact of SARS on its population.

The entry of Taiwan as an observer to the WHO will give its people a superior chance in combating this evil malady. Nations that support freedom, a democratic and transparent form of government must support Taiwan's observer status to the World Health Organization.

Mr. Speaker, I would like to express my heartfelt sympathy to the people of Taiwan for the profound loss they are experiencing due to the malevolence known as SARS and reiterate my full support for Taiwan's entry as an observer to the WHO.

FACILITIES-BASED COMPETITION IS GOOD FOR U.S. SECURITY

HON. ROY BLUNT

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. BLUNT. Mr. Speaker, the U.S. economy rides on the telecommunications network now more than ever. We are ever more dependent on the Internet and our telecommunications networks to conduct business. This makes our telecommunications infrastructure a potential terrorist target.

One way to guard against the destruction of our telecommunications network is to have multiple, competing networks in place. If one goes down, the other can be used. While telecommunications companies often build in redundancy in their networks, it would be better from a security standpoint to have separate, independently operated networks.

Government policy should encourage facilities-based telecommunications competition. This was one of the main goals of the Telecommunications Act of 1996. A Federal Communications Commission regulation, however, actually discourages facilities-based competition. This regulation known as the Unbundled Network Element Platform (UNE–P) allows a competitor to use an incumbent's network at a steep discount, sometimes up to 55 percent. Since this is a platform, the competitors do not have to build any of their own facilities.

The huge discount makes it much more economical for a competitor to use the incumbent's network than to build its own facilities. It also makes it more difficult for an incumbent to financially justify the expense of deploying new facilities, as competitors will be able to piggyback off the facilities and take customers away from the incumbent, without the competitors spending any money for capital improvements.

The Chairman of the FCC tried to get rid of this policy in February, but was stymied by a 3 to 2 vote of his fellow Commissioners. The FCC needs to rethink this policy. Without competing facilities-based networks available, a major terrorist hit to an incumbent's telecommunications network could bring the U.S. economy to a standstill.

INTRODUCTION OF THE MEDIA (MAINTAINING AND ENSURING DIVERSITY AND INTEGRITY ON THE AIRWAVES) ACT OF 2003

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. CONYERS. Mr. Speaker, today I am introducing the ''MEDIA (Maintaining and Ensuring Diversity and Integrity on the Airwaves) Act of 2003,'' legislation that would provide greater protection to small and minority-owned businesses in the media industry.

Access to the media is at the foundation of our democracy. As part of its effort to advance one of its primary strategic goals of promoting competition, diversity and localism, the FCC has strived to ensure that every person has equal access and that small and minority owned businesses are fairly and adequately represented in the media.

To accomplish this objective, under Section 257 of the 1996 Telecommunications Act, the FCC is required to identify and eliminate market entry barriers for small telecommunications businesses. Section 257 also requires the FCC to report every three years on any regulations prescribed to eliminate any such barriers. Section 257 was written to ensure that greater consolidation in the media industry would not occur without concern for diversity in ownership and content. Specifically, the section was meant to address barriers involving race and gender discrimination.

The FCC has not yet completed its Section 257 Report to Congress. At the same time, the FCC is one short week away from significantly relaxing its current media ownership rules, which may permit networks to own stations that can reach 90 percent of the nation, allow companies to own three television stations in a market, and abolish the ban on cross-ownership between TV stations and newspapers. These new rules are likely to have significant negative consequences for many small and minority owned businesses, but the FCC has not provided its report demonstrating that it has analyzed the impact on these businesses and has not provided adequate assurance that steps are being taken to eliminate any negative consequences. Adding fuel to the fire, the FCC is embarking on this course without providing *any* notice and opportunity to respond to the specific rules it is considering.

The MEDIA Act addresses these concerns. First, the Act requires the FCC to publish and seek comment on its proposed rules prior to enactment. Second, responding to the concern that requiring a biennial review places an undue burden on the FCC as well as the many small and minority owned companies who need greater certainty to grow their businesses, the Act instructs the FCC to review its media ownership rules every five years instead of every two years. Third, the Act prevents the FCC from repealing its media ownership rules or approving mergers in excess of $50 million until it has completed its 2003 Section 257 report to Congress identifying and eliminating market entry barriers for small telecommunications businesses, as well as analyzing how any change of the existing regulations would be consistent with the national policy of promoting diversity and competition and how any change would affect barriers to entry for small businesses.

The vast majority of public responses regarding the FCC's decision to change its media ownership rules have criticized the FCC for so hastily running through the process without affording adequate time for a meaningful analysis and public comment on concerns with the new rules. If the FCC will not Act to ensure that any changes are in the public interest and that small and minority owned businesses are adequately represented in the media, Congress must step in.

I am hopeful that Congress can move quickly to enact this worthwhile and timely legislation.

POSITIVE AGING ACT OF 2003

HON. PATRICK J. KENNEDY

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. KENNEDY of Rhode Island. Mr. Speaker, May is both Mental Health Month and Older Americans Month, and no time to make sure that older adults are getting the mental health care they need. Not only do we owe our seniors dignity and good health, but providing good mental health care to older Americans is good policy. Failure to treat mental disorders leads to functional dependence, nursing homes, poorer health outcomes for other chronic conditions, and suicide.

According to the National Institutes of Health, seniors commit suicide at a higher rate than any other age group. And in 20 percent of those cases, seniors killed themselves the same day they visited their primary care doctor. Seventy percent of senior suicides have been to a primary care physician the same month.

There is a severe misunderstanding of mental illness in older adults, even among those with medical training. The President's New Freedom Commission on Mental Health has identified the failure of seniors to receive mental health care as a major problem. The Surgeon General's Report on Mental Health found that almost one in five adults over 55 experiences a specific mental disorder that is not part of the ''normal'' aging process.

That's why today, my good friend from Maryland, our Minority Whip, and I are introducing the ''Positive Aging Act of 2003''—to improve the accessibility and quality of mental

health services for our rapidly growing population of older Americans. While we have made great strides in extending the life span, we continue to face the challenge of improving the quality of life for America's senior citizens. This legislation is designed to integrate mental health services with other primary care services in community settings that are easily accessible to the elderly.

We can effectively treat many of the mental disorders common in older Americans, but in far too many instances we are not making such treatments available. Unrecognized and untreated mental illness among elderly adults can be traced to gaps in training of health professionals, and in our failure to fully integrate mental illness identification and treatment with other health services. Mental illnesses are poorly recognized in many care settings and knowledge about effective interventions is simply not reaching primary care practitioners. Research has shown that treatment of mental illnesses can reduce the need for other health services and can improve health outcomes for those with other chronic diseases. These missed opportunities to diagnose and treat mental diseases are taking a huge toll on the elderly and increasing the burden on their families and our health care system.

Mr. Speaker, I recognize that the stigma associated with mental illness, the lack of Medicare coverage for prescription medicines, and Medicare benefit discrimination related to mental health services also limit appropriate care for the elderly. I am committed to address these broader problems through Medicare reform legislation as soon as possible. In the meantime, we can and we must take other steps. We must increase opportunities for effective diagnosis and treatment of mental illness among the elderly. This legislation is intended to do just that.

Mr. Speaker, I strongly believe there are immediate opportunities to improve mental health care for older Americans. This legislation can help to target our resources on identifying and treating a population at high risk for disability and dependence. We have an obligation to take what is known about effective treatments and improve the quality of life and overall health of millions of seniors. It's not only the right thing to do; it's also an investment that will return enormous dividends in terms of more economical use of health resources, improved patient outcomes, a better quality of life for older Americans.

I am grateful for the support of my colleagues who have joined me in introducing this bill, particularly the gentleman from Maryland, and for the many advocates out in our communities across the country who are leading the way with strong initiatives and good examples. I particularly would like to recognize the American Association for Geriatric Psychiatry for their tireless leadership in the area of mental health for seniors.

I hope that this House will join me in honoring the citizens who have built this great country by ensuring that they get the full range of health services they need.

INTRODUCING THE NATIONAL AMUSEMENT PARK RIDE SAFETY ACT OF 2003

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. MARKEY. Mr. Speaker, Memorial Day is the beginning of the season when American families take their children to our amusement parks for a day of fun and sun. Unfortunately, it is also the case that over 75 percent of the serious injuries suffered on these rides occur between the months of May and September. Most of America thinks that the rides at these parks are subject to oversight by the nation's top consumer safety watchdog—the Consumer Product Safety Commission (CPSC.). But this is not true. The industry used to be subject to federal safety regulation, but in 1981 it succeeded in carving out a special-interest political exemption in the law—the so-called Roller Coaster Loophole.

It is time to put the safety of our children first—it is time to close the Roller Coaster Loophole.

Today I am introducing the NATIONAL AMUSEMENT PARK RIDE SAFETY ACT, to restore safety oversight to a largely unregulated industry. I am joined in this effort by Representatives GEORGE MILLER, BILL PASCRELL, BARNEY FRANK, FRANK PALLONE, RICHARD NEAL, JAN SCHAKOWSKY, JIM MCGOVERN, CAROLYN MALONEY and JOHN TIERNEY.

SUPPORT FOR THE BILL

We are supported in this endeavor by the nation's leading consumer-protection advocates, including Consumer's Union, the Consumer Federation of America, the National SAFE KIDS Campaign, Saferparks.org, and the U.S. Public Interest Research Group.

Moreover, the nation's pediatricians—the doctors who treat the injuries suffered by children on amusement park rides—have endorsed our bill. According the American Academy of Pediatrics, ''a first step to prevention of these injuries is adopting stronger safety regulations that allow for better inspection and oversight of the fixed-rides.''

THE PROBLEM WITH STATE-ONLY REGULATION

''Fixed'' or ''fixed-site'' rides are found predominantly in destination theme parks. When an accident occurs on such rides, the law actually prevents the CPSC from even setting foot in the park to find out what happened. In some states, an investigation may occur, but in many, there is literally no regulatory oversight at all. And no matter how diligent a particular state might be, there is no substitute for federal oversight of an industry where park visitors often come from out-of-state; a single manufacturer will sell versions of the same ride to park operators in many different states; no state has the jurisdiction, resources or mission to ensure that the safety lessons learned within its borders are shared systematically with every other state.

RIDES CAN KILL, NOT JUST THRILL

Although the overall risk of death on an amusement park ride is very small, it is not zero. Fifty-five fatalities have occurred on amusement park rides in the last 15 years, and over two-thirds occur on ''fixed-site'' rides in our theme parks. In August 1999, 4 deaths occurred on roller coasters in just one week, ''one of the most calamitous weeks in the history of America's amusement parks,'' according to U.S. News and World Report:

August 22—a 12–year-old boy fell to his death after slipping through a harness on the Drop Zone ride at Paramount's Great America Theme Park in Santa Clara, California;

August 23—a 20–year-old man died on the Shockwave roller coaster at Paramount King's Dominion theme park near Richmond, Virginia;

August 28—a 39–year-old woman and her 8–year-old daughter were killed when their car slid backward down a 30–foot ascent and crashed into another car, injuring two others on the Wild Wonder roller coaster at Gillian's Wonderland Pier in Ocean City, New Jersey.)

Since that week, there have been six more fatalities on amusement park rides, including an 11–year-old girl just over two weeks ago at Six Flags Great America in Gurnee, Illinois.

Every one of these is an unspeakable horror for the families. It is simply inexcusable that when a loved one dies or is seriously injured on these rides, there is no system in place to ensure that the ride is investigated, the causes determined, and the flaws fixed, not just on that ride, but on every similar ride in every other state. The reason this system does not exist is the Roller Coaster Loophole.

