Mr. SHELBY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1406
On page 245, between lines 3 and 4, insert the following:

```
Subtitle E—Miscellaneous Provisions

SECTION 741. EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX ON CERTAIN TIMBER STANDS.

(a) IN GENERAL.—Subchapter B of chapter 62 (relating to extensions of time for payment) is amended by adding at the end the following:

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"(1) Special Rule for Certain Direct Skips.—To the extent that an interest in a qualified timber property is the subject of a direct skip (within the meaning of section 2612(c)) occurring at the same time as and as a result of the decedent’s death, then for purposes of this section any tax imposed by section 2601 on the transfer of such interest shall be treated as if it were additional tax imposed by section 6166 under the rules of this section.

(2) Lien.—For special lien (in lieu of bond) in the case of an extension under this section, see section 6165.

(3) Period of Limitation.—For extension of the period of limitation in the case of an extension under this section, see section 6324A.

(4) Interest.—For provisions relating to interest on tax payable under this section, see subsection (f).

(b) CONFORMING AMENDMENTS.—

(1) Section 165(a) is amended by striking "6166" in the heading and inserting "6166, or 6168".

(2) Section 2207(c)(1)(C) is amended—

(A) by striking "6166" and inserting "6166, or 6168", and

(B) by striking "6166" in the heading and inserting "6166 or 6168".

(3) The following provisions are amended by striking "or 6166" each place it appears and inserting "6166, or 6168":

(A) Section 2056A(b)(10)(B).

(B) Section 2209(a).

(C) Section 2209(b).

(D) Section 2533(d).

(4) Section 2011(c)(2) is amended by striking "or 6166" and inserting "6166, or 6168".

(5) The following provisions are amended by inserting "or 6168" after "6166" each place it appears:

(A) Section 2208(c).

(B) Section 6601(j) except the second sentence, and

(C) Section 7461(d).

(6) Section 661(a)(2) is amended—

(A) in subparagraph (A), by striking "or" at the end,

(B) in subparagraph (B), by adding "or" at the end,

(C) in the matter following subparagraph (B), by striking "(i) by inserting "or" after "installment", and

(D) by inserting after subparagraph (B) the following:

"(C) any part of the payment determined under section 6168." (7) Section 6324A is amended—

(A) by adding at the end the following:

"(1) Application of Section to Deferred Tax Under Section 6168.—Rules similar to the rules of this section shall apply to the amount of tax and interest deferred under section 6168 (determined as of the date prescribed by section 6169(a) for payment of the tax imposed by section 6161)."

(B) in the title, by striking "STATE TAX DEFERRED UNDER SECTION 6168" and inserting "DEFERRED ESTATE TAX"

(8) The table of sections for subchapter B of chapter 62 is amended by adding at the end the following:

"Sec. 6168. Extension of time for payment of estate tax on certain timber stands.".

(9) The item relating to section 6324A in the table of sections for subchapter C of chapter 64 is amended by striking "estate tax deferred by section 6166" and inserting "deferred estate tax".

(c) Effective Date.—The amendments made by this section shall apply to estates of decedents dying after the date of enactment of this Act.

AMENDMENT NO. 1410

On page 371, between lines 16 and 17, insert the following:

SEC. 1122. PROFESSIONAL REVIEW OF INTERNAL REVENUE SERVICE RULES THAT INCREASE REVENUES.

Section 906(a)(2) of title 5, United States Code, is amended to read as follows:

"(2) The term ‘major rule’—

(A) means any rule that—

(i) the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget finds has resulted in or is likely to result in—

(I) an annual effect on the economy of $100,000,000 or more;

(II) a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions; or

(III) significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets; or

(ii) (I) is promulgated by the Internal Revenue Service, and

(II) the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget finds that the implementation and enforcement of the rule has resulted in or is likely to result in any net increase in Federal revenues over current practices in tax collection or revenue anticipated from the rule on the date of the enactment of the statute under which the rule is promulgated; and

(B) does not include any rule promulgated under the Trade Agreements Act of 1979 and the amendments made by that Act.

Mr. ROTH (for Mr. Sessions) proposed an amendment to the bill, S. 1429, supra; as follows:

At the end of title II, insert the following:

SEC. 1122. PROFESSIONAL REVIEW OF INTERNAL REVENUE SERVICE RULES THAT INCREASE REVENUES.

Section 901(c) of title 5, United States Code, is amended to read as follows:

"(2) the value of any land (including structures thereon) recovered by an individual (or any heir of the individual) from a govern- ment of a foreign country as a result of a settlement of a claim arising out of the confiscation of such land in connection with the Holocaust.

(b) Effective Date.—This section shall apply to any amount received before, on, or after the date of the enactment of this Act.

SESSIONS AMENDMENT NO. 1412

Mr. ROTH (for Mr. Sessions) proposed an amendment to the bill, S. 1429, supra; as follows:

On page 193, after line 23, add:

(b) Senate Title.—This section may be cited as the "Collegiate Learning and Student Savings (CLASS) Act".

LANDRIEU AMENDMENT NO. 1413

(Ordered to lie on the table.)

Ms. LANDRIEU submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

At the end of title II, insert the following:

SEC. 1123. EXPANSION OF ADOPTION CREDIT.

(a) In General.—Section 23(a) (relating to allowance of credit) is amended to read as follows:

"(a) Allowance of Credit.—

(1) In General.—In the case of an individual during the taxable year who is an eligible special needs adoptive parent, or an eligible special needs adoptive grandparent or adoptive great-grandparent, shall be allowed a credit under subsection (a) for any taxable year (determined without regard to section (c)) shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this paragraph) as—

(A) the amount, if any, by which the taxpayer’s adjusted gross income exceeds $90,000, bears to

(B) $145,000.

(2) Determination of Adjusted Gross Income.—For purposes of paragraph (1), adjusted gross income shall be determined without regard to sections 91, 93, and 933.

(c) Definition of Eligible Adoption; Eligible Special Needs Adoption.—Section 23(d) is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4) and amending paragraph (1) to read as follows:

"(1) Eligible Adoption.—The term ‘eligible adoption’ means the final adoption of an individual during the taxable year who is an eligible child and is not a child with special needs.

(2) Eligible Special Needs Adoption.—The term ‘eligible special needs adoption’ means the final adoption of an individual during the taxable year who is an eligible child and who is a child with special needs.

(d) Definition of Child With Special Needs.—Section 23(d)(4) (defining child with special needs) is redesignated as subsection (c), is amended to read as follows:

"(4) Child With Special Needs.—The term ‘child with special needs’ means any child if the child’s ethnic background, age, membership in a minority or sibling groups, medical condition or
physical impairment, or emotional handicap make some form of adoption assistance necessary."

(e) CONFORMING AMENDMENTS.—

(1) Subclauses (A) and (B) of section 29(a)(3), as redesignated by subsection (c), are amended to read as follows: 

"(A) who has not attained age 18, or

"(B) who is physically or mentally incapable of caring for himself."

(2) Section 23 is amended by striking subsections (e) and (g) and redesignating subsections (f) and (h) as subsections (e) and (f), respectively.

(3) Section 23(f), as redesignated by paragraph (2), is amended to read as follows:

"(f) Regulations.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section."

(4) Section 137(d) is amended by inserting "as in effect on the date before the date of the enactment of the 'Taxpayer Refund Act of 1999'" after "23(d)".

(5) Section 137(e) is amended by inserting "as in effect on the date before the date of the enactment of the 'Taxpayer Refund Act of 1999'" after "23".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

KENNEDY AMENDMENT NO. 1141
(Ordered to lie on the table.)

Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

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

"(a) Short Title.—This section may be cited as the 'Fair Minimum Wage Act of 1999'."

(b) MINIMUM WAGE INCREASE.—

(1) WAGE.—Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

"(1) except as otherwise provided in this section, not less than $5.75 an hour during the year beginning on September 1, 1999; and

"(2) $6.15 an hour beginning on September 1, 2000; and

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) takes effect on September 1, 1999.


SCHUMER AMENDMENT NO. 1415
(Ordered to lie on the table.)

Mr. SCHUMER submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 363, strike lines 17 through 19, and insert the following:

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to deductions for personal exemptions) is amended by redesignating section 190 as section 190A.

"(c) limitation imposed by section 26(a) for such taxable year shall be reduced by the sum of the credits allowable under subsection (a) and paragraph (2) of subparagraph (A) of section 1411A which is not reduced by the limitation imposed by section 26(a); and by inserting at the end thereof the following new item:

"(2) the table of parts for subsection U of chapter 1 is amended by striking the last item and inserting the following new items:

"Part V. First-time homebuyer credit.

"Part VI. Regulations."

(3) The table of sections for part VI, as so redesignated, is amended to read as follows:

"Sec. 1397G. Regulations."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SCHUMER (AND OTHERS) AMENDMENT NO. 1146
(Ordered to lie on the table.)

Mr. SCHUMER, for himself, Mrs. SNOWE, Mr. BAYH, Mr. SMITH of Oregon, Mr. WYDEN, and Mr. KOHL submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 32, strike lines 1 through 14, and insert the following:

"(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(b) PERSONAL EXEMPTIONS ALLOWED IN COMPUTING MINIMUM TAX.—

"(1) IN GENERAL.—Subparagraph (E) of section 56(b)(1) is amended by striking

"(2) AMENDING.—The heading to section 56(b)(1) is amended by striking "DEDUCTION FOR PERSONAL EXEMPTIONS".

(3) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 197. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

"(2) APPLICABLE DOLLAR AMOUNT.—

"(i) AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Amount</th>
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<tbody>
<tr>
<td>2003</td>
<td>$4,000</td>
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<tr>
<td>2004</td>
<td>$5,000</td>
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<tr>
<td>2005 and thereafter</td>
<td>$8,000</td>
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<tr>
<td>2006 and thereafter</td>
<td>$12,000</td>
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</tbody>
</table>

(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—In the case of an individual who is not married, the dollar amount of the qualified higher education expenses paid by the taxpayer during the taxable year.

(2) AMOUNT.—The applicable dollar amount for any taxable year shall be determined as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$4,000</td>
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<td>2004</td>
<td>$5,000</td>
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<td>2005 and thereafter</td>
<td>$8,000</td>
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<tr>
<td>2006 and thereafter</td>
<td>$12,000</td>
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</tbody>
</table>
"(ii) $62,450 ($194,050 in the case of a joint return), $89,150 in the case of a return filed by a head of household, and $52,025 in the case of a return by a married individual filing separately), bears to the amount—

"(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year determined—

"(A) without regard to this section and sections 911, 931, and 933, and

"(B) by reference to sections 86, 135, 219, 220, and 469.

For purposes of the sections referred to in subparagraph (B), adjusted gross income shall be determined without regard to the deduction allowed under this section.

"(C) QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this section—

"(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees paid by an eligible student at an institution of higher education.

"(B) ELIGIBLE COURSES.—Amounts paid for qualified higher education expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

"(C) RELATION TO OTHER PROVISIONS.—For purposes of subparagraph (A), the term 'eligible student' means an individual if the taxpayer elects to have a deduction under section 25A apply with respect to such individual for the taxable year.

"(D) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified higher education expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135 or $500 ($1050) for the taxable year.

"(2) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

"(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified higher education expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

"(B) ELIGIBLE PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified higher education expenses paid during a taxable year if such expenses are in connection with an academic period beginning during such taxable year or during the first 3 months of the next taxable year.

"(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND GRANTS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

"(i) a qualified scholarship which under section 117 is not includable in gross income,

"(ii) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code,

"(iii) any dependent of the taxpayer with respect to the education of an individual if the taxpayer and the taxpayer's spouse file a joint return for the taxable year,

"(iv) any grandchild of the taxpayer, and

"(D) LIMIT ON PERIOD CREDIT ALLOWED.—A credit allowed under this section (a) for the taxable year shall not exceed $1,500.

"(E) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($100,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to $20,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

"(F) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2005, the $50,000 and $80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under paragraph (1)(i)(3) for the calendar year in which the taxable year begins, by substituting '2004' for '1992'.

"(R) Rounding.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

"(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—To the credit shall be allowed by this section to an individual for the taxable year if a deduction under section 25A with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

"(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit allowed under this section (a) with respect to interest paid on any qualified education loan during the first 60 months in which the interest payments are made, but only in the case in which interest payments are required. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as such loans.

"(e) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' means any indebtedness incurred to pay qualified higher education expenses—
"(A) which are incurred on behalf of the taxpayer to pursue, or any dependant of the taxpayer as of the time the indebtedness was incurred,

"(B) which are paid or incurred within a reasonable period of time before or after the indebtedness is incurred, and

"(C) which are attributable to education furnished during a period during which the recipient was not a half-time student.

Such term includes indebtedness used to refinance indebtedness which qualifies as a qualified education loan. The term ‘qualified education loan’ shall not include any indebtedness owed to a qualified education loan holder in the meaning of section 267(b) or 707(b)(1) to the taxpayer.

(2) QUALIFIED HIGHER EDUCATION EXPENSES.—The term ‘qualified higher education expenses’ means the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, 20 U.S.C. 1087ll, as in effect on the day before the date of the enactment of this Act) of the taxpayer, the taxpayer’s spouse, or a dependant of the taxpayer at an eligible educational institution, reduced by the sum of:

"(A) the amount excluded from gross income under section 135 by reason of such expenses, and

"(B) the amount of the reduction described in section 135(d)(1).

For purposes of the preceding sentence, the term ‘eligible educational institution’ has the same meaning given such term by section 135(c)(3), except that such term shall also include an institution conducting an internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility which offers post-graduate training.

(3) HALF-TIME STUDENT.—The term ‘half-time student’ means any individual who would be a student as defined in section 135(c)(4) if ‘full-time’ were substituted for ‘full-time’ each place it appears in such section.

(4)DEPENDENT.—The term ‘dependent’ has the meaning given such term by section 152.

(f) SPECIAL RULES.—

"(A) in paragraph (2), by striking ''or'' at the end of the next to last subparagraph, by striking the period at the end of the last subparagraph, and by inserting in its place a semicolon;

"(B) in paragraph (3), by inserting at the end thereof: ''or in connection with a qualified education loan made by a person who is related (within the meaning of section 267(b)(1)) to the taxpayer.''

(2) The amendments made by the section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2004.

FEINGOLD AMENDMENT NO. 1417

(Ordered to lie on the table.)

Mr. FEINGOLD submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

From page 391, between lines 16 and 17, insert the following:

SEC. 2. REPEAL OF PERCENTAGE DEPLETION ALLOWANCE FOR CERTAIN HARDROCK MINES.

(a) In General.—Section 613(a) (relating to percentage depletion) is amended by inserting “(other than hardrock mines)” after “located on lands subject to the general mining laws or on land patented under the general mining laws”.

(b) General Mining Laws Defined.—Section 613 is amended by adding at the end the following:

"Sec. 614. General Mining Laws.—For purposes of subsection (a), the term ‘general mining laws’ means those Acts which generally comprise chapters 2, 12A, and 16, and sections 161 and 162 of title 30 of the United States Code.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

LEAHY AMENDMENT NO. 1418

(Ordered to lie on the table.)

Mr. LEAHY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

Subsection (g)(3) of section 3212 of the Internal Revenue Code of 1986 is amended by inserting at the end thereof: “or in connection with the harvesting of maple syrup.”

BOXER AMENDMENT NO. 1419

(Ordered to lie on the table.)

Mr. BOXER submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

On page 392, beginning with line 12, strike through page 207, line 22, and insert the following:

SEC. 1. FIRST $2,000 OF HEALTH INSURANCE PREMIUMS FULLY DEDUCTIBLE.

(a) In General.—Section 213 (relating to medical, dental, etc., expenses) is amended by adding at the end the following:

"(f) Deduction for First $2,000 of Health Insurance Premiums.—There shall also be
allowed as a deduction under subsection (a) an amount equal to so much of the expenses paid during the taxable year for insurance which constitutes medical care under subsection (d)(1)(D) (other than for a qualified long-term care contract) for such taxpayer, spouse, and dependents as does not exceed $2,000. Such expenses shall not be taken into account in determining the amount of any other deduction allowable under subsection (a)."

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER THE PAYOR.--Section 561(b)(1) (defining adjusted gross income) is amended by inserting after paragraph (1), the term 'amounts' does not include--

"(a) backpay or frontpay, as defined in section 1302(b), or

"(b) punitive damages.

"(b) UNLAWFUL DISCRIMINATION Defined.--For purposes of this section, the term 'unlawful discrimination' means an act that is unlawful under any of the following:


"(2) Section 302, 203, 204, 205, 206, or 207 of the Congressional Accountability Act of 1993 (2 U.S.C. 1311, 1312, 1313, 1314, 1315, or 1317).


"(4) Section 15 or the Age Discrimination in Employment Act of 1967 (29 U.S.C. 625 or 633a).


"(7) Title IX of the Education Amendments of 1972 (29 U.S.C. 1681 et seq.).


"(9) The Worker Adjustment and Retraining Notification Act (29 U.S.C. 1621 et seq.).


"(11) Chapter 43 of title 38, United States Code (relating to employment and reemployment rights of members of the uniformed services).


"(14) Section 804 or 805 of the Fair Housing Act (42 U.S.C. 3604 or 3605).

"(15) Section 102, 202, 302, or 503 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12120 et seq.).


"(17) Any provision of Federal law (popularly known as whistleblower provisions) prohibiting the discharge of an employee, the discrimination against an employee, or any other form of retaliation or reprisal against an employee for exercising rights or taking other actions permitted under Federal law.

"(18) Any provision of State or local law, or common law, which is enforced under Federal, State, or local law, providing for the enforcement of civil rights, regulating any aspect of the employment relationship, or prohibiting the discharge of an employee, the 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.

"(19) Any provision of State or local law, or common law, which is performed by or on behalf of the taxpayer, the 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.

"(20) Any provision of State or local law, or common law, which is performed by or on behalf of the taxpayer, for purposes of this section, the term 'amounts' does not include--

"(A) backpay or frontpay, as defined in section 1302(b), or

"(B) punitive damages.

"(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER THE PAYOR.--Section 561(b)(1) (defining adjusted gross income) is amended by inserting after paragraph (1), the term 'amounts' does not include--

"(a) backpay or frontpay, as defined in section 1302(b), or

"(b) punitive damages.

"(b) UNLAWFUL DISCRIMINATION Defined.--For purposes of this section, the term 'unlawful discrimination' means an act that is unlawful under any of the following:


"(2) Section 302, 203, 204, 205, 206, or 207 of the Congressional Accountability Act of 1993 (2 U.S.C. 1311, 1312, 1313, 1314, 1315, or 1317).


"(4) Section 15 or the Age Discrimination in Employment Act of 1967 (29 U.S.C. 625 or 633a).


"(7) Title IX of the Education Amendments of 1972 (29 U.S.C. 1681 et seq.).


"(9) The Worker Adjustment and Retraining Notification Act (29 U.S.C. 1621 et seq.).


"(11) Chapter 43 of title 38, United States Code (relating to employment and reemployment rights of members of the uniformed services).


"(14) Section 804 or 805 of the Fair Housing Act (42 U.S.C. 3604 or 3605).

"(15) Section 102, 202, 302, or 503 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12120 et seq.).


"(17) Any provision of Federal law (popularly known as whistleblower provisions) prohibiting the discharge of an employee, the discrimination against an employee, or any other form of retaliation or reprisal against an employee for exercising rights or taking other actions permitted under Federal law.

"(18) Any provision of State or local law, or common law, which is enforced under Federal, State, or local law, providing for the enforcement of civil rights, regulating any aspect of the employment relationship, or prohibiting the discharge of an employee, the 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.

"(19) Any provision of State or local law, or common law, which is performed by or on behalf of the taxpayer, the 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.

"(20) Any provision of State or local law, or common law, which is performed by or on behalf of the taxpayer, for purposes of this section, the term 'amounts' does not include--

"(A) backpay or frontpay, as defined in section 1302(b), or

"(B) punitive damages.
is amended by redesignating paragraph (2) as paragraph (3) by inserting after paragraph (1) the following:

"(2) COORDINATION WITH INCOME AVERAGING FOR AMOUNTS RECEIVED ON ACCOUNT OF EMPLOYMENT DISCRIMINATION.—Amended by paragraph (2) of section 1302 (relating to averaging of income from backpay or frontpay received on account of certain unlawful employment discrimination) shall not apply in computing the regular tax.

(d) CLERICAL AMENDMENTS.—

(1) The table of sections for part III of chapter Q of chapter 1 is amended by inserting after section 1301 the following new item:

"Sec. 139. Amounts received on account of certain unlawful discrimination.

Sec. 1302. Income from backpay or frontpay received on account of certain unlawful employment discrimination and averaging of income from backpay or frontpay received on account of certain unlawful employment discrimination; in general.

(b) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply to damages received in taxable years beginning after December 31, 2000.

(2) The amendments made by subsection (b) shall apply to amounts received in taxable years beginning after December 31, 2000.

(3) The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2000.

(d) REVENUE OFFSET.—Section 302(a) of this Act is null and void and the Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

AMENDMENT NO. 1421

On page 184, between lines 6 and 7, insert the following:

(c) INCREASE IN MAXIMUM DEDUCTION.—

(1) IN GENERAL.—The table contained in section 221(b)(1) (relating to maximum deduction) is amended by striking "$2,500" and inserting "$5,000".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2000.

(3) REVENUE OFFSET.—Section 302(a) of this Act is null and void and the Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

AMENDMENT NO. 1422

On page 255, strike lines 3 through 25 and insert:

"(i) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 59 1/2, and

"(ii) which is a charitable contribution (as defined in section 170(c)) made directly from an IRA during any taxable year if, for the taxable year, reduced (but not below zero) by the amount which bears the same ratio to such amount as—

"(I) the excess of—

"(i) the taxpayer's adjusted gross income for such taxable year, over

"(ii) the applicable dollar amount, bears to

"(III) in the case of a married individual filing a joint return, $150,000, and

"(IV) in the case of any other taxpayer (other than a married individual filing a separate return), $65,000, and

"(III) in the case of a married individual filing a separate return, zero.

"(D) MARITAL STATUS.—Section 219(g)(4) shall apply for purposes of this paragraph.

"(2) REGISTRATION.—Section 408A(c)(3)(C)(i), as amended by paragraph (1), is amended by inserting "and any amount included in gross income under subsection (d)(3) shall not be taken into account, and

"(ii) the applicable dollar amount is—

"(I) in the case of a taxpayer filing a joint return, $150,000,

"(II) in the case of any other taxpayer (other than a married individual filing a separate return), $65,000, and

"(III) in the case of a married individual filing a separate return, zero.

AMENDMENT NO. 1423

At the end of title VI, insert:

SEC. 2. INCREASE IN ESTATE TAX DEDUCTION FOR FAMILY-OWNED BUSINESS INTEREST.

(a) IN GENERAL.—Section 2057(a)(3) (relating to memorandum dates) is amended by inserting "$1,975,000" and inserting "$1,975,000.

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) (relating to coordination with unified credit) is amended by striking "$1,975,000" each place it appears in the text and heading and inserting "$1,975,000".

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.
(1) shall not include an employee within the meaning of section 414(m).

(2) shall include a leased employee within the meaning of section 414(n).

(3) Wages.—The term ‘wages’ has the meaning given such term by section 3121(a) (determined without regard to any dollar limitation contained in such section).

(D) Inflation adjustment.—

(ii) In general.—In the case of any tax- able year beginning in a calendar year after 2001, the $16,000 amount contained in subparagraph (A) shall be increased by an amount equal to—

(1) such dollar amount, multiplied by

(11) by adding at the end the following:

(2) by adding at the end the following:

(2) PART B—INDIVIDUAL SAVINGS ACCOUNTS

TITLE I—INDIVIDUAL SAVINGS ACCOUNTS

Sec. 101. Individual savings accounts.

Sec. 102. Social security KidSave Accounts.

Sec. 103. Adjustments to primary insurance amounts under part A of title II of the Social Security Act.

TITLE II—SOCIAL SECURITY SYSTEM ADJUSTMENTS

Sec. 201. Adjustments to bend points in determining primary insurance amounts.

Sec. 202. Adjustment of widows’ and widowers’ insurance benefits.

Sec. 203. Elimination of earnings test for individuals who have attained early retirement age.

Sec. 204. Gradual increase in number of benefit computation years; use of earnings record.

Sec. 205. Maintenance of benefit and contribution base.

Sec. 206. Reduction in the amount of certain transfers to Medicare Trust Fund.

Sec. 207. Actuarial adjustment for retirement.

Sec. 208. Improvements in process for cost-of-living adjustments.

Sec. 209. Modification of increase in normal retirement age.


Sec. 211. Mechanism for remedying unforeseen deterioration in social security solvency.

TITLE I—INSURANCE BENEFITS ACCOUNTS

Sec. 101. Individual savings accounts.

(a) Establishment and maintenance of individual savings accounts.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) by inserting before section 201 the following:

(3) by adding at the end the following:

(3) Part B—Individual savings accounts

APPENDIX

KERREY (AND OTHERS) AMENDMENT NO. 1424

(2) by adding at the end the following:

(2) PART B—INDIVIDUAL SAVINGS ACCOUNTS

(C) Certain rules applicable.—For purposes of this section, rules similar to the rules of section 52 shall apply.

(c) Effective dates.—The amendments made by this section shall take effect on the date of enactment and shall apply to taxable years beginning after December 31, 2000.
care of the individual or his estate. Payment under this part to an individual, if incompetent or under other legal disability may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or of the State primarily vested with the care of the claimant or his estate. In any case in which a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the individual, if any other person, in the judgment of the Commissioner, is responsible for the support of such individual any designation under subsection (c)(1) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

DEFINITION OF INDIVIDUAL SAVINGS ACCOUNT. TREATMENT OF ACCOUNTS

"SEC. 252. (a) INDIVIDUAL SAVINGS ACCOUNT.—In this part, the term 'individual savings account' means any individual savings account established under section 254 which is administered by the Individual Savings Fund Board.

(b) TREATMENT OF ACCOUNT.—Except as otherwise provided in this part and in section 531 of the Internal Revenue Code of 1986, any individual savings account described in subsection (a) shall be treated in the same manner as an individual account in the Thrift Savings Fund under chapter III of title 5, United States Code.

INDIVIDUAL ACCOUNT DISTRIBUTIONS

"SEC. 253. (a) DATE OF INITIAL DISTRIBUTION.—Except as provided in subsection (c), distributions may only be made from an individual savings account of an eligible individual on and after the earliest of—

(1) the date the eligible individual attains normal retirement age, as determined under section 216 (or early retirement age (as so determined) by such individual), or

(2) the date on which funds in the eligible individual's individual savings account are sufficient to provide a monthly payment over the life expectancy of the eligible individual (determined under reasonable actuarial assumptions) which, when added to the eligible individual's monthly benefit under part A (if any), is at least equal to an amount equal to 1/2 of the poverty line (as defined in section 673(c) of the Community Services Block Grant Act (42 U.S.C. 9902(c)) and determined on such date for a family of the size involved) and adjusted annually thereafter by the adjustment determined under section 215(c).

(b) FORMS OF DISTRIBUTION.—

(1) REQUIRED MONTHLY PAYMENTS.—Except as provided in paragraph (2), beginning with the date determined under subsection (a), the balance in an individual savings account available to provide monthly payments not in excess of the amount described in subsection (a)(2) shall be paid, elected by the account owner in the form and manner as shall be prescribed in regulations of the Individual Savings Fund Board, by means of the purchase of annuities or equal monthly payments for the continuance of the ownership of such account (determined under reasonable actuarial assumptions) in accordance with requirements (which shall be provided in regulations so as to be similar to requirements applicable to payments of benefits under subsection (a) of chapter III of title 5, United States Code, and providing for indexing of such payments for inflation).

Payment of excess funds.—To the extent funds remain in an eligible individual's savings account after the application of paragraph (1), such funds shall be paid or distributed in such manner and in such amounts as determined by the eligible individual, subject to the provisions of subsections of chapter 84 of title 5, United States Code.

(c) DISTRIBUTION IN THE EVENT OF DEATH BEFORE THE DATE OF INITIAL DISTRIBUTION.—In the event of the death of an eligible individual before the date of initial distribution, any amounts paid and amounts payable to the eligible individual in such account shall be distributed in a lump sum, under the same rules as the Individual Savings Fund Board, to the individual’s heirs.

INDIVIDUAL SAVINGS FUND

"SEC. 254. (a) ESTABLISHMENT.—There is established and maintained in the Treasury of the United States, an Individual Savings Fund in the same manner as the Thrift Savings Fund under sections 8437, 8438, and 8439 (but not section 8440) of title 5, United States Code.

(b) INDIVIDUAL SAVINGS FUND BOARD.—

(1) IN GENERAL.—There is established and operated in the Social Security Administration an Individual Savings Fund Board in the same manner as the Federal Retirement Thrift Investment Board under subchapter VII of chapter 84 of title 5, United States Code.

(2) SPECIFIC INVESTMENT AND REPORTING DUTIES.—

(A) IN GENERAL.—The Individual Savings Fund Board shall maintain and report on the activities of the Individual Savings Fund and the individual savings accounts of such Fund in the same manner as the Federal Retirement Thrift Investment Board manages and reports on the Thrift Savings Fund and the individual accounts of such Fund under chapter VII of title 5, United States Code.

(B) STUDY AND REPORT ON INCREASED INVESTMENT OPTIONS.—

(1) STUDY.—The Individual Savings Fund Board shall conduct a study regarding ways to increase an eligible individual's investment options with respect to such individual's individual savings account and with respect to rollovers or distributions from such account.

(2) REPORT.—Not later than 2 years after the date of enactment of the Bipartisan Social Security Reform Act of 1999, the Individual Savings Fund Board shall submit a report to the President and Congress that contains a detailed statement of the results of the study conducted pursuant to clause (1), together with the Board's recommendations for such legislative actions as the Board considers appropriate.

BUDGETARY TREATMENT OF INDIVIDUAL SAVINGS FUND AND ACCOUNTS

"SEC. 255. The receipts and disbursements of the Individual Savings Fund and any accounts within such fund shall not be included in the budget of the United States Government as submitted by the President or of the congressional budget and shall be exempt from any general budget cuts or limits imposed by statute on expenditure of budget and net lending (budget outlays) of the United States Government.

MODIFICATION OF FICA RATES.—

(A) EMENDATION.—Subsection (a)(1) of the Internal Revenue Code of 1986 (relating to tax on employment) is amended to read as follows:

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

(1) IN GENERAL.—

(A) INDIVIDUALS COVERED UNDER PART A OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed on the income of every part A eligible individual a tax equal to 6.2 percent of the wages (as defined in section 831(b)) of every part A eligible individual.

(B) INDIVIDUALS COVERED UNDER PART B OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual a tax equal to 4.2 percent of the wages (as defined in section 831(a)) received by such individual with respect to employment (as defined in section 212(b)).

(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

(A) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of every part B eligible individual an individual savings account contribution equal to the amount of—

(i) 2 percent of the wages (as so defined) received by such individual with respect to employment (as so defined), plus

(ii) so much of such wages (not to exceed $2,000) as designated by the individual in the same manner as described in section 251(c) of the Social Security Act.

(B) INFLATION ADJUSTMENT.—

(1) IN GENERAL.—In the case of any calendar year beginning after 2000, the dollar amount in subparagraph (A)(i) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 110(p) for the calendar year determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

(2) SELF-EMPLOYED.—Section 1401(a) of the Internal Revenue Code (relating to tax on self-employment income) is amended to read as follows:

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

(1) IN GENERAL.—

(A) INDIVIDUALS COVERED UNDER PART A OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual who is not a part B eligible individual for the calendar year ending with or during such taxable year, a tax equal to 12.40 percent of the amount of the self-employment income for such taxable year.

(B) INDIVIDUALS COVERED UNDER PART B OF TITLE II OF THE SOCIAL SECURITY ACT.—In addition to other taxes, there is hereby imposed for each taxable year, on the self-employment income of every part B eligible individual, a tax equal to 10.4 percent of the amount of the self-employment income for such taxable year.

(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

(A) IN GENERAL.—In addition to other taxes, there is hereby imposed for each taxable year, on the self-employment income of every part B eligible individual, a tax equal to 6.2 percent of the wages (as defined in section 831(a)) received by such individual with respect to employment (as defined in section 212(b)).

(2) CONTRIBUTION OF OASDI TAX REDUCTION TO INDIVIDUAL SAVINGS ACCOUNTS.—

(A) IN GENERAL.—In addition to other taxes, there is hereby imposed for each taxable year, on the self-employment income of every part B eligible individual, a tax equal to 4.2 percent of the wages (as defined in section 831(a)) received by such individual with respect to employment (as defined in section 212(b)).
of wages designated under section 310(a)(2)(A)(ii) plus 10 percent of the designated self-employment income designated under section 1401(a)(2)(A)(ii) for the taxable year is less than $1, the credit to which such individual is entitled under this section shall be equal to zero.

(2) Defined contributions.—For purposes of this section, the term ‘defined contribution’ means—

(A) any amount credited to an individual savings account under section 251 of the Social Security Act;

(B) transfers to an individual savings account from a defined benefit or defined contribution pension plan;

(C) transfers to an individual savings account from a pay-as-you-go pay plan.

(3) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(4) Limitation.—The credit allowed under this section shall be limited to the amount of the credit allowed under paragraph (1) of any other section of subpart H of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986, or any other section of this title, to which the credit allowance under this section is not subject.

(b) Excise tax credits.—The excise tax credits allowed by section 41 of the Social Security Act shall be included in gross income for purposes of section 252 of the Social Security Act.

(c) Special rules.—The provisions of section 41 of the Social Security Act shall apply to the credit allowed under this section in the same manner as they apply to the credit allowed under section 1401 of the Internal Revenue Code of 1986, except that—

(1) the amount of the credit shall be reduced by the amount of the credit allowed under this section; and

(2) the period during which the credit may be claimed shall be reduced by the period during which the credit may be claimed under this section.

(3) Credit deemed paid.—The credit allowed under this section shall be deemed paid on the date of enactment of this part.

(4) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

(5) Limitation.—The credit allowed under this section shall be limited to the amount of the credit allowed under any other section of this title, to which the credit allowance under this section is not subject.

(b) Credit for education and tuition purposes.—The credit allowed under this section shall be reduced by the amount of any other credits allowed by section 22 of the Social Security Act.
sums as are necessary in order for the Secretary to transfer from the general fund of the Treasury for crediting by the Commissioner to each account holder's KidSave Account under subsection (a), an amount equal to the sum of—

(A) if the individual was born on or after January 1, 2000, $1,000, on the date of the establishment of such individual's KidSave Account,

(B) in the case of any individual born on or after January 1, 1995, $500, on the 1st, 2nd, 3rd, 4th, and 5th birthdays of such individual occurring on or after January 1, 2000.

(2) ADJUSTMENT FOR INFLATION.—For any calendar year after 2000, each of the dollar amounts under paragraph (1) shall be increased by the cost-of-living adjustment determined under section 215(i) for the calendar year.

(c) DESIGNATIONS REGARDING KIDSAVE ACCOUNTS.—

(1) INITIAL DESIGNATIONS OF INVESTMENT VEHICLE.—A person described in subsection (d) shall, on behalf of the individual described in subsection (a), designate the investment vehicle for the KidSave Account to which contributions on behalf of such individual are to be deposited. Such designation shall be made on the application for such individual's Social Security account number.

(2) CHANGES IN INVESTMENT VEHICLES.—The Commissioner shall by regulation provide that the manner in which an individual or a person described in subsection (d) on behalf of such individual may change 1 or more investment vehicles for a KidSave Account.

(d) TREATMENT OF MINORS AND INCOMPETENT INDIVIDUALS.—Any designation under subsection (c) to be made by a minor, or an individual mentally incompetent or under other legal disability, may be made by the person who is constituted guardian or other fiduciary by the law of the State of residence of the individual or is otherwise legally vested with the care of the individual.

Payment under this part due a minor, or an individual mentally incompetent or under other legal disability, may be made to such person, bars recovery by any individual may be made to such person, and the individual may be added to the fund in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

DEFINITIONS AND SPECIAL RULES

SEC. 262. (a) KIDSAVE ACCOUNTS.—In this part, the term 'KidSave Account' means any KidSave Account in the Individual Savings Account Fund (established under section 254) which is otherwise payable to such individual, if any other person, in the judgment of the Commissioner, is responsible for the care of such individual, any designation under subsection (c) which may otherwise be made by such individual may be made by such person, any payment under this part which is otherwise payable to such individual may be made to such person, and the payment of an annuity payment under this part to such person bars recovery by any other person.

(b) TREATMENT OF ACCOUNTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), any KidSave Account described in subsection (a) shall be treated in the same manner as an individual savings account held by such individual, plus

(B) 50 percent of the accumulated value of the KidSave Account (established on behalf of such individual) on the date such KidSave Account is redesignated as an individual savings account held by such individual, plus

(2) CHANGES IN INVESTMENT VEHICLES.—

The Commissioner shall by regulation provide that the manner in which an individual or a person described in subsection (d) on behalf of such individual may change 1 or more investment vehicles for a KidSave Account.

(c) ADJUSTMENTS TO PRIMARY INSURANCE AMOUNTS UNDER PART A OF TITLE II OF THE SOCIAL SECURITY ACT.

(a) IN GENERAL.—Section 215 of the Social Security Act (42 U.S.C. 415) is amended by adding at the end the following:

"(1) Adjustment of Primary Insurance Amount in Relation to Deposits Made to Individual Savings Accounts and KidSave Accounts—

"(i) Except as provided in paragraph (2), an individual's primary insurance amount as determined in accordance with this section (before adjustments made under subsection (i)) shall be equal to the excess (if any) of—

"(A) the amount which would be so determined without the application of this subsection, over

"(B) the monthly amount of an immediate life annuity, determined on the basis of the sum of—

"(i) the total of all amounts which have been credited pursuant to section 231(b) (indexed in the same manner as is applicable with respect to average indexed monthly earnings under subsection (h) to the individual savings account held by such individual, plus

"(ii) 50 percent of the accumulated value of the KidSave Account (established on behalf of such individual) on the date such KidSave Account is redesignated as an individual savings account held by such individual, plus

"(C) accrued interest on such amounts compounded annually—

"(i) assuming an interest rate equal to the projected interest rate of the Federal Old-Age and Survivors Trust Fund, and


"(2) In the case of an individual who becomes entitled to disability insurance benefits under section 223, such individual's primary insurance amount as determined in accordance with this section shall be determined without regard to paragraph (1).

(3) For purposes of this subsection, the term 'immediate life annuity' means an annuity—

"(A) the annuity starting date (as defined in section 72(c)(4) of the Internal Revenue Code of 1986) of which commences with the first month following the date of the determination, and

"(B) which provides for a series of substan-

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to primary insurance amounts of individuals attaining early retirement age (as defined in section 216(l) of the Social Security Act), or dying, after December 31, 1999.

SECTION 201. ADJUSTMENTS TO BEND POINTS IN DETERMINING PRIMARY INSURANCE AMOUNTS.

(a) ADDITIONAL BEND POINT.—Section 216(a)(1)(A) of the Social Security Act (42 U.S.C. 416(a)(1)(A)) is amended—

(1) in clause (i), by striking "and" at the end of (i),

(2) in clause (ii)—

(A) by striking "15 percent" and inserting "32 percent";

(B) counting "clause (ii)" and inserting the following: "clause (ii) but do not exceed the amount established for purposes of this clause by subparagraph (B), and;

and

(c) by inserting after clause (iii) the following:

"(iv) 15 percent of the average individual's average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (iii)."

(b) INITIAL LEVEL OF ADDITIONAL BEND POINT.—Section 216(a)(1)(B) of such Act (42 U.S.C. 416(a)(1)(B)) is amended—

(1) by striking clause (i) and (ii) and inserting "clauses (i) and (ii)";

and

(2) by adding at the end the following: "For purposes of the preceding clause (ii) of subparagraph (A) shall be equal to 197.5 percent of the amount established for purposes of clause (iii)."

(c) ADJUSTMENTS TO PIA FORMULA FACTORS.—Section 216(a)(1)(B) of such Act (42 U.S.C. 416(a)(1)(B)) is amended further—

(1) by redesignating clause (iii) as clause (iv);

(2) by inserting after clause (ii) the fol-lowing:

"(iii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in any calendar year after 2005, effective for such calendar year—

(1) the percentage in effect under clause (ii) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 increased the applicable number of times by 0.5 percentage points,

(2) the percentage in effect under clause (iii) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 increased the applicable number of times by 1.2 percentage points, and

(3) the percentage in effect under clause (iv) of subparagraph (A) shall be equal to the percentage in effect under such clause for calendar year 2005 increased the applicable number of times by 0.5 percentage points.

For purposes of the preceding sentence, the term 'applicable number of times' means a number equal to the lesser of 10 or the number of years beginning with 2006 and ending with the year of initial eligibility or death.

(2) an increase of 0.5 percentage points per year, beginning in calendar year 2005, effective for such calendar year and thereafter.

"(1) by inserting in clause (iv) the following: "For purposes of the preceding clause (ii) the term 'applicable number of times' means a number equal to the lesser of 10 or the number of years beginning with 2006 and ending with the year of initial eligibility or death."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to primary insurance amounts of individuals attaining early retirement age (as defined in section 216(l) of the Social Security Act), or dying, after December 31, 1999.
462(c)(2)(A)(i) is amended by striking "equal to 50 percent in 2000, increased (but not above 75 percent) by 1 percentage point in every second year thereafter.

(b) Widower’s Benefit.—Section 202(f)(3)(A) of the Social Security Act (42 U.S.C. 402(b)(3)(A)) is amended by striking "equal to" and all that follows and inserting "a new exempt amount which shall be applicable for each month of a particular taxable year shall be whichever":

"(i) the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C) of paragraph (1)), or

"(ii) the applicable percentage of the joint benefit which would have been received by the widow or surviving divorced wife and the deceased individual for such month if such individual had not died.

For purposes of clause (ii), the applicable percentage is equal to 50 percent in 2000, increased (but not above 75 percent) by 1 percentage point in every second year thereafter.

SEC. 203. ELIMINATION OF EARNINGS TEST FOR INDIVIDUALS WHO HAVE ATTAINED EARLY RETIREMENT AGE.

(a) In General.—Section 203 of the Social Security Act (42 U.S.C. 403) is amended—

"(1) in subsection (b)(1), by striking "the age of seventy" and inserting "early retirement age (as defined in section 216(l))";

"(2) in subsections (c)(1) and (d), by striking "was at or above early retirement age (as defined in section 216(l))";

"(3) in subsection (f)(1)(B), by striking "was age seven or over" and inserting "was at or above early retirement age (as defined in section 216(l))";

"(4) in subsections (f)(3)(B), (C), and (D) by striking "50 percent" and all that follows through "any other individual," and inserting "50 percent of such individual’s earnings for such year in excess of the product of the exempt amount as determined under paragraph (8),"; and

"(B) by striking "age 70" and inserting "early retirement age (as defined in section 216(l))";

"(5) in subsection (h)(1)(A), by striking "age 70" each place it appears and inserting "early retirement age (as defined in section 216(l))";

"(6) in subsection (j)—

"(A) in the heading, by striking "Age Seventy" and inserting "Early Retirement Age"; and

"(B) by striking "seventy years of age" and inserting "having attained early retirement age (as defined in section 216(l))";

(b) Contents of Study.—The study conducted under paragraph (1) shall include the evaluation of—

"(1) the effect of the current limit on earnings on the incentive for individuals receiving disability insurance benefits to work;

"(2) the effect of increasing the earnings limit or changing the manner in which dis- ability insurance benefits are reduced or termi-

nated as a result of substantial gainful activity and extending such eligibility for a fixed period of time after the benefits are terminated.

"(i) the incentive to work; and

"(ii) the financial status of the Federal Disability Insurance Trust Fund;

"(C) the effect of extending eligibility for the Medicare program to individuals during the period in which disability insurance ben- efits of the individual are gradually reduced as a result of substantial gainful activity and extending such eligibility for a fixed period of time after the benefits are terminated.

"(i) the incentive to work; and

"(ii) the financial status of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund; and

"(D) the relationship between the effect of substantial gainful activity limits on blind individuals receiving disability insurance benefits and other individuals receiving dis- ability insurance benefits.

(3) Consultation.—The analysis under paragraph (2)(C) shall be done in consulta- tion with the Centers for Medicare and Medicaid Services.

(e) Effective Date.—The amendments and repeal made by subsections (a), (b), and (c) shall take effect with respect to taxable years ending after December 31, 2002.

SEC. 204. GRADUAL INCREASE IN NUMBER OF BENEFIT COMPUTATION YEARS; USE OF ALL YEARS IN COMPUTATION.

(a) In General.—Section 215(b)(2)(A) of the Social Security Act (42 U.S.C. 415(b)(2)(A)) is amended—

"(1) in clause (1), by striking "5 years" and inserting "the applicable number of years for purposes of this clause"; and

"(2) by striking "Clause (ii)," in the matter following clause (i) and inserting the follow- ing:

"For purposes of clause (i), the applicable number of years is the number of years speci- fied in connection with the year in which such individual reaches early retirement age (as defined in section 216(l)(2)), or, if earlier, the calendar year in which such individual dies, as set forth in the following table.

