

The tax code classifies this \$150 as OID. The \$150 of OID serves the same function as the stated annual interest of \$100, 10 percent of \$1,000. As such, the \$150 of OID is an additional cost to the corporation in borrowing \$850 from the investor, and it is additional compensation that the corporation pays to the lender for lending that amount. The only differences to the parties are that the corporation is not required to pay the OID of \$150 until the bond matures and that the investor does not receive the discount in cash until then, unless the bond is sold in the interim.

As I noted earlier, the OID rules prevent borrowers from deducting the entire amount of "interest" they pay to a borrower on a loan. Specifically, in the previous example, although the parties treat the loan principle as being \$850, the application of the OID rules treats the loan as \$1,000, which is significant because it means the IRS classifies the \$150 of OID as not being interest. In turn, the borrower cannot deduct this \$150 payment to the borrower because it is a return of principle on the loan rather than interest.

Consequently, applying OID rules to student loans would have several negative effects. First, with respect to students, they would not be able to deduct the entire amount of "interest" they pay to their lender. In general, whereas the tax code generally permits students to deduct student loan interest, subject to certain limitations, it does not permit taxpayers to deduct OID. The Treasury regulations, then, will reduce the cash flow of students who are repaying student loans by limiting their student loan interest deduction.

In addition, applying the OID rules will have an enormous impact on the compliance burden. Indeed, the interaction of the OID rules and the loan provisions of the Higher Education Act greatly magnifies the complexity of rules that lenders must follow. As such, lenders and servicers will be forced to create accounting systems, at enormous expenses that ultimately will be passed on to student borrowers, to enable them to track and report the origination fees and capitalized interest in accordance with the OID rules. Furthermore, given that there is no track record of applying the OID rules to student lenders, there is no guarantee that they can preform these tasks accurately.

Congress enacted the OID rules to prevent taxpayers, mostly large corporations, from altering the terms of loan agreements to claim inflated interest deduction. Clearly, applying them to student loans is unreasonable and frankly unintended.

To remedy this problem, my legislation would permit lenders to account for the OID treatment of student loans under the "immediate accrual method, which colloquially is referred to as the "bucket method." Under this approach, the origination fee would accrue as soon as it is charged to or paid by the borrower, and capitalized interest

would accrue under the terms of the promissory note. Accrued origination fee and capitalized interest would go into a "bucket" as soon as they accrue, until such time as the borrower begins to make payments on the loan. Amounts in the "bucket" would be applied against principal payments until the bucket is empty. Capitalized interest and origination fees would be reported to and deductible by the eligible taxpayer in the year in which they are paid.

My legislation would, as I stated, provide for a simpler, more borrower-friendly method for reporting and deducting capitalized interest and origination fees in connection with qualified education loans. Consequently, it would not reduce the need to engage in the burdensome task of calculating the OID on loans, and the student borrowers would be able to deduct more of the interest they pay.

This bill is good policy and common sense. Senator SCHUMER and I look forward to working with Finance Committee Chairman GRASSLEY and Ranking Member BAUCUS in seeking swift action to resolve this issue.

AMENDMENTS SUBMITTED AND PROPOSED

SA 2423. Mr. ALLARD proposed an amendment to the bill S. 1042, to authorize appropriations for fiscal year 2006 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.

SA 2424. Mr. NELSON of Florida (for himself, Mr. HAGEL, Mr. CORZINE, Mr. NELSON of Nebraska, Mr. SMITH, Ms. CANTWELL, Mr. DAYTON, Mr. KERRY, Ms. LANDRIEU, Ms. MIKULSKI, Mrs. MURRAY, Ms. STABENOW, Mrs. BOXER, Mr. PRYOR, Mr. DURBIN, Mr. JEFFORDS, Mr. JOHNSON, and Mr. SALAZAR) proposed an amendment to the bill S. 1042, supra.

SA 2425. Mr. MCCAIN (for himself, Mr. WARNER, Mr. LEVIN, Mr. LEAHY, Mr. HAGEL, Mr. DURBIN, and Mr. KENNEDY) proposed an amendment to the bill S. 1042, supra.