Every other consumer product affecting interstate commerce—a bicycle or a baby carriage, for example—endures CPSC oversight. But the theme park industry acts as if its commercial success depends on remaining exempt from CPSC oversight. As a result, when a child is injured on a defective bicycle, the CPSC can prevent similar accidents by ensuring that the defect is repaired. If that same child has an accident on a faulty roller coaster, no CPSC investigation is allowed. That's just plain wrong.

FATALITIES PER MILE COMPARED TO TRAINS, PLANES, BUSES AND AUTOS

The industry attempts to justify their special-interest exemption by pretending that there is no risk in riding machines that carry human beings 70, 80 or 90 miles an hour. The rides are very short, and most people are not injured. But in fact, the number of fatalities per passenger mile on roller coasters is higher than on passenger trains, passenger buses, and passenger planes. The National Safety Council uses a standard method of comparing risk of injury per distance traveled. As can be seen from the following table, riding on a roller coaster is generally safer than driving a car, but is not generally safer than riding a passenger bus, train or airplane:

	Fatalities				Fatalities per 100 mil miles
	1997	1998	1999	2000	
Automobiles	21,920	21,099	20,763	20,444	0.86
Roller Coasters	3	4	6	1	0.70
Railroad Passenger Trains	6	4	14	4	0.05
Scheduled Airlines	42	1	17	87	0.01
Buses	4	26	39	3	0.04

Fatalities are just the tip of problem, however. Broken bones, gashes, and other serious injuries have been rising much faster than attendance. Neither the CPSC is prohibited from requiring the submission of injury data directly from ride operators, so it is forced to fall back on an indirect method, the National Electronic Injury Surveillance System (NEISS), which gathers information from a statistical sample of hospital emergency rooms and then estimates national numbers. Nevertheless,

NEISS has been gathering these statistics systematically over many years, so that trends become clear over time.

SOARING INJURY RATES IN OUR PARKS

Beginning in 1996, a sharp upward trend can be seen in hospital emergency room visits by passengers on ''fixed'' rides—the category of rides exempt from CPSC regulation under the Roller Coaster Loophole. These injuries soared 96 percent over the next five years. Meanwhile, such emergency room visits were falling for passengers on rides that the CPSC still regulates.

Here are the year-by-year estimates of non-occupational amusement ride injuries, 1996–2001, from the CPSC:

Year	Fixed (''unregulated'')	Mobile (''regulated'')
1996	3419	2963
1997	5353	2562
1998	6523	2751
1999	7629	2788
2000	6595	3985
2001	6704	1609

The theme park industry likes to tell the public that its rides are safer than the mobile rides because they are overseen by a permanent park staff, but according to this independent government safety agency report, the mobile parks have less of an injury problem than the theme parks.

Why has this startling increase in amusement park rides occurred recently? No one knows for sure. If the facts were known to the CPSC, it could do its job. But the facts are kept from the CPSC, so we are left to speculate.

We know, for example, that new steel technology and the roller coaster building boom of the 1990s resulted in an increase in the speed almost as dramatic as the increase in serious injuries. All of the nation's 15 fastest coasters have been built in the last 10 years.

In 1980, the top speed hit 60 mph. In 1990, it hit 70 mph. The top speed today is 120 mph.

For the most part, these rides are designed, operated and ridden safely. But clearly, the margin for error is much narrower for a child on a ride traveling at 100 mph than on a ride traveling 50 mph. Children often do foolish things, and the operators themselves are often teenagers. People make mistakes. The design of these rides must anticipate that their patrons will act like children, because they often are children.

THE BILL RESTORES BASIC SAFETY OVERSIGHT TO THE CPSC

The bill we are introducing today will close the special-interest loophole that prevents effective federal safety oversight of amusement park rides. It would, therefore, restore to the CPSC the standard safety jurisdiction over ''fixed-site'' amusement park rides that it used to have before the Roller Coaster Loophole was adopted. There would no longer be an artificial and unjustifiable split between unregulated ''fixed-site'' rides and regulated ''mobile'' rides. When a family traveled to a park anywhere in the United States, a mother or father would know that their children were being placed on a ride that was subject to basic safety regulations by the CPSC.

It would restore CPSC's authority to:

1. Investigate accidents,

2. Develop an enforce action plans to correct defects, and

3. Act as a national clearinghouse for accident and defect data.

The bill would also authorize appropriations of $500 thousand annually to enable the CPSC to carry out the purposes of the Act.

I urge my colleagues to join us in this effort to make this the safest summer ever in our theme parks. Let's pass the National Amusement Park Ride Safety Act.

IN MEMORY OF LANCE CORPORAL MATTHEW SMITH

HON. MIKE PENCE

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. PENCE. Mr. Speaker, it is with equal amounts of profound pride and sympathy that I come to the floor this morning. I rise to honor a noble American, Lance Corporal Matthew R. Smith, a Marine Corps reservist from Anderson, IN, killed Saturday, May 10, while serving his country in Kuwait. Lance Corporal Smith lost his life in a vehicle collision while running supply missions between Iraq and Kuwait. Lance Cpl. Smith was just 20 years old. He is survived by his father David, his mother Patricia, and by his brother Mason.

Lance Corporal Smith was assigned to Detachment 1, Communications Company, Headquarters and Service Battalion, 4th Force Service Support Group based in Peru, IN, an outfit he had served selflessly and courageously since enlisting in June of 2001.

Lance Corporal Smith's father David said that his son had an intense love for the Corps, and his fellow Marines. Mr. Smith told the Indianapolis Star, ''How many people on this Earth die doing the job they know they were put here to do.'' His Aunt Vicki added, ''He died doing what he believed in.''

Lance Corporal Smith was a student of history—he was enrolled at Indiana University before he was called to active duty—an interest he vigorously embraced in his free time, in the classroom, and as a member of the Social Studies Academic Team. His school teachers recall a young man often expressing blunt, straight-forward and in-your-face viewpoints which they always found to be well researched and sophisticated for his age. He was also an accomplished athlete; he spent time during high school playing rugby and was active in other outdoor activities.

Mr. Speaker, Lance Corporal Smith joins the 137 other proud and distinguished Americans who have made the ultimate sacrifice—these wonderful men and women gave their lives in defense of freedom, a freedom we all too often take for granted.

May God bless the family of Lance Corporal Smith during this difficult time, and may they experience the prayers and thanks of a grateful nation. May they rest upon the promise of Jeremiah 31:13, ''I will turn their mourning into gladness.I will give them comfort and joy instead of sorrow.''

A TRIBUTE TO PRESIDENT CHEN SHUI-BIAN

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. LANTOS. Mr. Speaker, it is my distinct honor and a true privilege as the ranking Member in the House International Relations Committee, to congratulate President Chen Shui-bian and the people of Taiwan upon the third anniversary of his election.

President Chen has been an instrumental component as Taiwan moves along the path of democratization and wide economic reform. Moreover, President Chen deserves recognition for repeatedly demonstrating his commitment to human rights and rule of law. These are no small accomplishments, and are but one of the litany of achievements that that President Chen has scored while in office. In this regard, I would like to share with my colleagues a small sample of the highlights of President Chen's first three years in office.

First, President Chen has shown a continued commitment to the long-standing economic and cultural relationship that exists between the United States and Taiwan. Today, Taiwan remains a top ten trading partner and the strength of our cultural ties can be clearly seen by the number of Taiwanese students, currently at more than 30,000, who attend U.S. colleges and universities.

Second, President Chen has been a quiet yet fiercely determined leader in bringing Taiwan greater exposure and admittance to the global community nations. His success in this area is evident by the recent entrance of Taiwan into the World Trade Organization (WTO). Mr. Speaker, future goals include seeking membership in the World Health Organization and the International Civic Aviation Organization.

Third, President Chen has exhibited great diplomacy with his cautious and measured comments and actions toward the People's Republic of China. Mr. Speaker, I personally believe that President Chen demonstrated great courage when he promised that Taiwan would not seek independence as long as Beijing refrains from using force against Taiwan.

Mr. Speaker, this short list is but illustrative of President Chen's achievements to date. I strongly urge all of my colleagues to join me in congratulating President Chen Shui-ban on the first three years of his presidency, and wish him continued success on all of his future endeavors.

PAYING TRIBUTE TO MARY ROSE CLARK WALKER

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. McINNIS. Mr. Speaker, it is with a heavy heart that I stand before this body of Congress to pay tribute to an outstanding woman from my district. Mary Clark Walker passed away recently at the amazing age of 108. Mary was one of a small number who had witnessed the dawn of two centuries, and the astounding advancement of technology in the United States over that time. Mary was lucky enough to see the beginning of the airplane, the television, and the modern automobile.

At a very young age, Mary moved from California to Ouray, Colorado where her original house on Oak Street still stands today. Mary gained a reputation as a hard worker. At a very young age, Mary began working to provide her family with extra spending money. She would often travel by train to Montrose, Colorado, where she would work a week at a time for the Ashenfelter Ranch. Mary sometimes stayed at the ranch for up to a month before she would return home to her family. It was this kind of work ethic that garnered Mary the respect of her town, which congratulated her by throwing a special 100th birthday party in her honor. Mary was also blessed with two sons, Jack and Lester, who claim her secret for a long and healthy life was nothing more than clean living and hard work.

Mr. Speaker, it is people like Mary that constitute the heart of our great nation as well as the spirit of the West and I am honored to recognize her life before this body of Congress and this nation. While we are all saddened by the loss of such a great woman, we can take some solace in knowing that she lived a long and happy life. My thoughts and prayers go out to Mary's friends and family during their time of mourning.

TRIBUTE TO TAIWANESE PRESIDENT CHEN SHUI-BIAN

HON. PETER T. KING

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. KING of New York. Mr. Speaker, today I rise to pay tribute to the leadership demonstrated by Taiwanese President Chen Shui-bian. During his three years in office, President Chen has worked diligently to strengthen the friendship between Taiwan and the United States. I have had the privilege meeting with President Chen in the United States and in Taiwan. The relationship between our countries stands as a great example of the cooperation and understanding that can be reached between two nations that share the goals of fostering democracy and human rights, protecting the world against terrorism, and expanding the global economy through trade.

We are extremely grateful for the friendship and support Taiwan has extended us during our own country's very difficult times. President Chen immediately and publicly lent his country's unwavering support to the War on Terrorism. Taiwan has also agreed to devote financial resources and other humanitarian assistance to the recently freed peoples of Afghanistan and Iraq.

As Taiwan and Asia experience the threat of SARS, we see how critical it is to admit Taiwan (or at least allow it observer status) into the World Health Organization (WHO). While some nations suppressed information about this outbreak, Taiwan reported freely on it and offered to work with WHO in combating SARS. The 23 million people of Taiwan ought to be included in the international medical community's efforts to control infectious diseases and the world not deprived of the benefits Taiwan can offer it.

Mr. Speaker, under this President's guidance, Taiwan's vibrant democracy has continued to thrive, human rights have been safeguarded, and freedom of the press has never been stronger. For these reasons I urge all my colleagues to join me in congratulating President Chen.