```
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4</td>
</tr>
<tr>
<td>2003</td>
<td>4</td>
</tr>
<tr>
<td>2004</td>
<td>4</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
</tr>
<tr>
<td>2006</td>
<td>4</td>
</tr>
<tr>
<td>2007</td>
<td>4</td>
</tr>
<tr>
<td>2008</td>
<td>4</td>
</tr>
<tr>
<td>2009</td>
<td>4</td>
</tr>
<tr>
<td>2010</td>
<td>4</td>
</tr>
<tr>
<td>After 2010</td>
<td>5</td>
</tr>
</tbody>
</table>
```

Notwithstanding the preceding sentence, the applicable number of years is 5, in the case of any individual who is entitled to old-age insur- ance benefits, and has a spouse who is also so entitled (or who died without having become so entitled) who has greater total wages and self-employment income credited to benefit computation years than the indi- vidual. Clause (ii)."
wages and self-employment income, after ad-
justment under paragraph (3), is the larger:
(1) For calendar years after 2009, the term
‘benefit computation years’ means all of the
year in which such individual reaches early re-
tirement age (as defined in section 216(3)),
or, if earlier, the calendar year in which such
individual dies, as set forth in the following:

The applicable number of years is:

```
If such calendar year is:                
2002                                    8.       
2003                                    7.       
2004                                    6.       
2005                                    5.       
2006                                    4.       
2007                                    3.       
2008                                    2.       
2009                                    1.       
(II) the term ‘computation base years’
means the calendar years after 1850, except
that term excludes any calendar year
entirely included in a period of disability;
and’’.

(c) EFFECTIVE DATE.—(1) Subsection (a).—The amendments made by subsection (a) shall apply with respect to
individuals attaining early retirement age
as defined in section 216(3) of the Social

SEC. 219. MAINTENANCE OF BENEFIT AND CON-
TRIBUTION BASE.

(a) IN GENERAL.—Section 219(b)(4)(E) of the Social Security Act (42 U.S.C. 401) is amended to
read as follows:

‘‘(E) 2014, is 13⁄18; and
’’

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after
such section.

SEC. 220. REDUCTION IN THE AMOUNT OF CER-
TAIN TRANSFERS TO MEDICARE

Subparagraph (A) of section 121(e)(1) of the Social Security Amendments of 1983 (42
U.S.C. 401 note), as amended by section 13215(a) of the Omnibus Budget Reconcili-
ation Act of 1993, is amended—

(1) in clause (ii), by striking ‘‘the amounts’’ and inserting ‘‘the applicable per-
centage of the amounts’’; and

(2) by adding at the end the following: ‘‘For purposes of clause (ii), the applicable perc-
centage for an individual who attains the age of 62 in—

(A) any year before 2001, 1 1⁄12; and

(B) 2001, is 15⁄18; and

(C) 2002, is 17⁄24; and

(D) 2003, is 19⁄24; and

(E) 2004, is 21⁄24; and

(F) 2005 or any succeeding year, is 23⁄24.’’.

SEC. 270. ACTUARIAL ADJUSTMENT FOR RETIRE-
MENT.

(a) E ARLY RETIREMENT.—

(1) IN GENERAL.—Section 202(q) of the So-
cial Security Act (42 U.S.C. 402(q)) is amend-
ed—

(A) in paragraph (1)(A), by striking ‘‘5⁄6 of’’ and inserting ‘‘the applicable fraction (deter-
mined under paragraph (12))’’; and

(B) by adding at the end the following: ‘‘(12) For purposes of paragraph (1)(A), the
applicable fraction’’ for an individual who
attains the age of 62 in—

(A) any year before 2001, 1 1⁄12; and

(B) 2001, is 1 5⁄18; and

(C) 2002, is 1 7⁄18; and

(D) 2003, is 1 9⁄18; and

(E) 2004, is 1 11⁄18; and

(F) 2005 or any succeeding year, is 1 13⁄18.’’.

(2) MONTHS BEYOND FIRST 36 MONTHS.—Sec-
tion 202(q) of such Act (42 U.S.C. 402(q)) (as
amended by section 13215(c)(1) of the Omnibus
Budget Reconciliation Act of 1993) is amend-
ed by adding at the end the following:

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to
individuals who attain the age of 62 in years 2010 through 2019.

(b) DELAYED RETIREMENT.—Section
202(w)(6) of the Social Security Act (42 U.S.C.
402(w)(6)) is amended—

(1) in subparagraph (C), by striking ‘‘and’’

(2) in subparagraph (D), by striking ‘‘2004,’’ and

(3) by adding at the end the following: ‘‘(E) for purposes of paragraph (9)(A), the
applicable fraction’’ for an individual who
attains the age of 62 in—

(A) any year before 2001, 1 1⁄12; and

(B) 2001, is 15⁄18; and

(C) 2002, is 17⁄24; and

(D) 2003, is 19⁄24; and

(E) 2004, is 21⁄24; and

(F) 2005 or any succeeding year, is 23⁄24.’’.

(c) FUNDING FOR CPI IMPROVEMENTS.—

(1) IN GENERAL.—There is hereby appro-
riated to the Bureau of Labor Statistics in the
Department of Labor, for each of fiscal
years 2000, 2001, and 2002, $60,000,000 for use
by the Bureau for the following purposes:

(A) Research, evaluation, and implementa-
tion of a superlative index to estimate upper
level substitution bias, quality-change bias,
and new-product bias (as last published by
the Commissioner of the Bureau of Labor Statistics
pursuant to subsection (a)).

(B) Expansion of the Consumer Expendi-
ture Survey and the Point of Purchase Sur-
vey.

(2) REPORTS.—The Commissioner of the Bu-
reau of Labor Statistics shall submit reports
regarding the use of appropriations made
under paragraph (1) to the Committee on Ap-
propriations of the House of Representa-
tive. The Committee on Appropriations of the Senate upon the request of each Committee.

(d) INFORMATION SHARING.—The Com-
missioner of the Bureau of Labor Statistics
may secure directly from the Secretary of Com-
merce information necessary for purposes of calculating the Consumer Price Index. Upon
request of the Commissioner of the Bureau of Labor Statistics, the Secretary of Commerce
shall furnish such information to the Com-
misioner.

(e) ADMINISTRATIVE ADVISORY COM-
MITTEE.—The Bureau of Labor Statistics shall, in consultation with the Nation-
al Academy of Economic Research, the Ameri-
can Economic Association, and the National
Academy of Statisticians, establish an ad-
ministrative advisory committee. The ad-
visory committee shall periodically advise the
Bureau of Labor Statistics regarding revi-
sions of the Consumer Price Index and con-
duct research and experimentation with al-
terative data collection and estimating ap-
proaches.

(f) COST-OF-LIVING ADJUSTMENT

DESCRIPTED.—A cost-of-living adjust-
ment in this subsection is not a cost-of-liv-
ing adjustment for a calendar year after 1999
"{paragraph removed}"
the Treasury shall transfer, from the general fund of the Treasury to the Federal Old-Age and Survivors Insurance Trust Fund, an amount equal to the applicable percentage for such year, specified in such table, of the total wages paid in and self-employment income computed in such year.

"For a calendar year—

The applicable percentage for the year is—

After 1999 and before 2020 0.8 percent.

After 2020 and before 2040 0.9 percent.

After 2040 1.0 percent.

SEC. 209. MODIFICATION OF INCREASE IN NORMAL RETIREMENT AGE.

(a) In General.—Section 216(l)(1) of the Social Security Act (42 U.S.C. 416(l)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking "2005" and inserting "2011"; and

(B) by adding "and" at the end; and

(2) by striking subparagraphs (C), (D), and (E) and among individuals receiving retirement benefits and of the factors that influence the choice between retirement and participation in the labor force;

(C) an evaluation of changes, if any, in the social security disability program that would reduce the impact of changes in the retirement income of workers in poor health or physically demanding occupations;

(D) an evaluation of the methodology used to develop projections for trends in mortality, health status, and labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits; and

(E) an evaluation of such other matters as the Commissioner deems appropriate for evaluating the effects of increases in life expectancy.

(2) Report on Results of Study.—Not later than February 15, 2006, the Commissioner of Social Security shall submit to Congress an evaluation of the implications of the trends studied under paragraph (1), along with recommendations, if any, of the extent to which the conclusions of such evaluations indicate that projected increases in life expectancy require modification in the social security disability program and other programs that provide benefits.

SEC. 210. MODIFICATION OF PIA FACTORS TO REFLECT CHANGES IN LIFE EXPECTANCY.

(a) Modification of PIA Factors.—Section 216(a)(1) of the Social Security Act (42 U.S.C. 416(a)(1)(B)) is amended by redesignating subparagraph (D) as subparagraph (F) and by inserting after subparagraph (C) the following:

"(D) for an individual who initially becomes eligible for disability insurance benefits in any calendar year after 2010, the age increase factor shall be equal to the lesser of 54 or the applicable number of times by the applicable factor,

"(ii) For purposes of clause (i)—

"(I) the term 'applicable number of times' means a number equal to the lesser of 54 or the number of years beginning with 2012 and ending with the year of initial eligibility; and

"(II) the term 'applicable factor' means .988 with respect to the first 6 applicable number of times and .997 with respect to the applicable number of times in excess of 6.

(E) For an individual who initially becomes eligible for disability insurance benefits in any calendar year after 2011, the primary insurance amount for such individual shall be equal to the greater of—

"(i) such amount as determined under this paragraph, or

"(ii) such amount as determined under this paragraph without regard to subparagraph (D) thereof.";

(b) Study of the Effect of Increases in Life Expectancy.—

(1) Study Plan.—Not later than February 15, 2001, the Commissioner of Social Security shall submit to Congress a detailed study plan for evaluating the effects of increases in life expectancy on the expected level of retirement income from social security, pensions, and other sources. The study plan shall include a description of the methodology, data sources, and assumptions that will be required in order to provide to Congress not later than February 15, 2006—

(A) an evaluation of trends in mortality and their relationship to trends in health status, among individuals approaching eligibility for social security retirement benefits;

(B) an evaluation of trends in labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits, and of the factors that influence the choice between retirement and participation in the labor force;

(C) an evaluation of changes, if any, in the social security disability program that would reduce the impact of changes in the retirement income of workers in poor health or physically demanding occupations;

(D) an evaluation of the methodology used to develop projections for trends in mortality, health status, and labor force participation among individuals approaching eligibility for social security retirement benefits and among individuals receiving retirement benefits; and

(E) an evaluation of such other matters as the Commissioner deems appropriate for evaluating the effects of increases in life expectancy.

(2) Report on Results of Study.—Not later than February 15, 2006, the Commissioner of Social Security shall submit to Congress an evaluation of the implications of the trends studied under paragraph (1), along with recommendations, if any, of the extent to which the conclusions of such evaluations indicate that projected increases in life expectancy require modification in the social security disability program and other programs that provide benefits.

SEC. 211. MECHANISM FOR REMEDYING UNFORESEEN SEEN DETERIORATION IN SOCIAL SECURITY SOLVENCY.

(a) In General.—Section 709 of the Social Security Act (42 U.S.C. 910) is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by adding the following:

"(b)(1) If the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund determines at any time, using intermediate actuarial assumptions, that the balance ratio of such Trust Fund at not less than 20 percent, with due regard to the economic conditions which created such inadequacy in the balance ratio and the amount of time necessary to alleviate such inadequacy in a prudent manner. The report shall set forth specific changes in benefits and taxes that would have to be reduced, taxes under section 1401, 3101, or 3111 of the Internal Revenue Code of 1986 would have to be increased, and the other number or combine of such Taxation measures, and the objectives referred to in the preceding sentence.

"(b) In addition to any reports under subparagraph (A), the Board shall, not later than May 30, 2001, prepare and submit to Congress and the President recommendations for statutory adjustments to the existing revenue provisions under title II of this Act to modify the changes in disability benefits under the Bipartisan Social Security Reform Act of 1999 without reducing the balance ratio of the Federal Disability Insurance Trust Fund. The Board shall develop such recommendations in consultation with the National Council on Disability, taking into consideration the adequacy of benefits under the program, the relationship of such program with old age benefits under such title, and changes in the process for determining continued eligibility for benefits under such program.

"(2)(A) The President shall, no later than 30 days after the submission of the report to the President, transmit to the Board and to the Congress a report containing the President's approval or disapproval of the Board's recommendations.

"(B) If the President approves all the recommendations of the Board, the President shall submit a copy of such recommendations to the Congress and the President, the Board and the Congress, together with a certification of the President's adoption of such recommendations.

"(C) If the President disapproves any of the recommendations of the Board, in whole or in part, the President shall transmit to the Board and the Congress the reasons for that disapproval. The Board shall transmit to the Congress and the President, no later than 60 days after the date of the submission of the original report to the President, a revised list of recommendations.

"(D) If the President approves all of the revised recommendations of the Board transmitted to the President under subparagraph (C), the President shall transmit such revised recommendations to the Congress as the President's recommendations, together with a certification of the President's adoption of such recommendations.

"(E) If the President disapproves the revised recommendations of the Board, in whole or in part, the President shall transmit to the Board and the Congress the reasons for that disapproval. The Board shall submit to the Congress and the President, no later than 60 days after the date of the submission of the original report to the President, a revised list of recommendations.

"(3) A report transmitted under this paragraph—

"(i) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution described in subparagraph (B), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(ii) with full recognition of the constitutional authority of either House to change the rules so far as relating to the procedure of that House at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

"(B) For purposes of this paragraph, the term 'joint resolution' means only a joint resolution which is introduced within the 10-day period beginning on the date on which the President transmits the President's recommendations, together with the President's
certification, to the Congress under subparagraph (B), (D), or (E) of paragraph (2), and—

(2) if the motion is made by the Committee on Finance of the Senate or the House of Representatives. The motion may be made only on the day after the calendar day on which the Member announces to the Committee concerned the intention to introduce such joint resolution and on no other day. The motion is not subject to the limitation described in subparagraph (B) that originated in the receiving House.

(b) CLARIFICATION OF LIMITATIONS ON OTHER BOND FUNDS.—For purposes of this subsection, the amount of the net capital gain shall be reduced (but not below zero) by the sum of—

(1) the amount of the net capital gain that is taken into account under paragraph (18); and

(2) $2,500.

SEC. 1292. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) In General—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(1) the net capital gain of the taxpayer for the taxable year; or

(2) $2,500.

(b) Special Rule for Pass-Through Entities.—Gains from sales and exchanges to any related person (within the meaning of section 267(b) or 707(b)(1)) shall not be taken into account in determining the amount described in subparagraph (B) of section 1244 for such taxable year.

(c) Special Rule for Section 1250 Property.—So long as the provisions of this section, in applying section 1250 of any disposition of 1250 property, all depreciation adjustments in respect of the property shall be treated as additional depreciation.

(d) Section Not To Apply To Certain Taxpayers.—No deduction shall be allowed under this section to—

(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins,

(2) a married individual, within the meaning of section 7703, filing a separate return for the taxable year, or

(3) an estate or trust.

(e) Special Rule For Pass-Through Entities.—In general.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

(2) Pass-Through Entity Defined.—For purposes of paragraph (1), the term ‘‘pass-thru entity’’ means—

(A) a regulated investment company,

(B) a real estate investment trust,

(C) an S corporation,

(D) a partnership,

(E) an estate or trust, and

(F) a common trust fund.

(3) Coordination with Other Provisions.—For purposes of this subsection, the amount of the net capital gain shall be reduced (but not below zero) by the sum of—

(a) the amount of the net capital gain taken into account under section 1221(a) for the taxable year, plus

(b) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii).

(c) Technical and Other Corrections.—Subsection (a) of section 62 (defining adjusted gross income), as amended by section 501, is amended by inserting after ‘‘(1) income from—’’ the following:

‘‘(18) net capital gain derived from the disposition of property—’’.

(d) Long-Term Capital Gains.—The deduction allowed by section 1221 shall be treated as a deduction allowed by section 1202.

(e) Treatment of Corporations.—(1) In General.—Section 1222 (relating to other terms relating to capital gains and

(B) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 214, strike lines 22 through 24 and insert the following:

(b) CONFORMING AMENDMENTS.—

(1) Section 709(b) of the Social Security Act (as amended by subsection (a) of this section) is amended by striking ‘‘any such’’ and inserting ‘‘it’’.

(2) Section 709(c) of such Act (as redesignated by subsection (a) of this section) is amended by inserting ‘‘or (b)’’ after ‘‘subsection (a)’’.

BOND AMENDMENT NO. 1425

(Ordered to lie on the table.)

Mr. BOND submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 214, strike lines 22 through 24 and insert the following:

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(1)(2)(B) of the Internal Revenue Code of 1986 is amended to read as follows: ‘‘Paragraph (2)(B) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in subsection (c)(4) or (d) of the taxpayer or the spouse of the taxpayer.’’

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 1999.

COVERDELL (AND OTHERS) AMENDMENT NO. 1426

(Ordered to lie on the table.)

Mr. COVERDELL (for himself, Mr. TORRICELLI, Mr. DOMENICi, and Mr. BAYH) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 22, between lines 14 and 15, insert the following:

SEC. 1. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) General Rule.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by redesignating section 1202 as section 1221, and by inserting after section 1221 the following new section:

SEC. 1221. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) In General.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(1) the net capital gain of the taxpayer for the taxable year, or

(2) $2,500.

(b) Special Rule For Pass-Through Entities.—Gains from sales and exchanges to any related person (within the meaning of section 267(b) or 707(b)(1)) shall not be taken into account in determining the amount described in subparagraph (B) of section 1221 for such taxable year.

(c) Special Rule For Section 1250 Property.—So long as the provisions of this section, in applying section 1250 of any disposition of 1250 property, all depreciation adjustments in respect of the property shall be treated as additional depreciation.

(d) Section Not To Apply To Certain Taxpayers.—No deduction shall be allowed under this section to—

(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins,

(2) a married individual, within the meaning of section 7703, filing a separate return for the taxable year, or

(3) an estate or trust.

(e) Special Rule For Pass-Through Entities.—In general.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

(2) Pass-Through Entity Defined.—For purposes of paragraph (1), the term ‘‘pass-thru entity’’ means—

(A) a regulated investment company,

(B) a real estate investment trust,

(C) an S corporation,

(D) a partnership,

(E) an estate or trust, and

(F) a common trust fund.

(3) Coordination with Other Provisions.—For purposes of this subsection, the amount of the net capital gain shall be reduced (but not below zero) by the sum of—

(a) the amount of the net capital gain taken into account under section 1221(a) for the taxable year, plus

(b) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii).

(c) Technical and Other Corrections.—Subsection (a) of section 62 (defining adjusted gross income), as amended by section 501, is amended by inserting after ‘‘(1) income from—’’ the following:

‘‘(18) net capital gain derived from the disposition of property—’’.
“FOR treatment of eligible gain not excluded under subsection (a), see section 1202." (11) Section 1203, as redesignated by subsection (a), is amended by adding at the end the following new subsection: “(1) CROSS REFERENCE.—“(1) The table of sections for part I of subchapter P of chapter 1 is amended by striking the item relating to section 1202 and by inserting after the item relating to section 1201 the following new subsection: “Sec. 1202. Capital gains deduction. “Sec. 1203. 50-percent exclusion for gain from certain small business stock.” (f) EFFECTIVE DATES.— “(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2004. “(2) COLLECTIBLES.—The amendments made by subsection (d) shall apply to sales and exchanges after December 31, 2004. “On page 32, line 3, insert ‘‘and ending before January 1, 2009’’ before the period. “On page 32, line 14, insert ‘‘and ending before January 1, 2009’’ before the period. “GREGG AMENDMENTS NOS. 1427–1428 “(Ordered to lie on the table.)” Mr. GREGG submitted the two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows: “AMENDMENT No. 1427 “On page 21, before line 1, insert: “(c) MINIMUM DEPENDENT CARE CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.—Section 21(e) (relating to special rules) is amended by adding at the end the following: “(1) MINIMUM CREDIT ALLOWED FOR STAY-AT-HOME PARENTS.— “(A) IN GENERAL.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in section 157(c)(4)(A), the aggregate of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of— “(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and “(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year determined under this section without regard to this paragraph: “(B) ELECTION TO NOT APPLY THIS PARAGRAPH.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects to have this paragraph apply to such qualifying individual for such taxable year.”. “On page 21, line 1, strike ‘‘(c)’’ and insert ‘‘(d)’’. “On page 195, strike lines 4 through 23. “AMENDMENT No. 1428 “At the appropriate place in the bill, insert the following: “SEC. ___. TWO-YEAR EXTENSION OF PERIOD OF TIME MORATORIUM UNDER INTER- NET TAX FREE ACT. “Section 1101(a) of the Internet Tax Freedom Act (title XI of division C of Public Law 105-277; 112 Stat. 2851-719; 47 U.S.C. 151 note) is amended by striking ‘‘3 years after the date of the enactment of this Act’’ and inserting ‘‘5 years after October 21, 1998’’. “WELLSTONE AMENDMENTS NOS. 1429–1430 (Ordered to lie on the table.) Mr. WELLSTONE submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows: “AMENDMENT No. 1429 “Beginning on page 15, strike line 22 and all that follows through page 17, line 9, and insert the following: “SEC. 202. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT. “(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended— “(1) by striking ‘‘AMOUNTS.—The earned’’ and inserting ‘‘AMOUNTS.— “(A) IN GENERAL.—Subject to subparagraph (B), the earned’’; “(2) by adding at the end the following new subparagraph: “(B) Joint Return.—The phaseout amount determined under subparagraph (A) shall be increased by the applicable dollar amount. “(II) AMOUNTS.—The earned”. “(I) IN GENERAL.—For purposes of clause (1), the applicable dollar amount shall be determined in accordance with the following table: “Applicable dollar amount: “Taxable year beginning in calendar year: “Applicable dollar amount: “2001 or 2002 .......................... $1,000 “2003 or 2004 .......................... $2,000 “2005 or 2006 .......................... $3,000 “2007 and thereafter .......................... $4,350. “(II) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1992’. If any amount as adjusted under this clause is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.” (b) CONFORMING AMENDMENT.—“(1) AMENDMENT.—Section 32(b) (relating to inflation ad- justments) is amended by striking ‘‘(b)(2)’’ and inserting ‘‘(b)(2)(A)’’ before being increased under subparagraph (B) thereof’’. “(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000. “Strike section 901.” “AMENDMENT No. 1430 “At the end, add the following: SEC. ___. APPLICATION OF ACT. “Notwithstanding any other amendment made by, or provision of, this Act, the amendments made by, and provisions of, this Act shall not apply with respect to any taxpayer who is an individual, unless such tax- payer has an adjusted gross income not in excess of $1,000,000 with respect to the taxable year to which the amendment or provi- sion applies.”
LIEBERMAN (AND LEVIN)
AMENDMENT NO. 1431
(Ordered to lie on the table.)