SA 2426. Mr. DEWINE submitted an amendment intended to be proposed by him to the bill S. 1042, supra; which was ordered to lie on the table.

SA 2427. Mr. REED (for Mr. LEVIN (for himself, Mr. REED, Mr. KERRY, Mr. FEINGOLD, and Mr. LAUTENBERG)) proposed an amendment to the bill S. 1042, supra.

SA 2428. Ms. CANTWELL submitted an amendment intended to be proposed by her to the bill S. 1042, supra; which was ordered to lie on the table.

SA 2429. Ms. CANTWELL submitted an amendment intended to be proposed by her to the bill S. 1042, supra; which was ordered to lie on the table.

SA 2430. Mr. LEVIN (for himself, Mr. REED, Mr. KENNEDY, Mr. ROCKEFELLER, Mr. BINGAMAN, Mrs. BOXER, and Mr. DURBIN) submitted an amendment intended to be proposed by him to the bill S. 1042, supra.

SA 2431. Mr. MARTINEZ submitted an amendment intended to be proposed by him to the bill S. 1042, supra; which was ordered to lie on the table.

SA 2432. Mr. INHOFE (for himself, Mr. STEVENS, Mr. ROBERTS, Mr. SESSIONS, Mr. EN-

SIGN, Mr. GRAHAM, Mr. THUNE, and Mr. KYL) proposed an amendment to the bill S. 1042, supra.

TEXT OF AMENDMENTS

SA 2423. Mr. ALLARD proposed an amendment to the bill S. 1042, to authorize appropriations for fiscal year 2006 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 378, between lines 10 and 11, insert the following:

SEC. 3114. RETIREMENT BENEFITS FOR WORKERS AT ROCKY FLATS ENVIRONMENTAL TECHNOLOGY SITE, COLORADO.

(a) PROGRAM AUTHORIZED.—Subject to the availability of funds under subsection (d), the Secretary of Energy shall establish a program for the purposes of providing health, medical, and life insurance benefits to workers at the Rocky Flats Environmental Technology Site, Colorado (in this section referred to as the "Site"), who do not qualify for such benefits because the physical completion date was achieved before December 15, 2006.

(b) ELIGIBILITY FOR BENEFITS.—A worker at the Site is eligible for health, medical, and life insurance benefits under the program described in subsection (a) if the employee—

(1) was employed by the Department of Energy, or by contract or first or second tier subcontract to perform cleanup, security, or administrative duties or responsibilities at the Site on September 29, 2003; and

(2) would have achieved applicable eligibility requirements for health, medical, and life insurance benefits as defined in the Site retirement benefit plan documents if the physical completion date had been achieved on December 15, 2006, as specified in the Site project completion contract.

(c) DEFINITIONS.—In this section:

(1) HEALTH, MEDICAL, AND LIFE INSURANCE BENEFITS.—The term "health, medical, and life insurance benefits" means those benefits that workers at the Site are eligible for through collective bargaining agreements, projects, or contracts for work scope.

(2) PHYSICAL COMPLETION DATE.—The term "physical completion date" means the date the Site contractor has completed all services required by the Site project completion contract other than close-out tasks and services related to plan sponsorship and management of post-project completion retirement benefits.

(3) PLAN SPONSORSHIP AND PROGRAM MANAGEMENT OF POST-PROJECT COMPLETION RETIREMENT BENEFITS.—The term "plan sponsorship and program management of post-project completion retirement benefits" means those duties and responsibilities that are necessary to execute, and are consistent with, the terms and legal responsibilities of the instrument under which the post-project completion retirement benefits are provided to workers at the Site.

(d) AUTHORIZATION OF APPROPRIATIONS.—Of the amounts authorized to be appropriated to the Secretary of Energy in fiscal year 2006 for the Rocky Flats Environmental Technology Site, \$15,000,000 shall be made available to the Secretary to carry out the program described in subsection (a).

SA 2424. Mr. NELSON of Florida (for himself, Mr. HAGEL, Mr. CORZINE, Mr. NELSON of Nebraska, Mr. SMITH, Ms.