HEALTHY FORESTS RESTORATION ACT OF 2003

SPEECH OF

HON. BOB ETHERIDGE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 20, 2003

Mr. ETHERIDGE. Mr. Speaker, today the House considers legislation to address the susceptibility of our national forests to insects, diseases, and wildfires. In 2000, 8.4 million acres of land burned, costing approximately $1.3 billion in suppression costs. In 2001, 3.6 million acres burned, costing more than $900 million. Last year, 6.9 million acres burned, costing approximately $1.6 billion. This year, conditions are ripe for another big fire season.

From 1960 through 1990, the Southern Pine Beetle has caused $900 million in damage to pine forests. Red and White Oak Borers have devastated 33% of standing Red and White Oak timber in Arkansas, Missouri, and Oklahoma. These insects and others are threatening forests throughout the South and East, including in my state of North Carolina.

H.R. 1904 proposes to give the U.S. Forest Service and the U.S. Bureau of Land Management authority to treat our public forests so they will be less susceptible to fire, insects, and diseases. The bill certainly is not a perfect bill; it is not everything I would have wanted. However, it is a noteworthy attempt to deal with these threats to the health of our public forests.

If used properly, the tools provided in this bill will ease the path of projects designed to reduce the risk of fire in those areas where fire would most threaten lives, homes, and water supplies. It will also allow the federal government to better respond to insect and disease infestations before they spread out of control. However, it is not my intent for this authority to be used to increase commercial logging or circumvent public interest in our national forest.

Should this bill become law, I would caution the agencies not to use their new authority for expedited treatment and review except in the most dire cases and on lands in desperate need for attention. Over 190 million acres of public forests are at risk to damage from insect, disease, and wildfire. However, the bill limits this new authority to less than 21 million acres. This clearly demonstrates Congress' interest in ensuring that the Forest Service and Bureau of Land Management do not use their new authority as a mandate for clear cutting or sacrificing healthy old growth forests.

The provisions in H.R. 1904 dealing with biomass, the Healthy Forest Reserve Program, the establishment of a new remote sensing program to diagnose insect and disease threats to forestry, and watershed management will benefit private landowners in my state. They also promote environmentally responsible practices, which in turn will generate healthier forests. While not perfect, H.R. 1904 will go a long way to protect our nation's forests, which is why I will vote for final passage.

REGARDING FCC TREATMENT OF UNBUNDLED NETWORK ELEMENTS

HON. KEN LUCAS

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. LUCAS of Kentucky. Mr. Speaker, I rise today to comment on the Federal Communications Commissions recent ruling regarding unbundled network elements. It seems the FCC just can't learn from past mistakes since their network unbundling rules have twice been found by the courts to be contrary to Congressional intent under the 96 Telecommunications Act. Now, these rules have led to massive job cuts among carriers and their suppliers, discouraged investments in new plant and equipment, and slowed the introduction of new, innovative services to consumers.

I call on the FCC to implement strong, regulatory reform that will fix its unbundling rules, to help restore this vital sector of the economy. Among the needed reforms is the removal of switching as an unbundled element. Switching is competitive and widely available. FCC policies should promote real facilities based competition not false, parasitical, government regulated competition. Real competition stimulates investment and benefits consumers and should be encouraged.

It is important that any reform the FCC undertakes should undermine its earlier decisions on special access services, particularly on safe harbors that have been approved by the courts.

When addressing wireline DSL, or broadband, the FCC must arrive at new rules that reflect the state of intermodal competition from cable providers, who have the dominant share of today's broadband marketplace. Competition is needed in broadband and I hope the FCC rules will stimulate that.

Not updating the regulations further discourages investment and undermines a national broadband policy that would benefit rural areas like those in my district. Congress gave the FCC the responsibility to address these issues and it is time the FCC moves forward.

HONORING WESLEY UHLAND

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. McINNIS. Mr. Speaker, I stand before this body of Congress today to honor a man who has been wounded on the field of battle while in the service of his nation. Wesley Uhland, a 26-year-old Army Specialist, is a mechanic who received a bullet to the abdomen after an ambush by Iraqi soldiers. However, doctors have assured Wesley and his family that he will make a full recovery. As he recuperates, I would like to recognize his admirable service before this Congress and this nation today.

Wesley graduated from Canon City High School in 1994 and joined the Army in 2000. He was stationed out of Fort Carson and was deployed in Operation Iraqi freedom on April 11, 2003. As a mechanic, Wesley is responsible for the care and maintenance of tanks, Humvees, and Bradley Fighting Vehicles. During the ambush in which he was shot, four of Wesley's companions were also wounded, though all were lucky enough to survive the incident. Wesley is recuperating in an Iraqi hospital and is to be transferred to Germany before traveling home to Colorado.

Mr. Speaker, I cannot fully express the gratitude and respect I feel for Wesley Uhland. Each generation must renew its commitment to defend our liberties. Today in Iraq, a new generation of young Americans is fighting bravely for the freedom of others. I know that those who seek the true meaning of duty, honor, and sacrifice will find it in dedicated servants like Wesley Uhland. This Congress and all Americans should feel proud that we have soldiers like Wesley Uhland defending our great Nation. Thank you, Wesley, for putting your life on the line to honorably serve our country.

CONDEMNING BURMESE GENERAL THAN SHWE

HON. PETER T. KING

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. KING of New York. Mr. Speaker, I rise today to condemn the recent harassment and intimidation of Burmese citizens carried out by General Than Shwe and his military regime. Various attacks have been committed under his command against Daw Aung San Suu Kyi and members of the National League for Democracy (NLD). This is yet another example of how Than Shwe's regime continues to employ terror and brutality as a means of retaining power over the Burmese people.

While traveling outside of Rangoon recently, Daw Aung San Suu Kyi's convoy was attacked by members of the Union Solidarity and Development Association (USDA), the political arm of Than Shwe's military regime. Yielding machetes, hundreds of USDA members forcibly stopped the convoy, surrounded it, and beat on the doors with their fists and other objects.

Mr. Speaker, in Burma's most recent election, Daw Aung San Suu Kyi and the NLD were elected to represent the people of Burma winning 82 percent of the seats in parliament. But Than Shwe has refused to honor their will and let those who have been legitimately elected govern. His military regime continues to systematically abuse the human rights of the Burmese people through its campaign of torture, imprisonment, forced child labor, and murder.

Daw Aung San Suu Kyi and the democracy movement have never resorted to the use of violence despite the savage treatment it receives. In fact, for her peaceful efforts to bring about change, Daw Aung San Suu Kyi has won the Nobel Peace Prize, the Sakharov Prize, and the Presidential Medal of Freedom.

Mr. Speaker, we must continue to support Daw Aung San Suu Kyi and the NLD while at the same time increasing political pressure upon Burma's military regime. Democracy must be restored to this country. I would like to thank President Bush for his strong statement to this effect last April and I urge my colleagues to join in this effort.

TRIBUTE TO THE HONORABLE LARRY COMBEST

SPEECH OF

HON. BOB ETHERIDGE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Monday, May 19, 2003

Mr. ETHERIDGE. Mr. Speaker, I rise today to extend my best wishes to LARRY COMBEST as he embarks on a new direction in life. Mr. COMBEST has served the people of Texas' 19th district with distinction and honor for almost two decades.

During the last four years, I had the privilege of working with him in his role as Chairman of the Committee on Agriculture. I can safely say it is probably the most bipartisanship committee in Congress. This tradition of bipartisan is long standing, and Mr. COMBEST exemplified this tradition as Chairman.

It is because of his bipartisan leadership that Congress was able to pass a new farm bill last year, garnering a huge bipartisan majority in the U.S. House of Representatives. It was also during his tenure as Chairman that the Committee passed legislation through Congress to improve university research on agriculture and the federal crop insurance program. It is not a stretch to say that Mr. COMBEST made a significant impact on U.S. agriculture in brief time as Chairman. There can be no doubt that he has been a strong voice in Congress and a consistent advocate for our nation's agriculture community.

LARRY, we wish you and Sharon all the best; and know that your kind of leadership will be sorely missed in Congress.

IN HONOR OF THE ROMAN CATHOLIC DIOCESE OF COVINGTON'S 150TH ANNIVERSARY

HON. KEN LUCAS

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. LUCAS of Kentucky. Mr. Speaker, I rise today in recognition of the Roman Catholic Diocese of Covington's 150th anniversary.

On July 29th, 1853, his Holiness Pope Pius IX issued the papal bull, Apostolici Miniserii, establishing the Roman Catholic Diocese of Covington. For the past 150 years, the Roman Catholic Diocese of Covington has contributed to and has met the spiritual, academic, and social needs of individuals from childhood through adulthood in Kentucky.

Today, the Roman Catholic Diocese of Covington consists of forty-seven parishes, six missions, three Catholic hospitals, four homes for the elderly, two residential care facilities for children, three special centers for social services, a retreat center, a diocesan college, seven high schools, two private high schools, twenty-seven diocesan and parochial elementary schools, two private elementary schools, and five diocesan cemeteries. The total Catholic population of the Roman Catholic Diocese of Covington is over 88,000.

The Roman Catholic Diocese of Covington has been able to use its vast resources to enhance the quality of life for all individuals that live in Northern Kentucky. A portion of what they have been able to do includes assisting those in need through adoption and pregnancy services, counseling services, community and volunteer organizing services, and substance abuse treatment services. The actions of organizations such as the Roman Catholic Diocese of Covington are what define a community. Mr. Speaker, I am proud to represent this community.

I ask my colleagues to join me to honor the Roman Catholic Diocese of Covington which has changed the lives of thousands of Kentuckians throughout the past 150 years.

HONORING THE SACRIFICE OF JORDAN FERRELL

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. McINNIS. Mr. Speaker, as the battle for freedom rages across the globe, the United States has stepped forward to defend the world against tyranny and aggression. This includes sending forth brave men and women to protect the sovereignty that we hold dear. One of these brave souls has been wounded in battle, and his courageous actions and determination deserve the admiration of this body of Congress and of this nation.

Jordan Ferrell, a 19-year-old soldier from Moffat County, Colorado was wounded in the service of his country during Operation Iraqi Freedom. As a member of the Army's 82nd Airborne, Jordan was wounded by shrapnel when a grenade exploded on the roof of his Jeep. After being injured, Jordan wanted nothing more than to return to active duty, so he began the long road to recovery. I am proud to say that through hard work and determination, Jordan has resumed active duty, and is once again protecting the freedoms we enjoy.

Upon completion of his military service, Jordan wants to pursue a career in computers. His mother hopes he might consider creative writing. Regardless of the profession he chooses, if Jordan displays the same determination and drive, I know he will achieve much success in his life.

Mr. Speaker, I cannot fully express my deep sense of gratitude for the sacrifice and heroism of this soldier and his family. Jordan has

served his country well, and it is soldiers like him who make the United States military the best in the world. Jordan has done all Americans proud and I know he has the respect, admiration, and gratitude of all of my colleagues here today. Thank you, Jordan, for your honorable and admirable service to this nation.

WOMEN IN THE MILITARY

HON. SHELLEY MOORE CAPITO

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mrs. CAPITO. Mr. Speaker, I rise today on behalf of myself, Representative SLAUGHTER and the rest of the Congressional Caucus for Women's Issues. Today, the 6th Annual Women in Military Wreath Laying Ceremony hosted by the Caucus was held at Arlington Cemetery. The purpose is to honor our nation's servicewomen and women veterans for their courage and achievements, and to remember women who have died in service to the United States.

I would like to take some time to recognize the five honorees of this ceremony. These women serve their respective branches with honor, dignity, and courage. These highly decorated leaders chose to defend our freedom and embody the spirit of those that served before them.