Mr. LIEBERMAN submitted four amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

In accordance with this subsection.’’

(a) In General.—Section 41(e) (relating to credit for increasing research activities), as amended by section 1201, is amended by adding at the end the following:

(b) Improvements for Certain Research and Development in the Medical Field.—(5) Specific Commercial Objectives.—Section 41(e)(4) (relating to definitions and special rules), as redesignated by subsection (a)(2)(B), is amended by adding at the end of such paragraph the following:

Mr. DOMENICI submitted four amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

SEC. . . IMPROVED ALTERNATIVE INCREASING RESEARCH CREDIT.

(a) In General.—Section 41 (relating to credit for increasing research activities), as amended by section 1201, is amended by adding after such date.

(b) Basic Research.—Specific Commercial Objectives.—Section 41(e)(4) (relating to definitions and special rules), as redesignated by subsection (a)(2)(B), is amended by adding at the end the following:

(c) Expanded莞ray to Research Done at Federal Laboratories.—Section 41(e)(1)(A) (relating to credit for increasing research activities) is amended by adding at the end the following:

DOMENICI AMENDMENTS NOS. 1433–1436
(Ordered to lie on the table.)
(c) CONFORMING AMENDMENT. — Paragraph (5) of section 501(c)(3) is amended by striking subparagraph (C).

(d) EFFECTIVE DATE. — The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 721. INCREASE IN ANNUAL GIFT EXCLUSION.

(a) IN GENERAL. — Section 2503(b) (relating to exclusions from gifts) is amended —

(1) by striking paragraph (1) and inserting —

‘‘(1) the applicable dollar amount’,’’.

(2) by striking paragraph (2) and inserting —

‘‘(2) the applicable dollar amount’’, and

(3) by striking paragraph (3) and inserting —

‘‘(3) $10,000’’.

(4) by striking paragraph (4) and inserting —

‘‘(4) the applicable dollar amount’’, and

(5) by striking paragraph (5) and inserting —

‘‘(5) $130,000’’.

(b) EFFECTIVE DATE. — The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

SEC. 722. MODIFICATIONS TO CREDIT FOR BASIC RESEARCH.

(a) ELIMINATION OF INCREMENTAL REQUIREMENT. —

(1) IN GENERAL. — Paragraph (1) of section 41(e)(2) (relating to credit for basic research) is amended to read as follows:

‘‘(1) the basis of research shall be determined under subsection (e)(1)(A)’’.

(b) CONFORMING AMENDMENT. — Section 41(e)(3) is amended by striking subparagraph (A) and inserting —

‘‘(A) the basis of research shall be determined under subsection (e)(1)(A)’’.

(c) EFFECTIVE DATE. — The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 723. MODIFICATIONS TO CREDIT FOR FEDERAL LABORATORIES.

(a) AMENDMENTS. — Section 41(e)(4)(B) is amended by striking —

‘‘(B) the applicable dollar amount’’, and

(b) EFFECTIVE DATE. — The amendments made by this section shall apply to taxable years beginning after December 31, 2004.
than 50 percent of the total amounts received by such organization during such calendar year for scientific or engineering research.

All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as eligible persons for purposes of subparagraph (C) and as a single person for purposes of subparagraph (D)."

(c) CONFORMING AMENDMENT.—Paragraph (3) of section 41(b) is amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

2. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS. 

(a) ASSISTANCE TO SMALL AND START-UP BUSINESSES.—The Secretary of the Treasury or the Secretary’s delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

Sec. 41(b)(3) is further amended by striking subparagraph (D)."

(c) CREDIT FOR PATENT FILING FEES.—Sec. 41(b)(3) is further amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

2. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS. 

(a) ASSISTANCE TO SMALL AND START-UP BUSINESSES.—The Secretary of the Treasury or the Secretary’s delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

Sec. 41(b)(3) is further amended by striking subparagraph (D)."

(c) CREDIT FOR PATENT FILING FEES.—Sec. 41(b)(3) is further amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

2. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS. 

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(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

Sec. 41(b)(3) is further amended by striking subparagraph (D)."

(c) CREDIT FOR PATENT FILING FEES.—Sec. 41(b)(3) is further amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

2. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS. 

(a) ASSISTANCE TO SMALL AND START-UP BUSINESSES.—The Secretary of the Treasury or the Secretary’s delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

Sec. 41(b)(3) is further amended by striking subparagraph (D)."

(c) CREDIT FOR PATENT FILING FEES.—Sec. 41(b)(3) is further amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2005.

2. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS. 

(a) ASSISTANCE TO SMALL AND START-UP BUSINESSES.—The Secretary of the Treasury or the Secretary’s delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.
The Congress of the United States of America at its First Session, in the Year of Our Lord Two Thousand and Two, and in the Year of Our Constitution Eighty-One.

SEC. 101. LIMITATION ON USE OF CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.

(a) In General.—Subsection (d) of section 55 of the Internal Revenue Code of 1986 is amended so as to read as follows:

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(3) Subsection (c) of section 584 of such Code is amended by adding at the end the following new flush sentence:

"The proportionate share of each participant in the amount of dividends or interest received by the common trust fund and to which section 7703 applies shall be considered for purposes of such section as having been received by such participant."

(4) Subsection (a) of section 643 of such Code is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following:

"(7) TREATMENT AS INTEREST.—There shall be included the amount of any dividends or interest excluded from gross income pursuant to section 116.

(5) Section 854 of such Code is amended by adding at the end the following:

"(c) TREATMENT UNDER SECTION 116.—

"(1) IN GENERAL.—For purposes of section 116, in the case of any dividend (other than a dividend described in subsection (a)) received from a regulated investment company which meets the requirements of section 852 for the taxable year and paid by such company during the taxable year equals or exceeds 75 percent of its gross income, or

"(B) if subparagraph (A) does not apply, there shall be included in account under section 116 the amount so designated by the company in a written notice to its shareholders mailed not later than 60 days after the close of the taxable year.

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

"(A) GROSS INCOME.—The term 'gross income' does not include gain from the sale or other disposition of stock or securities.

"(B) AGGREGATE DIVIDENDS.—The term 'aggregate dividends' includes only dividends received from domestic corporations other than dividends described in section 116(b)(2). In determining the amount of any dividend for purposes of this subparagraph, the rules provided in section 116(d)(10) shall not exceed the amount so designated by the company in a written notice to its shareholders mailed not later than 60 days after the close of the taxable year.

"(4) INTEREST.—The term 'interest' has the meaning given such term by section 116(c).

"(5) TO SHAREHOLDERS.—The amount of any distribution by a real estate investment trust which may be taken into account as interest for purposes of the exclusion under section 857 shall not exceed the amount so designated by the trust in a written notice to its shareholders mailed not later than 60 days after the close of its taxable year.

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 1202. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(a) PURPOSES.—The purposes of this section are—

(1) to provide an incremental step toward shifting the Internal Revenue Code away from taxing savings and investment, and

(2) to lower the cost of capital so that prosperity, business, and innovation will continue in the United States.

(b) GROSS INCOME AND AGGREGATE INTEREST RECEIVED.—For purposes of this section—

"(1) the entire amount of such dividend shall be treated as a dividend if the sum of the aggregate dividends and the aggregate interest received by such company during the taxable year equals or exceeds 75 percent of its gross income, or

"(2) if subparagraph (A) does not apply, there shall be included in account under section 116 only the portion of such dividend which bears the same ratio to the amount of such dividend as the sum of the aggregate dividends and aggregate interest received by such company bears to gross income.

"(3) For purposes of the preceding sentence, gross income and aggregate interest received shall each be reduced by so much of the deduction allowable by section 163 for the taxable year as does not exceed aggregate interest received for the taxable year.

(c) INTEREST.—There shall be included in account under section 116 the amount so designated by the company in a written notice to its shareholders mailed not later than 60 days after the close of the taxable year.

(d) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by inserting after paragraph (17) the following:

"(18) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 1222.

(e) TREATMENT OF COLLECTIBLES.—

"(1) IN GENERAL.—Section 1222 of the Internal Revenue Code of 1986 (relating to other terms relating to capital gains and losses) is amended by inserting after paragraph (11) the following:

"(12) SPECIAL RULE FOR COLLECTIBLES.—

"(A) IN GENERAL.—Any gain or loss from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 1221 shall apply for purposes of the preceding sentence.

"(B) TREATMENT OF CERTAIN SALES OF INTEREST IN PARTNERSHIP, ETC.—For purposes of subparagraph (A), any gain or loss from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 1221 shall apply for purposes of the preceding sentence.

"(2) IN GENERAL.—For purposes of this paragraph, the term 'collectible' means any personal or real property which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof)."

"(e) SPECIAL RULE FOR PASS-THRU ENTITIES.—

"(1) IN GENERAL.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

"(2) PASS-THRU ENTITY DEFINED.—For purposes of paragraph (1), the term 'pass-thru entity' means—

"(A) a regulated investment company,

"(B) a real estate investment trust,

"(C) a common trust fund,

"(D) a partnership,

"(E) an estate or trust, and

"(F) a common trust fund.

"(2) GROSS INCOME AND AGGREGATE INTEREST RECEIVED.—For purposes of this paragraph—

"(A) gross income does not include the net capital gain,

"(B) gross income and aggregate interest received shall each be reduced by so much of the deduction allowable by section 163 for the taxable year (other than for interest on mortgages on real property owned by the real estate investment trust) as does not exceed aggregate interest received by the taxable year, and

"(C) gross income shall be reduced by the sum of the taxes imposed by paragraphs (4), (5), and (6) of section 857(b).

"(4) INTEREST.—The term 'interest' has the meaning given such term by section 116(c).

"(5) TO SHAREHOLDERS.—The amount of any distribution by a real estate investment trust which may be taken into account as interest for purposes of the exclusion under section 857 shall not exceed the amount so designated by the trust in a written notice to its shareholders mailed not later than 60 days after the close of its taxable year.

SEC. 1202A. CAPITAL GAINS DEDUCTION FOR IN- DIVIDUALS.

(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(1) the net capital gain of the taxpayer for the taxable year, or

(2) $5,000.

(b) SALES BETWEEN RELATED PARTIES.—Gains from sales and exchanges to any related persons shall not be included in determining net capital gain.

(c) SPECIAL RULE FOR SECTION 1250 PROPERTY.—For purposes of this section, in applying section 1225 to any disposition of section 1250 property, all depreciation ad-
### SEC. 23. INCREASE IN CONTRIBUTION LIMITS FOR TRADITIONAL IRAS.

(a) PURPOSE.—The purposes of this section are—

(1) to increase the savings rate for all Americans by reforming the tax system to more favorably treat income that is invested for retirement, and

(2) to provide targeted incentives to middle class families to increase their retirement savings by saving $1,000 per working member of the family per taxable year.

(b) INCREASE IN CONTRIBUTION LIMIT.—

(1) Paragraph (1)(A) of section 219(b) of the Internal Revenue Code of 1986 (relating to maximum amount of deduction) is amended by striking "$2,000" and inserting "$3,000".

(2) Section 1203 (relating to special rule for collectibles).''.

The amendments made by subsection (a) of this section shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles).

### SEC. 31. REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDIT.

(a) PURPOSE.—The purpose of this section is to eliminate one of the most misguided, anti-growth, anti-investment tax schemes ever devised.

(b) IN GENERAL.—The last sentence of section 59(a) of the Internal Revenue Code of 1986 (relating to alternative minimum tax foreign tax credit) is amended by striking paragraph (2) and by redesignating paragraph (3) and (4) as paragraphs (2) and (3), respectively.

(2) CONFORMING AMENDMENT.—Section 59(e)(1)(D)(ii) of such Code is amended by striking "and if section 59(a)(2) did not apply".

(3) LIMITATION ON USE OF CREDIT FOR PRIOR YEARS SUBJECT TO THE 90 PERCENT LIMITATION.—

(1) IN GENERAL.—Subsection (c) of section 53 of the Internal Revenue Code of 1986, as amended by section 13, is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

(2) CORPORATIONS FOR TAXABLE YEARS BEGINNING AFTER 2004.—In the case of corporations for any taxable year beginning after 2004 and before 2010, the limitation under paragraph (1) shall be increased by the applicable percentage (determined in accordance with the following table) of the tentative minimum tax for the taxable year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>30</td>
</tr>
<tr>
<td>2006</td>
<td>30</td>
</tr>
<tr>
<td>2007</td>
<td>40</td>
</tr>
<tr>
<td>2008 or 2009</td>
<td>50</td>
</tr>
</tbody>
</table>

In no event shall the limitation determined under this paragraph be greater than the sum of the tax imposed by section 55 and the regular tax reduced by the sum of the credits allowed under subparts A, B, D, E, and F of this part.

(2) CONFORMING AMENDMENTS.—

(a) Section 56(c) of such Code is amended by striking paragraph (5). (b) Paragraph (3) of section 53(c) of such Code, as redesignated by paragraph (1), is amended by striking "to a taxpayer other than a corporation".

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3) and paragraph (e) of this section, the amendments made by this section shall apply to taxable years beginning after December 31, 2004.

(2) REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDIT.—The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 2003.

(3) SUBSECTION (d)(2)(A).—The amendment made by paragraph (2)(A) shall apply to taxable years beginning after December 31, 2009.

### SEC. 32. INCREASE IN LIMIT FOR ELECTION TO EXPEND CERTAIN BUSINESS ASSETS.

(a) IN GENERAL.—Section 179(b)(1) of the Internal Revenue Code of 1986 (relating to dollar limitation) is amended by striking the last item in the table and inserting the following new items:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 or 2004</td>
<td>25,000</td>
</tr>
<tr>
<td>2005 or thereafter</td>
<td>100,000</td>
</tr>
</tbody>
</table>

(b) INDEX.—Section 179(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

(5) INFLATION ADJUSTMENT.—In the case of a taxable year beginning after 2005, the $25,000 amount under paragraph (1) shall be increased by an amount equal to—

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined by substituting ‘calendar year 2004’ for ‘calendar year 2031’ in subparagraph (A) of paragraph (1)(A) of section 2503(h) of such Code (as determined by regulations prescribed by the Secretary of the Treasury).
for ‘calendar year 1992’ in subparagraph (B) thereof.’”

(c) INCREASE IN LIMITATION ON COST OF PROPERTY PLACED IN SERVICE.—Section 179(b)(2) of the Internal Revenue Code of 1986 (relating to reduction in limitation) is amended by striking ‘‘$500,000’’ and inserting ‘‘$1,000,000.”

**TITLE IV—ESTATE AND GIFT TAX RELIEF**

**SEC. 41. PHASEOUT OF ESTATE AND GIFT TAXES.**

(a) PURPOSE.—The purpose of this section is to begin phasing out the confiscatory gift and estate tax by reducing the rate of estate and gift taxes.

(b) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is repealed effective with respect to estates of decedents dying, and gifts made, after December 31, 2009.

(c) PHASEOUT OF TAX.—Subsection (c) of section 2011 of the Internal Revenue Code of 1986 (relating to imposition and rate of tax) is amended by adding at the end the following:

“(3) PHASEOUT OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 1999 and before 2010—

“(A) IN GENERAL.—The tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

“(i) each of the rates of tax shall be reduced (but not below zero) by the number of percentage points determined under subparagraph (B), and

“(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

(B) PERCENTAGE POINTS OF REDUCTION.—The number of percentage points by which the tax rates under subparagraph (A)(i) shall be determined with respect to estates of decedents dying, and gifts made, after December 31, 2009, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1</td>
</tr>
<tr>
<td>2002</td>
<td>2</td>
</tr>
<tr>
<td>2003</td>
<td>3</td>
</tr>
<tr>
<td>2004</td>
<td>4</td>
</tr>
<tr>
<td>2005</td>
<td>5</td>
</tr>
<tr>
<td>2006</td>
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<tr>
<td>2007</td>
<td>7</td>
</tr>
<tr>
<td>2008</td>
<td>8</td>
</tr>
<tr>
<td>2009</td>
<td>9</td>
</tr>
<tr>
<td>2010</td>
<td>10</td>
</tr>
</tbody>
</table>

(C) COORDINATION WITH PARAGRAPH (2).—Paragraph (2) shall be applied by reducing the 55 percent percentage contained therein by the number of percentage points determined for such calendar year under subparagraph (B).

(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of paragraph (A) shall apply to the table contained in section 2011(b) except that the number of percentage points referred to in subparagraph (A)(i) shall be determined under the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1</td>
</tr>
<tr>
<td>2002</td>
<td>2</td>
</tr>
<tr>
<td>2003</td>
<td>3</td>
</tr>
<tr>
<td>2004</td>
<td>4</td>
</tr>
<tr>
<td>2005</td>
<td>5</td>
</tr>
<tr>
<td>2006</td>
<td>6</td>
</tr>
<tr>
<td>2007</td>
<td>7</td>
</tr>
<tr>
<td>2008</td>
<td>8</td>
</tr>
<tr>
<td>2009</td>
<td>9</td>
</tr>
<tr>
<td>2010</td>
<td>10</td>
</tr>
</tbody>
</table>

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.
which the taxable year of the organization begins after December 31, 2004.

(2) by striking the period at the end of paragraph (3) and inserting "and", and by adding at the end the following:

"(4) 20 percent of the patent filing fees paid or incurred by a small business (as defined in subsection (b)(3)(E)(ii)) to the United States or to any foreign government in connection on any trade or business."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

TITLE VI—ENERGY INDEPENDENCE

SEC. 56. IMPROVEMENT TO CREDIT FOR SMALL BUSINESSES AND RESEARCH PARTNERSHIPS.

(a) ASSISTANCE TO SMALL AND START-UP BUSINESSES.—The Secretary of the Treasury or the Secretary's delegate shall take such actions as are appropriate to—

(1) provide assistance to small and start-up businesses in complying with the requirements of section 41 of the Internal Revenue Code of 1986, and

(2) reduce the costs of such compliance.

(b) REPEAL OF LIMITATION ON CONTRACT RESEARCH EXPENSES PAID TO SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—Section 41(b)(3) of the Internal Revenue Code of 1986, as amended by section 55(c), is amended by adding at the end the following:

"(C) AMOUNTS PAID TO ELIGIBLE SMALL BUSINESSES, UNIVERSITIES, AND FEDERAL LABORATORIES.—

(1) IN GENERAL.—In the case of amounts paid by the taxpayer to an eligible small business, an institution of higher education (as defined in section 330(h)(2)), or an organization which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), the term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, any calendar year for which the calendar year ends on any day during the taxable year beginning after December 31, 2004, is not a calendar year for purposes of this paragraph.

(II) has average daily production of not more than 25 barrel equivalents, and

(III) produces water at a rate not less than 85 percent of total well effluent.

(b) CREDIT AMOUNT.—For purposes of this section—

(1) MARGINAL WELL.—The term 'marginal well' means—

(I) a marginal well for which not more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer, or

(II) a marginal well for which more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer.

(2) PROPORTIONAL REDUCTIONS.—(I) IN GENERAL.—The term 'marginal well' may qualify as a marginal well for purposes of this section only if the total production from the well, for any taxable year, is an amount equal to or less than the applicable reference price for the calendar year in which the taxable year begins.

(II) 20 PERCENT OF THE PATENT FILING FEES PAID OR INCURRED BY A SMALL BUSINESS.—For purposes of this section—

(1) the production which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), the term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, any calendar year for which the calendar year ends on any day during the taxable year beginning after December 31, 2004, is not a calendar year for purposes of this paragraph.

(II) has average daily production of not more than 25 barrel equivalents, and

(III) produces water at a rate not less than 85 percent of total well effluent.

(b) CREDIT AMOUNT.—For purposes of this section—

(1) MARGINAL WELL.—The term 'marginal well' means—

(I) a marginal well for which not more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer, or

(II) a marginal well for which more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer.

(2) PROPORTIONAL REDUCTIONS.—(I) IN GENERAL.—The term 'marginal well' may qualify as a marginal well for purposes of this section only if the total production from the well, for any taxable year, is an amount equal to or less than the applicable reference price for the calendar year in which the taxable year begins.

(II) 20 PERCENT OF THE PATENT FILING FEES PAID OR INCURRED BY A SMALL BUSINESS.—For purposes of this section—

(1) the production which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), the term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, any calendar year for which the calendar year ends on any day during the taxable year beginning after December 31, 2004, is not a calendar year for purposes of this paragraph.

(II) has average daily production of not more than 25 barrel equivalents, and

(III) produces water at a rate not less than 85 percent of total well effluent.

(b) CREDIT AMOUNT.—For purposes of this section—

(1) MARGINAL WELL.—The term 'marginal well' means—

(I) a marginal well for which not more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer, or

(II) a marginal well for which more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer.

(2) PROPORTIONAL REDUCTIONS.—(I) IN GENERAL.—The term 'marginal well' may qualify as a marginal well for purposes of this section only if the total production from the well, for any taxable year, is an amount equal to or less than the applicable reference price for the calendar year in which the taxable year begins.

(II) 20 PERCENT OF THE PATENT FILING FEES PAID OR INCURRED BY A SMALL BUSINESS.—For purposes of this section—

(1) the production which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), the term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, any calendar year for which the calendar year ends on any day during the taxable year beginning after December 31, 2004, is not a calendar year for purposes of this paragraph.

(II) has average daily production of not more than 25 barrel equivalents, and

(III) produces water at a rate not less than 85 percent of total well effluent.

(b) CREDIT AMOUNT.—For purposes of this section—

(1) MARGINAL WELL.—The term 'marginal well' means—

(I) a marginal well for which not more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer, or

(II) a marginal well for which more than 85 percent of total well effluent is produced during any taxable year from any oil or natural gas wells owned or operated by the taxpayer.

(2) PROPORTIONAL REDUCTIONS.—(I) IN GENERAL.—The term 'marginal well' may qualify as a marginal well for purposes of this section only if the total production from the well, for any taxable year, is an amount equal to or less than the applicable reference price for the calendar year in which the taxable year begins.

(II) 20 PERCENT OF THE PATENT FILING FEES PAID OR INCURRED BY A SMALL BUSINESS.—For purposes of this section—

(1) the production which is a Federal laboratory (as defined in section 3304(f)), or an organization which is a Federal laboratory (as defined in section 3304(f)), the term 'small business' means, with respect to any calendar year, any person if the annual average number of employees employed by such person during either of the 2 preceding calendar years was 500 or fewer. For purposes of the preceding sentence, any calendar year for which the calendar year ends on any day during the taxable year beginning after December 31, 2004, is not a calendar year for purposes of this paragraph.
"(13) the marginal oil and gas well production credit determined under section 45D(a)."

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 of the Internal Revenue Code of 1986 (relating to limitation on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following:

"(3) SPECIAL RULES FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—

"(A) In the case of the marginal oil and gas well production credit—

"(i) this section and section 39 shall be applied separately with respect to the credit, and

"(ii) in applying paragraph (1) to the credit—

"(I) subparagraphs (A) and (B) thereof shall not apply, and

"(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) (for the taxable year) over the credit allowed under subsection (a) for the taxable year.

"(B) MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—For purposes of this subsection, the term 'marginal oil and gas well production credit' means the credit allowable under subsection (a) by reason of section 45D(a).

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) of such Code is amended by inserting "or the marginal oil and gas well production credit" after "employment credit".

(d) CARRYBACK.—Subsection (a) of section 39 of the Internal Revenue Code of 1986 (relating to carryback) is amended by inserting at the end of such subsection:

"(3) 10-YEAR CARRYBACK FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—In the case of the marginal oil and gas well production credit—

"(A) this section shall be applied separately with respect to the credit (other than the marginal oil and gas well production credit),

"(B) paragraph (1) shall be applied by substituting '10 taxable years' for '1 taxable years' in subparagraph (A) thereof, and

"(C) paragraph (2) shall be applied—

"(i) by substituting '31 taxable years' for '21 taxable years' in subparagraph (A) thereof, and

"(ii) by substituting '30 taxable years' for '20 taxable years' in subparagraph (B) thereof.

(e) COORDINATION WITH SECTION 29.—Section 29(a) of the Internal Revenue Code of 1986 is amended by striking "There" and inserting "At the election of the taxpayer, there".

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"45D. Credit for producing oil and gas from marginal wells.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to production after December 31, 2000.

SEC. 63. 10-YEAR CARRYBACK FOR UNUSED MINIMUM TAX CREDITS.—

(a) IN GENERAL.—Section 53(c) of the Internal Revenue Code of 1986 (relating to limitation) is amended by adding at the end the following:

"(2) SPECIAL RULE FOR TAXPAYERS WITH UNUSED MINIMUM TAX CREDITS.—

"(A) IN GENERAL.—If, during the 10-taxable year period ending with the current taxable year, the taxpayer is entitled to a tax credit (as so determined), and

"(B) the amount of the net operating loss for such taxable year.

(2) COORDINATING AMENDMENT.—Section 172(b)(1) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(3) 10-YEAR CARRYBACK.—Any taxpayer entitled to a 10-year carryback under subsection (b)(1)(H) from any loss year may elect to have the 10-year period with respect to such loss year determined without regard to subsection (b)(1)(H). Such election shall be made in such manner as may be prescribed by the Secretary and shall be effective for such taxable year in which such loss year begins. Such election may be revoked at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim theretofore is filed before the close of such period.

SEC. 66. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENSES AND DELAY RENTAL PAYMENTS.—

(a) PURPOSE.—The purpose of this section is to recognize that geological and geophysical expenditures and delay rentals are ordinary and necessary business expenses that should be deducted in the year the expenses are incurred.

(b) ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES.—

(1) IN GENERAL.—Section 263 of the Internal Revenue Code of 1986 (relating to disallowance of deductions for geological and geophysical expenditures) is amended by adding at the end the following:

"(j) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenditures incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 618) as expenses which are not chargeable to capital accounts. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

(2) CONFORMING AMENDMENT.—Section 263A(c)(3) of such Code is amended by inserting "(j)" after "(i)".

(3) EFFECTIVE DATE.—

"(a) IN GENERAL.—The amendments made by this subsection shall apply to expenses paid or incurred after December 31, 2000.

(b) TRANSITION RULE.—In the case of any expense described in subsection (j) of the Internal Revenue Code of 1986, as added by this subsection, which was paid or incurred on or before December 31, 2000, the taxpayer may elect, at such time and in such manner as the Secretary of the Treasury may prescribe, to amortize the unamortized portion basis to persons engaged in oil and gas exploration and production.

"(3) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid or incurred after December 31, 1999, and to any taxable year beginning on or before such date to the extent necessary to apply section 53(c)(2) of the Internal Revenue Code of 1986 (as added by this subsection)."
of such expenses over the 36-month period beginning with the month of January, 2001. For purposes of this paragraph, the unamortized portion of any expense is the amount remaining unamortized as of the first day of the 36-month period.

(c) Election to Expense Delay Rental Payments.—

(1) In General.—Section 263 of the Internal Revenue Code of 1986 is amended by inserting ''January 1, 2004,''.

(2) Delay Rental Payments.—For purposes of paragraph (1), the term 'delay rental payment' means an amount paid for the privilege of deferring development of an oil or gas well.

(2) Conforming Amendment.—Section 281A(c)(3) of the Internal Revenue Code of 1986, as amended by subsection (b)(2), is amended by inserting ''263(k),'' after ''263(c),'' amended by adding at the end the following:

(c) Transfers of Balances in Nonqualified Funds into Qualified Funds.—

(1) In General.—Notwithstanding subsection (b), any taxpayer maintaining a Fund to which this section applies with respect to a nuclear powerplant may transfer into such Fund amounts held in any nonqualified fund, by a taxpayer with respect to such powerplant.

(2) Maximum Amount permitted to Be Transferred.—Any amount transferred under paragraph (1) shall not exceed the balance in the nonqualified fund as of December 31, 1996.

(3) Deduction for Amounts Transferred.—

(a) In General.—The deduction allowed by subsection (b) for any transfer permitted by this subsection shall be allowed ratably over the remaining estimated useful life (within the meaning of subsection (d)(2)(A)) of the nuclear powerplant, beginning with the later of the first taxable year beginning when the transfer is made or the taxpayer's first taxable year beginning after December 31, 2001.

(b) Denial of Deduction for Previously Deducted Amounts.—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from previously deducted amounts to the extent thereof.

(C) Transfers of Qualified Funds.—If—

(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

(ii) such Fund is transferred thereafter, any deduction under this subsection for taxable years ending after the date that such Fund is transferred shall be allowed to the transferee and not to the transferor. The preceding sentence shall not apply if the transferor is an organization exempt from tax imposed by this chapter.

(4) New Ruling Amount Required.—Paragraph (1) shall not apply to any transfer unless the taxpayer requests from the Secretary a new schedule of ruling amounts in connection with such transfer.

(5) Nonqualified Fund.—For purposes of this subsection, the term 'nonqualified fund' means any Fund to which this section applies with respect to a nuclear powerplant, any fund in which amounts are irrevocably set aside pursuant to the requirements of any State or Federal agency exclusively for the decommissioning of such powerplant.

(6) No Basis in Qualified Funds.—Notwithstanding any other provision of law, the basis of any Fund to which this section applies shall not be increased by reason of any transfer permitted by this subsection.

(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 404. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) Maximum Annual Contributions.—

(1) In General.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year'', which shall be $500 in the case of any taxable year beginning after December 31, 2001.

(2) Contribution Limit.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following paragraph:

(4) Contribution Limit.—The term 'contribution limit' means $5,000 in the case of any taxable year beginning after December 31, 2001.''

(3) Conforming Amendment.—Section 497(b)(1)(A) is amended by striking ''$500'' and inserting ''the contribution limit'' (as defined in section 530(b)(4)) for such taxable year.

(b) Tax-Free Expenditures for Elementary and Secondary School Expenses.—

(1) In General.—Section 530(b)(2) (defining education individual retirement accounts) is amended to read as follows:

(2) Qualified Education Expenses.—

(a) In General.—The term 'qualified education expenses' means—

(i) qualified higher education expenses (as defined in section 532(e)(3)), and

(ii) qualified elementary and secondary education expenses (as defined in paragraph (3)).

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

(b) Qualified Tuition Programs.—Such term shall include amounts paid to a qualified tuition program (as defined in section 529(b)) on behalf of the designated beneficiary (as defined in section 529(e)(1)); but there shall be no increase in the investment in the contract for purposes of applying section 72 by reason of any portion of such contribution which is not includible in gross income by reason of subsection (d)(2).

(2) Qualified Elementary and Secondary Education Expenses.—Section 530(b) (relating to definitions and special rules), as amended by subsection (a)(2), is amended by adding at the end the following paragraph:

(5) Qualified Elementary and Secondary Education Expenses.—

(A) In General.—The term 'qualified elementary and secondary education expenses' means—

(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, computer equipment (including related software and services), and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, for-profit, or parochial school, and

(ii) expenses for room and board, uniforms, transportation, and supplementary costs.
items and services (including extended day programs) required or ordered by a public, private, or religious school in connection with such enrollment or attendance. 

"(B) SPECIAL RULE FOR HOMESCHOOLING.—Such a plan shall include expenses incurred in subparagraph (B)(i) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education. 

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

(3) SPECIAL RULES FOR APPLYING EXCLUSION TO ELEMENTARY AND SECONDARY EXPENSES.—Section 530(d)(2) (relating to distributions included in subparagraph (A)(i)) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education. 

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

(4) NEW SUBPARAGRAPH.—Section 530(d)(2) (relating to distributions included in subparagraph (A)(i)) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education. 

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

(5) NEW SUBPARAGRAPH.—Section 530(d)(2) (relating to distributions included in subparagraph (A)(i)) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education. 