Command Sergeant Major Michele S. Jones, U.S. Army Reserve, has held many leadership positions within the Department of the Army. She entered the Army in September of 1982. As the first woman to serve as class president at the United States Sergeants Major Academy (Class 48), she distinguished herself and went on to be the first woman to serve as the CSM of the Army Reserve.

CSM Jones has held every key NCO position, to include squad leader, section leader, platoon sergeant, first sergeant and command sergeant major. Her awards and decorations include the Legion of Merit, Meritorious Service Medal, Army Commendation Medal, and Army Achievement Medal just to name a few.

Master Chief Petty Officer Darlene M. Gemuend was honored, representing the United States Naval Reserve. She completed Basic Training in January 1978 and went on to attend Personnelman ''A'' school.

Master Chief Gemuend has served the Navy at a variety of duty stations and capacities. She is currently serving as the Naval Operations Reserve Battle Force Integration Manpower Analyst at the Arlington Navy Annex. Master Chief Gemuend's personal awards include the Navy and Marine Corps Commendation Medal, Navy and Marine Corps Achievement Medal, Navy Recruiting Excellence Awards and various other service and campaign awards.

Master Sergeant Leandria L. Hollinshead is the superintendent of the Command Post, 347th Rescue Wing, Moody Air Force Base, Georgia. She was awarded the Humanitarian Service Medal for her sustained efforts of Hurricane Elena. From 1990 to 1992 she continued to sharpen her Command and Control skills as Combat Alert Center Controller, King Salmon AFS, Alaska. As the single point of contact between NORAD and the alert aircrews, she was solely responsible to decode emergency orders, scramble, and launch alert aircraft to intercept Soviet Union air vehicles attempting to penetrate U.S. borders. Following the incident of the USS *Cole*, she deployed to Saudi Arabia to establish theater command post operations for the Commander of the Joint Task Force—Southwest Asia.

Continuing to excel in her professional education, she captured the John L. Levitow award at her NCO Academy graduation in June 1999 and was soon after promoted to Master Sergeant. MSgt Hollinshead is the recipient of the AF Meritorious Service Medal, AF Commendation Medal, AF Outstanding Unit Award, and the AF Good Conduct Medal.

Master Gunnery Sergeant Carole A. Hawkins enlisted in the Marine Corps in February of 1973. Currently, she is the senior enlisted female in the Marine Corps, and the senior enlisted administrator. Master Gunnery Sergeant Hawkins is assigned as the Administrative Chief for the Personnel Management Division, Manpower and Reserve Affairs Department, Headquarters, U.S. Marine Corps, Quantico, VA.

Master Gunnery Sergeant Hawkins has been awarded the Meritorious Service Medal, Navy and Marine Corps Commendation Medal and the Navy, Marine Corps Achievement Medal and the Outstanding Volunteer Service Medal.

Master Chief Linda Reid enlisted in the Coast Guard Reserve in 1975. She drilled at Coast Guard Reserve Unit Seattle before moving to the Washington, DC, area in 1977. Master Chief Reid has been with the Coast Guard's Sea Partners Campaign since its beginning in 1994. As director, she oversees policy, budget and operations for this nationwide environmental public outreach program. Master Chief Reid coordinated Coast Guard participation in the 1985, 1989 and 1993 Presidential Inaugurals.

Master Chief Reid was advanced to the grade of Master Chief Petty Officer in May 1993, the first woman in the Storekeeper rating to achieve that rank in the Coast Guard. She is a Silver Lifetime Member of the U.S. Coast Guard Chief Petty Officers Association (CPOA) and a member of the Foreign Joint Service Non-Commissioned Officers Association, the Fleet Reserve Association and the Non-Commissioned Officers Association.

Mr. Speaker, it is with great admiration and pride that the Congressional Caucus for Women's Issues honor the five servicewomen and their accomplishments. We are living in a day and age when the thought of a woman serving in the military is not the exception, it's the norm. There are over 2 million women serving and they are making a huge contribution to America's military operations around the world . . . as so many us have seen from America's recent victory in Iraq.

It is an honor for each member of the Caucus to highlight these exceptional women. The Army, the Navy, the Air Force, the Marine Corps, and the Coast Guard are well represented by our 2003 Women in Military Service Honorees.

A PROCLAMATION RECOGNIZING ERIC WAGNER

HON. ROBERT W. NEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. NEY. Mr. Speaker,

Whereas, Eric Wagner has devoted himself to serving others through his membership in the Boy Scouts of America; and

Whereas, Eric Wagner has shared his time and talent with the community in which he resides; and

Whereas, Eric Wagner has demonstrated a commitment to meet challenges with enthusiasm, confidence and outstanding service; and

Whereas, Eric Wagner must be commended for the hard work and dedication he put forth in earning the Eagle Scout Award;

Therefore, I join with Troop 85, the residents of Yorkville, and the entire 18th Congressional District in congratulating Eric Wagner as he receives the Eagle Scout Award.

INTRODUCTION OF THE ALCOHOL TAX EQUALIZATION ACT

HON. ELEANOR HOLMES NORTON

OF THE DISTRICT OF COLUMBIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Ms. NORTON. Mr. Speaker, as Congress adjourns for Memorial Day, I am introducing the Alcohol Tax Equalization Act because of my special concern that beer and wine will take a high toll in human life and injury, especially among teens and other young people this very weekend, because these alcoholic beverages are less costly than they should be. Congress is complicit in this carnage by winking at beer and wine through the Tax Code. We have just renewed vigilance for seat buckling because of growing concern about teen deaths due to driving mishaps. It's time we also focused on alcohol abuse, a much greater cause of traffic deaths among teens and young people.

The Memorial Day holiday often begins a season of tragedies resulting from alcohol abuse, particularly beer and wine. In an effort to reduce alcohol-related fatalities, my bill would require that beer and wine be taxed according to their alcohol content, as is hard liquor. Alcohol abuse is the leading cause of death among teens and young adults. The need to provide appropriate disincentives is urgent.

The bill creates a substance abuse prevention trust fund for alcohol prevention programs. The kinds of programs that work best include cross-peer mentoring by high school students about alcohol and drug abuse and traffic safety; teen courts to decide appropriate penalties for other teens who abuse alcohol; community-based prevention programs for pregnant women and high-risk populations; and 100 percent drug and alcohol-free clubs. The programs would be implemented through grants from the National Highway Traffic Safety Administration and the Substance Abuse and Mental Health Services Administration.

It is impossible to explain today why a can of beer, a 5-ounce glass of wine, and a shot

of hard liquor, all of which have the same alcohol content, should not be taxed equally. However, the beer and wine industries want it that way. Expect them to fight to preserve the enormous tax break they enjoy compared to their competitors in the distilled liquor industry.

Beer and wine have long replaced hard liquor in alcohol consumption and sales, but tax policy is still lost somewhere in the 1940s. Hard liquor is far behind beer and wine in consumption and sales. More than half of all alcohol sold today is beer, much of it to teens and college students; 15 percent of alcohol sales is wine. America, especially young America, is getting drunk on beer and wine, in no small part because badly outdated taxing policy make beer and wine cheap. If a can of beer, a 5 ounce glass of wine, a wine cooler, and a shot of vodka have the same alcohol content, they should be taxed equally. The resulting transfer of tax burdens to others at a time of dangerous deficits is particularly untenable in the case of alcohol and calls for attention of this inequity now.

In 1997, the Senate Finance Committee proposed substantially raising taxes on cigarettes to discourage teenage smoking. Many states have done just that. The very same reasoning should apply to beer and wine. Minors consume more than 1 billion beers each year. Teens are price sensitive because they have less disposable income. By taxing beer and wine substantially less than liquor, we bring the price down and encourage teens to make these the drinks of choice.

Because the Federal excise taxes on liquor are substantially higher than taxes on beer, Congress is sending the message to teens that these drinks are okay and are not as dangerous and addictive. Congress therefore bears a heavy part of the responsibility for the fact that alcohol abuse is the leading cause of death among teenagers and young adults.

Throughout the country, taxing beer and wine fairly would be an important step in reducing alcohol-related traffic fatalities, accidents and disease. The need here is urgent. The bill I introduce today will take the District of Columbia and the entire country closer to the national goal of significantly reducing alcohol-related fatalities.

COMMEMORATING THE RETIREMENT OF STUART AND SANDY SLETTEN

HON. RON KIND

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 2003

Mr. KIND. Mr. Speaker, when the term milk man is mentioned, it brings back to me the memory of early morning noises such as the low throb of an idling delivery truck's engine and the rattling of milk bottles coming and going from our front porch. This piece of ''Americana'', familiar to so many, will be coming to an end this month in my hometown of La Crosse, Wisconsin. On May 30, 2003 the era and service tradition of ''to-the-door milk delivery'' will come to an end with the retirement of Stuart and Sandy Sletten.

It is with great pleasure I wish a happy, healthy and fulfilling retirement to Stuart and Sandy Sletten as they look forward to taking their first vacation since 1990. This dedicated husband and wife team provided excellent and trusted service for their dairy products route for the past 27 years. For the last 27 of their 42 years of marriage they have worked shoulder to shoulder loading and delivering to their thousands of customers. The life and dedication of this couple represents the positive work ethic and values that Wisconsin citizens deeply respect.

Thank you Stuart and Sandy for keeping alive for many years a small and beautiful piece of our American way of life.

Daily Digest

HIGHLIGHTS

Senate passed S. 1050, National Defense Authorization Act.

House committees ordered reported nine sundry measures.

The House agreed to the Conference Report on H.R. 2, Jobs and Growth Tax Relief Reconciliation Act.

The House passed H.R. 1588, National Defense Authorization for Fiscal Year 2004.

The House passed H.R. 2185, Unemployment Compensation Amendments of 2003.

Senate

Chamber Action

Routine Proceedings, pages S6891–S7070

Measures Introduced: Thirty-nine bills and two resolutions were introduced, as follows: S. 1103–1141, S.J. Res. 13, and S. Res. 153. **Pages S6977–79**

Measures Reported:

S. 579, to reauthorize the National Transportation Safety Board. (S. Rept. No. 108–53) **Page S6977**

S. Res. 92, designating September 17, 2003 as "Constitution Day". **Page S6977**

S. Res. 136, recognizing the 140th anniversary of the founding of the Brotherhood of Locomotive Engineers, and congratulating members and officers of the Brotherhood of Locomotive Engineers for the union's many achievements. **Page S6977**

S. Res. 145, designating June 2003, as "National Safety Month". **Page S6977**

S. 554, to allow media coverage of court proceedings. **Page S6977**

S. 858, to extend the Abraham Lincoln Bicentennial Commission. **Page S6977**

Measures Passed:

National Defense Authorization: By 98 yeas to 1 nay (Vote No. 194), Senate passed S. 1050, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, and to prescribe personnel strengths for such fiscal year for the Armed Forces, after taking action on the following amendments proposed thereto: **Pages S6892–S6918, S6919–41**

Adopted:

Warner (for Smith) Amendment No. 804, to authorize a land exchange, Naval and Marine Corps Reserve Center, Portland, Oregon. **Pages S6892–93**

Levin (for Sarbanes) Amendment No. 805, to provide for the conveyance of land at Fort Ritchie, Maryland. **Page S6893**

Warner (for Inhofe) Modified Amendment No. 707, to add an amount of Army RDT&E funding for human tissue engineering, and to provide offsets within the same authorization of appropriations. **Page S6893**

Reid (for Daschle/Johnson) Modified Amendment No. 791, to set aside an amount for reconstituting the B–1B bomber aircraft fleet of the Air Force. **Pages S6892, S6893–94**

Warner (for Santorum) Modified Amendment No. 787, to make available $2,000,000 for non-thermal imaging systems. **Pages S6894–95**

Levin (for Biden/Carper) Amendment No. 806, to increase by 30 personnel the personnel end strength of the Air National Guard of the United States as of September 30, 2004, to provide personnel to improve the information operations capability of the Air National Guard of the United States. **Page S6895**

Subsequently, the amendment was modified. **Pages S6920–21**

Warner (for Santorum) Modified Amendment No. 788, to make available, with an offset, $3,000,000 for operation and maintenance for the Army Reserve

for information operations for Land Forces Readiness—Information Operations Sustainment. **Page S6895**

Levin (for Bingaman) Amendment No. 807, to make available, with an offset, ($2,100,000) from amounts available for research, development, test, and evaluation for the Air Force for Major T&E Investment (PE 0604759F) for research and development on magnetic levitation technologies at the high speed test track at Holloman Air Force Base, New Mexico. **Page S6895**

Warner (for Santorum) Amendment No. 808, to make available, with an offset, $2,000,000 for other procurement for the Army for medical equipment for the procurement of rapid infusion (IV) pumps. **Page S6895**

Warner (for Graham (SC)) Modified Amendment No. 743, to set aside an increased amount for the Collaborative Information Warfare Network at the Critical Infrastructure Protection Center at the Space Warfare Systems Center. **Pages S6895–96**

Warner (for Lott/Lieberman) Modified Amendment No. 723, to set aside an amount of Navy RDT&E funding for the development and fabrication of composite sail test articles for incorporation into designs for future submarines. **Page S6896**

Warner (for Santorum) Amendment No. 809, to make available, with an offset, $2,000,000 for research, development, test, and evaluation for the Army for the development of Portable Mobile Emergency Broadband System (MEBS). **Page S6896**

Warner (for Domenici) Amendment No. 810, to provide, with an offset, an additional $5,000,000 for research, development, test, and evaluation for the Air Force for boron energy cell technology. **Page S6896**

Warner (for Cochran) Amendment No. 760, to set aside an amount for coproduction of the Arrow ballistic missile defense system. **Page S6896**

Levin (for Bingaman) Modified Amendment No. 790, to require a report assessing the effects of the repeal of the prohibition on the research and development of low-yield nuclear weapons. **Pages S6896–97**

Warner Amendment No. 811, to authorize the acceptance of guarantees with gifts for the development of the Marine Corps Heritage Center at Marine Corps Base, Quantico, Virginia. **Page S6897**

Levin (for Nelson (FL)) Amendment No. 737, to authorize certain travel and transportation allowances for dependents of members of the Armed Forces who have committed dependent abuse. **Page S6897**

Warner (for McCain) Amendment No. 812, to provide funds for certain emergency and morale communications programs. **Pages S6897–98**

Warner (for Hutchison) Amendment No. 813, to express the sense of the Senate that air carriers should provide special fares to members of the armed forces. **Page S6898**

Warner (for Chambliss) Amendment No. 814, to modify the program element of the short range air defense radar program of the Army. **Page S6898**

Levin (for Mikulski) Amendment No. 815, to provide additional duties for the DOD-VA Joint Executive Committee relating to integrated healing care practices for members of the Armed Forces and veterans. **Page S6898**

Warner (for Bennett) Amendment No. 816, to require a Department of Defense study of the adequacy of the beryllium industrial base. **Pages S6898–99**

Warner (for McCain) Amendment No. 817, to require a report on decisionmaking by the North Atlantic Treaty Organization. **Page S6899**

Levin (for Boxer) Amendment No. 818, to require a GAO report regarding the adequacy of special pays and allowances for service members who experience frequent deployments away from their permanent duty stations for periods less than 30 days. **Page S6899**

Warner Amendment No. 819, to set aside an amount for initiating a capability in historically Black colleges and universities to support the network centric operations of the Department of Defense. **Page S6899**

Warner (for Bunning) Modified Amendment No. 789, to express the sense of the Senate on the deployment of airborne chemical agent monitoring systems at the chemical stockpile disposal sites in the United States. **Pages S6899–S6900**

Warner (for Sessions) Amendment No. 820, to require a study of the military death gratuity and other death benefits provided for survivors of deceased members of the Armed Forces. **Page S6900**

Levin (for Landrieu) Amendment No. 821, to amend title 32, United States Code, to increase the maximum Federal share of the costs of State programs under the National Guard Challenge Program for fiscal year 2004, and to provide an offset. **Pages S6900–01, S6902**

Warner (for Bunning) Amendment No. 727, to authorize the use of multiyear procurement authority for the Navy for procurement of the Phalanx Close In Weapon System program, Block 1B. **Page S6901**

Warner Amendment No. 822, to provide an equitable offset for any fee charged the Department of Defense by the Department of State for maintenance, upgrade, or construction of United States diplomatic facilities. **Page S6901**

Levin (for Landrieu) Amendment No. 823, to provide for feasibility study of the conveyance of the Louisiana Army Ammunition Plant, Doyline, Louisiana. **Page S6901**

Levin (for Feinstein/Reid/Boxer) Amendment No. 824, to require the submittal of a survey on perchlorate contamination at Department of Defense sites. **Pages S6901–02**

Levin (for Dodd) Amendment No. 785, to strengthen the authority under section 852 to provide Federal support for the enhancement of the emergency response capabilities of State and local governments. **Page S6902**

By a unanimous vote 99 yeas (Vote No. 193), Warner/Boxer/Lautenberg Modified Amendment No. 826, to require the Department of Defense to fully comply with the Competition in Contracting Act for any contract awarded for reconstruction activities in Iraq. **Pages S6914–18**

Levin (for Kerry/Kennedy) Amendment No. 828, to authorize the transportation of dependents to the presence of members of the Armed Forces who are retired for illness or injury as a result of active duty. **Page S6921**

Warner (for Voinovich/DeWine) Amendment No. 829, to provide that requirements on coverage of the costs of instruction at the Naval Postgraduate School shall also apply with respect to costs of instruction at the Air Force Institute of Technology. **Page S6921**

Warner (for Hutchison) Amendment No. 830, to amend the section 351 funding authority to include authority for the funds to be used for making Impact Aid basic support payments to local educational agencies affected by the Brooks Air Force Base Demonstration Project, including amounts computed on the basis of Federal property that is converted non-Federal property. **Page S6921**

Warner (for Domenici) Amendment No. 831, to state the sense of the Senate on the reconsideration of the decision to terminate the border and seaport inspection duties of the National Guard as part of its drug interdiction and counter-drug mission. **Pages S6921–22**

Rejected:

By 48 yeas to 51 nays (Vote No. 192), Murray Amendment No. 691, to restore a previous policy regarding restrictions on use of Department of Defense medical facilities. **Pages S6892, S6902–12**

Withdrawn:

Boxer Amendment No. 825, to require a report relative to a sole-source contract for the reconstruction of the Iraqi oil industry. **Pages S6914–18, S6919**

Department of Defense Authorization: Senate passed S. 1047, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, and to prescribe personnel strengths for such fiscal year for the Armed Forces, after striking all after the enacting clause and inserting in lieu thereof Division A of S. 1050, National Defense Authorization, as amended. **Page S6941**

Military Construction Authorization: Senate passed S. 1048, to authorize appropriations for fiscal year 2004 for military construction, after striking all after the enacting clause and inserting in lieu thereof Division B of S. 1050, National Defense Authorization, as amended. **Page S6941**

Department of Energy Defense Activities Authorization: Senate passed S. 1049, to authorize appropriations for fiscal year 2004 for defense activities of the Department of Energy, after striking all after the enacting clause and inserting in lieu thereof Division C of S. 1050, National Defense Authorization, as amended. **Page S6941**

Idaho Judgeship: Senate passed S. 878, to authorize an additional permanent judgeship in the District of Idaho, after agreeing to the committee amendment in the nature of a substitute. **Pages S7065–68**

Anti-Semitic Violence Concern: Senate agreed to S. Con. Res. 7, expressing the sense of Congress that the sharp escalation of anti-Semitic violence within many participating States of the Organization for Security and Cooperation in Europe (OSCE) is of profound concern and efforts should be undertaken to prevent future occurrences. **Pages S7068–69**

Condemning Bigotry and Violence: Committee on the Judiciary was discharged from further consideration of S. Res. 133, condemning bigotry and violence against Arab Americans, Muslim, Americans, South-Asian Americans, and Sikh Americans, and the resolution was then agreed to. **Pages S7069–70**

Designating Constitution Day: Senate agreed to S. Res. 92, designating September 17, 2003 as "Constitution Day". **Page S7070**

Designating National Safety Month: Senate agreed to S. Res. 145, designating June 2003, as "National Safety Month". **Page S7070**

Parental Notification Act Agreement: A unanimous-consent agreement was reached providing that, at a time determined by the Majority Leader, after consultation with the Democratic Leader, Senate proceed to S. 1104, to amend title 10, United States Code, to provide for parental involvement in abortions of dependent children of members of the Armed Forces, that immediately upon the reporting of the bill, the Majority Leader or his designee be recognized to file a motion to close further debate on the bill; that there be 60 minutes, for debate only, equally divided between Senators Brownback and Murray, and that following debate time, and notwithstanding the provisions of Rule 22, Senate proceed to vote on the motion to close further debate; that if cloture is not invoked, the bill be placed on the Calendar; if cloture is invoked, it be

in order to file first-degree amendments until the vote, and second-degree amendments up to three hours after the vote.

Enrollment Correction: Senate concurred in the amendment of the House to S. Con. Res. 46, to correct the enrollment of H.R. 1298. **Pages S6918–19**

Reconciliation—Agreement: A unanimous-consent-time agreement was reached providing for consideration of the conference report on H.R.2 , to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, at 8:30 a.m., on Friday, May 23, 2003, with a vote on adoption of the conference report to occur at 9:30 a.m. **Pages S6945, S6964**

Debt Limit Extension Agreement: A unanimous-consent agreement was reached providing that following the vote on the conference report on H.R. 2 (listed above), Senate will begin consideration of H.J. Res. 51, increasing the statutory limit on the public debt. **Page S6964**

Messages From the President: Senate received the following message from the President of the United States:

Transmitting, pursuant to the International Emergency Act and the National Emergencies Act, a report that declares a national emergency to deal with the unusual and extraordinary threat posed to the national security and foreign policy of the United States by the threat of attachment or other judicial process against the Development Fund for Iraq, Iraqi petroleum and petroleum products, and interests therein, and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale or marketing thereof, and interests therein; to the Committee on Banking, Housing, and Urban Affairs. (PM–36) **Pages S6974–75**

Nominations Confirmed: Senate confirmed the following nominations:

By unanimous vote of 99 yeas (Vote No. 195), Consuelo Maria Callahan, of California, to be United States Circuit Judge for the Ninth Circuit.

Pages S6942–45, S6946, S7065

Michael B. Enzi, of Wyoming, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Paul Sarbanes, of Maryland, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

James Shinn, of New Jersey, to be a Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Cynthia Costa, of South Carolina, to be an Alternate Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Ralph Martinez, of Florida, to be an Alternate Representative of the United States of America to the Fifty-seventh Session of the General Assembly of the United Nations.