"(C) School.—The term ‘school’ means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law."
“(3) CERTIFIED COMMERCIAL INFORMATION TECHNOLOGY TRAINING PROVIDER. The term ‘certified commercial information technology training providers’ means a private sector provider of educational products and services utilized for training in information technology which is certified with respect to—

“(A) the curriculum that is used for the training;

“(B) the technical knowledge of the instructors of such provider, by 1 or more software publishers or hardware manufacturers; and the products of which are a subject of the training.

“(e) SMALL EMPLOYER.—For purposes of this section, the term ‘small employer’ means an employer with respect to any calendar year, any employer if such employer employed 200 or fewer employees on each business day in each of 20 or more calendar weeks in such year or the preceding calendar year.

“(f) DENIAL OF DOUBLE BENEFIT.—No deduction or credit under any other provision of this chapter shall be allowed with respect to information technology training program expenses (determined without regard to the limitation under subsection (c)).

“(g) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, rules similar to the rules of section 45A(e)(2) and subsections (c), (d), and (e) of section 32 shall apply.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(13) the information technology training program credit determined under section 45D.

(c) NO CARRYBACKS.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(9) NO CARRYBACK OF SECTION 45D CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused information technology training program credit determined under section 45D may be carried back to a taxable year before the date of the enactment of section 45D.

(d) CLERICAL AMENDMENT.—The table of contents, under part I of subpart I of part B of subtitle B of title I of the Internal Revenue Code of 1986, is amended by adding at the end the following:

“Sec. 45D. Information technology training program expenses.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of enactment of this Act in taxable years ending after such date.

SEC. 2. SENSE OF CONGRESS REGARDING THE NEED FOR ADDITIONAL FEDERAL FUNDING AND TAX INCENTIVES FOR EMPLOYMENT ZONES AND ENTERPRISE COMMUNITIES AUTHORIZED AND DESIGNATED PURSUANT TO 1997 AND 1998 LAWS.

(a) FINDINGS.—The Senate finds that—

(1) providing Federal tax incentives and other incentives to distressed communities across the Nation to help them rebuild and grow with one of the goals of the Taxpayer Relief Act of 1997 and the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1998,

(2) to help reach that goal, the Taxpayer Relief Act of 1997 authorized 20 additional empowerment zones, 15 urban and 5 rural, followed by 20 new rural enterprise communities authorized in 1998;

(3) the 1997 law authorizing this second round of empowerment zones (EZs) was also significant and important because it broadened empowerment zone eligibility, for the first time, to Indian tribes and rural regions suffering from massive out-migration;

(4) many of our urban and rural communities are not sharing in the benefits of the prolonged economic expansion now enjoyed by many other parts of our country;

(5) a total of more than 250 economically distressed urban communities competed for the 20 new empowerment zones and 20 new rural enterprise communities, and those areas designated as zones and communities should be provided with the Federal incentives and encouragement they need to attract new businesses, and the jobs they provide, in order to stimulate economic growth and improve the quality of life in these areas;

(6) unfortunately, those areas that are designated EZs or ECs under the 1997 and 1998 laws or rural economic area partnerships (REAPs) by the Department of Agriculture are not given the full advantage of Social Services Block Grant funds, tax credits, and some other Federal incentives that Congress provided to urban and rural empowerment zones and enterprise communities authorized pursuant to 1993 budget legislation;

(7) Congress should act swiftly to provide such designated areas an equal share of tax incentives, grant benefits, and other Federal support at aggregate levels of at least that provided by Congress to distressed urban and rural empowerment zones and enterprise communities pursuant to the 1993 omnibus budget reconciliation bill; and

(b) AMENDMENT.—It is the sense of Congress that—

(1) if Congress and the President agree to a substantial tax relief measure, it should ensure that such measure includes full funding for the second round of empowerment zones and enterprise communities in 1997 and 1998 as well as those areas currently designated rural economic area partnerships (REAPs) by the Department of Agriculture;

(2) all such designated distressed areas, rural and urban, should at least receive their share of the aggregate level of funding, tax incentives, and other Federal support that Congress provided to urban and rural empowerment zones and enterprise communities authorized by the 1993 omnibus budget reconciliation bill.

Mr. BREAUX (for himself, Mr. CHAFFEE, Mr. KERREY, Mr. JEFFORDS, Mr. FORBES, Mr. SPEICHER, Mr. BAYH, Ms. SNOWE, and Ms. COLLINS) proposed an amendment to the bill, S. 1429, supra; as follows:

Strike all after the enacting clause, and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the “Taxpayer Refund Act of 1999”.

(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) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—BROAD-BASED TAX RELIEF

Sec. 101. Increase in standard deduction.

Sec. 102. Increase in maximum taxable income for 15 percent rate bracket.

TITLE II—FAMILY TAX RELIEF

Sec. 201. Modification of alternative minimum tax for individuals.

Sec. 202. Marriage penalty relief for earned income credit.

Sec. 203. Modification of dependent care and adoption tax credits.

Sec. 204. Exclusion for foster care payments to apply to payments by qualified placement agencies.
TITLE III—SAVINGS AND INVESTMENT PROVISIONS

Subtitle A—Long-Term Capital Gains

Sec. 301. Long-term capital gains deduction for individuals.

Subtitle B—Individual Retirement Arrangements

Sec. 311. Modification of deduction limits for IRA contributions.

Subtitle C—Expanding Coverage

Sec. 321. Option to treat elective deferrals as after-tax contributions.

Sec. 322. Increase in elective contribution limits.

Sec. 323. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 324. Elective deferrals not taken into account for purposes of deduction limits.

Sec. 325. Reduced PBGC premium for new plans of small employers.

Sec. 326. Reduction of additional PBGC premium for new plans.

Sec. 327. Elimination of user fee for requests to IRS regarding new pension plans.

Sec. 328. Safe annuities and trusts.

Sec. 329. Modification of top-heavy rules.

Subtitle D—Enhancing Fairness for Women

Sec. 330. Modification of rules of tax-exempt plans.

Sec. 331. Catchup contributions for individuals age 50 or over.

Sec. 332. Equitable treatment for contributions of employees to defined contribution plans.

Sec. 333. Clarification of tax treatment of division of section 457 plan benefits upon divorce.

Sec. 334. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

Sec. 335. Faster vesting of certain employer matching contributions.

Subtitle E—Increasing Portability for Participants

Sec. 336. Rollovers allowed among various types of plans.

Sec. 337. Rollovers of IRAs into workplace retirement plans.

Sec. 338. Rollovers of after-tax contributions.

Sec. 339. Hardship exception to 60-day rule.

Sec. 340. Treatment of forms of distribution.

Sec. 341. Rationalization of restrictions on distributions.

Sec. 342. Purchase of service credit in governmental defined benefit plans.

Sec. 343. Employers may disregard rollovers for purposes of cash-out amounts.

Sec. 344. Inclusion requirements for section 457 plans.

Subtitle F—Strengthening Pension Security and Enforcement

Sec. 351. Repeal of 150 percent of current liability limitation.

Sec. 352. Extension of missing participants program to multiperiod plans.

Sec. 353. Excess tax relief for sound pension funding.

Sec. 354. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Sec. 355. Protection of investment of employee contributions to 401(k) plans.

Sec. 356. Treatment of multiperiod plans under section 415.

Subtitle G—Encouraging Retirement Education

Sec. 361. Periodic pension benefits Statements.

Sec. 362. Clarification of treatment of employer-provided retirement advice.

Subtitle H—Reducing Regulatory Burdens

Sec. 371. Flexibility in nondiscrimination and coverage rules.

Sec. 372. Modification of timing of plan valuations.

Sec. 373. Substantial owner benefits in terminated plans.

Sec. 374. ESOP dividends may be reinvested without loss of dividend deduction.

Sec. 375. Notice and consent period regarding distributions.

Sec. 376. Repeal of transition rule relating to certain highly compensated employees.

Sec. 377. Employees of tax-exempt entities.

Sec. 378. Extension to international organizations of moratorium on application of certain non-discrimination rules applicable to State and local plans.

Sec. 379. Annual report dissemination.

Sec. 380. Modification of exclusion for employer provided transit passes.

Subtitle I—Plan Amendments

Sec. 381. Provisions relating to plan amendments.

TITLe IV—EDUCATION TAX RELIEF

Sec. 401. Permanent extension for employer-sponsored educational assistance.

Sec. 402. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.

Sec. 403. Modifications to qualified tuition programs.

Sec. 404. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.

Sec. 405. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program.

TITLe V—HEALTH CARE RELIEF

Sec. 501. Deduction for health and long-term care insurance costs of individuals not participating in employer-subsidized health plans.

Sec. 502. Long-term care insurance permitted to be offered under cafeteria plans and flexible spending arrangements.

Sec. 503. Long-term care tax credit.

Sec. 504. Inclusion of certain vaccines against streptococcus pneumoniae in list of taxable vaccines; reduction in per dose tax rate.

TITLe VI—ESTATE TAX RELIEF

Sec. 601. Increase in unified estate and gift tax credit.

TITLe VII—SMALL BUSINESS AND AGRICULTURAL RELIEF

Sec. 701. Deduction for 100 percent of health insurance costs of self-employed individuals.

Sec. 702. Repeal of Federal unemployment surtax.

Sec. 703. Income averaging for farmers not to increase alternative minimum tax liability.

Sec. 704. Farm and ranch risk management accounts.

Sec. 705. Increase in estate tax deduction for family-owned business interest.

Sec. 706. Increase in expense treatment for small businesses.

Sec. 707. Recovery period for depreciation of certain leasehold improvements.

TITLe VIII—PROVISIONS RELATING TO HOUSING, REAL ESTATE, ENVIRONMENT, AND TRANSPORTATION

Subtitle A—Housing and Real Estate

Sec. 801. Modification of State ceiling on low-income housing.

Sec. 802. Increase in volume cap on private activity bonds.

Subtitle B—Environmental Provisions

Sec. 811. Tax credit for renovating historic homes.

Sec. 812. Extension and modification of credit for producing electricity from certain renewable resources.

Sec. 813. Extension of expensing of environmental remediation costs.

Sec. 814. Temporary suspension of maximum amount of allowable reforestation expenditures.

Subtitle C—Transportation Provisions

Sec. 821. Repeal of certain motor fuel excise taxes on fuel used by railroads and on inland waterway transportation.

TITLe IX—CHARITABLE GIVING INCENTIVES

Sec. 901. Tax-free distributions from individual retirement accounts for charitable purposes.

Sec. 902. Increase in limit on charitable contributions as percentage of AGI.

TITLe X—EXTENSION OF EXPIRED AND EXPIRING PROVISIONS, INTER-NATIONAL TAX RELIEF

Sec. 1001. Permanent extension and modification of research credit.

Sec. 1002. Work opportunity credit and welfare-to-work credit.

Sec. 1003. Subpart F exemption for active financing income.

Sec. 1004. Taxable income limit on percentage depletion for marginal production.

Sec. 1005. Repeal of foreign tax credit limitation under alternative minimum tax.

TITLe XI—REVENUE OFFSETS

Subtitle A—General Provisions

Sec. 1101. Modification of foreign tax credit carryback and carryover periods.

Sec. 1102. Returns relating to cancellations of indebtedness by organizations lending money.

Sec. 1103. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.

Sec. 1104. Extension of Internal Revenue Service user fees.

Sec. 1105. Transfer of excess defined benefit plan assets for retiree health benefits.

Sec. 1106. Tax treatment of income and loss on derivatives.

Subtitle B—Loophole Closers

Sec. 1111. Limitation on use of non-accrual experience method of accounting.

Sec. 1112. Limitations on welfare benefit funds of 10 or more employer plans.

Congressional Record—Senate
July 29, 1999
Sec. 1113. Modification of installment method and repeal of installment method for accrual method taxpayers.

Sec. 1114. Treatment of gain from construction of mining properties.

Sec. 1115. Charitable split-dollar life insurance, annuity, and endowment contracts.

Sec. 1116. Restriction on use of real estate investment trusts to avoid estimated tax payment requirements.

Sec. 1117. Prohibitions on allocations of S corporation stock held by an ESOP.

Sec. 1118. Modification of anti- abusive rules related to assumption of liability.

Sec. 1119. Allocation of basis on transfers of intangibles in certain non-recognition transactions.

Sec. 1120. Controlled entities ineligible for REIT status.

Sec. 1121. Distributions to a corporate partner of stock in another corporation.

TITLE XII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT


SECTION 101. INCREASE IN STANDARD DEDUCTION.

Subsection (c) of section 63 (relating to standard deduction) is amended by adding at the end the following new paragraph:

“(d) IN GENERAL.—The amount of the standard deduction shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1992’. If any amount as adjusted under this subparagraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.’’

SEC. 102. INCREASE IN MAXIMUM TAXABLE INCOME FOR 15 PERCENT RATE BRACKET.

(a) IN GENERAL.—Section 11(f) (relating to adjustments in tax tables so that inflation will not result in tax increases) is amended—

(1) in paragraph (2)—

(A) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D),

(B) by inserting after subparagraph (A) the following:

“(2).—In the case of the $4,400 amount under paragraph (2)(B)—

“(B) the cost-of-living adjustment determined under subsection (b) for calendar year after 2003 by the applicable dollar amount for such calendar year,’’.

and

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

“(C) the cost-of-living adjustment determined under subsection (b) for calendar year in which the taxable year begins, determined—

(i) in the case of amounts in subsections (b)(1)(A) and (b)(1)(B), by substituting ‘calendar year 1995’ for ‘calendar year 1992’ in subparagraph (B) thereof, and

(ii) in the case of the $2,000 amount in subsection (b)(1)(B), by substituting ‘calendar year 2004’ for ‘calendar year 1992’ in subparagraph (B) of such section.’’

(b) Rounding.—Section 32(j)(2)(A) (relating to rounding) is amended by striking subsection (b)(2) and inserting subsection (b)(2)(A) (after being increased under subparagraph (B) thereof)

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

SECTION 201. MODIFICATION OF DEPENDENT CARE CREDIT.

(a) INCREASE IN PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES TAKEN INTO ACCOUNT.—Subsection (a)(2) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ‘‘30 percent’’ and inserting ‘‘50 percent’’;

(2) by striking ‘‘$2,000’’ and inserting ‘‘$1,000’’;

and

(3) by striking ‘‘$10,000’’ and inserting ‘‘$30,000’’.

(b) INDEXING OF LIMIT ON EMPLOYMENT-RELATED EXPENSES.—Section 21(c)(3) (relating to dollar limit on amount creditable) is amended to read as follows:

“(c) DOLLAR LIMIT ON AMOUNT CREDITABLE.—

“(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

(A) an amount equal to 50 percent of the amount determined under subsection (b) if there is 1 qualifying individual with respect to the taxpayer for such taxable year, or

(B) $4,800 if there are 2 or more qualifying individuals with respect to the taxpayer for such taxable year.

The amount determined under subparagraph (A) or (B) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year.

SECTION 202. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Paragraph (2) of section 32(b) (relating to percentages and amounts) is amended—

(1) by striking ‘‘AMOUNTS.—The earned’’ and inserting ‘‘AMOUNTS.—’’;

(2) by striking ‘‘$1,000’’ and inserting ‘‘$300’’;

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1999.
‘‘(2) COST-OF-LIVING ADJUSTMENT.—

(A) In general.—In the case of a taxable year beginning after 2000, the $4,800 amount under paragraph (1)(B) shall 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, determined by substituting ‘calendar year 1999’ for ‘calendar year 1992’ in subparagraph (B) thereof.

(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the nearest lower multiple of $50.’’

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 204. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.

(a) IN GENERAL.—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

‘‘(1) JOINT RETURNS.—In the case of a taxpayer described in section 1(a)—

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(b) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph 1(b)(1) (defining qualified foster care placement) as paragraph 1(b)(2) (defining qualified foster care placement agency) and inserting after paragraph 1(b)(1) the following new paragraph:

‘‘(B) a qualified foster care placement agency.’’

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (3) the following new paragraph:

‘‘(3) QUALIFIED FOSTER CARE PLACEMENT AGENCY.—The term ‘qualified foster care placement agency’ means any placement agency which is licensed or certified by—

(A) a State or political subdivision thereof, or

(B) a qualified foster care placement agency.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

TITLE III—SAVINGS AND INVESTMENT PROVISIONS

Subtitle A—Long-Term Capital Gains

SEC. 301. LONG-TERM CAPITAL GAINS DEDUCTION FOR INDIVIDUALS

(a) GENERAL RULE.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by redesignating section 1202 as section 1203 and by inserting after section 1201 the following new section:

‘‘SEC. 1202. CAPITAL GAINS DEDUCTION FOR INDIVIDUALS.

(A) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(i) the net capital gain of the taxpayer for the taxable year, or

(ii) the applicable dollar amount.

(b) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any calendar year shall be determined as follows:

‘‘(1) JOINT RETURNS.—In the case of a taxpayer described in section 1(a)—

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
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<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(2) OTHER TAXPAYERS.—In the case of a taxpayer not described in paragraph (1)—

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(c) SALES BETWEEN RELATED PARTIES.—Gains from sales and exchanges to any related person (as defined in section 267(b) or 707(b)(1)) shall not be taken into account in determining net capital gain.

(d) SPECIAL RULE FOR SECTION 1250 PROPERTY.—Solley for purposes of this section, in applying section 1250 to any disposition of section 1250 property, all depreciation adjustments in respect of the property shall be treated as additional depreciation.

‘‘(e) SECTION NOT TO APPLY TO CERTAIN TAXPAYERS.—No deduction shall be allowed under this section to—

(1) an individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins,

(2) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

(3) an estate or trust.

(f) SPECIAL RULE FOR PASS-THRU ENTITIES.—

(1) IN GENERAL.—In applying this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be made at the entity level.

(2) PASS-THRU ENTITY DEFINED.—For purposes of paragraph (1), the term ‘pass-thru entity’ means—

(A) a regulated investment company,

(B) a real estate investment trust,

(C) an S corporation,

(D) a partnership,

(E) an estate or trust, and

(F) a common trust fund.

(g) COORDINATION WITH MAXIMUM CAPITAL GAINS RATE.—Paragraph (3) of section 1(h) (relating to maximum capital gains rate) is amended by striking ‘‘1202’’ and inserting ‘‘1203’’.

(h) COORDINATION WITH OTHER PROVISIONS.—For purposes of this section, the amount of the capital gain shall be reduced (but not below zero) by the sum of—

(1) the amount of the net capital gain taken into account under section 1202(a) for the taxable year, plus

(2) the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(ii).’’

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(i) COORDINATION WITH OTHER PROVISIONS.—For purposes of this section, the amount of the capital gain shall be reduced (but not below zero) by the sum of—

(1) any amount attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible.

(j) APPLICABLE DOLLAR AMOUNT.—Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(2) OTHER TAXPAYERS.—In the case of a taxpayer not described in paragraph (1)—

(k) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount for any calendar year shall be determined as follows:

(1) JOINT RETURNS.—In the case of a taxpayer described in section 1(a)—

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(2) OTHER TAXPAYERS.—In the case of a taxpayer not described in paragraph (1)—

Applicable

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 and 2001</td>
<td>$1,000</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

(l) CROSS REFERENCE.—

(1) Section 871(a)(7) is amended by striking ‘‘1202’’ and inserting ‘‘1203’’.

(2) Clause (iii) of section 163(d)(4)(B)(iv) is amended to read as follows:

‘‘(iii) the sum of—

(A) the portion of the net capital gain referred to in clause (ii)(I) (or, if lesser, the net capital gain referred to in clause (ii)(I) taken into account under section 1202), reduced by the amount of the deduction allowed with respect to such gain under section 1202, plus

(B) so much of the gain described in subclause (I) which is not taken into account under section 1202 and which the taxpayer elects to take into account under this clause;’’

(3) Subparagraph (B) of section 172(d)(2) is amended to read as follows:

‘‘(B) the deduction under section 1202 and the exclusion under section 1203 shall not be allowed;’’

(4) Section 1242(c) is amended by striking ‘‘1202’’ and inserting ‘‘1203’’.

(5) Section 1245(a) is amended by striking ‘‘1202’’ and inserting ‘‘1203’’.

(6) Paragraph (4) of section 691(c) is amended by inserting ‘‘1203,’’ after ‘‘1202’’.

(7) The second sentence of section 771(a)(2) is amended by inserting ‘‘or 1203’’ after ‘‘section 1202’’.

(8) The last sentence of section 1044(d) is amended by striking ‘‘1202’’ and inserting ‘‘1203’’.

(9) Paragraph (1) of section 1402(i) is amended by inserting ‘‘, and the deduction provided by section 1202 and the exclusion provided by section 1203 shall not apply’’ before the period at the end.

(10) Section 121 is amended by adding at the end the following new subsection:

‘‘(h) CROSS REFERENCE.—

‘‘(1) For treatment of eligible gain not excluded under subsection (a), see section 1202.’’

(11) Section 1230, as redesignated by subsection (a), is amended by adding at the end the following new subsection:

‘‘(h) CROSS REFERENCE.—

‘‘(1) For treatment of eligible gain not excluded under subsection (a), see section 1202.’’
CONGRESSIONAL RECORD—SENATE 15189

July 29, 1999

SEC. 14. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) Increase in Deduction Limit.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking "$2,000" and inserting "$2,500"

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

"(B) For purposes of paragraph (1)(A), the deductible amount shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Taxable Years Beginning In</th>
<th>Deductible Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,500</td>
</tr>
<tr>
<td>2002</td>
<td>$2,000</td>
</tr>
<tr>
<td>2003 and thereafter</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

(b) Cost-of-Living Adjustment.—

"In general,—In the case of any taxable year beginning in a calendar year after 2003, the $3,500 amount under subparagraph (A) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by—

"(i) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) Rounding Rules.—If any amount after adjustment under clause (i) is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100."

Title E—Expanding Coverage

SEC. 321. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) In General.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

"SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

"(a) General Rule.—If an applicable retirement plan includes a qualified plus contribution program—

"(I) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) Rounding Rules.—If any amount after adjustment under clause (i) is not a multiple of $100, such amount shall be rounded to the next lower multiple of $100."

"(b) Qualified Plus Contribution Program.—For purposes of this section—

"(1) In general.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employer is otherwise eligible to make under the applicable retirement plan.

"(2) Separate Accounting Required.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

"(A) establishes separate accounts (designated plus accounts) for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

"(B) maintains separate recordkeeping with respect to each account.

"(3) Distribution Limits.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

"(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

"(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

"(4) Rollover Contributions.—

"(A) In general.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

"(i) another designated plus account of the individual from whose account the payment or distribution was made, or

"(ii) a Roth IRA of such individual.

"(B) Coordination.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

"(5) Distribution Rules.—For purposes of this title—

"(1) Exclusion.—Any qualified distribution from a designated plus account shall not be includible in gross income.

"(2) Qualified Distribution.—For purposes of this subsection—

"(A) In general.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

"(B) Distributions within Nonexclusion Period.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is in connection with the distribution of the 5-taxable-year period beginning with the earlier of—

"(i) the 1st taxable year for which the individual made a designated plus contribution to such designated plus account established for such individual under the same applicable retirement plan, or

"(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the 1st taxable year for which the individual made a designated plus contribution to such previously established account.

"(C) Distributions of Excess Deferrals and Excess.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

"(3) Aggregation Rules.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments under the applicable retirement plan.

"(4) Other Definitions.—For purposes of this section—

"(1) Applicable Retirement Plan.—The term 'applicable retirement plan' means—

"(A) an employee's trust described in section 401(a) which is exempt from tax under section 501(a), and

"(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

"(2) Elective Deferral.—The term 'elective deferral' means any elective deferral described in paragraph (A) or (C) of section 402(g)(3).

"(3) Excess Deferrals.—Section 402(g) relating to limitation on exclusion for elective deferrals is amended—

"(1) by adding at the end of paragraph (1) the following new sentence: 'The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year', and

"(2) by inserting '(or would be included but for the last sentence thereof)' after paragraph (1) in paragraph (2)(A).

"(d) Reporting Requirements.—

"(1) The W-2 Information.—Section 6051(a)(8) is amended by inserting 'and including the amount of designated plus contributions (as defined in section 402A)' before the comma at the end.

"(2) Information.—Section 6049 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) Designated Plus Contributions.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such return and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.

"(g) Conforming Amendments.—

"(1) Section 402A(e) is amended by adding after the first sentence the following new sentence: 'Such term includes a rollover contribution described in section 402A.'

"(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

"Sec. 402A. Optional treatment of elective deferrals as plus contributions.
SEC. 322. INCREASE IN ELECTIVE CONTRIBUTION LIMITS.

(a) ELECTIVE DEFERRALS.—
(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

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(2) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

<table>
<thead>
<tr>
<th>For taxable years</th>
<th>The applicable dollar amount as of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
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<tr>
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<td>$12,000</td>
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<tr>
<td>2003</td>
<td>$13,000</td>
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<tr>
<td>2004</td>
<td>$14,000</td>
</tr>
<tr>
<td>2005 or thereafter</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

(3) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

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(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ``other than paragraph (4) thereof''.

(b) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) by striking "$7,500'' each place it appears in subsections (b)(2)(A) and (c)(1) and inserting ``the applicable dollar amount'', and

(B) by striking "$15,000'' in subsection (b)(3)(A) and inserting ``twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

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(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

<table>
<thead>
<tr>
<th>For taxable years</th>
<th>The applicable dollar amount in calendar year is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$9,000</td>
</tr>
</tbody>
</table>

SEC. 323. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

SEC. 324. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

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

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 325. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ``other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined)'' after ``single-employer plan'',

(2) in clause (ii), by striking the period at the end and inserting ``and'', and

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

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(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 326. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) IN GENERAL.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

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(V) In the case of a new defined benefit plan, the transition determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term ‘applicable percentage’ means—

(I) 1 percent, for the first plan year.

(II) 20 percent, for the second plan year.

(III) 20 percent, for the third plan year.

(IV) 40 percent, for the fourth plan year.

(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.

(b) Effective Date.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 327. ELIMINATION OF USER FEE FOR REQUESTS REGARDING NEW PENSION PLANS.

(a) Elimination of Certain User Fees.—The Secretary of the Treasury or the Secretary’s delegate shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for rulings, letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) New Pension Benefit Plan.—For purposes of this section—

(1) In General.—The term ‘new pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock benefit plan ‘SAFE annuity’ means an individual retirement annuity (as defined in section 408(p)(2)(B)) or a SIMPLE 401(k) plan described in section 401(k)(11).

(c) Effective Date.—The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 408B. SAFE ANNUITIES AND TRUSTS.

(a) Employer Eligibility.—

(1) In General.—An employer may establish and maintain a SAFE annuity or a SAFE trust for any year only if—

(A) the employer is an eligible employer (as defined in section 408(p)(2)(C)), and

(B) the employer does not maintain (or any predecessor thereof) a new pension benefit plan or any trust which is part of the plan.

(b) Excludable Employees.—An employer may elect to exclude from the requirements of paragraphs (2) through (7), and (9) of section 401(k)(12)(B)(i), employees described in section 401(k)(12)(B)(i) who—

(1) receive at least $5,000 in compensation from the employer in any year.

(2) are entitled to the benefit described in paragraph (5) for such year.

(3) are entitled to the benefit described in paragraph (6) for such year.

(c) Vesting.—The requirements of this paragraph are met if the employee’s rights to any benefits under the annuity are not forfeitable.

(d) Benefit Form.—

(A) In General.—The requirements of this paragraph are met if the only benefit is a benefit payable annually in the form of a single life annuity with monthly payments (with no ancillary benefits) beginning at age 65, or

(B) Direct Transfers and Rollovers.—A plan shall not fail to meet the requirements of this paragraph by reason of permitting, at the election of the employee, a trustee-to-trustee transfer or a rollover contribution.

(e) Amount of Annual Accrued Benefit.—

(A) In General.—The requirements of this paragraph shall be applied to a plan year only if the accrued benefit of each participant derived from contributions for such plan year is less than the applicable percentage of the participant’s compensation for such year.

(B) Applicable Percentage.—For purposes of this paragraph—

(i) In General.—The term ‘applicable percentage’ means 3 percent.

(ii) Election of Lower Percentage.—An employer may elect to apply an applicable percentage of 1 percent, 2 percent or zero percent for any plan year for all employees eligible to participate in the plan for such year if the employer notifies the employees of such percentage within a reasonable period before the beginning of such year.

(f) Compensation Limit.—The compensation taken into account under this paragraph for any plan year shall not exceed the limitation in effect for such year under section 401(a)(7).

(g) Credit for Service Before Plan Adoptions.—

(i) In General.—An employer may elect to take into account a specified number of years of service (not greater than 10) performed before the adoption of a plan (each hereinafter referred to as a ‘prior service year’) for service under the plan if the same specified number of years is available to all employees eligible to participate in the plan for the first plan year.

(ii) Accrual of Prior Service Benefit.—Such an election shall be effective for a prior service year only if the plan described in this paragraph are met for an eligible plan year (with respect to employees entitled to credit for such prior service year) by doubling the applicable percentage (if any) for such plan year.

For purposes of the preceding sentence, an eligible plan year is a plan year in the period of consecutive plan years (not more than 10) beginning with the first plan year that the plan is in effect.

(iii) Election May Not Apply to Certain Prior Service Years.—This subparagraph shall not apply with respect to any prior service year of an employee if—

(A) for any part of such prior service year such employee was an active participant (within the meaning of section 219(g)(5)) under any defined benefit plan of the employer (or any predecessor thereof), or

(B) such employee received during such prior service year less than $5,000 in compensation from the employer.

(A) In General.—The requirements of this paragraph are met only if the employer is required to contribute to the annuity for each plan year the amount necessary to purchase a SAFE annuity in the amount of the benefit accrued for such year and the time prescribed by law for filing the return for such taxable year (including extensions thereof).

(B) Time When Contributions Deemed Made.—For purposes of this paragraph, an employer shall be deemed to have made a contribution on the last day of the preceding taxable year if the payment is on account of a compensation reduction under a section 401(k) plan for the plan year.

(C) Penalty for Failure to Make Required Contribution.—The taxes imposed by section 4971 shall apply to a failure to make—
the contribution required by this paragraph in the amount of such unfunded prior year liability no later than 8 months following the end of the plan year.

(b) Unfunded annuity amount. — For purposes of this paragraph, the term ‘unfunded annuity amount’ means, with respect to the account of any participant for whom an annuity is being purchased, the excess (if any) of—

(i) the amount necessary to purchase an annuity contract which meets the requirements of subsection (b)(4) in the amount of the participant’s account, and

(ii) the amount of any unfunded annuity attributable to such participant’s account.

(c) SAFE Trust. —

(1) In general. — For purposes of this title, the term ‘SAFE trust’ means a trust forming part of a defined benefit plan if—

(A) such trust meets the requirements of section 401(a) as modified by subsection (d),

(B) a participant’s benefits under the plan are based solely on the balance of a separate account in such plan of such participant,

(C) such plan meets the requirements of paragraphs (2) through (8), and

(D) the only contributions to such trust (other than rollover contributions) are employer contributions.

(2) Conformity requirements. — A plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(2) are met for such year.

(3) Requirements of paragraph (b). — Such plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(3) are met for such year.

(4) Benefit form. —

(A) In general. — Except as provided in subparagraph (B), a plan meets the requirements of this paragraph only if the trustee distributes a SAFE annuity that satisfies subsection (b)(4) where the annual benefit described in subsection (b)(4)(A)(i) is not less than the accrued benefit determined under paragraph (A).

(B) Direct transfers to individual retirement plan or SAFE annuity. — A plan shall not fail to meet the requirements of this paragraph by reason of permitting, as an optional form of benefit, the distribution of the entire balance to the credit of the employee. If the employee is under age 65, such distribution may be in the form of a direct trustee-to-trustee transfer to a SAFE annuity, another SAFE trust, or a SAFE rollover plan (or, in the case of a distribution that does not meet the requirements of paragraph (A), in effect under section 411(a)(11)(A), any other individual retirement plan).

(C) SAFE rollover plan. — For purposes of this section, the term ‘SAFE rollover plan’ means an individual retirement plan for the benefit of the employee to which a rollover was made from a SAFE annuity, SAFE trust, or another SAFE rollover plan.

(5) Amount of annual accrued benefit. — A plan meets the requirements of this paragraph for any year only if the requirements of subsection (b)(5) are met for such year.

(6) Funding. —

(A) In general. — A plan meets the requirements of this paragraph for any year only if—

(i) the requirements of subsection (b)(6) are met for such year,

(ii) in the case of a plan which has an unfunded prior year liability as of the close of such plan year, the plan requires that the employer make an additional contribution to such plan for such year equal to the amount of such unfunded prior year liability no later than 8 months following the end of the plan year.

(b) Unfunded annuity amount. — For purposes of this paragraph, the term ‘unfunded annuity amount’ means, with respect to the account of any participant for whom an annuity is being purchased, the excess (if any) of—

(i) the amount necessary to purchase an annuity contract which meets the requirements of subsection (b)(4) in the amount of the participant’s benefit determined under paragraph (5), and

(ii) the balance in such account at the time such contract is purchased.

(c) Unfunded prior year liability. — For purposes of this paragraph, the term ‘unfunded prior year liability’ means, with respect to any plan year, the excess (if any) of—

(i) the aggregate of the present value of the accrued liabilities under the plan as of the close of the prior plan year, over

(ii) the value of the plans assets determined under section 412(c)(2) as of the close of the plan year (determined without regard to any contributions for such plan year).