Mark Moki Hanohano, of Hawaii, to be United States Marshal for the District of Hawaii for the term of four years.

Michael E. Horowitz, of Maryland, to be a Member of the United States Sentencing Commission for a term expiring October 31, 2007.

Ricardo H. Hinojosa, of Texas, to be a Member of the United States Sentencing Commission for a term expiring October 31, 2007.

Jeffrey Lunstead, of the District of Columbia, to be Ambassador to the Democratic Socialist Republic of Sri Lanka, and to serve concurrently and without additional compensation as Ambassador to the Republic of Maldives.

James B. Foley, of New York, to be Ambassador to the Republic of Haiti.

L. Scott Coogler, of Alabama, to be United States District Judge for the Northern District of Alabama.

Steven A. Browning, of Texas, to be Ambassador to the Republic of Malawi.

Steven B. Nesmith, of Pennsylvania, to be an Assistant Secretary of Housing and Urban Development.

Lane Carson, of Louisiana, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2004.

James Broaddus, of Texas, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2004.

Jose Teran, of Florida, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2005.

Nicholas Gregory Mankiw, of Massachusetts, to be a Member of the Council of Economic Advisers.

Harry K. Thomas, Jr., of New York, to be Ambassador to the People's Republic of Bangladesh.

Morgan Edwards, of North Carolina, to be a Member of the Board of Directors of the National Institute of Building Sciences for a term expiring September 7, 2005.

Richard W. Erdman, of Maryland, to be Ambassador to the People's Democratic Republic of Algeria. **Page S6946**

Nominations Received: Senate received the following nominations:

Brian F. Holeman, of the District of Columbia, to be an Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years.

2 Air Force nominations in the rank of general.

5 Coast Guard nominations in the rank of admiral.

1 Marine Corps nomination in the rank of general.

2 Navy nominations in the rank of admiral.

A routine list in the Foreign Service.

Pages S6945–46

Messages From the House: **Page S6975**

Measures Referred: **Page S6975**

Measures Read First Time: **Page S6975**

Enrolled Bills Presented: **Page S6975**

Executive Communications: **Pages S6975–76**

Petitions and Memorials: **Pages S6976–77**

Executive Reports of Committees: **Page S6977**

Additional Cosponsors: **Pages S6979–81**

Statements on Introduced Bills/Resolutions: **Pages S6981–S7056**

Amendments Submitted: **Pages S7056–64**

Notices of Hearings/Meetings: **Page S7064**

Authority for Committees to Meet: **Pages S7064–65**

Privilege of the Floor: **Page S7065**

Record Votes: Four record votes were taken today. (Total—195) **Pages S6911, S6920, S6941, S6944–45**

Adjournment: Senate met at 9:30 a.m., and adjourned at 10:34 p.m., until 8:30 a.m., on Friday, May 23, 2003. (For Senate's program, see the remarks of the Majority Leader in today's Record on page S6945.)

Committee Meetings

(Committees not listed did not meet)

STEM CELL RESEARCH

Committee on Appropriations: Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies concluded hearings to examine federal funding for human embryonic stem cell research, focusing on increasing the availability of stem cell lines for federal research, training scientists for technically-challenging cells, and basic pre-clinical research relative to the treatment of injuries and diseases, after receiving testimony from Elias Zerhouni, Director, and James Battey, Director, National Institute on Deafness and Other Communication Disorders, and Ronald McKay, Senior Investigator, National Institute of Neurological Disorders and Stroke, both of the National Institutes of Health, all of the Department of Health and Human Services; John A. Kessler, Northwestern University's Feinberg School of Medicine, Evanston, Illinois; James Cordy, Pittsburgh, Pennsylvania, on behalf of the Coalition for the Advancement of Medical Research; and Roy Ogle, University of Virginia Medical School, Charlottesville.

APPROPRIATIONS: AGRICULTURE/FDA

Committee on Appropriations: Subcommittee on Agriculture, Rural Development, and Related Agencies concluded hearings to examine proposed budget estimates for fiscal year 2004 for the Department of Agriculture and the Food and Drug Administration, Department of Health and Human Services, after receiving testimony from Eric M. Bost, Under Secretary for Food, Nutrition, and Consumer Services, Elsa A. Murano, Under Secretary for Food Safety, and William T. Hawks, Under Secretary for Marketing and Regulatory Programs, all of the Department of Agriculture; and Mark B. McClellan, Commissioner of Food and Drugs, Department of Health and Human Services.

APPROPRIATIONS: DOE

Committee on Appropriations: Subcommittee on Interior concluded hearings to examine proposed budget estimates for fiscal year 2004 for the Department of Energy, after receiving testimony from Spencer Abraham, Secretary of Energy.

APPROPRIATIONS: HIGHWAY SAFETY INITIATIVES

Committee on Appropriations: Subcommittee on Transportation, Treasury and General Government concluded hearings to examine proposed budget estimates for fiscal year 2004 for highway safety initiatives, focusing on developing a plan to research and enact effective data-driven programs to reduce the number of highway fatalities, after receiving testimony from Jeffrey Runge, Administrator, National Highway Traffic Safety Administration, Annette M. Sandberg, Acting Administrator, Federal Motor Carrier Safety Administration, both of the Department of Transportation; Wendy Hamilton, Mothers Against Drunk Driving, Irving, Texas; and Chuck Hurley, National Safety Council, Itasca, Illinois.

U.S. ECONOMY

Committee on Banking, Housing, and Urban Affairs: Committee concluded oversight hearings to examine issues relating to the U.S. economy, focusing on increasing investments in the equity markets, after receiving testimony from Peter R. Fisher, Under Secretary of the Treasury for Domestic Finance; Wayne D. Angell, Angell Economics, Arlington, Virginia; James W. Stuckert, J.J.B. Hilliard and W.L. Lyons

Incorporated, Louisville, Kentucky; and Mark Zandi, Economy.com, West Chester, Pennsylvania.

MEDIA OWNERSHIP

Committee on Commerce, Science, and Transportation: Committee concluded hearings to examine media ownership, focusing on localism, diversity, and competition in broadcast television, and the Federal Communication Commission's ban on newspaper/broadcast cross-ownership, after receiving testimony from Senator Allard; Rupert Murdoch, News Corporation, Gene Kimmelman, Consumers Union, on behalf of Consumers Union and the Consumer Federation of America, and Kent W. Mikkelsen, Economists Incorporated, all of Washington, D.C.; and Thomas Fontana, Fontana-Levinson Company, New York, New York, on behalf of the Writers Guild of America, East and the Caucus for Television Producers, Writers and Directors, and the American Federation of Television and Radio Artists.

EMERGENCY COMMUNICATIONS AND COMPETITION ACT

Committee on Commerce, Science, and Transportation: Subcommittee on Communications concluded hearings to examine S. 564, to facilitate the deployment of wireless telecommunications networks in order to further the availability of the Emergency Alert System, and issues relating to providing wireless broadband in rural areas, after receiving testimony from Antoinette Cook Bush, Northpoint Technology, Ltd., and Thomas W. Hazlett, Manhattan Institute for Policy Research, both of Washington, D.C.; Andrew S. Wright, Satellite Broadcasting and Communications Association, Alexandria, Virginia; Harold Kirkpatrick, MDS America, Stuart, Florida; and Larry Roadman, Margaretville Telephone Company Incorporated, New York.

SAFETEA

Committee on Commerce, Science, and Transportation: Subcommittee on Competition, Foreign Commerce and Infrastructure concluded hearings to examine S. 1072, to authorize funds for Federal-aid highways, highway safety programs, and transit programs, (also known as SAFETEA (Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003)), after receiving testimony from Jeffrey W. Runge, Administrator, National Highway Traffic Safety Administration, Department of Transportation; Peter Guerrero, Physical Infrastructure Team, General Accounting Office; Jacqueline S. Gillan, Advocates for Highway and Auto Safety, Robert Strassberger, Alliance of Automobile Manufacturers, and Richard Berman, American Beverage Licensees/American Beverage Institute, all of Washington, D.C.; Wendy J. Hamilton, Mothers Against Drunk Driving, Irving, Texas; and Kathryn Swanson, Minnesota Office of Traffic Safety, St. Paul, on behalf of the Governors Highway Safety Association.

IRAQ

Committee on Foreign Relations: Committee held hearings to examine Iraq stabilization and reconstruction, focusing on U.S. policy and plans, security, the political situation, the international community, the Coalition and the United Nations, military organization, troop strength, and rules of engagement, receiving testimony from Paul Wolfowitz, Deputy Secretary of Defense; and General Peter Pace, Vice Chairman, Joint Chiefs of Staff.

Hearings continue on Wednesday, June 4, 2003.

INDIAN TELECOMMUNICATIONS

Committee on Indian Affairs: Committee concluded hearings to examine the status of telecommunications in Indian Country, focusing on establishing telecommunication infrastructures in tribal communities, after receiving testimony from K. Dane Snowden, Chief, Consumer and Governmental Affairs Bureau, Federal Communications Commission; Hilda Gay Legg, Administrator, Rural Utilities Service, Rural Development, Department of Agriculture; Kelly Klegar Levy, Associate Administrator, Office of Policy Analysis and Development, National Telecommunications and Information Administration, Department of Commerce; Kade L. Twist, Kade L. Twist Consulting, Tempe, Arizona; Roanne Robinson Shaddox, Privacy Council, Incorporated, Washington, D.C., and Marcia Warren Edelman, Reston, Virginia, both of the Native Networking Policy Center; Richard P. Narcia, Gila River Indian Community, Sacaton, Arizona; Nora McDowell, Fort Mojave Tribe, Needles, California; Madonna Peltier Yawaki, Turtle Island Communications, Fort Yates, North Dakota; Gerald Monette, Turtle Mountain Community College, Belcourt, North Dakota, on behalf of the American Indian Higher Education Consortium; Valerie Fast-Horse, Couer d'Alene Tribe of Idaho, Plummer, on behalf of the Affiliated Tribes of Northwest Indians; Denis Turner, Southern California Tribal Chairmen's Association, Valley Center, California; Cora Whiting-Hildebrand, Oglala Lakota Sioux Tribe, Pine Ridge, South Dakota; Gene Dejordy, Western Wireless Corporation, Bellevue, Washington; Mike Strand, Montana Independent Telecommunications Systems, Helena; and Ben H. Standifer, Jr., Tohono O'odham Nation, Sells, Arizona.

BUSINESS MEETING

Committee on the Judiciary: Committee ordered favorably reported the following business items:

S. 554, to allow media coverage of court proceedings;

S. 1023, to increase the annual salaries of justices and judges of the United States, with amendments;

S. 858, to extend the Abraham Lincoln Bicentennial Commission;

S. Res. 136, recognizing the 140th anniversary of the founding of the Brotherhood of Locomotive Engineers, and congratulating members and officers of the Brotherhood of Locomotive Engineers for the union's many achievements;

S. Res. 92, designating September 17, 2003 as "Constitution Day";

S. Res. 145, designating June 2003, as "National Safety Month"; and

The nominations of Michael Chertoff, of New Jersey, to be United States Circuit Judge for the Third Circuit, and Robert D. McCallum, Jr., of Georgia, to be Associate Attorney General, and Peter D. Keisler, of Maryland, to be an Assistant Attorney General, both of the Department of Justice.

NOMINATIONS

Committee on the Judiciary: Committee concluded hearings to examine the nominations of Richard C. Wesley, of New York, to be United States Circuit Judge for the Second Circuit, who was introduced by Senators Schumer and Clinton, and Representative Reynolds; J. Ronnie Greer, to be United States District Judge for the Eastern District of Tennessee, who was introduced by Senators Frist and Alexander, Thomas M. Hardiman, to be United States District Judge for the Western District of Pennsylvania, who was introduced by Senators Specter and Santorum, Mark R. Kravitz, to be United States District Judge for the District of Connecticut, who was introduced by Senator Dodd, and John A. Woodcock, Jr., to be United States District Judge for the District of Maine, who was introduced by Senators Snowe and Collins, after each nominee testified and answered questions in their own behalf.

House of Representatives

Chamber Action

Measures Introduced: 76 public bills, H.R. 2203–2278; 3 private bills, H.R. 279–281; and 18 resolutions, H.J. Res. 57–58, H. Con. Res. 190–201, and H.Res. 250–252, 254, were introduced. **Pages H4733–38**

Additional Sponsors: **Pages H4738–40**

Reports Filed: Reports were filed today as follows:

H.R. 1086, to encourage the development and promulgation of voluntary consensus standards by providing relief under the antitrust laws to standards development organizations with respect to conduct engaged in for the purpose of developing voluntary consensus standards (H. Rept. 108–125); **Page H4733**

Conference report on H.R. 2, to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004 (H. Rept. 108–126);

H.R. 1119, to amend the Fair Labor Standards Act of 1938 to provide compensatory time for employees in the private sector (H. Rept. 108–127);

H.R. 238, to provide for Federal energy research, development, demonstration, and commercial application activities, amended (H. Rept. 108–128, Part 1); and

H. Res. 253, waiving points of order against the conference report on H.R. 2, to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004 (H. Rept. 108–129). **Pages H4625–H4706, H4733**

Jobs and Growth Tax Relief Reconciliation Act: The House disagreed to the Senate amendment to H.R. 2, to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004, and agreed to a conference. Appointed as conferees: Chairman Thomas and Representatives DeLay, and Rangel. **Pages H4534–42**

Agreed to the Stenholm motion that instructs conferees to (1) include in the conference report the fiscal relief provided to States by section 371 of the Senate amendment, and (2) to the maximum extent possible within the scope of conference agree to a conference report that will neither increase the Federal budget deficit nor increase the amount of the debt subject to the public debt limit. **Pages H4534–42**

Same Day Consideration Jobs and Growth Tax Relief Reconciliation Act Conference Report: The House agreed to H. Res. 249, waiving a requirement of clause 6(a) of rule XIII with respect to consideration of certain resolutions reported from the Committee on Rules by recorded vote of 218 ayes to 202 noes, Roll No. 212; and agreed to order the previous question by yea-and-nay vote of 221 yeas to 202 nays, Roll No. 211. **Pages H4558–64**

Agreeing to the Jobs and Growth Tax Relief Reconciliation Act Conference Report: The House agreed to the conference report on H.R. 2, to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004 by yea-and-nay vote of 231 yeas to 200 nays, Roll No. 225. **Pages H4716–30**

Agreed to H. Res. 253, the rule waiving points of order against the conference report by voice vote and agreed to order the previous question by yea-and-nay vote of 221 yeas to 205 nays, Roll No. 224. **Pages H4706–16**

Suspensions: The House agreed to suspend the rules and pass the following measures:

Veterans' Compensation Cost-of-Living Adjustment: Debated on May 20, H.R. 1683, to increase, effective as of December 1, 2003, the rates of disability compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans (agreed to by 2/3 yea-and-nay vote of 426 yeas with none voting ''nay'', Roll No. 209); and **Pages H4556–57**

Selected Reserve Home Loan Equity Act: Debated on May 20, H.R. 1257, to amend title 38, United States Code, to make permanent the authority for qualifying members of the Selected Reserve to have access to home loans guaranteed by the Secretary of Veterans Affairs and to provide for uniformity in fees charged qualifying members of the Selected Reserve and active duty veterans for such home loans (agreed to by 2/3 yea-and-nay vote of 428 yeas with none voting ''nay'', Roll No. 210). **Page H4557**

National Defense Authorization for Fiscal Year 2004: The House passed H.R. 1588, to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense and to prescribe military personnel strengths for fiscal year 2004 by recorded vote of 361 ayes to 68 noes, Roll No. 221. Agreed to amend the title so as to read: ''A bill to authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.'' The bill was also considered on May 21. **Pages H4571–83, H4585–H4625**

Rejected the Cooper motion to recommit the bill to the Committee on Armed Services with instructions to report it back forthwith with amendments that establish an Employee Bill of Rights by recorded vote of 204 ayes to 224 noes, Roll No. 220. **Pages H4610–12**

Agreed To:

Goss amendment No. 6 printed in H. Rept. 108–120 and debated on May 21 that requires a report from the Secretary of Defense on appropriate steps that can be taken in response to foreign governments who initiate legal actions against current or former officials of the United States or members of the Armed Forces relating to the performance of their official duties (agreed to by recorded vote of 412 ayes to 11noes, Roll No. 217); **Pages H4572–73**

Saxton amendment No. 8 printed in H. Rept. 108–120 and debated on May 21 that repeals the statutory requirement that the United States defense attache to France must hold, or be on the promotion list, the grade of brigadier general or rear admiral, lower half (agreed to by recorded vote of 302 ayes to 123 noes, Roll No. 218); **Pages H4573–74**

Hunter en bloc amendment consisting of amendments printed in H. Rept. 108–122 and numbered 1, that grants the Secretary of Education waiver authority to provide student loan relief to those affected by military mobilization; No. 2, includes health agencies as recipients to the DOD Excess Personal Property Disposal Program; No. 3, encourages the Navy to resume regular port visits to Haifa, Israel by the Sixth Fleet; No. 5, establishes a pilot program to improve the use of Air Force Reserve and Air National Guard Modular Airborne Fire-Fighting Systems to fight wildfires; No. 7, strikes the repeal of reporting requirement regarding foreign military training programs abroad;

No. 8, directs study on the use of small, minority-owned and women-owned businesses in the efforts to rebuild Iraq; No. 10, encourages the maintenance of functions and missions of the Army Peacekeeping Institute; No. 11, as modified, establishes the Nuclear Security Initiative with respect to the Russian Federation and other independent states of the former Soviet Union; No. 12, requires support to Iraqi children who were injured during Operation Iraqi Freedom; No. 13, authorizes imminent danger pay to military service members responding to terrorist attacks on the United States; No. 14, allows existing vessels to be documented under United States flag providing that certain telecommunications and electronic standards are met;

No. 15, provides an additional $100 million to the fourth Stryker brigade; No. 16, requires a review of the effects of disqualification factors on the granting of security clearances; No. 17, expands the scope of industrial base assessment to include the business rationale for transferring work overseas; No. 18, directs the examination of the costs and benefits of purchasing all ex-Soviet weaponsgrade uranium and plutonium and safeguarding it from theft; No. 19, requires a study on the effects of perchlorate in

drinking water on human beings; No. 20, requires a report on the military construction requirements necessary to support homeland defense missions;

No. 21, as modified, provides for the identification of all contractors and subcontractors that use machine tools in carrying out any defense contract in an amount that is $5 million or greater; No. 22, specifies that DOD shall not consider the provisions of trade agreements when the application of the Buy American Act is inconsistent with the public interest; No. 23, directs DOD to assist with the United States Air and Trade Show; No. 24, allows for roads used for public access to be available after military installations are closed or placed in an inactive status; No. 25, requires purchases subject to the Buy American Act to be at least 65 percent domestic content instead of 50 percent;

No. 26, urges the demolition of the Tacony Warehouse in Philadelphia, Pennsylvania; No. 27, clarifies that the domestic source limitation in section 821 applies only to pre-formed retort packaging in direct contact with main entree meals; No. 28, makes permanent a demonstration project in Monterey, California that allows a contract for municipal services; No. 29, authorizes the Navy to convey land at the Puget Sound Naval Shipyard to the city of Bremerton, Washington; and No. 30, transfers certain vessels from the Maritime Administration to the Beauchamp Tower Corporation for use as moored support ships and as memorials to the Fulton and Victory-class ships;. **Pages H4574–83, H4585–93**

Tom Davis of Virginia amendment No. 3 printed in H. Rept. 108–122 that establishes the Human Capital Performance Fund to be administered by OPM; and **Pages H4593–96**

Hastings of Florida amendment No. 9 printed in H. Rept. 108–122 that strikes the repeal of Title 10 reporting requirements on the President's objectives when forces are deployed, costs of military humanitarian assistance; and the management of the civilian workforce. **Page H4600**

Rejected:

Loretta Sanchez amendment No. 3 printed in H. Rept. 108–120 and debated on May 21 that sought to permit abortions at DOD facilities outside of the United States (rejected by recorded vote of 201 ayes to 227 noes, Roll No. 215); **Pages H4571–72**

Tauscher amendment No. 4 printed in H. Rept. 108–120 and debated on May 21 that sought to transfer Robust Nuclear Earth Penetrator program funding of $15 million and advanced concepts initiative activities funding of $6 million to conventional programs to defeat hardened and deeply buried targets (rejected by recorded vote of 199 ayes to 226 noes, Roll No. 216); and **Page H4572, H4593–96**

Dreier amendment No. 6 printed in H. Rept. 108–122 that sought to repeal the Million Theoretical Operations Per Second (MTOPS) based method for controlling computer exports 120 days after enactment (rejected by recorded vote of 207 ayes to 217 noes, Roll No. 219). **Pages H4596–99, H4600–01**

The Clerk was authorized to make corrections and conforming changes in the engrossment of the bill. **Page H4613**

The House agreed to H. Res. 247, the rule that provided for further consideration of the bill by recorded vote of 222 ayes to 199 noes with 2 voting "present", Roll No. 208; and agreed to order the previous question by yea-and-nay vote of 224 yeas to 198 nays with 1 voting "present," Roll No. 207. On May 21, the House agreed to H. Res. 245, the first rule that provided for consideration of the bill. **Pages H4542–56**

Unemployment Compensation Amendments of 2003: The House passed H.R. 2185, to extend the Temporary Extended Unemployment Compensation Act of 2002 by recorded vote of 409 ayes to 19 noes, Roll No. 223. **Pages H4613–25**

Rejected the Cardin motion to recommit the bill to the Committee on Ways and Means with instructions that the Committee report the same back to the House forthwith with the following amendment that sought to extend temporary extended unemployment compensation by yea-and-nay vote of 205 yeas to 222 nays, Roll No. 222. **Pages H4622–24**

Earlier, the House agreed to H. Res. 248, the rule that provided for consideration of the bill by recorded vote of 216 ayes to 201 noes, Roll No. 214; and agreed to order the previous question by yea-and-nay vote of 217 yeas to 203 nays, Roll No. 213. **Pages H4564–71**

Memorial Day District Work Period: The House agreed to H. Con. Res. 191, providing for a conditional adjournment of the House of Representatives and a conditional recess or adjournment of the Senate by yea-and-nay vote of 213 yeas to 195 nays, Roll No. 226. **Page H4730**

Calendar Wednesday: Agreed to dispense with the Calendar Wednesday business of Wednesday, June 4. **Pages H4730–31**

Pending Concurrence of the Senate in Adjournment Resolution: Agreed that when the House adjourns today, it adjourn to meet at 2 p.m. on Tuesday, May 27, 2003 unless it sooner has received a message from the Senate transmitting its concurrence in H. Con. Res. 191, in which case the House shall stand adjourned pursuant to that concurrent resolution. **Page H4731**

Speaker Pro Tempore: Read a letter from the Speaker wherein he appointed Representative Tom Davis of Virginia or, if not available to perform this duty, Representative Pence to act as Speaker pro tempore to sign enrolled bills and joint resolutions through Monday, June 2. **Page H4731**

Presidential Message—National Emergency re Development Fund for Iraq: Read a message from the President wherein he announced that he has exercised his authority to declare a national emergency to deal with the unusual threat posed to the national security by the threat of attachment or other judicial process against the Development Fund for Iraq—referred to the Committee on International Relations and ordered printed (H. Doc. 108–76). **Page H4731**

Recess: The House recessed at 9:21 p.m. and reconvened at 10:39 p.m. **Page H4706**

Senate Messages: Messages received from the Senate today appear on pages H4531 and H4613.