(d) Actuarial assumptions. — In determining the amount required to be contributed under subparagraph (A),—

(i) the assumed interest rate shall be not less than 3 percent, and not greater than 5 percent, per year,

(ii) the assumed mortality shall be determined under the applicable mortality table (as defined in section 417(e)(3), as modified by the Secretary),

(iii) the amount of any unfunded annuity attributable to such participant’s account,

and

(iv) the assumed retirement age shall be 65.

(E) Changes in mortality table. — If, for purposes of this subsection, the applicable mortality table under section 417(e)(3) for any plan year is not the same as such table for the prior plan year, the Secretary shall prescribe regulations for such purposes which phase in the effect of the changes over a reasonable period of plan years determined by the Secretary.

(F) Penalty for failure to make required contribution. — The tax imposed by section 4971 shall apply to a failure to make the contribution required by this paragraph in the same manner as if the amount of the failure were an accumulated funding deficiency to which such section applies.

(G) Limitations on contributions. — Contributions to a SAFE annuity or a SAFE trust shall not be taken into account in applying sections 401 to 404 to plans maintained by the employer.

(2) Contributions not taken into account. —

(A) Deduction limits. — Contributions to a SAFE annuity or a SAFE trust shall not be taken into account in applying sections 401 to 404 to plans maintained by the employer.

(B) Benefit limits. — A SAFE annuity or a SAFE trust shall be treated as a defined benefit plan for purposes of section 415.

(3) Use of designated financial institutions. — A rule similar to the rule of section 408(p)(7) (without regard to the last sentence thereof) shall apply for purposes of this section.

(4) Definitions. — The definitions in section 408(p)(6) shall apply for purposes of this section.

(2) Deduction limits not to apply to employer contributions. —

(1) In general. — Section 404 (relating to deductions for contributions of an employer to pension, etc., plans), as amended by section 314, is amended by adding at the end the following new subsection:

(g) Special rules for SAFE annuities. —

(1) In general. — Employer contributions to a SAFE annuity shall be treated as if they are made to a plan subject to the requirements of this section.

(2) Deductible limit. — For purposes of subsection (a)(1)(A), the amount necessary to satisfy the minimum funding requirement of section 408(b)(6) or (c)(6) shall be treated as the amount necessary to satisfy the minimum funding requirement of section 412.

(3) Coordination with deduction under section 219. —

(A) Section 219(b) (relating to maximum amount of deduction), as amended by section 301, is amended by adding at the end the following new paragraph:

(6) Special rule for SAFE annuities. — The section shall not apply with respect to any amount contributed to a SAFE annuity established under section 408(b).

(B) Section 219(g)(6)(A) (defining active participant) is amended by striking ‘or’ at the end of clause (v) and by adding at the end the following new clause:

(vii) any SAFE annuity (within the meaning of section 408(b)), or

(c) Contributions and distributions. —

(1) Section 402 (relating to taxability of benefits of employees’ trust) is amended by adding at the end the following new subsection:

(t) Treatment of SAFE annuities. —

(Rules similar to the rules of paragraphs (1)
and (3) of subsection (h) shall apply to contributions and distributions with respect to a SAFE annuity under section 408B.

(2) Section 408(d)(3) is amended by adding at the end the following new paragraph:

"(H) SAFE ANNUITIES.—This paragraph shall not apply to any term annuity, or any other term annuity, for distribution out of a SAFE annuity (as defined in section 408B) unless it is paid in a trustee-to-trustee transfer into another SAFE annuity.

(d) INCREASED PENALTY ON EARLY WITHDRAWALS.—Section 72(t) (relating to additional tax on early distributions) is amended by adding at the end the following new paragraph:

"(7) SPECIAL RULES FOR SAFE ANNUITIES AND TRUSTS.—In the case of any amount received from a SAFE annuity or a SAFE trust (within the meaning of section 408B), paragraph (1) shall be applied by substituting "20 percent" for "10 percent.""

(e) SIMPLIFIED EMPLOYER REPORTS.—

(1) SAFE ANNUITIES.—Section 408(l) (relating to simplified employer reports) is amended by adding at the end the following new paragraph:

"(3) SAFE ANNUITIES.—

(A) SIMPLIFIED REPORT.—The employer maintaining a SAFE annuity (within the meaning of section 408B) shall file a simplified annual return with the Secretary containing only the information described in subparagraph (A).

(B) CONTENTS.—The return required by subparagraph (A) shall set forth—

(i) the name and address of the employer,

(ii) the date the plan was adopted,

(iii) the number of employees of the employer,

(iv) the number of such employees who are eligible to participate in the plan,

(v) the total amount contributed by the employer to each such annuity for such year and the minimum amount required under section 408B to be so contributed,

(vi) the percentage elected under section 408B of the Internal Revenue Code of 1986, without regard to subsection (g)(1) thereof in determining whether any SAFE annuity or any SAFE trust (as defined in section 408B) is an annuity which contains information similar to the information required in section 408B(1)(3)(B).

(E) A SAFE annuity described in section 408B.

(2) Clause (ii) of section 408(p)(2)(D) is amended by inserting before the period "(other than clause (vii) of such subparagraph (A))".

(3) Subsections (b), (c), (m)(4)(B), and (n)(3)(B) of section 414 are each amended by inserting "408B." after "408(p)."

(4) Section 4972(d)(1)(A) is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", or", and by adding after clause (iv) the following clause:

"(v) any SAFE annuity (within the meaning of section 408B)."

(5) The table of sections for part A of chapter 1 of subchapter D of chapter 1 is amended by inserting after the item relating to section 408A the following new item:

"Sec. 408B. SAFE annuities and trusts."

(g) MODIFICATIONS OF ERISA.—

(1) EXEMPTION FROM INSURANCE COVERAGE.—Subsection (b) of section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021) is amended by striking "and" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting "; or", and by adding at the end the following new paragraph:

"(14) which is established and maintained as part of a SAFE trust (as defined in section 408B of the Internal Revenue Code of 1986);"

(2) REPORTING REQUIREMENTS.—Section 101 of such Act (29 U.S.C. 1021) is amended by redesignating the second subsection (b) as subsection (j) and by inserting after the first subsection (b) the following new subsection:

"(1) SAFE ANNUITIES.—

(2) NO EMPLOYER REPORTS.—Except as provided in this subsection, no report shall be required under this section by an employer maintaining a SAFE annuity under section 408B(b) of the Internal Revenue Code of 1986.

"(3) SUMMARY DESCRIPTION.—The issuer of any SAFE annuity shall provide to the employer maintaining the annuity for each year a description containing the following information:

(A) The name and address of the employer and the issuer.

(B) The requirements for eligibility for participation.

(C) The benefits provided with respect to the annuity.

(D) The procedures for, and effects of, withdrawals (including rollovers) from the annuity.

(E) TIME AND MANNER OF REPORTING.—Any return, statement, or report required under this paragraph shall be made in such form and at such time as the Secretary shall prescribe.

(2) SAFE TRUSTS.—Section 6059 (relating to actuarial reports) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

"(c) SAFE TRUSTS.—In the case of a SAFE trust (within the meaning of section 408B), the Secretary shall provide an actuarial report which contains information similar to the information required in section 408B(1)(3)(B).

(f) CONFORMING AMENDMENTS.—

(1) Section 280G(b)(6) is amended by striking "or" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", or", and by adding after subparagraph (D) the following new subparagraph:

"(E) a SAFE annuity described in section 408B.

(2) Clause (ii) of section 408(p)(2)(D) is amended by inserting before the period "(other than clause (vii) of such subparagraph (A))".

(3) Subsections (b), (c), (m)(4)(B), and (n)(3)(B) of section 414 are each amended by inserting "408B." after "408(p)."

(4) Section 4972(d)(1)(A) is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", or", and by adding after clause (iv) the following clause:

"(v) any SAFE annuity (within the meaning of section 408B)."

(5) The table of sections for part A of chapter 1 of subchapter D of chapter 1 is amended by inserting after the item relating to section 408A the following new item:

"Sec. 408B. SAFE annuities and trusts."

(h) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

SECTION 329. MODIFICATION OF TOP-HEAVY RULES.

(a) Matching Contributions Taken Into Account for Minimum Contribution Requirements.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following clause:

"(v) EMPLOYER MATCHING CONTRIBUTIONS.—Employer matching contributions (as defined in section 410(m)(4)(A)) shall be taken into account for purposes of this paragraph.

(b) Elimination of Family Attribution.—

Section 416(c)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

"(v) FAMILY ATTRIBUTION DISREGARDED.— Solely for purposes of applying this paragraph, any condition or limitation not part of the definition of a key employee or 5-percent owner under this paragraph, section 416 shall not be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.

(c) Definition of Top-Heavy Plans.—

Section 416(i)(4) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

"(d) and (e), respectively, and by inserting after the first subsection (j) and by inserting after the first subsection (b) the following new subsection:

"(1) NO EMPLOYER REPORTS.—Except as provided in this subsection, no report shall be required under this section by an employer maintaining a SAFE annuity under section 408B(b) of the Internal Revenue Code of 1986.

"(2) SUMMARY DESCRIPTION.—The issuer of any SAFE annuity shall provide to the employer maintaining the annuity for each year a description containing the following information:

(A) The name and address of the employer and the issuer.

(B) The requirements for eligibility for participation.

(C) The benefits provided with respect to the annuity.

(D) The procedures for, and effects of, withdrawals (including rollovers) from the annuity.

(E) EMPLOYER NOTIFICATION.—The employer shall provide each employee eligible to participate in the SAFE annuity with the description described in paragraph (2) as the notification required under the same time as the notification required under section 408B(b)5(B) of the Internal Revenue Code of 1986.

(3) Waiver of Funding Standards.—Section 301(a) of such Act (29 U.S.C. 1081) is amended by striking "or" at the end of paragraph (9), by striking the period at the end of paragraph (19) and inserting "; or," and by adding at the end the following new paragraph:

"(20) any plan providing for the purchase of any SAFE annuity or any SAFE trust (as such terms are defined in section 408B of such Code)."

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SECTION 331. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) Elective Deferrals.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

"(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

(1) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of

(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

(ii) $5,000.

(2) RULES RELATING TO THE AGGREGATION OF SUBPLANS.—

(A) IN GENERAL.—A plan that permits an eligible participant to make additional elective deferrals under paragraph (1) shall make the additional elective deferrals under such plan treated as additional elective deferrals under paragraph (1) for purposes of any other plan maintained by the employer. For this purpose, "the plan" means the plan in which the additional elective deferrals are made.
"(1) the excess (if any) of—
(A) any participant’s compensation for the year, over
(B) any other elective deferrals of the participant for such year which are made without regard to this subsection.

"(2) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Years</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
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<tr>
<td>2002</td>
<td>10 percent</td>
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<tr>
<td>2003</td>
<td>20 percent</td>
</tr>
<tr>
<td>2004</td>
<td>30 percent</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>40 percent</td>
</tr>
</tbody>
</table>

"(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1),—
(A) such contribution shall not, with respect to the year in which the contribution is made—
(i) subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(b), 408, 415, or 457, or
(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and
(B) such plan shall not be treated as failing to meet the applicable rules described in section 401(a)(4), 401(a)(25), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408(b), 410(b), or 416 by reason of the making of (or the right to make) such contribution.

"(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term ‘eligible participant’ means, with respect to any plan year, a participant in a plan—
(A) who has attained the age of 50 before the close of the plan year, and
(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or contained in the terms of the plan.

"(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—
(A) APPLICABLE AMOUNT.—The term ‘applicable dollar amount’, with respect to any year, the amount in effect under section 402(g)(1)(B), 401(a)(25), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408(b), 410(b), or 416 by reason of the making of (or the right to make) such contribution.

(B) APPLICABLE EMPLOYER PLAN.—The term applicable employer plan’ means—
(i) an employees’ trust described in subparagraph (A) of section 401(a)(16),
(ii) a plan (within the meaning of section 403(b)(1)) which is applicable to an applicable employer plan, for such year,

(B) APPLICABLE EMPLOYER PLAN.—The term ‘applicable employer plan’ means—
(i) an employees’ trust described in section 401(a)(16),
(ii) a plan (within the meaning of section 403(b)(1)) which is applicable to an applicable employer plan, for such year,

(C) ELECTIVE DEFERRAL.—The term ‘elective deferral’ has the meaning given such term by subsection (u)(2)(C).

(D) EXCEPTION FOR SECTION 407 PLANS.—This subsection shall not apply to an applicable employer plan described in paragraph (5)(B)(iii) for any year to which section 457(b)(3) applies.

(E) ELECTIVE RETIREMENT PLANS.—Section 212(b), as amended by sections 301 and 318, is amended by adding at the end the following new paragraph:

"(7) TREATMENT OF CONTRIBUTIONS.—
(A) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the dollar amount in effect under paragraph (1)(A) for such taxable year shall be equal to the applicable percentage of such amount determined without regard to this paragraph.

(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Years</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
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<td>2003</td>
<td>130 percent</td>
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<td>2004</td>
<td>140 percent</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>150 percent</td>
</tr>
</tbody>
</table>

(c) a participant in a plan—
(iii) a participant, when expressed as an annual addition, for purposes of this paragraph for all years may not exceed $10,000.

"(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the contract described in section 403(b) or section 408 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a plan by inserting ‘or an eligible deferred compensation plan’ for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.

\(1)\) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

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SEC. 334. MODIFICATION OF SAFE HARBOR RULE WITH RESPECT TO ROLLOVERS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—Except as provided in subparagraph (A), the Secretary of the Treasury shall modify the rules of section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2000.

SEC. 335. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENTS TO 1986 CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking “A plan” and inserting “Except as provided in paragraph (2), a plan”;

(2) by adding at the end the following:

“(2) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

“(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (a), and

“(B) by substituting the following table for the table contained in subparagraph (B):

<table>
<thead>
<tr>
<th>Years of service: percentage is:</th>
<th>The nonforfeitable years of service</th>
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<td>5</td>
<td>80</td>
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<td>6</td>
<td>100</td>
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</table>

(b) AMENDMENTS TO ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking “A plan” and inserting “Except as provided in paragraph (2), a plan”;

(2) by adding at the end the following:

“(2) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

“(A) by substituting ‘3 years’ for ‘5 years’ in subparagraph (a), and

“(B) by substituting the following table for the table contained in subparagraph (B):

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SEC. 341. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(A) ROLLOVERS FROM AND TO SECTION 457 PLANS.

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e)(9) (relating to rollover contributions from qualified retirement plans) is amended by inserting at the end the following:

“(16) ROLLOVER AMOUNTS.—

“(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

“(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4)) without regard to subparagraph (C) thereof,

“(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

“(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed, then such distribution (to the extent so transferred) shall not be includable in gross income for the taxable year in which paid.

“(B) CERTAIN RULES MADE APPLICABLE.—

The rules of paragraphs (2) through (7) (other than subsection (e)(4)(C) and (B) of section 402(c) and section 402(f) and section 402(g) shall apply for purposes of subparagraph (A).

“(C) REPORTING.—Rollovers under this paragraph (1)(A) shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(d)).

“(D) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—

Section 457(b)(2) (defining eligible deferred compensation plan) is amended by striking “the aggregate of” and inserting “the aggregate of other than rollover amounts” after “taxable year”.

“(E) DIRECT ROLLOVER.—

(1) Paragraph (1) of section 457(d) is amended by striking “any” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by inserting after subparagraph (B) the following:

“(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includable in gross income for the taxable year of transfer.

“(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

“(E) under or to an eligible deferred compensation plan which, at the time such distribution is made, is a plan described in section 457(b)(2) and maintained by an employer described in section 457(e)(1)(A); or

(ii) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

“(F) an annuity contract described in section 403(b).”

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—

Section 403(b)(3)(A) (relating to transfers to rollover treatment) is amended by striking “and” at the end of such clause and inserting “or”, and by adding at the end the following:

“(v) an annuity contract described in section 403(b).”

(d) SPousAL ROLLOVERS.—

Section 403(c)(9) (relating to rollover where spouse receives rollover distribution has the meaning of such term by section 403(c)(10)).

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking “or” at the end of clause (I), by striking the period at the end of clause (II) and inserting “, and”, and by adding at the end the following:

“(C) the period at the end of clause (I) and inserting “, and”, and by inserting after clause (IV) the following new clause:

“(v) an eligible deferred compensation plan described in section 457(b) of an employer described in section 457(e)(1)(A).”

(B) SEPARATE ACCOUNTING.—

Section 402(c) is amended by adding at the end the following new paragraph:

“(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (b)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans described in such clause, the plan described in such clause may not accept rollovers or transfers from such retirement plans.”

(C) 10 PERCENT ADDITIONAL TAX.—

Subparagraph (c) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

“(d) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subparagraph (c), a rollover shall not be treated as a distribution from an eligible deferred compensation plan if—

(1) the plan described in such clause may not accept rollovers or transfers from such retirement plans described in such clause, and

(2) the plan described in such clause is an eligible plan described in section 4974(c).”

(B) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—

Section 402(b)(8)(B) (defining rollover amounts) is amended by striking “such distribution” and all that follows and inserting “such distribution to an eligible retirement plan described in section 402(c)”.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—

Section 402(b)(8)(B) (defining eligible retirement plan) is amended by subsection (a), (a) is amended by striking “and” at the end of clause (iv), by striking the period at the end of clause (v) and inserting “, and”, and by inserting after clause (v) the following new clause:

“(vi) an annuity contract described in section 403(b).”
distribution after death of employee) is amended by striking "(and the following)" and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(e)(4) is amended by striking "(and the following)" and all that follows up to the end period.

(2) Section 219(d)(2) is amended by striking or inserting "or 408(d)(3)" and inserting "or 408(d)(3), or 457(e)(16)".

(3) Section 401(a)(31)(B) is amended by striking "and 403(a)(4)" and inserting "", 403(b)(8), or subparagraph (A) of section 457(e)(16)".

(4) Paragraph (1) of section 402(f)(1) is amended by striking or paragraph (4) of section 403(a) and inserting "paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)".

(5) Paragraph (1) of section 402(f) is amended by striking "from an eligible retirement plan".

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking "another eligible retirement plan" and inserting "an eligible retirement plan".

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

(B) ELIGIBLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subpart (p) of section 72(t)(8)) which applies, this paragraph applies unless such payment or distribution is paid into another simple retirement account.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (ii) or (vi) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which was made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 344. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXCEPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read:

"(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT."
CONGRESSIONAL RECORD—SENATE

SEC. 347. PURCHASE OF SERVICE CREDIT IN GOV-
ERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the follow-
ing new paragraph:

"(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit government plan (as defined in section 414(d)) if such transfer is—

"(A) for the purchase of permissive service credit (as defined in section 415(k)(3)(A)) under such plan, or

"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.

(b) 457 PLANS.—

(1) Subsection (e) of section 457 is amended by adding at the end the following new paragraph:

"(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

"(A) for the purchase of permissive service credit (as defined in section 415(k)(3)(A)) under such plan, or

"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.

SEC. 348. EMPLOYERS MAY DISREGARD ROLLOVER FUNDS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE.—Section 401(a)(11) is amended by striking "(other than rollover amounts)" and insert-
ing "(other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-
to-trustee transfers after December 31, 2000.
terms of the plan, the present value of the nonforfeitable benefit is measured without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

(2) AMENDMENTS.—Section 402(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

``''(b) E FFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 354. FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 of subtitle D (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

``SEC. 4980P. FAILURE OF DEFINED BENEFIT PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of an applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the day after the failure occurs and ending on the date the failure is corrected.

(3) MINIMUM TAX FOR NONCOMPLIANCE PERIOD WHERE FAILURE DISCOVERED AFTER NOTICE OF EXAMINATION.—Notwithstanding paragraphs (1) and (2) of subsection (c)—

''(A) IN GENERAL.—In the case of 1 or more failures with respect to an applicable individual—

''(i) which are not corrected before the date a notice of examination of income tax liability is sent to the employer, and

''(ii) which occurred or continued during the period under examination,

the amount of tax imposed by subsection (a) by reason of such failures with respect to such beneficiary shall not be less than the lesser of $2,500 or the amount of tax which would be imposed by subsection (a) without regard to such failure.

(B) HIGHER MINIMUM TAX WHERE VIOLATIONS ARE MORE THAN DE MINIMIS.—To the extent violations by the employer (or the plan in the case of a multiemployer plan) in any year are more than de minimis, subparagraph (A) shall be applied by substituting $15,000 for $2,500 with respect to the employer (or such plan).

(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED EXERCISING REASONABLE DILIGENCE.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that none of the persons referred to in subsection (b) knew, or exercising reasonable diligence would have known, that the failure existed.

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) such failure was due to reasonable cause and not to willful neglect, and

``(B) the failure is corrected during the 30-day period beginning on the first date any of the persons referred to in subsection (d) knew, or exercising reasonable diligence would have known, that the failure existed.

(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable

SEC. 355. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following:

``(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 4212A(c)(7)), determined without regard to subparagraph (A)(i)(I) thereof. For purposes of this paragraph, the deductible limits under section 415 and the deductible limit of section 430 for any plan year and any amount contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph, paragraph (6) shall not apply to such employer for such taxable year.

(b) E FFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 356. STRONGER PENSI0N SECURITY AND ENFORCEMENT

Subtitle F—Strengthening Pension Security and Enforcement

SEC. 351. REPEAL OF 150 PERCENT OF CURRENT LIMIT ON LOAN AMOUNT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking the applicable percentage'' in subsection (i) and inserting in its place, in the case of plan years beginning before January 1, 2004, the applicable percentage'' and

(2) by amending subparagraph (F) to read as follows:

``''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

``In the case of any plan year beginning in— The applicable percentage is—

``2001 ...................................... 160
2002 ...................................... 160
2003 ...................................... 170.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2000.
year of the employer (or, in the case of a multiemployer plan, all persons who are treated as a single employer for purposes of this section) shall be liable for the tax imposed by sub-
section (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

"(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by sub-
section (a) to the extent that the payment of such tax would be excessive relative to the failure involved:

A plan administrator shall, not later than the date which is 6 months after the effective date of the amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

(A) sets forth the plan amendment and its effective date, and

(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow such participant and beneficiary to understand how the amendment generally affects different classes of employees.

(2) ADDITIONAL NOTICE REQUIRED IN CERTAIN CASES.—

(A) In general.—If a plan amendment to which paragraph (1) applies—

(i) either—

(II) requires an applicable individual to choose between 2 or more benefit formulas, the Secretary may, after consultation with the Secretary of Labor—

(A) sets forth the plan amendment and its effective date, and

(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals which—

(A) includes a participant who has less than the 30th day before the effective date of the amendment, written notice to such applicable individual (and to each employee organization representing applicable individuals) which—

(A) sets forth the plan amendment and its effective date, and

(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to choose between 2 or more benefit formulas, and

(ii) may reasonably be expected to affect such applicable individual, the plan shall, not later than the date which is 6 months after the effective date of the amendment, provide written notice to such applicable individual and to understand how the amendment generally affects different classes of employees.

(2) Notice requirements for plans significantly reducing benefit accruals.

(1) In general.—If a defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants (including any elimination or reduction of an early retirement benefit or retirement-type subsidy), the plan administrator shall, not later than the 30th day before the effective date of the amendment, provide written notice to each applicable individual and to each employee organization representing applicable individuals which—

(A) sets forth the plan amendment and its effective date, and

(B) includes sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow such participant and beneficiary to understand how the amendment generally affects different classes of employees.

(2) Additional notice required in certain cases.

(A) In general.—If a plan amendment to which paragraph (1) applies—

(i) either—

(II) requires an applicable individual to choose between 2 or more benefit formulas, and

(ii) may reasonably be expected to affect such applicable individual, the plan shall, not later than the date which is 6 months after the effective date of the amendment, provide written notice to such applicable individual and to understand how the amendment generally affects different classes of employees.

(1) Notice before adoption of amendment.

(A) Plan shall not be treated as failing to meet the requirements of paragraph (1) or (2) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

(2) Notice to designee.—Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to whom it is otherwise to be provided.

(B) Applicable Individual.—For purposes of this section—

(i) The accrued benefit (and if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the effective date of the plan amendment—

(A) any participant in the plan, and

(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)).

(2) Exception for participants with less than 1 year of participation.—Such term shall not include a participant who has less than 1 year of participation (within the meaning of section 411(b)(4)) under the plan as of the effective date of the plan amend-
ment.

(3) Participants getting higher of benefit (plan) versus benefit (contract) at time of plan adoption.

(i) Fitted accrued benefit (and if the amendment adds the option of an immediate lump sum distribution, the present value of the accrued benefit) as of the effective date, determined under the terms of the plan in effect immediately before the effective date.

(ii) The accrued benefit as of the effective date, determined under the terms of the plan in effect immediately before the effective date and without regard to any minimum accrued benefit required by reason of section 411(d)(6).

(iii) Sufficient information (as determined in accordance with regulations prescribed by the Secretary) for an applicable individual to compute their projected accrued benefit under the terms of the plan in effect on the effective date or to acquire information necessary to compute such projected accrued benefit.

(iv) Opt to provide projected accrued benefit (plan) versus benefit (contract) at time of adoption.

(A) A plan shall not be treated as failing to meet the requirements of subparagraph (B)(i) or (ii) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

(B) Notice under subparagraph (A) shall include the following information:

(i) The accrued benefit (and if the amendment includes a beneficiary or beneficiary who, under the terms of the plan as of the effective date of the plan amendment, is entitled to the greater of the accrued benefit under the terms of the plan in effect immediately before the effective date and the accrued benefit under the terms of the plan in effect immediately before the effective date).

(ii) For purposes of this paragraph, the term 'applicable pension plan' means—

(A) a defined benefit plan, or

(B) an individual account plan which is subject to the funding standards of section 412."
normal retirement age (and by taking into account any early retirement subsidy), and

(1) by using the applicable mortality table and the applicable interest rate under section 206(g)(3)(A).

(2) a plan amendment to which paragraph (1) applies requires an applicable individual to choose between 2 or more benefit formulas, the Secretary of the Treasury may, at his discretion, terminate the plan, in whole or in part. (d) the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY. The amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY. The amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

(1) EFFECTIVE DATE. In general. Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

(b) EFFECTIVE DATE. The amendments made by this section shall apply as if inserted in the Taxpayer Relief Act of 1997 to which it relates. SEC. 356. TREATMENT OF MULTIMPLEWER PLANS UNDER SECTION 415. (a) COMPENSATION LIMIT. Paragraph (11) of section 415(b) (relating to limiting plan (as defined in section 415(b)) or a multiemployer plan (as defined in section 415(b), subparagraph (B) of paragraph (4) not later than

(3) SPECIAL RULE FOR COLLECTIVELY BARGAINED PLANS. In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratiﬁed by the date of the enactment of this Act, the amendments made by this section shall not apply to plan amendments taking effect before the earlier of—

(1) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), and

(ii) January 1, 2000, or

(2) Special Rule for Collectively Bargained Plans. In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratiﬁed by the date of the enactment of this Act, the amendments made by this section shall not apply to plan amendments taking effect before the earlier of—

(1) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment), and

(ii) January 1, 2000, or

(3) Special Rule for Multiemployer Plans. The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

SEC. 355. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) In General.—Section 401(k) of the Taxpayer Relief Act of 1997 is amended to read as follows:

(b) Effective Date. The amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

(b) Effective Date. The amendments made by this section shall apply as if inserted in the Taxpayer Relief Act of 1997 to which it relates.

SEC. 356. TREATMENT OF MULTIMPLEWER PLANS UNDER SECTION 415. (a) Compensation Limit. Paragraph (11) of section 415(b) (relating to limiting plan (as defined in section 415(b)) or a multiemployer plan (as defined in section 415(b), subparagraph (B) of paragraph (4) not later than

(2) by striking the heading and inserting:

"(3) SPECIAL RULE FOR COLLECTIVELY BARGAINED PLANS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratiﬁed by the date of the enactment of this Act, the amendments made by this section shall not apply to plan amendments taking effect before the earlier of—

(i) the later of—

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable.

(ii) January 1, 2000, or

(3) by striking the heading and inserting:

"(ii) January 1, 2000, or

(4) by striking the heading and inserting:

"(i) to a participant at least once annually, and

"(ii) to a participant upon written request.

"(1) IN GENERAL.—The amendments made by this section shall apply to years beginning after December 31, 1999.

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1999.

(b) Effective Date. The amendments made by this section shall apply as if inserted in the Taxpayer Relief Act of 1997 to which it relates.

(b) Effective Date. The amendments made by this section shall apply to years beginning after December 31, 1999.
SEC. 373. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEED ANNUITY OPTION.—Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking “section 4021(b)” and inserting “section 4021(b)(1)”.

(b) MODIFICATION OF ALLOCATION OF ASSET REMAINS.—(1) Section 4044(a)(4)(B) of such Act (29 U.S.C. 1344(a)(4)(B)) is amended—

(1) by inserting “(A)” after “(9)”, and

(2) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following:

“(3) If assets available for allocation under paragraph 4(9) of subsection (4) of such Act are insufficient to satisfy in full the benefits of all individuals described in such paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.”

(c) CONFORMING AMENDMENTS.—(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341) is amended—

(A) in subsection (b)(9), by striking “as defined in section 4021(b)(9)”, and

(B) by adding at the end the following:

“(d) For purposes of subsection (b)(9), the term ‘substantial owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

“(1) owns the entire interest in an unincorporated trade or business,

“(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

“(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (ii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).”

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SEC. 372. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by inserting “For purposes” and inserting the following:

“(A) IN GENERAL.—For purposes”, and

(2) by adding at the end the following:

“(B) ELECTION TO USE PRIOR YEAR VALUATION.—

“(i) IN GENERAL.—Except as provided in clause (ii), if, for any plan year—

“(I) an election is in effect under this subparagraph with respect to a plan, and

“(II) the assets of the plan are not less than 125 percent of the plan’s current liability (as determined as of the valuation date for the preceding plan year), then this section shall be applied using the information available as of such valuation date.

“(ii) EXCEPTIONS.—

“(I) ACTUAL VALUATION EVERY 3 YEARS.—Clause (i) shall not apply for more than 2 consecutive plan years and valuation shall be under subparagraph (A) with respect to any plan year to which clause (i) does not apply by reason of this subparagraph.

“(II) REGULATIONS.—Clause (i) shall not apply to the extent that more frequent valuations are required under the regulations under subparagraph (A).

“(III) ADJUSTMENTS.—Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences.

“(IV) ELECTION.—An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.

(b) AMENDMENTS TO ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(o)) is amended—

(1) by inserting “(A)” after “(9)”, and

(2) by adding at the end the following:

“(B) IN GENERAL.—The amendment made by this section shall apply to plan years beginning after December 31, 2000.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

Subtitle H—Reducing Regulatory Burdens

SEC. 371. FLEXIBILITY IN NONDISCRIMINATION RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan may be submitted to the Secretary for a determination of whether it satisfies the requirements of section 401(a)(4) of such Code, as in effect before the first year beginning not less than 120 days after the date on which such determination is prescribed.

(b) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary to appropriately limit the availability of such test, and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The regulation required by subsection (a) shall apply to years beginning after December 31, 2000.

(2) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

“(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B), and (C), the plan—

“(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986, and

“(ii) is submitted to the Secretary for a determination of whether it satisfies the requirements described in clause (i), and

“(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.”.

(d) NONDISCRIMINATION.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2000.

(2) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 401(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.
SEC. 379. MODIFICATION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) In General.—Section 221(b)(3) of the Internal Revenue Code of 1986 is amended by striking "section 221(d)(1)" and inserting "section 221(d)(3)".

(b) Effective Date.—The amendment made by paragraph (a) shall apply to taxable years beginning after December 31, 1999.

SEC. 380. MODIFICATION OF EXCLUSION FOR EMPLOYER-PROVIDED TRANSIT PASSENGER FARES.

(a) In General.—Section 132(f)(3) (relating to cash reimbursements) is amended by striking the last sentence.

(b) Effective Date.—The amendment made by paragraph (a) shall apply to taxable years beginning after December 31, 1999.

Subtitle I—Plan Amendments

SEC. 381. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) In General.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A), and

(2) such plan shall not fail to meet the requirement of section 1402(d)(6) of the Internal Revenue Code of 1986 by reason of such amendment.

(b) Amendments to Which Section Applies.—In General.—This section shall apply to any amendment made by this title, or pursuant to any regulation issued under this title, and

(1) on or before the last day of the first plan year beginning on or after January 1, 2003, and

(2) conditions.—This section shall not apply to any amendment unless—

(A) during the period beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan), and

(ii) the plan or contract amendment is adopted, or

(iii) such plan or contract amendment is operated as if such plan or contract amendment were in effect, and

(B) the plan or contract amendment does not apply retroactively for such period.

TITLE IV—EDUCATION TAX RELIEF

SEC. 401. PERMANENT EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) In General.—Section 221 (relating to exclusion for educational assistance programs) is amended and striking subsection (d), and

(b) Repeal of Limitation on Graduate Education—

(1) In General.—The last sentence of section 221(c)(1) is amended by striking "and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree.

(2) Effective Date.—The amendment made by paragraph (1) shall apply with respect to expenses relating to courses beginning after December 31, 1999.

SEC. 402. ELIMINATION OF 60-MONTH LIMIT AND INCREASE IN INCENTIVE LIMITATION ON STUDENT LOAN INTEREST DEDUCTION.

(a) Elimination of 60-Month Limit.—

(1) In General.—Section 221 (relating to interest on education loans) is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) Conforming Amendment.—Section 6050S (e) is amended by striking "section 221(e)(1)" and inserting "section 221(d)(1)".

(3) Effective Date.—The amendments made by this section shall apply with respect to any loan interest paid after December 31, 1999, in taxable years ending after such date.

(b) Increase in Incentive Limitation—

(1) In General.—Section 221(b)(2)(B) (relating to amount of reduction) is amended by striking clauses (i) and (ii) and inserting the following:

"(i) the excess of—

"(I) the taxpayer's modified adjusted gross income for such taxable year, over

"(II) $50,000 (twice such dollar amount in the case of a joint return), bears to

"(ii) $15,000."

SEC. 377. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) In General.—The Secretary of the Treasury shall modify Treasury Regulations section 1.414(b)(6) to provide that employees of an organization described in section 403(b)(1) of the Internal Revenue Code of 1986 who are eligible to participate in such section 403(b) or (m) of such Code that is provided under the same general arrangement as a plan under section 401(k), if—

(i) the plan is not a qualified plan under section 401(k) or (m) of the Internal Revenue Code of 1986 that is eligible to participate in such section 403(b) or section 401(m) plan, and

(ii) the plan or contract amendment is adopted after December 31, 1999, and

(b) Effective Date.—The modification required by subsection (a) shall apply to years beginning after December 31, 1998.

SEC. 378. UNEMPLOYMENT compensation.

(a) In General.—Section 1343(c)(7) of the Internal Revenue Code of 1986, is amended by striking ''section 4021(d)'' and inserting ''section 4021(e)''.

(b) Effective Date.—The amendments made by this section shall apply to reports required by section 1343(b)(6) for taxable years beginning after December 31, 1999.
(2) CONFORMING AMENDMENT.—Section 221(c)(1) is amended by striking "$40,000 and $60,000 amounts" and inserting "$50,000 amount".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 1999.

SEC. 403. MODIFICATIONS TO QUALIFIED TUTION PROGRAMS.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUTION PROGRAMS.—

(1) IN GENERAL.—Section 529(b)(1) (defining qualified tuition program) is amended by inserting "or by 1 or more eligible educational institutions" after "maintained by a State or agency or instrumentality thereof".

(2) PRIVATE QUALIFIED TUTION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(A) is amended by inserting "in the case of a program established and maintained by a State or agency or instrumentality thereof, before "may make".

(3) CONFORMING AMENDMENTS.—

(A) Sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530(b)(2)(B), 4975(e), and 6693(a)(2)(C) are each amended by striking "qualified tuition" and inserting "qualified higher education expenses".

(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are each amended by striking "QUALIFIED TUTION" and inserting "QUALIFIED TUITION".

(C) The headings for sections 529(b) and 530(b)(2)(B) are each amended by striking "QUALIFIED STATE Tuition" and inserting "QUALIFIED TUITION".

(D) The heading for section 529 is amended by striking "qualified tuition" and inserting "qualified higher education expenses".

(E) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking "qualified tuition program" and inserting "qualified higher education expenses".

(b) EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED TUTION PROGRAMS.—

(1) IN GENERAL.—Section 529(c)(3)(B) (relating to qualified education) is amended by striking "qualified higher education expenses" and inserting "qualified higher education expenses".

(c) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—

(1) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution of property which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

(2) CASH DISTRIBUTIONS.—In the case of distributions not described in clause (1), if—

(i) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (1)), no amount shall be includible in gross income, and

(ii) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.

(d) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, subsection (a) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

(e) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified education program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

(f) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUTION PROGRAMS.—

(1) IN GENERAL.—Section 529(c)(2)(B) is amended to read as follows:

"(i) I N-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subsection (a) for a taxable year with respect to the qualified tuition and related expenses of an individual unless the taxpayer elects to have this section apply with respect to such individual for such taxable year.

(2) CONFORMING AMENDMENTS.—

(A) Section 529(c)(3)(B) is amended by striking "qualified higher education expenses" and inserting "qualified higher education expenses".

(B) Section 529(c)(3)(B) is amended by inserting "qualified higher education expenses".

(C) Section 529(c)(3)(C) (relating to change in beneficiaries) is amended—

(1) by striking "transferred to the credit" and inserting "or program" after "same designated beneficiary", and

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

"(II) to the credit".

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1999.

(2) QUALIFIED HIGHER EDUCATION EXPENSES.—The amendments made by subsection (f) shall apply to amounts paid for courses beginning after December 31, 1999.

SEC. 404. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 144(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking "$5,000,000" and inserting "$10,000,000".

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(b) Effective Date.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 1999.

SEC. 405. EXCLUSION OF CERTAIN AMOUNTS RECEIVED FOR INDIVIDUALS NOT PARTICIPATING IN EMPLOYER-SUBSIDIZED HEALTH PLANS.

(a) In General.—Part VII of subchapter B of chapter 1 of title 10, United States Code, (as amended by this section) is amended by redesignating sections issued in calendar years beginning after December 31, 1999 as subsections (a) of such sections.

(b) Employer Contributions to Cafeteria Plans, Flexible Spending Arrangements, and Medical Savings Accounts.—Employer contributions to a cafeteria plan, a flexible spending or similar arrangement, or a medical savings account which are excluded from gross income under section 106 shall be treated for purposes of subparagraph (A) as paid by the employer.

(c) Aggregation of Plans of Employer.—A health plan which is not otherwise described in subparagraph (A) shall be treated as described in such subparagraph if such plan would be so described if all health plans of persons treated as a single employer under sections (b), (c), (m), or (o) of section 141 were treated as one health plan.

(d) Separate Application to Health Insurance Costs.—Subparagraphs (A) and (C) shall be applied separately with respect to:

(1) plans which include primarily coverage for qualified long-term care service contracts, and

(2) plans which do not include such coverage and are not collective.

(e) Coordination Under Certain Federal Programs.—

(A) In General.—Subsection (a) shall not apply to any amounts paid for any coverage for an individual for any month if, as of the first day of such month, the individual is covered under any medical care program described in paragraph (1), (2), or (3) of subparagraph (A) of section 141.

(B) Exception.—Subparagraph (A) shall not apply, in the case of a qualified long-term care service contract, to amounts paid for

(1) coverage for accidents, disability, dental care, vision care, or a specified illness,

(2) payments of a fixed amount per day (or other period) by reason of being hospitalized,

(3) employer contributions to a cafeteria plan, a flexible spending or similar arrangement, or a medical savings account which are excluded from gross income under section 106,

(4) employer contributions to a cafeteria plan, a flexible spending or similar arrangement, or a medical savings account which are excluded from gross income under section 106,
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(3) CONFIRMING AMENDMENTS.—

(A) The heading for section 32(n) is amended by striking "CHILD" and inserting "FAMILY CARE".

(B) The heading for section 24 is amended to read as follows:

"SEC. 24. FAMILY CARE CREDIT."

(C) The table of sections for part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

"Sec. 24. Family care credit."

(4) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

"(c) DEFINITIONS.—For purposes of this section——

"(1) QUALIFYING CHILD.—"(A) In general.—The term 'qualifying child' means any individual if——

"(i) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

"(ii) such individual has not attained the age of 18 years, or

"(iii) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

"(B) EXCLUSION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of United States'.

"(2) APPLICABLE INDIVIDUAL.—"(A) In general.—The term 'applicable individual' means, with respect to any taxable year, an individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), by a physician (as defined in section 1861(r)(1) of the Social Security Act) as being an individual with long-term care needs described in subparagraph (B) for a period——

"(i) which is at least 180 consecutive days, and

"(ii) a portion of which occurs within the taxable year.

Such term shall not include any individual otherwise meeting the requirements of the preceding sentence within the 36-month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

"(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if the individual meets any of the following requirements——

"(i) The individual is at least 6 years of age and

"(ii) is unable to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, bathing, dressing, toileting, transfer or mobility.

"(iii) the individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner to address the individual's health condition to be available if the individual's parents or guardians are absent.

"(3) ELIGIBLE CAREGIVER.—"(A) In general.—A taxpayer shall be treated as an eligible caregiver for any taxable year with respect to the following individuals——

"(i) The taxpayer.

"(ii) The taxpayer's spouse.

"(iii) An individual with respect to whom the taxpayer is allowed a deduction under section 151 for the taxable year.

"(iv) An individual who would be described in clause (iii) for the taxable year if section 151(c)(1)(A) were applied by substituting for the term 'applicable individual' the term 'eligible caregiver' as so defined.

"(v) An individual who would be described in clause (iii) for the taxable year if——

"(I) the requirements of clause (iv) are met with respect to the individual, and

"(II) the requirements of subparagraph (B) are met with respect to a member of the individual's household for over half the taxable year.

"(B) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER.—"(1) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, the applicable individual is eligible for the credit for a taxable year if——

"(i) the individual is an eligible caregiver with respect to the same applicable individual for taxable years ending with or within the same calendar year, and

"(ii) the individual is an eligible caregiver with respect to the individual in lieu of the support test of section 152(a).

"(2) RESIDENCY TEST.—The requirements of this subparagraph are met if the individual for whom the credit is claimed as an applicable individual is an eligible caregiver with respect to the individual in lieu of the support test of section 152(a).

"(3) ELIGIBLE CAREGIVER.—"(A) IN GENERAL.—The term 'eligible caregiver' means——

"(i) in the case of an individual who is an applicable individual and

"(ii) a portion of which occurs within the same applicable individual for taxable years ending with or within the same calendar year.

"(B) DETERMINATION OF ELIGIBILITY.—The determination under clause (i) shall be made by the Secretary in consultation with the Social Security Administration, and any rule prescribed by the Secretary to carry out this paragraph (A) shall be treated as an administrative ruling or determination for purposes of section 7702B(c)(2)(B) due to amount of tax) is amended by striking "75 cents" and inserting "25 cents".

(B) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(b) REDUCTION IN PER DOSE TAX RATE.—

(A) IN GENERAL.—Section 4131(b)(1) (relating to amount of tax) is amended by striking "75 cents" and inserting "25 cents".

(B) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to sales after December 31, 2004, but shall not take effect if subsection (c) does not take effect.

(B) DELIVERIES.—For purposes of subparagraph (A), in the case of sales on or before the date described in such subparagraph for which delivery is made after such date, the delivery date shall be considered the sale date.

(2) LIMITATION ON CERTAIN CREDITS OR REFUNDS.—For purposes of applying section 4131(b)(1) (relating to amount of tax) is amended by striking "August 5, 1997" and inserting "October 1, 1996", and

"(C) VACCINE TAX AND TRUST FUND AMENDMENTS.—

(1) Sections 1503 and 1504 of the Vaccine Injury Compensation Program Modification Act (and the amendments made by such sections) are hereby repealed.

(2) Subparagraph (A) of section 9510(c)(1) is amended by striking "August 5, 1997" and inserting "October 1, 1996".

(3) The amendments made by this subsection shall take effect as if included in the provisions of the Tax and Trade Relief Extension Act of 1998 to which they relate.

(4) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Comptroller General of the United States shall prepare and submit a report to the Committees on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the operation the Vaccine Injury Compensation Trust Fund and the adequacy of such Fund to meet future claims made under the Vaccine Injury Compensation Program.
TITLE VI—ESTATE TAX RELIEF

SEC. 601. INCREASE IN UNIFIED ESTATE AND GIFT TAX EXEMPTION.

(a) In General.—The table in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exclusion Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$750,000</td>
</tr>
<tr>
<td>2007</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>$1,300,000</td>
</tr>
</tbody>
</table>

(b) Effective Date.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, during December 31, 1999.

TITLE VII—SMALL BUSINESS AND AGRICULTURAL RELIEF

SEC. 701. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) In General.—Section 55(c) (defining regular tax) is amended to read as follows:

(c) ELIGIBLE FARMING BUSINESS.—For purposes of this section, the term ‘eligible farming business’ means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)(1) of the Code).

(b) Effective Date.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, during December 31, 1999.

SEC. 702. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.

Section 3302 (relating to rate of Federal unemployment tax) is amended—

(1) by striking “2007” and inserting “2004”, and

(2) by striking “2008” and inserting “2005”.

SEC. 703. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) In General.—Paragraph (5)(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

(2) with income averaging for farmers.—Solely for purposes of this section, section 1301 (relating to averaging of farm income) shall not apply in computing the regular tax.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 704. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) In General.—Subpart C of part II of subchapter E of chapter 1 (relating to tax treaties and income in cash by the taxpayer during the taxable year attributable to a Farm and Ranch Risk Management Account (hereinafter referred to as the ‘FARRM Account’)) is amended to read as follows:

`SEC. 486C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) Deduction Allowed.—In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year attributable to a Farm and Ranch Risk Management Account for any taxable year not exceeding 20 percent of so much of the taxable income of the taxpayer for such taxable year (other than the portion attributable to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business.

(b) Limitation.—The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of the taxpayer’s adjusted gross income for such taxable year.

SEC. 601. INCREASE IN UNIFIED ESTATE AND GIFT TAX EXEMPTION.

(a) In General.—The table in section 2010(c) (relating to applicable credit amount) is amended to read as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exclusion Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$750,000</td>
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<tr>
<td>2007</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2008</td>
<td>$1,300,000</td>
</tr>
</tbody>
</table>

(b) Effective Date.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, during December 31, 1999.

TITLE VII—SMALL BUSINESS AND AGRICULTURAL RELIEF

SEC. 701. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) In General.—Section 55(c) (defining regular tax) is amended to read as follows:

(c) ELIGIBLE FARMING BUSINESS.—For purposes of this section, the term ‘eligible farming business’ means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)(1) of the Code).

(b) Effective Date.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, during December 31, 1999.

SEC. 702. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.

Section 3302 (relating to rate of Federal unemployment tax) is amended—

(a) In General.—Section 55(c) (defining regular tax) is amended to read as follows:

(c) ELIGIBLE FARMING BUSINESS.—For purposes of this section, the term ‘eligible farming business’ means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)(1) of the Code).

(b) Effective Date.—The amendment made by this section shall apply to the estates of decedents dying, and gifts made, during December 31, 1999.

SEC. 703. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) In General.—Paragraph (5)(c) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

(2) with income averaging for farmers.—Solely for purposes of this section, section 1301 (relating to averaging of farm income) shall not apply in computing the regular tax.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 704. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) In General.—Subpart C of part II of subchapter E of chapter 1 (relating to tax treaties and income in cash by the taxpayer during the taxable year attributable to a Farm and Ranch Risk Management Account (hereinafter referred to as the ‘FARRM Account’)) is amended to read as follows:

`SEC. 486C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) Deduction Allowed.—In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year attributable to a Farm and Ranch Risk Management Account for any taxable year which is attributable (determined in the manner applicable under section 1301) to any eligible farming business.

(b) Limitation.—The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of the taxpayer’s adjusted gross income for such taxable year.

(1) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

(2) the taxpayer’s tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

(b) Nonqualified Balance.—For purposes of subparagraph (A), the term ‘nonqualified balance’ means any amount in the Account on the day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

(c) Special Rule.—For purposes of this section, distributions from a FARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which they were made, beginning with the earliest deposits.

(2) Cessation in Eligible Farming Business.—At the close of the first disqualification period (as referred to in paragraph (1)), the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such contribution will be administered the trust will be consistent with the requirements of this section.

(C) The assets of the trust consist entirely of cash and obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

(D) All income of the trust is distributed currently to the grantor.

(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

(2) Account Taxed as Grantor Trust.—The grantor of a FARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with part E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

(e) Inclusion of Amounts Distributed.—

(1) General.—Except as provided in paragraph (2), there shall be includable in the gross income of the taxpayer for any taxable year—

(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year;

(B) any deemed distribution under—

(i) subsection (f)(1) (relating to distributions not distributed within 3 years),

(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging accounts as security).

(2) Exceptions.—Paragraph (1)(A) shall not apply to—

(A) any distribution to the extent attributable to income of the Account, and

(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in
such manner as may be required by such regulations.’’

(b) Tax on Excess Contributions.—

(1) Subsection (a) of section 4973 (relating to tax on excess contributions to certain tax-favored accounts and annuities), as amended by section 303(b)(2), is amended by adding at the end the following:

‘‘(4) a FARRM Account (within the meaning of section 468C(d)), or’’.

(2) Section 4973, as amended by section 303(b)(2), is amended by adding at the end the following:

‘‘(h) Excess Contributions to FARRM Accounts.—For purposes of this section, in the case of a FARRM Account (within the meaning of section 468C(d)), the term ‘excess contributions’ means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FARRM Account in a distribution to which section 468C(c)(2)(B) applies shall be treated as an amount not contributed.’’

(3) The section heading for section 4973 is amended to read as follows:

‘‘SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.’’

(4) The table of sections for chapter 43 is amended by striking the item relating to section 4973 and inserting the following:

‘‘Sec. 4973. Excess contributions to certain accounts, annuities, etc.’’

(c) Tax on Prohibited Transactions.—

(1) Subsection (c) of section 4975 (relating to tax on prohibited transactions) is amended by adding at the end the following:

‘‘(6) SPECIAL RULE FOR FARRM ACCOUNTS.—A person for whom benefit a FARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction pursuant to which such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FARRM Account by reason of the application of section 468C(d), the term ‘excess contributions’ means the amount by which the amount contributed for the taxable year to the FARRM Account (within the meaning of section 468C(d)) is exceeded by the aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $30,000.’’

(2) Paragraph (1) of section 4975(e) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (E) and (G), respectively, and by adding after subparagraph (D) the following:

‘‘(E) a FARRM Account described in section 468C(d),’’.

(d) Failure to Provide Reports on FARRM Accounts.—

(1) Paragraph (2) of section 6693(a) (relating to failure to provide reports on certain tax-favored accounts or annuities), as amended by section 303(d), is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting, after subparagraph (B) the following:

‘‘(C) section 468C(g) (relating to FARRM Accounts),’’.

(C) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

‘‘Sec. 468C. Farm and Ranch Risk Management—(1) sliding risk accounts.’’

(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 705. INCREASE IN ESTATE TAX DEDUCTION FOR UNITED-OWNED BUSINESS INTEREST.

(a) In General.—Section 2057(a)(2) (relating to maximum deduction) is amended by striking ‘‘$375,000’’ and inserting ‘‘$1,125,000’’.

(b) Conforming Amendments.—Section 2057(a)(3)(B) (relating to coordination with unified credit) is amended by striking ‘‘$375,000’’ each place it appears in the text and heading and inserting ‘‘$1,125,000’’.

(c) Effective Date.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2002.

SEC. 706. INCREASE IN EXPENSE TREATMENT FOR SMALL BUSINESSES.

(a) In General.—

(1) 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 $30,000.’’

(2) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 707. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-Year Recovery Period.—Subparagraph (E) of section 168 (relating to 15-year property) is amended by striking ‘‘and’’ at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ‘‘, and’’, and by adding at the end the following new clause:

‘‘(iv) any qualified leasehold improvement property.’’

(b) Qualified Leasehold Improvement Property.—

(1) Section 4973, as amended by section 303(b)(2), is amended by redesignating subparagraphs (E), (F) and (G) as subparagraphs (F) and (G), respectively, and by inserting after paragraph (E) the following:

‘‘(E) the term ‘qualified leasehold improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if—

(i) such improvement is made under or pursuant to a lease (as defined in subsection (b)(7))—

(I) by the lessor (or any sublessee) of such portion, or

(ii) by the lessee of such portion,

(iii) the original use of such improvement begins with the lease and after December 31, 2002,

(iv) such improvement is placed in service more than 3 years after the date the building was first placed in service.

(ii) certain improvements not included.—Such term shall not include any improvement for which the expenditure is attributable to—

(i) the enlargement of the building,

(ii) any elevator or escalator,

(iii) any structural component benefiting a common area, and

(iv) the internal structural framework of the building.

(iii) Definitions and Special Rules.—For purposes of this paragraph—

‘‘(I) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease for purposes of this paragraph if the parties to such commitment shall be treated as lessor and lessee, respectively, if the lease is in effect at the time the property is placed in service.

(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

(I) members of an affiliated group (as defined in section 547), and

(ii) persons having a relationship described in subsection (b) of section 707(b)(1).’’

(c) Effective Date.—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after December 31, 2002.

TITLE VIII—PROVISIONS RELATING TO HOUSING, REAL ESTATE, ENVIRONMENT, AND TRANSPORTATION

Subtitle A—Housing and Real Estate

SEC. 801. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) In General.—

(1) Paragraph (A) of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended to read as follows:

‘‘(A) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

(ii) the greater of—

(I) the applicable amount under subparagraph (H) multiplied by the State population, or

(ii) $2,000,000.’’

(b) Applicable Amount.—

(1) Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

‘‘(H) APPLICABLE AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(ii), the applicable amount shall be determined under the following table:

For calendar year—The applicable amount is—

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1.35</td>
</tr>
<tr>
<td>2002</td>
<td>1.45</td>
</tr>
<tr>
<td>2003</td>
<td>1.55</td>
</tr>
<tr>
<td>2004</td>
<td>1.65</td>
</tr>
<tr>
<td>2005 and thereafter</td>
<td>1.75</td>
</tr>
</tbody>
</table>

(c) Conforming Amendments.—

(1) Section 42(h)(3)(C), as amended by subsection (a), is amended—

(A) by striking ‘‘clause (ii)’’ in the matter following clause (iv) and inserting ‘‘clause (i)’’, and

(B) by striking ‘‘clauses (i)’’ in the matter following clause (iv) and inserting ‘‘clauses (ii)’’. ’’

(2) Section 42(h)(3)(D)(i) is amended—

(A) by striking ‘‘paragraph (C)(i)’’ and inserting ‘‘paragraph (C)(ii)’’, and

(B) by striking ‘‘clauses (i)’’ in subclause (II) and inserting ‘‘clauses (ii)’’.

(d) Effective Date.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 802. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.

(a) In General.—


(b) Effective Date.—The amendments made by this section shall apply to calendar years after 2000.
SEC. 811. TAX CREDIT FOR RENOVATING HISTORIC STRUCTURES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter I (relating to non-refundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20 percent of the qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home.

"(b) DOLLAR LIMITATION.—The credit allowed by subsection (a) with respect to any residence of a taxpayer shall not exceed $20,000 ($10,000 in the case of a married individual filing a separate return).

"(c) QUALIFIED REHABILITATION EXPENDITURE.—For purposes of this section—

"(1) QUALIFIED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—

"(A) which has been substantially rehabilitated, and

"(B) which, or any portion of which—

"(i) is owned by the taxpayer, and

"(ii) is leased (or will, within a reasonable period, be used) by such taxpayer as his principal residence.

"(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(2)(B).

"(3) CERTIFIED HISTORIC STRUCTURE.—

"(i) IN GENERAL.—The term 'certified historic structure' means any building which—

"(A) is listed in the National Register, or

"(B) is located in a registered historic district or within which only qualified census tracts (or portions thereof) are certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.

"(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)) within which only qualified census tracts (or portions thereof) are certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

"(iii) is listed in the National Register.

"(iii) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as when used in section 121.

"(4) CERTIFIED HISTORIC STRUCTURE.—

"(A) IN GENERAL.—The term 'certified historic structure' means any building (and its structural components) which—

"(i) is listed in the National Register, or

"(ii) is located in a registered historic district (as defined in section 47(c)(3)(B)) within which only qualified census tracts (or portions thereof) are certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.

"(B) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance under a statute of a State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance.

"(B) BUILDINGS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply with respect to—

"(i) any part of which is a targeted area residence within the meaning of section 44(c)(2)(C); and

"(ii) which is located within an enterprise community or empowerment zone as designated under section 1391.

"(c) AMENDMENTS.—The term 'qualified rehabilitation expenditure' includes any amount properly chargeable to capital account—

"(1) QUALED HISTORIC HOME.—The term 'qualified historic home' means a certified historic structure—

"(A) which has been substantially rehabilitated, and

"(B) which, or any portion of which—

"(i) is owned by the taxpayer, and

"(ii) is leased (or will, within a reasonable period, be used) by such taxpayer as his principal residence.

"(2) SUBSTANTIALLY REHABILITATED.—The term 'substantially rehabilitated' has the meaning given such term by section 47(c)(2)(B).

"(A) EXTERIOR.—Such term shall not include any expenditure in connection with the rehabilitation of a building unless at least 5 percent of the total expenditures made in the rehabilitation process are allocable to the rehabilitation of the exterior of such building.

"(B) OTHER RULES TO APPLY.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.

"(3) MIXED USE OR MULTIFAMILY BUILDING.—If only a portion of a building is used as the principal residence of the taxpayer, only qualified rehabilitation expenditures which are properly allocable to such portion shall be taken into account under this section.

"(d) CERTIFIED REHABILITATION.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'certified rehabilitation' has the meaning given such term by section 47(c)(2)(C).

"(2) FACTORS TO BE CONSIDERED IN THE CASE OF TARGETED AREA RESIDENCES, ETC.—

"(A) IN GENERAL.—For purposes of applying section 47(c)(2)(C) under this section with respect to the rehabilitation of a building to which this paragraph applies, consideration shall be given to—

"(i) the feasibility of preserving existing architectural and design elements of the interior of such building,

"(ii) the risk of further deterioration or demolition of such building in the event that certification is denied because of the failure to preserve such interior elements, and

"(iii) the effects of such deterioration or demolition on neighboring historic properties.

"(B) BUILDINGS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply with respect to—

"(i) any part of which is a targeted area residence within the meaning of section 44(c)(2)(C); and

"(ii) which is located within an enterprise community or empowerment zone as designated under section 1391.

"(B) BUILDINGS TO WHICH PARAGRAPH APPLIES.—This paragraph shall apply with respect to—

"(i) any part of which is a targeted area residence within the meaning of section 44(c)(2)(C); and

"(ii) which is located within an enterprise community or empowerment zone as designated under section 1391.
INCOME.—Notwithstanding any other provision of law, credit which would (but for this subsection) be allowable under subsection (a) to the taxpayer with respect to such rehabilitation, shall not be treated as taxable income for purposes of section 1411 or 164, for any taxable year with respect to which the credit relates, and

(C) such credit may only be transferred by the taxpayer to a lending institution (including a non-depository institution) in connection with a loan—

(i) that is secured by the building with respect to which the credit relates, and

(ii) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of the building, and

(D) in exchange for which such lending institution provides the taxpayer—

(i) a reduction in the rate of interest on the loan which results in interest payments which are substantially equivalent on a present value basis to the face amount of such certificate, or

(ii) if the taxpayer so elects with respect to a specified amount of the face amount of such a certificate relating to a building—

(A) which is in a targeted area residence within the meaning of section 152(j)(1), or

(B) which is located in an enterprise community or empowerment zone as designated under section 1391, or

(C) to a specified amount of the face amount of a payment which is substantially equivalent to such specified amount to be used to rehabilitate of such building, and

(D) in exchange for which such lending institution provides the taxpayer with respect to which the credit relates, and

(E) a payment which is substantially equivalent to such specified amount to be used to reduce the taxpayer's cost of purchasing the building (and only the remainder of such face amount shall be taken into account under clause (i)).

(3) Method of determining.—The present value under paragraph (2)(D)(i) shall be determined—

(A) for a period equal to the term of the loan referred to in subparagraph (D)(i),

(B) by using the convention that any payment of principal in any taxable year within such period is deemed to have been made on the last day of such taxable year,

(C) by using a discount rate equal to 65 percent of the average of the annual Federal mid-term rate and the annual Federal long-term rate applicable under section 1274(d)(1) to the month in which the taxpayer makes an election under subparagraph (B) and compounded annually, and

(D) by assuming that the credit allowable under this section for any year is received on the last day of such year.

(4) Use of certificate by lender.—The amount of the credit specified in the certificate shall be allowed to the lender only to the extent provided in section 152(j)(1), or such certificate, or the operator of such facility.

(5) Recapture percentage.—For purposes of this section, the recapture percentage shall be determined—

(A) for a period of 5-year period beginning on the date on which the rehabilitation of the building is completed (or, if subsection (g) applies, the date of purchase of such building by the taxpayer, or, if subsection (h) applies, the date of the loan),

(B) 80 percent of the recapture percentage occurring before July 1, 2004.

(6) Effective date.—The amendments made by this section shall be effective as of January 1, 2003.

TRICITY FROM CERTAIN RENEWABLE RESOURCES.—(1) In general.—In the case of a facility using landfill gas or poultry waste to produce electricity, the term ‘qualified facility’ means any facility of the taxpayer which is originally placed in service after December 31, 1999, and before July 1, 2004.

(B) Landfill gas.—In the case of a facility using landfill gas, such term includes equipment and housing (not including wells and related systems required to collect and transmit gas to the production facility) and the generation of electricity which is owned by the taxpayer and so placed in service.

(2) Special rule.—In the case of a qualified facility (C), any property (including any purchase under subsection (g) and any transfer under subsection (h), the increase in the basis of which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(b) Expansion of Qualified Energy Resources.—(1) In general.—Section 45(c)(1) (defining qualified energy resources) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting a comma, and by adding at the end the following new paragraphs:

(C) biomass (other than closed-loop biomass),

(B) landfill gas, and

(C) poultry waste.

(2) Definitions.—Section 45(c) is amended by inserting paragraph (3) as paragraph (6) and inserting after paragraph (2) the following new paragraph:

“biomass—The term ‘biomass’ means any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

(A) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber,

(B) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including segregated municipal solid waste (garbage) or paper that is commonly recycled, or

(C) agriculture sources, including orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues which are owned by the taxpayer which is originally placed in service after July 1, 2004.
SEC. 813. EXPENDING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) Extension of Termination Date.—Subsection (h) of section 196 is amended by striking “December 31, 2000” and inserting “June 30, 2004”.

(b) Expansion of Qualified Contaminated Site.—Section 196(c) is amended to read as follows:

“(c) Qualified Contaminated Site.—For purposes of this section—

“(1) In general.—The term ‘qualified contaminated area’ means—

“(A) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer, and

“(B) at or on which there has been a release (or threat of release) or disposal of any hazardous substance.

“(2) National Priorities Listed Sites Not Included.—Such term shall not include any site which is on, or proposed for, the national priorities list under section 105a(a)(b)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as in effect on the date of the enactment of this Act).

“(3) TAXPAYER MUST RECEIVE STATEMENT FROM STATE ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the State in which such area is located that such area meets the requirements of paragraph (1)(B).

“(4) APPLICABLE STATE AGENCY.—For purposes of paragraph (2), the chief executive officer of a State may, in consultation with the Administrator of the Environmental Protection Agency, designate the appropriate State environmental agency within such area as the agency for such State for the purposes of this section.

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

SEC. 814. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.

(a) Increase in Dollar Limitation.—Paragraph (1) of section 48(b)(3) is amended by striking “$12,500” and inserting “$25,000 ($12,500”.

(b) Temporary Suspension of Increased Dollar Limitation.—Subsection (b) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following new paragraph:


(c) Conforming Amendment.—Paragraph (1) of section 48(b) is amended by striking “section 194(b)(1)” and inserting “section 194(b)(5)” and without regard to section 194(b)(5).

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

Subtitle C—Transportation Provisions

SEC. 901. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) In General.—Subparagraph (a) of section 408(p)(1)(A) is amended by striking “or a diesel-powered train” each place it appears and striking “or train”.

(b) Conforming Amendments.—

(1) Subparagraph (A) of section 404(a)(1) is amended by striking clause (ii) and by redesignating clause (iii) as clause (ii).

(2) Subparagraph (b) of section 404(b)(1) is amended by striking all that follows “section 4241(e)” and inserting a period.

(3) Paragraph (3) of section 408(a) is amended by striking “or a diesel-powered train”.

(4) Section 4241(f) is amended by striking paragraph (3) and by redesigning paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(5) Section 4241(e)(2) is amended by striking “or a diesel-powered train”.

(6) Section 4241(e)(3) is amended by striking “or a diesel-powered train”.

(7) Section 4241(e)(4) is amended by striking “or a diesel-powered train”.

(b) Effective Date.—The amendments made by this subsection shall take effect on October 1, 2000.

TITLE IX—CHARITABLE GIVING INCENTIVES

SEC. 902. INCREASE IN LIMIT ON CHARITABLE CONTRIBUTIONS AS PERCENTAGE OF AGI.

(a) In General.—

(1) Individual Limit.—Section 170(b)(1) (relating to percentage limitations) is amended—

(A) by striking “50 percent” in subparagraph (A) and inserting “the applicable percentage”, and

(B) by striking “30 percent” each place it appears in subparagraph (C) and inserting “the applicable percentage”.

(2) Corporate Limit.—Section 170(b)(2) is amended by striking “10 percent” and inserting “the applicable percentage”.

(b) Applicable Percentage.—Section 170(b) is amended by adding at the end the following new paragraph:

“(3) Applicable Percentage.—For purposes of this subsection, the applicable percentage shall be determined under the following tables:

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>52</td>
</tr>
<tr>
<td>2004</td>
<td>56</td>
</tr>
<tr>
<td>2005</td>
<td>58</td>
</tr>
</tbody>
</table>
SEC. 1004. TAXABLE INCOME LIMIT ON PERCENTAGE ACTIVITY FOR MARGINAL PRODUCTION.