Referral: S. 515 was referred to the Committee on Energy and Commerce. **Page H4732**

Quorum Calls—Votes: Nine yea-and-nay votes and eleven recorded votes developed during the proceedings of the House today and appear on pages H4555, H4556, H4556–57, H4557, H4562–63, H4563, H4570, H4570–71, H4571–72, H4572, H4573, H4573–74, H4600–01, H4611–12, H4612, H4623–24, H4624–25, H4715, H4729, and H4730. There were no quorum calls.

Adjournment: The House met at 10 a.m. and at 2:17 a.m. on Friday, May 23, pursuant to the previous order of the House of today, the House stands adjourned until 2 p.m. on Tuesday, May 27, 2003 unless it sooner has received a message from the Senate transmitting its adoption of H. Con. Res. 191, in which case the House shall stand adjourned pursuant to that concurrent resolution.

Committee Meetings

CROP INSURANCE INDUSTRY—FINANCIAL STATUS

Committee on Agriculture: Subcommittee on General Farm Commodities and Risk Management held a hearing to review the financial status of the Crop Insurance industry. Testimony was heard from the following officials of the USDA: Ross J. Davidson, Administrator, Risk Management Agency; and Keith Collins, Chief Economist; and public witnesses.

COMMERCE, JUSTICE, STATE, JUDICIARY AND RELATED AGENCIES APPROPRIATIONS

Committee on Appropriations: Subcommittee on Commerce, Justice, State, Judiciary and Related Agencies held a hearing on Impact of Chinese Imports on U.S. Companies. Testimony was heard from Peter F. Allgeier, Deputy U.S. Trade Representative; Grant D. Aldonas, Under Secretary, International Trade, International Trade Administration, Department of Commerce; Douglas M. Browning, Deputy Commissioner, Customs and Border Protection, Department of Homeland Security; and public witnesses.

NIH—DECODING FEDERAL INVESTMENT IN GENOMIC RESEARCH

Committee on Energy and Commerce: Subcommittee on Health held a hearing entitled "National Institutes of Health: Decoding our Federal Investment in Genomic Research." Testimony was heard from the following officials of the Department of Health and Human Services: Francis Collins, M.D., Director, National Human Genome Research Institute, NIH; and Muin J. Khoury, M.D., Director, Office of Genomics and Disease Prevention, Centers for Disease Control and Prevention; and Aristides Patrinos, Director, Office of Biological and Environmental Research, Department of Energy; and public witnesses.

HEDGE FUNDS

Committee on Financial Services: Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises held a hearing entitled "The Long and Short of Hedge Funds: Effects of Strategies for Managing Market Risk." Testimony was heard from William H. Donaldson, Chairman, SEC; and public witnesses.

SECTION 8 HOUSING ASSISTANCE PROGRAM

Committee on Financial Services: Subcommittee on Housing and Community Opportunity held a hearing entitled "The Section 8 Housing Assistance Program: Promoting Decent Affordable Housing for Families and Individuals who Rent." Testimony was heard from Michael Liu, Assistant Secretary, Public and Indian Housing, Department of Housing and Urban Development.

MISCELLANEOUS MEASURES

Committee on Government Reform: Ordered reported the following measures: H.R. 2122, amended, Project BioShield Act of 2003; H.R. 2087, amended, Bob Hope American Patriot Award Act of 2003; H. Con. Res. 162, honoring the city of Dayton, Ohio, and its

many partners, for hosting ''Inventing Flight: The Centennial Celebration,'' a celebration of the centennial of Wilbur and Orville Wright's first flight; H.R. 1465, to designate the facility of the United States Postal Service located at 4832 East Highway 27 in Iron Station, North Carolina, as the ''General Charles Gabriel Post Office''; H.R. 1610, to redesignate the facility of the United States Postal Service located at 120 East Ritchie Avenue in Marceline, Missouri, as the ''Walt Disney Postal Office Building''; H. Res. 159, expressing profound sorrow on the occasion of the death of Irma Rangel; H. Res. 195, congratulating Sammy Sosa of the Chicago Cubs for hitting 500 major league home runs; and H.R. 2030, to designate the facility of the United States Postal Service located at 120 Baldwin Avenue in Paia, Maui, Hawaii, as the ''Patsy Takemoto Mink Post Office Building.''

OFFICE OF NATIONAL DRUG CONTROL POLICY REAUTHORIZATION

Committee on Government Reform: Held a hearing on H.R. 2086, Office of National Drug Control Policy Reauthorization Act of 2003. Testimony was heard from John P. Walters, Director, Office of National Drug Control Policy.

INTERNET TAX NONDISCRIMINATION ACT; BANKRUPTCY JUDGESHIP ACT

Committee on the Judiciary: Subcommittee on Commercial and Administrative Law approved for full Committee action, as amended, H.R. 49, Internet Tax Nondiscrimination Act.

The Subcommittee also held a hearing on H.R. 1428, Bankruptcy Judgeship Act of 2003. Testimony was heard from Michael J. Melloy, U.S. Circuit Judge, Court of Appeals of the Eight Circuit; Paul Mannes, U.S. Bankruptcy Judge for the District of Maryland; William O. Jenkins, Jr., Director, Homeland Security and Justice Issues, GAO; and a public witness.

U.S. PATENT AND TRADEMARK FEE MODERNIZATION ACT

Committee on the Judiciary: Subcommittee on Courts, the Internet and Intellectual Property approved for full Committee action, as amended, H.R. 1561, United States Patent and Trademark Fee Modernization Act of 2003.

MISCELLANEOUS MEASURES

Committee on Resources: Subcommittee on Fisheries Conservation, Wildlife and Oceans held a hearing on the following measures: H.R. 2048, International Fisheries Reauthorization Act of 2003; and H. Res. 30, concerning the San Diego long-range sportfishing fleet and rights to fish the waters near the Revillagigedo Islands of Mexico. Testimony was heard from Ambassador Mary Beth West, Deputy Assistant Secretary, Oceans and Fisheries, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State; William T. Hogarth, Assistant Administrator, Fisheries, National Marine Fisheries Service, NOAA, Department of Commerce; and Marshall P. Jones, Jr., Deputy Director, U.S. Fish and Wildlife Service, Department of the Interior.

MISCELLANEOUS MEASURES

Committee on Resources: Subcommittee on Water and Power held a hearing on the following bills: H.R. 1598, Irvine Basin Surface and Groundwater Improvement Act of 2003; and H.R. 1732, Williamson County Water Recycling Act of 2003. Testimony was heard from Representatives Carter and Edwards; Mark Limbaugh, Director, External and Intergovernmental Affairs, Bureau of Reclamation. Department of the Interior; and public witnesses.

CONFERENCE REPORT—JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

Committee on Rules: Granted, by voice vote, a rule waiving all points of order against the conference report on H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003, and against its consideration. The rule provides that the conference report shall be considered as read. The rule provides one hour of debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. The rule provides that the previous question shall be considered as ordered on the conference report to final adoption without intervening motion except one motion to recommit. Finally, the rule provides that the yeas and nays shall be considered as ordered on the question of adoption of the conference report and that clause 5(b) of rule XXI (requiring a three-fifths vote on any measure containing a federal income tax rate increase) shall not apply to the conference report.

PREMIER CERTIFIED LENDERS PROGRAM IMPROVEMENT ACT

Committee on Small Business: Ordered reported, as amended, H.R. 923, Premier Certified Lenders Program Improvement Act.

COAST GUARD AND MARITIME TRANSPORTATION ACT

Committee on Transportation and Infrastructure: Subcommittee on Coast Guard and Maritime Transportation held a hearing on the Coast Guard and Maritime Transportation Act of 2003. Testimony was

heard from Adm. Thomas H. Collins, USCG, Commandant, U.S. Coast Guard, Department of Homeland Security.

WATER: IS IT THE "OIL" OF THE 21ST CENTURY?

Committee on Transportation and infrastructure: Subcommittee on Water Resources and Environment held a hearing on Water: Is it the "Oil" of the 21st Century? Testimony was heard from public witnesses.

Hearings continue June 4.

VA—LONG-TERM CARE PROGRAMS

Committee on Veterans' Affairs: Subcommittee on Health held a hearing on long-term care programs in the Department of Veterans Affairs. Testimony was heard from Cynthia A. Bascetta, Director, Veterans' Health and Benefits Issues, GAO; and Robert H. Roswell, M.D., Under Secretary, Health, Department of Veterans Affairs.

FBI NATIONAL SECURITY PROGRAMS BUDGET

Permanent Select Committee on Intelligence: Met in executive session to hold a hearing on the FBI National Security Programs Budget. Testimony was heard from departmental witnesses.

BRIEFING GLOBAL INTELLIGENCE UPDATE

Permanent Select Committee on Intelligence: Subcommittee on Intelligence Policy and National Security met in executive session to hold a briefing on Global Intelligence Update. The Subcommittee was briefed by departmental witnesses.

PROGRESS REPORT ON DEPARTMENT OF HOMELAND SECURITY

Select Committee on Homeland Security: Concluded hearings entitled "How is America Safer? A Progress Report on the Department of Homeland Security." Testimony was heard from Tom Ridge, Secretary of Homeland Security.

Joint Meetings

KEEPING CHILDREN AND FAMILIES SAFE ACT

Conferees: agreed to file a conference report on the differences between the Senate and House passed versions of S. 342, to amend the Child Abuse Prevention and Treatment Act to make improvements to and reauthorize programs under that Act.

JOBS AND GROWTH RECONCILIATION TAX ACT

Conferees: agreed to file a conference report on the differences between the Senate and House passed versions of H.R. 2, to provide for reconciliation pursuant to section 201 of the concurrent resolution on the budget for fiscal year 2004.

COMMITTEE MEETINGS FOR FRIDAY, MAY 23, 2003

(Committee meetings are open unless otherwise indicated)

Senate

Committee on Armed Services: to hold closed hearings to examine current United States policy and military operations in Afghanistan and Iraq, 9:30 a.m., S–407, Capitol.

House

No committee meetings are scheduled.

Next Meeting of the SENATE

8:30 a.m., Friday, May 23

Senate Chamber

Program for Friday: Senate will consider the Conference Report on H.R. 2, Jobs and Growth Reconciliation Tax Act, with a vote on adoption of the Conference Report to occur at 9:30 a.m.; following which, Senate will consider H.J. Res. 51, Debt Limit Extension. Also, Senate expects to consider the Unemployment Compensation Bill.

Next Meeting of the HOUSE OF REPRESENTATIVES

2 p.m., Monday, June 2

House Chamber

Program for Monday: To be announced.

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