(a) In General.—Subparagraph (H) of section 6122B(c)(6) is amended by striking “January 1, 2001”, and inserting “January 1, 2005”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 1005. REPEAL OF FOREIGN TAX CREDIT LIMITATION UNDER ALTERNATIVE MINIMUM TAX.

(a) In General.—Section 59(a)(2) (relating to alternative minimum tax foreign tax credit) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

TITLE XI—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1101. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) In General.—Section 904(c) (relating to limitation on credit) is amended—

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

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

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1102. RETURNS RELATING TO CANCELLATION OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.

(a) In General.—Paragraph (2) of section 6562(c) (relating to definitions and special rules) is amended by striking the period at the end of subparagraph (B) and inserting the following:

“B. such period (including the term ‘borrower’) if a borrower makes a request for a temporary extension of time to file a return for an otherwise late return period within the period beginning on the date specified in section 6507(a) or the date specified by the Secretary in notice prescribed by section 6507(a) and ending on the later of the date of such request or the due date of said return.”

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.

SEC. 1103. INCREASE IN ELECTIVE WITHHOLDING RATE FOR NONPERIODIC DISTRIBUTIONS OF DEFERRED COMPENSATION PLANS.

(a) In General.—Section 3405(b)(1) (relating to withholding) is amended by striking “10 percent” and inserting “15 percent”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after December 31, 2000.

SEC. 1104. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) In General.—Chapter 77 (relating to miscellaneous provisions) is amended by adding the following new section:

“SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

“(a) General Rule.—The Secretary shall establish a program requiring the payment of user fees for—

“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determinations to which this paragraph applies; and

“(2) other similar requests.

“(b) Program Criteria.—

“(1) In General.—The fees charged under the program required by subsection (a) shall vary according to categories (or subcategories) established by the Secretary,

“(B) shall be determined after taking into account, for the average time for (and difficulty of complying with) requests in each category (or subcategory), and

“(C) shall be payable in advance.

“(2) Exemptions, Etc.—The Secretary shall provide for such exempions (and reduced or waived fees) under such program as the Secretary determines to be appropriate.

“(3) AVERAGE PER REQUIREMENT.—The average charge covered under the program required by subsection (a) shall not be less than the amount determined under the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee plan ruling and opinion</td>
<td>$250</td>
</tr>
<tr>
<td>Exempt organization ruling</td>
<td>$350</td>
</tr>
<tr>
<td>Exempt organization determination</td>
<td>$275</td>
</tr>
<tr>
<td>Counsel ruling</td>
<td>$200</td>
</tr>
</tbody>
</table>

“(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.”

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

SEC. 1105. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.

(a) EXTENSION.—

(1) In General.—Paragraph (5) of section 420(b) (relating to exhaustion) is amended by striking “in any taxable year beginning after December 31, 2000” and inserting “made after December 31, 2000”.

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

(b) CONFORMING AMENDMENTS.—


(B) Section 403(b)(1) of such Act (29 U.S.C. 1003(b)(1)) is amended by striking “1995” and inserting “2001”.

(C) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 108(b)(13)) is amended—

(1) by striking “in a taxable year beginning before January 1, 2001” and inserting “made before October 1, 2009”, and

(2) by striking “1995” and inserting “2001”.

(D) APPLICATION OF MINIMUM COST REQUIREMENTS.—

(1) IN GENERAL.—Paragraph (3) of section 420(c) is amended to read as follows:

“(3) Minimum cost requirements.—

(A) In General.—The requirements of this paragraph are met if each group health plan or arrangement under which applicable health benefits are provided provides that the applicable employer cost for each taxable year during the cost maintenance period shall not be less than the higher of the applicable employer costs for each of the 2 taxable years immediately preceding the taxable year of the qualified transfer.

(B) APPLICABLE EMPLOYER COST.—For purposes of this paragraph, the term ‘applicable employer cost’ means, with respect to any taxable year, the amount determined by dividing—

“(i) the qualified current retiree health liabilities of the employer for such taxable year prior to the qualified transfer, by

“(ii) the qualified current retiree health liabilities of the employer for such taxable year after the qualified transfer, and

“(iii) the number of qualified current retirees determined under subsection (b), and

“(B) shall be determined after taking into account, for the average time for (and difficulty of complying with) requests in each category (or subcategory), and

“(C) shall be payable in advance.

“(2) Exemptions, Etc.—The Secretary shall provide for such exempions (and reduced or waived fees) under such program as the Secretary determines to be appropriate.

“(3) AVERAGE PER REQUIREMENT.—The average charge covered under the program required by subsection (a) shall not be less than the amount determined under the following table:

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<td>$275</td>
</tr>
<tr>
<td>Counsel ruling</td>
<td>$200</td>
</tr>
</tbody>
</table>
(II) in the case of a taxable year in which there was a transfer, in the same manner as if there had been such a transfer at the end of the taxable year, by—

(ii) the number of individuals to whom covered applicable health benefits was provided during such taxable year.

(C) ELECTION TO COMPUTE COST SEPARATELY.—An employer may elect to have this paragraph apply separately with respect to individuals eligible for benefits under title XVIII of the Social Security Act at any time during the taxable year and with respect to individuals not so eligible.

(D) COST MAINTENANCE PERIOD.—For purposes of this paragraph, the term ‘cost maintenance period’ means the period of 5 taxable years beginning with the taxable year in which the qualified transfer occurs. If a taxable year is in 2 or more overlapping cost maintenance periods, this paragraph shall be applied by taking into account the highest applicable employer cost required to be provided under subparagraph (A) for such taxable year.

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 420(b)(1)(C) is amended by striking “benefits” and inserting “commodities derivatives dealer”.

(B) Subparagraph (D) of section 420(e)(1) is amended by striking “and shall not be subject to the minimum benefit requirements of subsection (b)” and inserting “or entered into (or such other time as the Secretary may by regulations prescribe)”; or

(C) Subparagraph (C) of section 420(e)(2) is amended by inserting “(or such other time as the Secretary may by regulations prescribe)” after “services by such person”.

(3) Clauses (i) and (ii) of section 424(f)(3)(B) are amended by striking “and” and inserting “or” before the semicolon.

(B) COMMODITIES DERIVATIVES DEALER.—

The term ‘commodities derivatives dealer’ means a person which regularly offers to enter into, assume, offset, assign, or terminate positions in commodities derivative financial instruments with customers in the ordinary course of a trade or business.

(C) DEFINITIONS AND SPECIAL RULES.—

(1) IN GENERAL.—The term ‘commodities derivative financial instrument’ means any contract or financial instrument with respect to commodities (other than a share of stock in a corporation, a beneficial interest in a partnership or trust, a note, bond, debenture, or other evidence of indebtedness, or a section 1256 contract (as defined in section 1256(b)), the value or settlement price of which is based on any current, objectively determinable financial or economic information with respect to commodities which is not within the control of any of the parties to the contract or instrument and is not unique to any of the parties’ circumstances.

(2) MISAPPLICATION.—

(A) IN GENERAL.—For purposes of this section, the term ‘hedging transaction’ means any transaction entered into by the taxpayer in the normal course of the taxpayer’s trade or business primarily—

(i) to manage risk of price changes or currency fluctuations with respect to ordinary property which is held or to be held by the taxpayer.

(ii) to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by the taxpayer, or

(iii) to manage such other risks as the Secretary may prescribe.

(B) TREATMENT OF NONIDENTIFICATION OR IMPROPER IDENTIFICATION OF HEDGING TRANSACTIONS.—Notwithstanding subsection (a)(7), the Secretary shall prescribe regulations to properly characterize any income, gain, expense, or loss arising from a transaction—

(i) which is a hedging transaction but which was not identified as such in accordance with subsection (a)(7), or

(ii) which was so identified but is not a hedging transaction.

(3) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraph (6) and (7) of subsection (a) in the case of transactions involving related parties.

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to any income, gain, or loss arising after the date of enactment of this Act.

SEC. 1106. TAX TREATMENT OF INCOME AND LOSS ON DERIVATIVES.

(a) IN GENERAL.—Section 1221 (defining capital assets) is amended—

(1) by striking “For purposes” and inserting the following:

“(a) IN GENERAL.—Section 1221 (defining capital assets) is amended—

(2) by striking the period at the end of paragraph (b) and inserting a semicolon, and

(3) by adding at the end the following:

“(d)any commodities derivative financial instrument held by a commodities derivatives dealer, unless—

(A) it is established to the satisfaction of the Secretary that such instrument has no connection to the activities of such dealer as a dealer, and

(B) such instrument is clearly identified in such dealer’s records as being described in subparagraph (A) before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe);

(7) any hedging transaction which is clearly identified in such dealer’s records as being described in subparagraph (A) before the close of the day on which it was acquired, originated, or entered into (or such other time as the Secretary may by regulations prescribe); or

(b) MANAGEMENT OF RISK.—

(1) Section 475(c)(3) is amended by striking “reduces” and inserting “manages”.

(2) Section 871(h)(4)(C)(iv) is amended by inserting “to reduce” and inserting “to manage”.

(3) Clauses (i) and (ii) of section 988(d)(2)(A) are each amended by striking “to reduce” and inserting “to manage”.

(4) Paragraph (2) of section 1256(e) is amended to read as follows:

(2) DEFINITION OF HEDGING TRANSACTION.—For purposes of this subsection, the term ‘hedging transaction’ means any hedging transaction (as defined in section 1221(b)(2)(A)) if, before the close of the day on which such transaction is entered into (or such earlier time as the Secretary may prescribe by regulations), the taxpayer clearly identifies such transaction as being a hedging transaction.

(c) CONFORMING AMENDMENTS.—

(1) Each of the following sections are amended by striking “section 1221” and inserting “section 1221(a)”:

(A) Section 170(e)(3)(A).

(B) Section 170(e)(4)(B).

(C) Section 567(a)(3)(B)(i).

(D) Section 61(a)(3).

(E) Section 863(1).

(F) Section 1092(a)(3)(B)(i)(I).

(G) Subparagraphs (C) and (D) of section 1231(b)(1).

(H) Section 1234(a)(3)(A).

(2) Each of the following sections are amended by striking “section 1221(1)” and inserting “section 1221(a)(1)”:

(A) Section 186(c)(1)(A).

(B) Section 263A(b)(2)(A).

(C) Clauses (i) and (ii) of section 267(1)(B).

(D) Section 341(d)(3).

(E) Section 543(a)(1)(D)(1).

(F) Section 751(d)(1).

(G) Section 751(c).

(H) Section 856(c)(2)(D).

(I) Section 856(c)(3)(C).

(J) Section 856(e)(1).

(K) Section 856(j)(2)(B).

(L) Section 857(b)(4)(B)(1).

(M) Section 857(b)(6)(B)(iii).

(N) Section 861(c)(4)(B)(iii).

(O) Section 864(c)(3)(A).

(P) Section 864(d)(6)(A).

(Q) Section 954(c)(1)(B)(iii).

(R) Section 965(b)(1)(C).

(S) Section 1017(b)(3)(E)(1).

(T) Section 1952(d)(3)(C)(i).

(U) Section 4662(c)(2)(C).

(V) Section 7706(c)(3).

(W) Section 7706(d)(1)(D).

(X) Section 7706(d)(1)(G).

(Y) Section 7706(d)(5).

(3) Section 818(b)(2) is amended by striking “section 1221(2)” and inserting “section 1221(a)(2)”.

(4) Section 1397B(e)(2) is amended by striking “section 1221(4)” and inserting “section 1221(a)(4)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any instrument held, acquired, or entered into, any transaction entered into, and supplies held on or after the date of enactment of this Act.

Subtitle B—Loohole Closers

SEC. 1111. LIMITATION ON USE OF NON-ACCURAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(d)(5) (relating to special rule for services) is amended—

(1) by inserting “in fields described in paragraph (2)(A)” after “services by such person” and

(2) by inserting “CERTAIN PERSONAL” before “SERVICES” in the heading.

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

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

(A) such change shall be treated as initiated by the taxpayer.
(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 1112. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 497(b)(6)(A) (relating to exception for 10 or more employer plans) is amended to read as follows:

“(A) In general.—This subsection shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are (1) or (2) of the following:

“(i) Medical benefits.

“(ii) Disability benefits.

“(iii) Group term life insurance benefits which do not provide directly or indirectly for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged on a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—Section 497(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

“(5) Special rule for 10 or more employer plans exempted from prefunding requirements.—For purposes of paragraph (1), the term ‘qualified employer plan’ means—

“(A) any equity interest in any pass-thru entity, and

“(B) to the extent provided in regulations—

“(i) any debt instrument, and

“(ii) any stock in a corporation which is not a pass-thru entity.

SEC. 1114. TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—Subsection (a) of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end the following new paragraph:

“(4) NO CREDITS AGAINST INCREASE IN TAX.—

“(A) the amount of any credit allowable under section 6621 on the underpayment of tax for a specified period, and

“(B) the amount of the tax imposed by section 6621 on the underpayment of tax for a specified period.

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

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SEC. 1259. GAINS FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

“(1) such gain is treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

“(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such gain under section 1121 shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain, and

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

(b) TREATMENT OF GAIN FROM CONSTRUCTIVE OWNERSHIP TRANSACTIONS.

(a) IN GENERAL.—If the taxpayer has gain from a constructive ownership transaction with respect to any financial asset and such gain would (without regard to this section) be treated as a long-term capital gain—

“(1) such gain is treated as ordinary income to the extent that such gain exceeds the net underlying long-term capital gain, and

“(2) to the extent such gain is treated as a long-term capital gain after the application of paragraph (1), the determination of the capital gain rate (or rates) applicable to such gain under section 1121 shall be determined on the basis of the respective rate (or rates) that would have been applicable to the net underlying long-term capital gain, and

“(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

“(1) IN GENERAL.—The taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

“(A) holds a long position under a notional principal contract with respect to the financial asset,

“(B) enters into a forward or futures contract to acquire the financial asset,

“(C) is the holder of a call option, and

“(D) the taxpayer would have had if—

“(i) the taxpayer had a long position under a notional principal contract with respect to the financial asset,

“(ii) the taxpayer had a forward or futures contract to acquire the financial asset,

“(iii) the taxpayer was the holder of a call option, and

“(iv) the gain which would have resulted if the gain (which is treated as ordinary income by reason of section 6801 on the underpayment of tax for such year which would have resulted if the gain which is treated as ordinary income by reason of subsection (a)(1)) had been included in gross income in the taxable years in which the gain accrued (determined by treating the income as accruing at a constant rate equal to the applicable Federal rate as in effect on the day the transaction closed). The period during which such interest shall accrue shall end on the due date (without extensions) for the return of tax imposed by this chapter for the taxable year in which such transaction closed.

“(2) APPLICABLE FEDERAL RATE.—For purposes of paragraph (1), the applicable Federal rate is the rate prescribed by the Secretary, enters into 1 or more positions (or options) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

“(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction if all of the positions which are part of such transaction are marked to market under any provision of this title or the regulations thereunder.

“(3) LONG POSITION UNDER NOTIONAL PRINCIPAL CONTRACT.—A person shall be treated as holding a long position under a notional principal contract with respect to any financial asset if such person—

“(A) has the right to be paid (or receive credit for) all or substantially all of the interest on, premium, or principal (or rights to receive premium or principal) in the financial asset,

“(B) is obligated to reimburse (or provide credit for) all or substantially all of any decline in the value of such financial asset.

“(4) FORWARD CONTRACT.—The term ‘forward contract’ means any contract to acquire in the future (or provide or receive credit for the future value of) any financial asset.

“(4) NET UNDERLYING LONG-TERM CAPITAL GAIN.—For purposes of this section, in the case of any constructive ownership transaction with respect to any financial asset, ‘net underlying long-term capital gain’ means the aggregate net capital gain that the taxpayer would have had if—

“(B) the amount of the tax imposed by section 1121.
SEC. 1115. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.—

(a) General.—Nothing in this section or in section 2106(a)(2), or 2522 shall be construed to allow the organization described in subsection (c) to purchase any annuity contract to which the organization incurs an obligation to pay a charitable gift annuity contract is in connection with a transfer to or for the use of an organization described in subsection (c), such organization incurs an obligation to pay a charitable gift annuity contract (as defined in section 501(m)) and such organization purchases any annuity contract to fund such payment. Proper adjustments shall be made in the amount of any gain or loss subsequently realized for fair market value on the date such transaction was made.

(b) Effective Date.—Effective as provided in paragraph (3) of this subsection, section 170(f)(1)(F) of the Internal Revenue Code of 1986 (as added by this section) shall apply to premiums paid after the date of enactment of this Act.

SEC. 1116. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.—

(a) General.—Subsection (e) of section 6655 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph:

"(5) Treatment of Certain REIT Distributions.—"
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SEC. 1117. PROHIBITED ALLOCATIONS OF S CORPORATION STOCK HELD BY AN ESOP

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

"(p) Prohibited Allocation of Securities in an S Corporation.—

"(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a non-allocation year, accrue directly or indirectly under any plan of the employer meeting the requirements of section 401(a) for the benefit of any disqualified individual.

"(2) Failure to Meet Requirements.—If a plan fails to meet the requirements of paragraph (1)—

"(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation;

"(B) the provisions of section 497A shall apply, and

"(C) the statutory period for the assessment of tax imposed by section 497A shall not expire before the date which is 3 years from the later of—

"(i) the date on which the Secretary is notified of such failure.

"(D) Nonallocation Year.—For purposes of this subsection—

"(i) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

"(I) such plan holds employer securities consisting of stock in an S corporation, and

"(II) the total number of outstanding shares of such stock is at least 50 percent of the number of outstanding shares of stock in such S corporation.

"(B) Attribution Rules.—For purposes of subparagraph (A)—

"(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

"(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

"(II) paragraph (4) thereof shall not apply.

"(ii) Deemed-owned Shares.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), disqualified individuals shall be treated as owning deemed-owned shares.

"(ii) Disqualified Individual.—For purposes of this subsection—

"(I) IN GENERAL.—The term 'disqualified individual' means any individual who is a participant or beneficiary under the employee stock ownership plan if—

"(I) the aggregate number of deemed-owned shares of such individual and the members of the individual's family is at least 20 percent of the number of outstanding shares of stock held by such S corporation constituting employer securities of such plan, or

"(ii) if such individual is not described in clause (i), the aggregate number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

"(B) Treatment of Family Members.—In the case of a prohibited allocation described in subparagraph (A)(i), any member of the individual's family with deemed-owned shares shall be treated as a disqualified individual under subparagraph (A).

"(C) Deemed-owned Shares.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any participant or beneficiary under the employee stock ownership plan—

"(I) the stock in the S corporation constituting employer securities of such plan which is allocable to such participant or beneficiary under the plan, and

"(II) such participant's or beneficiary's interest in the stock in such corporation which is held by such trust but which is not allocable under the plan to such participant or beneficiary.

"(ii) Individual's Share of Unallocated Stock.—For purposes of clause (i)(II), an individual's share of unallocated S corporation stock held by the trust under this subsection shall be treated as the proportion of such stock held by the trust which is allocable to such individual if the unallocated stock was allocated to individuals in the same proportions as the most recent stock allocation under the plan.

"(D) Member of Family.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

"(i) the spouse of the individual,

"(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

"(iii) a brother or sister of the individual or the individual's spouse, and

"(iv) the spouse of any person described in clause (ii) or (iii).

"(5) Definitions.—For purposes of this subsection—

"(A) Employer Stock Ownership Plan.—The term 'employer stock ownership plan' has the meaning given such term by section 497A(e).

"(B) Employer Securities.—The term 'employer securities' has the meaning given such term by section 409(k).

"(6) Regulation.—The Secretary shall—

"(A) adopt such regulations as may be necessary to carry out the purposes of this section, including regulations providing for the treatment of transfer of intangible property developed by the transferee, or rights to such property, held by such transferee after the transfer or of instruments granted by an S corporation as stock or not stock,

"(B) Excise Tax.—

"(1) IN GENERAL.—Section 497A(b) (defining prohibited allocation) is amended by striking 'and' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ', and', and by adding at the end the following new paragraph:

"(3) any allocation of employer securities which violates the provisions of section 409(p).

"(2) Liability.—Section 497A(c) (defining liability for tax) is amended by adding at the end the following new sentence: "In the case of a prohibited allocation described in subparagraph (a)(2) (relating to stock option), the tax shall be paid by the S corporation in which the stock was allocated in violation of section 409(p)."

"(c) Effective Date.—The amendments made by this section shall apply to plan years beginning on or before such date if employer securities held by the plan consist of stock in a corporation with which respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date.

The amendments made by this section shall apply to plan years ending after July 14, 1999.

SEC. 1118. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 357(b)(1) (relating to transfers to corporate controlled by transferee) is amended by redesignating subsection (c) as subsection (d) and by striking ''the principal purpose'' and inserting ''a principal purpose'', and by striking ''on the exchange'' in subparagraph (A) and inserting after such paragraph the following new subsection:

"(c) Treatment of Transfers of Intangible Property.—

"(1) Transfers of Less than All Substantial Rights.

"(A) IN GENERAL.—A transfer of an interest in intangible property (as defined in section 108(h)(3)(B)) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferee in the property.

"(B) Allocation of Rights.—In the case of a transfer of less than all of the substantial rights of the transferee in the intangible property, the transferee's basis immediately before the transfer shall be allocated among the rights retained by the transferee and the rights transferred on the basis of their respective fair market values.

"(2) Transfers To Foreign Partnerships.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3)."

"(d) Effective Date.—The amendments made by this section shall apply to transfers on or after the date of the enactment of this section.

SEC. 1129. CONTROLLED ENTITIES INELIGIBLE FOR RETEST STATUS.

(a) IN GENERAL.—Subsection (a) of section 856 (relating to prohibited transfers to controlled entity) is amended by striking ''the principal purpose'' and inserting ''and'' at the end of paragraph (6), by redesignating paragraph (7) as paragraph (8), and by inserting after such paragraph the following new paragraph:

"(7) which is not a controlled entity (as defined in subsection (1)); and"

"(8) Controlled Entity.—Section 856 is amended by adding at the end the following new subsection:

"(a) IN GENERAL.—Section 357(b)(1) (relating to transfers to corporate controlled by transferee) is amended by redesignating subsection (c) as subsection (d) and by inserting after such paragraph the following new subsection:
“(1) CONTROLLED ENTITY.—

(a) IN GENERAL.—For purposes of subsection (a)(7), an entity is a controlled entity if, at any time during the taxable year, one person (other than a qualified entity)—

(i) in the case of a corporation, owns stock—

(A) possessing at least 50 percent of the total voting power of the stock of such corporation, or

(B) having a value equal to at least 50 percent of the total value of the stock of such corporation,

(ii) in the case of a trust or partnership, owns beneficial interests in the trust which would meet the requirements of subparagraph (A) if such interests were stock.

(ii) QUITCLAIMED ENTITY.—For purposes of paragraph (1), the term ‘qualified entity’ means—

(A) any real estate investment trust, and

(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

(3) ATTRIBUTION RULES.—For purposes of this paragraph (1) and (2)—

(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply.

(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 268B(c)(2)) shall be treated as 1 person.

(4) EXCEPTION FOR CERTAIN NEW REITS.—

(a) IN GENERAL.—The term ‘controlled entity’ shall not include an incubator REIT.

(b) INCUBATOR REIT.—A corporation shall be treated as an incubator REIT for any taxable year during the eligibility period if it meets all the following requirements for such year:

(i) The corporation elects to be treated as an incubator REIT.

(ii) The corporation has only voting common stock outstanding.

(iii) Not more than 50 percent of the corporation’s real estate assets consist of mortgage interests.

(iv) From not later than the beginning of the last half of the second taxable year, at least 60 percent of the corporation’s capital is provided by lenders or equity investors who are unrelated to the corporation’s largest shareholder.

(v) The corporation annually increases the value of its real estate assets by at least 10 percent.

(vi) The directors of the corporation adopt a resolution setting forth an intent to engage in a going public transaction.

No election may be made with respect to any REIT if an election under this subsection was in effect for any predecessor of such REIT.

(5) ELIGIBILITY PERIOD.—

(i) IN GENERAL.—The eligibility period (for which an incubator REIT election can be made) begins with the REIT’s second taxable year and ends at the close of the REIT’s third taxable year, except that the REIT may, subject to clauses (ii), (iii), and (iv), elect to extend such period for an additional 2 taxable years.

(ii) GOING PUBLIC TRANSACTION.—A REIT may not elect to extend the eligibility period under clause (i) unless it enters into an agreement with the Secretary that if it does not enter into a going public transaction by the end of the extended eligibility period, it shall pay Federal income taxes for the 2 years of the extended eligibility period as if it had made an incubator REIT election and had ceased to qualify as a REIT for those 2 taxable years.

(iii) RETURNS, INTEREST, AND NOTICE.—

(A) IN GENERAL.—For purposes of subdivision (a)(7), any corporation ceasing to be treated as a REIT by operation of clause (ii), the corporation shall file any appropriate amended returns reflecting the change in status within 3 months of the close of the extended eligibility period.

(B) INTEREST.—Interest shall be payable on any tax imposed by reason of clause (ii) for any taxable year but, unless there was a finding under subparagraph (D), no substantial underpayment penalties shall be imposed.

(iii) NOTICE.—The corporation shall, at the same time it files its returns under subparagraph (I), notify its shareholders and any other persons whose whose tax position is, or may reasonably be expected to be, affected by the change in status so they also may file any appropriate amended returns to conform to their tax treatment consistent with the corporation’s loss of REIT status.

(iv) REGULATIONS.—The Secretary shall provide appropriate regulations setting forth transferability liability and other provisions to ensure collection of the proper administration of this provision.

(6) INDIRECT DISTRIBUTIONS BECAUSE CONTROL ACQUIRED.—Paragraph (1) shall not apply to any distribution of stock in the distributed corporation if—

(A) the corporate partner does not have control of such corporation immediately after such distribution, and

(B) the corporate partner establishes to the satisfaction of the Secretary that such distribution was not part of a plan or arrangement to acquire control of the distributed corporation.

(7) LIMITATIONS ON BASIS REDUCTION.—

(A) IN GENERAL.—The amount of the reduction under paragraph (1) shall not exceed the amount by which the sum of the aggregate adjusted bases of the property of the distributed corporation at such time (or, if the corporate partner does not control the distributed corporation at such time, at the time the corporate partner first has such control) exceeded the corporate partner’s adjusted basis in the stock of the distributed corporation before control was acquired.

(B) REDUCTION TO NOT EXCEED INCREASED BASIS OF PROPERTY.—No reduction under paragraph (1) in the basis of any property shall exceed the adjusted basis of such property (determined without regard to such reduction).

(8) GAIN RECOGNITION WHERE REDUCTION LIMITS.—If the amount of any reduction under paragraph (1) (determined after the application of paragraph (3)(A)) exceeds the aggregate adjusted bases of the property of the distributed corporation before control was acquired.

(A) such excess shall be recognized by the corporate partner as long-term capital gain, and

(B) the corporate partner’s adjusted basis in the stock of the distributed corporation shall be increased by such excess.

(9) CONTROL.—For purposes of this subsection, the term ‘control’ means ownership of stock meeting the requirements of section 1504(a)(2).

(10) INDIRECT DISTRIBUTIONS.—For purposes of paragraph (1), if a corporation acquires (other than in a distribution from a partnership) stock the basis of which is determined
in whole or in part by reference to sub-
section (c), the corporation shall be treated as receiving a distribution of such stock from a partnership.

(7) SPECIAL RULE FOR STOCK IN CON-
trolled Corporation.—If the property held by a controlled corporation is stock in a corporation which the distributed corpora-
tion controls, this subsection shall be ap-
plicable to determine the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which controls it.

(b) Regulations.—The Secretary shall prescribe such regulations as may be neces-
sary to carry out the purposes of this sub-
section, including regulations to avoid dou-
ble counting and to prevent the abuse of
such purposes.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distribu-
tions made after July 14, 1999.

TITLe XII—Compliance with Congressional Budget Act

SEC. 1201. SUNSET OF PROVISIONS OF ACT.

All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

FRIST AMENDMENT NO. 1443

(Ordered to lie on the table.)

Mr. FRIST submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 32, between lines 14 and 15, insert the following:

TITLe XII—Compliance with Congressional Budget Act

SEC. 1201. SUNSET OF PROVISIONS OF ACT.

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"(B) QUALIFIED COURSE OF INSTRUCTION.—
The term 'qualified course of instruction' means a course of instruction which—
"(1) is—
"(i) an institution of higher education (as defined in section 14101 of the Higher Education Act of 1965 (20 U.S.C. 1001), as in effect on the date of the enactment of this subsection), or
"(ii) a professional conference, and
"(ii) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the individual's teaching skills.
"(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as so in effect.

"(2) ELIGIBLE TEACHER.—
"(A) IN GENERAL.—The term 'eligible teacher' means an individual who is a kindergarten through grade 12 classroom teacher, instructor, counselor, aide, or principal in an elementary or secondary school.
"(B) SECONDARY SCHOOL.—The term 'secondary school' means—
"(i) at an institution of higher education (as defined in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1008), as in effect on the date of the enactment of this subsection), or
"(ii) a professional conference, and
"(iii) with respect to which a deduction is allowable under section 162 (determined without regard to this section).
"(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—
"(1) is—
"(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses—
"(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and
"(ii) with respect to which a deduction is allowable under section 162, (determined without regard to this section).
"(B) QUALIFIED INCIDENTAL EXPENSES.—
"(A) IN GENERAL.—The term 'qualified incidental expenses' means expenses—
"(i) for qualified incidental expenses, and'
"(i) for qualified incidental expenses, and'
"(B) SPECIAL RULE FOR HOMESCHOOLING.—
Such term shall include expenses described in subparagraph (A) in connection with education provided by homeschooling if the requirements of any applicable State or local law are met with respect to such education.''

"(A) IN GENERAL.—
The term 'qualified incidental expenses' means expenses paid or incurred by an eligible teacher in an amount not to exceed $125 for any taxable year for dental expenses, or related higher educational job-related activities of such eligible teacher.

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

"(B) QUALIFIED COURSE OF INSTRUCTION.—
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"(A) IN GENERAL.—
The term 'qualified incidental expenses' means expenses paid or incurred by an eligible teacher in an amount not to exceed $125 for any taxable year for dental expenses, or related higher educational job-related activities of such eligible teacher.

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

"(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2007.

"(B) QUALIFIED INCIDENTAL EXPENSES.—
"(1) IN GENERAL.—
The term 'qualified incidental expenses' means expenses—
"(i) for qualified incidental expenses, and'
"(ii) with respect to which a deduction is allowable under section 162, (determined without regard to this section).
"(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—
"(1) is—
"(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses—
"(i) for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction, and
“(A) electric generation property not required or used for electric transmission or distribution property.

“(B) other electric industry property.

“(C) natural gas utility property.

“(D) other than industry property.

“(4) OIN, or ITEM PROPERTY. Any sale of electric generation property under paragraph (2) shall be treated as a sale of a single item of property, and any property described in paragraph (3) shall be treated as property similar or related in use to such single item of property.

“(5) TEN-YEAR REPLACEMENT PERIOD.—In the case of an involuntary conversion described in paragraph (1), subsection (a)(2)(B)(1) shall be applied by substituting ‘10 years’ for ‘2 years’.

“(6) GAIN RECOGNIZED IN YEAR CONVERSION IS REALIZED.—In the case of an involuntary conversion under paragraph (1)—

“(A) the gain shall be recognized in the year the conversion is realized, except to the extent that the property is replaced under subsection (a),

“(B) during the replacement period under paragraph (5), the taxpayer may use a one-year life for all assets described in paragraph (3) that are placed in service subject to the limitation of paragraph (C), and

“(C) the total amount of similar or related property additions subject to such one-year life shall not exceed the total gain recognized under subparagraph (A).

“(7) NORMALIZATION RULES.—With respect to public utility property described in 168(h)(10), the Secretary shall prescribe the requirements for a normalization method of accounting for this subsection.

Beginning on page 285, strike line 21 and all that follows through page 286, line 6.

AMENDMENT NO. 1449

On page 378, between lines 14 and 15, insert:

SEC. 1205A. TECHNICAL AMENDMENT.

(a) In GENERAL.—Section 45(o)(3)(C), as amended by section 1230(a) of this Act, is amended by inserting ‘‘or leased’’ after ‘‘owned’’.

(b) REVENUE OFFSET.—The Secretary of the Treasury shall adjust the effective dates of the phase-in of the applicable dollar amounts in section 416(b)(1) to the extent that is amended by section 72(a)(2) of this Act, as necessary to offset the decrease in revenues to the Treasury resulting from the amendment made by this subsection.

AMENDMENT NO. 1450

On page 140, between lines 15 and 16, insert the following:

SEC. 101. MODIFICATION OF DEFINITION OF TEN-OR-MORE EMPLOYER PLAN.

(a) ADDITIONAL REQUIREMENTS.—Paragraph (6)(B) of section 419A(f)(1) (relating to the exception for 10 or more employer plans) is hereby amended by substituting ‘‘employers, and’’ for ‘‘employers.’’

(b) CLARIFICATION OF EXPERIENCE RATING.—Paragraph (6)(a) of section 419A (relating to the exception for 10 or more employer plans) is hereby amended by inserting ‘‘or experience-rating’’ after ‘‘elected to participate in’’.

(c) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment to or repeal is expressed in terms of an amendment to, or a 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.

TITLES I—CERTAIN WELFARE BENEFITS PLANS

SEC. 101. MODIFICATION OF DEFINITION OF TEN- OR-MORE EMPLOYER PLAN.

(a) ADDITIONAL REQUIREMENTS.—Paragraph (6)(B) of section 419A(f)(1) (relating to the exception for 10 or more employer plans) is hereby amended by substituting ‘‘employers, and’’ for ‘‘employers.’’ at the end of clause (i), and adding the following clause:

‘‘(ii) For purposes of this subparagraph, the requirements of this subsection are met if the defined benefit plan from which the excess pension assets are transferred—

‘‘(I) provides that the accrued pension benefit of any participant or beneficiary under the plan become nonforfeitable in the same manner which would be required if the plan had terminated immediately before the qualified stock bonus transfer, and

‘‘(II) allocates benefits in a manner which would be required if the plan had terminated immediately before the close of the 5th plan year following the plan year in which the transfer occurred.

‘‘(b) CLARIFICATION OF EXPERIENCE RATING.—Paragraph (6)(a) of section 419A (relating to the exception for 10 or more employer plans) is hereby amended by striking the second sentence thereof, and inserting the following:

‘‘The preceding sentence shall not apply to any plan which is an experience-rated plan. A guaranteed benefit plan shall not be considered an experience-rated plan.

(i) For purposes of this subparagraph, the term ‘‘experience-rated plan’’ is a plan which determines contributions by individual employers on the basis of experience-rating.

(ii) For purposes of this subparagraph, the term ‘‘experience-rating’’ means calculating contributions on the basis of actual gain or loss experience.

(iii) The term ‘‘guaranteed benefit plan’’ means a plan whose benefits are funded with...
insurance contracts or are otherwise determinable but payable to a participant without a present value or with a present value which is not determinable but payable to a participant without reference to or limitation by the amount of contributions to the plan attributable to any contributing employer; provided, however, that a plan shall not fail to be a qualified benefit plan if benefits may be limited or denied in the event a contributing employer fails to pay premiums or assessments demanded by the plan as a condition of continued participation.

SEC. 102. CLARIFICATION OF DEDUCTION LIMITS FOR CERTAIN COLLECTIVELY BARGAINED PLANS.

(a) ADDITIONAL REQUIREMENTS.—Paragraphs (5)(B) of section 419A(f) (relating to the deductions limits for certain collectively bargained plans) is hereby amended by adding thereto the following clauses:

‘‘(iii) Paragraph (5)(B) shall not apply to any plan maintained pursuant to an agreement between employee representatives and 1 or more employers unless and until the taxpaying applies for and the Secretary issues a determination that such agreement is a bona fide collective bargaining agreement and that the welfare benefits provided thereunder were the subject of good faith bargaining between employee representatives and such employers. The Secretary is authorized to promulgate regulations designed to carry out the intention of this provision.

(b) Disqualified benefit—For purposes of subsection (a),—

(1) In general—The term ‘disqualified benefit’ means—

(A) any post-retirement medical benefit or life insurance benefit provided with respect to a key employee if a separate account is required to be established for such employee under section 419A(d) and such payment is not from such separate account.

(B) any post-retirement medical benefit or life insurance benefit provided with respect to an individual in whose favor discrimination in the funding of a post-retirement benefit pursuant to an agreement designed to carry out the intention of part I of subchapter D of chapter 1.

(2) Exception for collective bargaining plans—Paragraph (1)(b) shall not apply to any plan maintained pursuant to an agreement between employee representatives and 1 or more employers if the Secretary finds that such agreement is a collective bargaining agreement and that the benefits referred to in paragraph (1)(B) were the subject of good faith bargaining between such employee representatives and such employer or employers.

(3) Exception for nondeductible contributions—Paragraph (1)(C) shall not apply to any amount attributable to a contribution to the fund which is not allowable as a deduction under section 419 for the taxable year or any prior taxable year (and such contribution shall not be included in any carryover under section 419(d)).

(4) Exception for certain amounts charged against existing reserve—Subparagraphs (A) and (B) of paragraph (4) shall not apply to post-retirement benefits charged against an existing reserve for post-retirement medical or life insurance benefits (as defined in section 512(a)(3)(E)) or charged against the income on such reserve.

(c) Premature termination—For purposes of subsection (a),—

(1) In general—The term ‘premature termination’ means a termination event which occurs on or before 6 years after adoption, creation, or the contribution to a welfare benefit fund which benefits any highly compensated employee.

(2) Exception for insolvency, etc.—Paragraph (3) shall not apply to a plan to which more than one employer contributes, or to any amount attributable to a contribution to such plan to which more than one employer contributes, and a plan is not funded.

(d) Termination event—For purposes of this section—

(1) In general—The term ‘termination event’ means—

(A) the termination of a welfare benefit fund, or

(B) the withdrawal of an employer from a welfare benefit fund to which more than one employer contributes, or

(C) any other action which is designed to cause, directly or indirectly, a distribution of any asset from a welfare benefit fund to a highly compensated employee.

(2) Exception for bona fide benefits—Paragraph (2) shall not apply to any bona fide benefit paid from a welfare benefit fund which is available to all employees on a non-discriminatory basis and payable pursuant to the terms and conditions of such fund.

(3) No severance benefit.—Paragraph (2) shall not apply to a severance benefit.

(4) Additional requirements.—For purposes of this section—

(1) In general—Except as otherwise provided, for purposes of this section, the term 'qualified benefit' means—

(A) any post-retirement medical benefit or life insurance benefit provided with respect to a key employee if a separate account is required to be established for such employee under section 419A(d) and such payment is not from such separate account.

(B) any post-retirement medical benefit or life insurance benefit provided with respect to an individual in whose favor discrimination in the funding of a post-retirement benefit pursuant to an agreement designed to carry out the intention of part I of subchapter D of chapter 1.

(2) Post-retirement benefit. The term ‘post-retirement benefit’ means any benefit distribution which reasonably determined to be paid, provided, or made available to a participant on or after normal retirement age.

(3) Normal retirement age. The term ‘normal retirement age’ shall have the same meaning as defined in section 3(24) of the Employee Retirement Income Security Act of 1974.

(4) Prescription in the case of permanent life insurance. In the event a welfare benefit fund provides a life insurance benefit, it shall be presumed that any amount contributed to the fund in excess of the cumulative projected cost of group term insurance for any period prior to normal retirement age is funding a post-retirement benefit.

SEC. 103. CLARIFICATION OF STANDARDS FOR GAINED PLANS.

(a) ADDITIONAL REQUIREMENTS.—Sections 505 is amended by adding thereunto the following:

‘‘(d) CLARIFICATION OF STANDARDS FOR CERTAIN COLLECTIVELY BARGAINED PLANS.—

(1) SUBSECTION (a).—The amendment made by section 419A(f) of the Social Security Act (42 U.S.C. 618(a)(5)) is amended—

(A) in subparagraph (E), by striking ‘‘and’’ at the end; and

(B) in subparagraph (F), by striking the period at the end and inserting ‘‘; and’’; and

(2) in subparagraph (G), by striking ‘‘and’’ at the end; and

(3) by adding at the end the following:

‘‘(K) $4,010,000,000 for fiscal year 2004;

(L) $4,075,000,000 for fiscal year 2009.’’.

(b) AMENDMENT OF SECTION 4976.—Section 4976 made by this Act is clarified definitions as when used in subpart D.

(c) EFFECTIVE DATES.—Subsection (c) of section 419A(d) of the Deficit Reduction Act of 1984 shall be applied and administered as if originally enacted as part of section 511(c) of the Deficit Reduction Act of 1984.

TITLE III—REVENUE OFFSET

Section 1312 of Division A of this Act is null and void and the Internal Revenue Code of 1986 shall be applied and administered as if such section had not been enacted.

DODD (AND JEFFFORDS) AMENDMENT NO. 1452

(Ordered to lie on the table.)

Mr. DODD (for himself and Mr. JEFFFORDS) submitted an amendment intended to be proposed by them to the bill. S. 1429, supra; as follows:

Page 226, strike lines 8 through 17, and insert the following:

SEC. 1. INCREASE IN MANDATORY SPENDING FOR CHILD CARE AND DEVELOPMENT BLOCK GRANTS.

Section 418(a)(5) of the Social Security Act (42 U.S.C. 618(a)(5)) is amended—

(1) in subparagraph (E), by striking ‘‘and’’ at the end; and

(2) in subparagraph (F), by striking the period at the end and inserting ‘‘; and’’; and

(3) by adding at the end the following:

‘‘(K) $4,010,000,000 for fiscal year 2005;

(L) $4,075,000,000 for fiscal year 2009.’’.

Page 226, strike lines 8 through 17, and insert the following:

(a) Maximum Rate of Tax Reduced to 53 Percent.—The table contained in section 2001(c)(2) is amended by striking the 2 highest brackets and inserting the following:

Over $2,500,000,000 ............... $1,025,800,000, plus 53 percent of the excess over $2,500,000.

(b) Repeal of Phaseout of Graduated Rates.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) Effective Dates.—

(1) Subsection (a).—The amendment made by subsection (a) shall apply to estates of decedents dying, and gifts made, after December 31, 2000.
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(2) Subsection (b).—The amendment made by subsection (a) shall apply to estates of decedents dying, and gifts made, after December 31, 2003.

BURNS AMENDMENT NO. 1453

(Ordered to lie on the table.)

Mr. BURNS submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

(1) A one-half of the amount described in subsection (a)(1) (taking into account any adjustments under subsection (b)), multiplied by

(B) the kilowatt hour equivalent of clean energy fuel—

(i) produced by the taxpayer,

(ii) at a qualified facility during the 5-year period beginning on the date the facility was originally placed in service, and

(iii) sold by the taxpayer to an unrelated person during the taxable year.

(2) IN GENERAL.—Section 45 (relating to credit for electricity produced from certain renewable resources) is amended by adding at the end the following new subsection:

"(e) PRODUCTION OF CLEAN ENERGY FUEL.—

"(1) IN GENERAL.—In the case of the production of clean energy fuel, the credit determined under subsection (a) for any taxable year is equal to the product of—

(A) one half of the amount described in subsection (a)(1) (taking into account any adjustments under subsection (b)), multiplied by

(B) the kilowatt hour equivalent of clean energy fuel—

"(i) produced by the taxpayer,

"(ii) at a qualified facility during the 5-year period beginning on the date the facility was originally placed in service, and

"(iii) sold by the taxpayer to an unrelated person during the taxable year.

"(C) January 1, 2001, to the extent such credit is attributable to the production of clean energy fuel."
SEC. 45E. CREDIT FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.

(a) General Rule.—For purposes of section 38, the computer donation credit determined under this section is an amount equal to 30 percent of the qualified computer contribution made to an organization or entity not described in section 45E(c) of the Internal Revenue Code of 1986, as amended by this Act, by individuals who have attained 60 years of age to improve job skills in computers.

(b) Increased Percentage for Contributions to Empowerment Zones, Enterprise Communities, and Indian Reservations.—In the case of a qualified computer contribution to an entity located in an empowerment zone or enterprise community designated under section 1391 or an Indian reservation (as defined in section 168(j)(b)), subsection (a) shall be applied by substituting ‘‘50 percent’’ for ‘‘30 percent’’.

(c) Certain Rules Made Applicable.—For purposes of this section, rules similar to the rules of paragraphs (1) and (2) of section 170(e)(1) and of section 170(e)(6)(A) shall apply.

(d) Termination.—This section shall not apply to taxable years beginning on or after the date which is 3 years after the date of the enactment of this Act.

(e) Limitation on Carryback.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

'(9) No carryback of computer donation credit reobserved effective date.—No amount of unused credits at the end of taxable year section 45E may be carried back to a taxable year beginning on or before the date of the enactment of this Act.'
(g) POINTS OF ORDER TO PROTECT SOCIAL SECURITY TRUST FUNDS.—(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget or any conference report thereon or amendment thereto, that would set forth an on-budget deficit for any fiscal year.

(2) SUBSEQUENT LEGISLATION.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

(A) the enactment of that bill or resolution as reported;

(B) the adoption and enactment of that amendment; or

(C) the enactment of that bill or resolution in the form recommended in that conference report, would cause or increase an on-budget deficit for any fiscal year.

(3) EXCEPTION.—The point of order set forth in paragraph (2) shall not apply to Social Security reform legislation or similar reform legislation as defined by section 9(c) of the Social Security and Medicare Safe Deposit Box Act of 1999.

(4) EMPLOYMENT.—For purposes of this section, the term ‘‘on-budget deficit’’, when applied to a fiscal year, means the deficit in the budget as set forth in the most recently agreed to concurrent resolution on the budget pursuant to section 301(a)(3) for that fiscal year.

(b) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—Section 301(a) of the Congressional Budget Act of 1974 is amended by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively, and by inserting after paragraph (5) the following new paragraph:

(6) the receipts, outlays, and surplus or deficit in the Federal Old-Age and Survivors Insurance Trust Fund, combined, established by title II of the Social Security Act, (c) SUPER MAJORITY REQUIREMENT.—(1) Section 904(c)(1) of the Congressional Budget Act of 1974 is amended by inserting ‘‘312(g),’’ and ‘‘310(d)(2),’’

(2) Section 312(d)(2) of the Congressional Budget Act of 1974 is amended by inserting ‘‘312(g),’’ after ‘‘310(d)(2),’’.

SEC. 4. REMOVING SOCIAL SECURITY FROM BUDGET PRONOUNCEMENTS.

(a) IN GENERAL.—Any official statement issued by the Office of Management and Budget, the Congressional Budget Office, or any other agency or instrumentality of the Federal Government of surplus or deficit totals of the budget of the United States Government as submitted by the President or of the surplus or deficit totals of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, combined, established by title II of the Social Security Act, (b) SEPARATE SOCIAL SECURITY BUDGET DOCUMENTS.—The excluded outlays and receipts of the old-age, survivors, and disability insurance program under title II of the Social Security Act, (c) Revenue Code of 1986.

and the related provisions of the Internal Revenue Code to enforce this paragraph.

(2) Distributions from a FFARRM Account may not be used to purchase, lease, or finance any new fishing vessel, add capacity to any fishery, or otherwise contribute to the overcapitalization of any fishery. The Secretary of Commerce shall implement regulations to enforce this paragraph.

(2) COMMERCIAL FISHING.—For purposes of this section, the term ‘‘commercial fishing’’ is (a) is employed by a person that is engaged in commercial fishing and operates a fishing vessel;

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defined under Section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1932) ".

(4) On page 221, line 5, strike "FARMING".
(5) On page 221, line 8, insert "or commercial fishing" before the period.
(6) On page 225, strike line 21, and insert in lieu thereof: "468B the following: "Sec. 468C. Farm. Fishing and Ranch Risk Management Accounts."

AMENDMENT No. 1461

At the appropriate place, insert the following new section.

SEC. 3. EXTENSION OF ACCELERATED COST RECOVERY TREATMENT FOR QUALIFIED PROPERTY ON INDIAN RESERVATIONS.

(a) Section 168(j) of the Internal Revenue Code of 1986 (relating to property on Indian reservations) is amended by striking "December 31, 2003" at the end of paragraph (1) and inserting "December 31, 2009".

BINGAMAN AMENDMENT No. 1462

(Ordered to lie on the table.)

Mr. BINGAMAN submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 4. SENSE OF THE SENATE REGARDING INVESTMENT IN EDUCATION.

(a) FINDINGS.—The Senate finds the following:
(1) The Republican tax plan requires cuts in discretionary spending of $775,000,000,000 over the next 10 years.
(2) If defense programs are funded at the level requested by the President, funding for domestic programs, including those providing funds for public schools, will have to be cut by at least 38 percent by 2009.
(3) Such cuts in funding for public schools would deny—
(A) access to critical early education services to 400,000 of the 835,000 young children who would otherwise be served by Head Start in fiscal year 2009.
(B) services to 5,900,000 children under the program for disadvantaged children under title I of the Elementary and Secondary Education Act of 1965, almost 1⁄2 of those who would otherwise be served;
(C) access to Reading Excellence programs to 480,000 children, making those children less likely to reach the goal of being able to read by the end of the third grade; and
(D) the opportunity to learn in smaller classes in the earlier grades to 2,000,000 children.
(4) If discretionary cuts are applied across the board, funding under the Individuals With Disabilities Education Act (IDEA) would be cut by $3,400,000,000 by the year 2009, resulting in a reduction in the Federal share of funding, rather than the increase in funding requested by school boards and administrators across the Nation.
(5) If the Federal share under IDEA is increased from its current level of 19 percent, then other education programs would experience even deeper reductions, denying more children access to services.
(6) The Pell grant, which benefits nearly 4,000,000 students, would have the maximum grant level reduced to $2175, from the current level of $3850.

(7) Such a level in Pell grants would be the lowest since 1967, and would deny low and middle income students critical financial aid, increasing the cost of attending college.

(8) Nearly 500,000 students would be denied the opportunity to work their way through college with the help of the work-study programs.

(9) Nearly 500,000 disadvantaged students would be denied extra help in preparing for college through the TRIO and Gear-up programs.

(b) Sense of the Senate.—It is the sense of the Senate that $132 million should be shifted from tax breaks that disproportionately benefit upper income taxpayers to sustain our investment in public education and prepare children for the 21st Century, including our investment in programs such as IDEA special education, Pell grant, and Head Start, and to fully fund the class size initiative.

STEVENS AMENDMENT No. 1463

(Ordered to lie on the table.)

Mr. STEVENS submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 375, redesignate existing subparagraph (E) as subparagraph (F) and insert the following new subparagraph:

(E) FISHING OPERATION.—In the case of a fishing operation using fish oil to generate heat, the term 'qualified facility' means any facility of the taxpayer placed in service before July 1, 2008.

On page 376, line 9 strike "and".

On page 376, line 10 insert at the end ";", and "(D) fish oil.".

On page 377, line 17 after the period insert the following new paragraph:

(F) FISH OIL.—The term 'fish oil' means fish oil used as an energy source by a taxpayer in connection with the fishing operation of the taxpayer.

On page 378, between lines 11 and 12 insert the following new subsections:

(6) FISH OIL. The term 'fish oil' means—
(A) fish oil used as an energy source by a taxpayer in connection with the fishing operation of the taxpayer; or
(B) fish oil used as an energy source by a taxpayer in connection with the fishing operation of the taxpayer.

SANTORUM (AND FEINSTEIN) AMENDMENT No. 1465

(Ordered to lie on the table.)

Mr. SANTORUM (for himself and Mrs. FEINSTEIN) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 286, line 18, strike "2004" and insert "2005".

On page 288, strike line 5 and insert:

(c) Adjustment of State Ceiling for Increases in Cost-of-Living.—Paragraph (3) of section 42(b) (relating to housing credit dollar amount for agencies), as amended by subsection (b), is amended by adding at the end the following new subparagraph:

(1) By the taxpayer—
(A) from qualified energy resources described in subsection (c)(1)(E), and
(B) at a qualified facility (including a fishing boat used in the fishing operation of the taxpayer).

(e) Conforming Amendments.—
(1) Section 38(b)(8) and section 38(d)(3) of the Internal Revenue Code of 1986 are each amended by striking "electricity" each place it appears and inserting "energy'.
(2) The table of contents for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 45 and inserting the following:

"Sec. 45. energy produced for certain renewable resources."
year by substituting "calendar year 2004" for "calendar year 1992" in subparagraph (B) thereof.

"(ii) ROUNDING.—Any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the nearest lowest multiple of 5 cents.

"(d) CONFORMING AMENDMENTS.— On page 386, line 19, strike "(d)" and insert "(e)".

On page 347, line 13, strike "2003" and insert "2004".

HOLLINGS AMENDMENT NO. 1466
(Ordred to lie on the table.)
Mr. HOLLINGS submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

Strike all after line 5 on page 1.

FRIST AMENDMENT NO. 1467
(Ordred to lie on the table.)
Mr. FRIST submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of the bill, add the following:

SEC. 5. SENSE OF THE SENATE ON MEDICARE RESERVE FUND.

(a) FINDINGS.—The Senate finds that—

(1) the Congressional budget plan has $505,000,000,000 over ten years in unallocated budget surpluses that could be used for long-term medicare reform, other priorities, or debt reduction;

(2) the Congressional budget resolution for fiscal year 2000 already has set aside $90,000,000,000 over ten years to serve fund for long-term medicare reform in- cluding prescription drug coverage;

(3) the President estimates that his medici- care proposal will cost $46,000,000,000 over 10 years; and

(4) thus the Congressional budget resolu- tion provides more than adequate resources for medicare reform, including prescription drugs.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) the unallocated on-budget surpluses over the next 10 years provide adequate re- sources and that the Congressional budget resolution for fiscal year 2000 provides a sound framework for allocating resources to medicare and for long-term medicare reform including prescription drug coverage;

(2) the President estimates that his medi- care proposal will cost $46,000,000,000 over 10 years; and

(3) Congress should act to accomplish these goals for the medicare program.

SNOWE AMENDMENT NO. 1468
(Ordred to lie on the table.)
Ms. SNOWE submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:

On page 32, strike lines 12 through 14, and insert:

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after the date of the enactment of this Act, but only with respect to any loan interest payment due after December 31, 2004.
(A) any item of gross income in respect of a decedent described in section 691, or (B) property which was acquired from the decedent by the surviving spouse of the decedent, the value of which would have been deductible from the value of the taxable estate of the decedent under section 2036, as in effect on the date before the date of enactment of the Taxpayer Refund Act of 1999; and

(3) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 11 is amended by adding at the end the following new item:

"Sec. 1022. Carryover basis for certain property acquired from a decedent dying after December 31, 2007."

Subtitle B—Reductions of Estate, Gift, and Generation-Skipping Transfer Taxes

SEC. 711. REDUCTIONS OF ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAXES.

(a) MAXIMUM RATE OF TAX REDUCED TO 35 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the 2 highest brackets and inserting the following:

<table>
<thead>
<tr>
<th>Gross Estate Amount</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,300,000 to $2,500,000</td>
<td>35%</td>
</tr>
<tr>
<td>$2,500,000 to $5,450,000</td>
<td>35%</td>
</tr>
<tr>
<td>$5,450,000 and over</td>
<td>35%</td>
</tr>
</tbody>
</table>

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—(1) Section 2010(a)(1), as in effect on the date of the enactment of the Taxpayer Refund Act of 1999, is amended by striking "$2,000,000" and inserting "$3,500,000".

(2) The amendments made by this section shall apply to estates of decedents dying after December 31, 2007.

SEC. 712. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—(1) ESTATE TAX.—Part IV of subchapter A of chapter 11 is amended by inserting after section 2051 the following new section:

"SEC. 2052. EXEMPTION AMOUNT.

(a) IN GENERAL.—For purposes of this section, the term "exemption amount" means the maximum amount which would be included in the gross estate of the decedent under any of the following provisions as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999:

(i) Section 2033.

(ii) Section 2040.

(iii) Section 2041.

(iv) Section 2042(a)(1).

(b) PROPERTY ACQUIRED BY SPOUSE.—Such term shall not include property described in paragraph (2)(B).

(c) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.

(b) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.

(1) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—(A) IN GENERAL.—Subparagraph (C) of section 1221(3) (defining capital asset) is amended by inserting "(other than by reason of section 1022)" after "is determined".

(2) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: "For purposes of this paragraph, the determination that a property is a capital asset shall be made without regard to the exception contained in section 1221(3)(C) for basis determined under section 2036(b)."

DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

(37) "Executive" means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.

(3) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 11 is amended by adding at the end the following new item:

"Sec. 1022. Carryover basis for certain property acquired from a decedent dying after December 31, 2007."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2007.

"(2) the sum of—

(a) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2004, and

(b) the aggregate amount of gifts for which credit was allowed by section 2503 (as in effect on the date before the date of the enactment of the Taxpayer Refund Act of 1999)."

(2) REPEAL OF UNIFIED CREDITS.—(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—(1)(A) Subparagraph (B) of section 2001(b)(1) is amended by inserting before the comma "reduced by" the amount described in section 2625(a)(2)".

(B) Subsection (b) of section 2001 is amended by adding at the end the following:

"(2) the exemption amount, as reduced by the amount of the uniform credit provided by section 2625."
under this paragraph shall be equal to the amount
of the exemption so allowed under section 2022 (for
the calendar year in which the decedent died) as the
value of the part of the decedent’s gross estate which
at the time of his death was situated in the United States
bears to the value of his entire gross estate where-
ever situated. For purposes of the preceding
sentence, property shall not be treated as situated
in the United States if such prop-
erty is exempt from the tax imposed by this
chapter under any treaty obligation of
the United States.

"(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2555 as in effect on the day before the date of the en-
actment of the Taxpayer Refund Act of 1999) with respect to any gift made by the dece-
dent, each dollar amount contained in sub-
paragraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be re-
duced by the exemption so allowed under
section 2521 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed)."

(18) The table of sections for subchapter A of chapter 11 is amended by striking the item
marked by chapter 11 of the Internal Revenue
Code of 1986, shall apply to estates of dece-
dents dying after December 31, 2004, and

(2) insofar as they relate to the tax im-
posed by chapter 12 of such Code, shall apply to gifts made after December 31, 2004.

Subtitle C—Simplification of Generation-
 Skipping Transfer Tax

ABRAHAM AMENDMENTS NOS. 1470–1471

(Ordered to lie on the table.)

Mr. ABRAHAM submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as fol-

AMENDMENT No. 1470

At the appropriate place, insert the
"SECTION SENSE OF THE SENATE ON CAPITAL GAINS TAX CUTS"

It is the Sense of the Senate that the Sen-
ate Conferences to any Conference Committee
considering H.R. 2468, shall recede to the
amendments made by the Senate to this bill, and the amount of the exemption allowed under section 2052, reduced by
the amount of the exemption allowed
under section 2052 or 2106(a)(4) in computing
the taxable estate.

(12) Section 2207 is amended by striking
"the taxable estate" in the first sentence
and inserting "the sum of the taxable estate and the amount of the exemption allowed under section 2052 or 2106(a)(4) in computing
the taxable estate".

(13) Subparagraph (B) of section 2207(b)(1) is amended by inserting "the same rule contained in H. Con. Res. 68:"

(14) Subsection (a) of section 2531 is amend-
ed by striking "section 2522" and inserting "section 2521".

(15) Paragraph (1) of section 6018(a) is amended by striking "the applicable exclu-
sion amount" and inserting "the exemption amount under section 2052 for the calendar year which includes the date of death".

(16) Subparagraph (A) of section 6601(1)(2) is amended to read as follows:

"(A)(i) the amount of the tax which would be
imposed by chapter 11 on an amount of taxable estate equal to the sum of $1,000,000 and the exemption amount allowable under
section 2052, reduced by
(ii) the amount of tax which would be so
imposed if the taxable estate equaled such
exemption amount, or"

(17) The table of sections for part II of sub-
chapter A of chapter 12 is amended by striking the item relating to section 2010.

(18) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2011;

(d) EFFECTIVE DATE.—The amendments
made by this section—

(1) insofar as they relate to the tax im-
posed by chapter 11 of the Internal Revenue
Code of 1986, shall apply to estates of dece-
dents dying after December 31, 2004, and

(2) insofar as they relate to the tax im-
posed by chapter 12 of such Code, shall apply to gifts made after December 31, 2004.

(13) Make the Medical Savings Account program permanent, repeal the $75,000 in-
come cap, allow an employer to provide these accounts, lower the minimum deduct-
able to at least $1,000, $2,000 for family cov-
erage, allow MSAs contributions equal to 100% of the deductible, allow both employer
and employee contributions, and allow MSAs to be part of cafeteria health plans;

(14) Accelerate the 100% deductibility of health insurance expenses for the self-em-
ployed;

(15) Increase small business equipment ex-
pensing limitations to $50,000 per year;

(16) Provide a permanent extension of the Research and Development Tax Credit;

(17) Allow farmers and ranchers to con-
tribute up to at least 20% of their annual in-
come to tax-deferred risk management ac-
counts, taxed as regular if withdrawn within
no more than five years, and subject to at
least a 10% penalty after that, and provide
that self-employment taxes are paid upon re-
ceipt of the income;

(18) Not exceed the revenue reduction rec-
cognized instructions contained in H. Con.
Res. 68;

(19) Sunset all provisions on some day in 2009.

HUTCHISON (AND OTHERS) AMENDMENT No. 1472

Mrs. HUTCHISON (for herself, Mr. ASHCROFT, and Mr. BROWNBACK) pro-
posed an amendment to the bill, S. 1429, supra; as follows:

(1) On page 15, line 14, insert the following paragraph (c):

"(c) Twice the dollar amount in effect under subparagraph (C) in the case of—

(1) a joint return for married individuals not filing a combined return after December 31, 2000; and

(2) a surviving spouse (as defined in section 2(a));"

On page 15, line 14, insert the following new paragraph (d) and reorder the remaining paragraphs accordingly:

(d) PHASE-IN.—In the case of taxable years beginning after January 1, 2004—

(1) paragraph (2)(A) shall be applied by substituting for "twice"—

(i) "1,778 times" in the case of taxable years beginning during 2001 and 2002;

(ii) "1,889 times" in the case of the taxable year 2003;

(2) Alternative Minimum Tax: Modifications to Section 266:

On page 32, line 3—

Strike "1998" and insert "2000".

On page 32, line 14—

Strike "2004" and insert "2006."

(3) AGI Limitations on Contributions to the Roth IRA: Modification to Sections 302–305:

On page 38, line 18, strike "2000" and insert "2002.

(4) Gift Tax Exclusion: Modification to Section 2503:

On page 236, line 11, strike all of Section 721 and insert the following new section:

SEC. 721. INCREASE IN ANNUAL GIFT EXCLUSION.

(a) In GENERAL.—Section 2503(b)(1) (relating to gifts over $10,000) is amended—

(1) by striking "$10,000." and inserting "$20,000."

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to gifts made after December 31, 2004.

(5) Charitable Contributions for Individuals Who Do Not Itemize: Modifications to Section 4906:

On page 262, strike lines 15 through 17 and insert the following new paragraph:

...
CONGRESSIONAL RECORD—SENATE
July 29, 1999

TORRICELLI AMENDMENTS
NO. 1473-1474

ORDERED TO LIE ON THE TABLE.

The amendment in the name of Mr. TORRICELLI was struck by the Yeas and Nays; 2
Yeas—Mr. LIEBERMAN, Mr. LATHAM, Mr. LIEBERMAN, Mr. LAUTENBERG, Mr. DODD. 2
Nays—Mr. WIEDEMANN, Mr. JORDAN. 1

Mr. TORRICELLI. I rise to unanimous consent to conserve time by permitting
the following:

Mr. TORRICELLI. I rise to unanimous consent to conserve time by permitting
the following:

Mr. TORRICELLI (for himself, Mr. LIEBERMAN, Mr. LAUTENBERG, Mr. DODD) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT NO. 1473
At the end of subtitle B of title III, insert:

SEC. 139. SEVERANCE PAYMENTS.
(a) IN GENERAL.—Section 402(g) (defining nondeductible contributions) is amended by adding at the end the following new paragraph:

"(7) SIMPLE CONTRIBUTIONS ON BEHALF OF DOMESTIC WORKERS.—The term 'nondeductible contributions' shall not include a contribution to any simplified employee pension or any simple retirement account with respect to which a deduction is not allowable under section 404 solely because such contribution constitutes remuneration paid for domestic services (within the meaning of section 3501) in a private home of the employer for which a deduction is not allowable under section 162.";

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions in taxable years beginning after December 31, 1999.

AMENDMENT NO. 1474
On page 371, between lines 16 and 17, insert the following:

SEC. 119. SEVERANCE PAYMENTS.
(a) IN GENERAL.—In the case of an individual, gross income shall not include any qualified severance payment.

(b) LIMITATION.—The amount to which the exclusion under subsection (a) applies shall not exceed $2,000 with respect to any separation from employment.

(c) QUALIFIED SEVERANCE PAYMENT.—For purposes of this section—

"(1) In general.—The term 'qualified severance payment' means any payment received by an individual if

"(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

"(B) such payment is related to such payment in connection with a reduction in the work force of the employer, and

"(C) such individual does not attain employment that is related to such separation within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employer-related period to which such payment is related.

"(2) LIMITATION.—Such term shall not include any payment received by an individual if the aggregate payments received with respect to the separation from employment exceed $75,000."

(b) EFFECTIVE DATE.—The table of sections for part III of subchapter B of chapter 1 of title 26, as amended by striking the item relating to section 139 and inserting the following new items:

"(Sec. 139. Severance payments.
"(Sec. 140. Cross references to other Acts.)"

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1999.

Beginning on page 98, strike all through page 103, line 3, and insert:

SEC. 402. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.
(a) ELIGIBLE DEFERRALS.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new section:

"(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.
(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.
(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of

"(i) the applicable percentage of the applicable dollar amount for such elective deferrals for such year, or

"(ii) the excess (if any) of—

"(I) the participant's compensation for the year, over

"(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in: The applicable percentage is:

2002 .........................................10 percent
2003 .........................................110 percent
2004 .........................................120 percent
2005 .........................................140 percent
2006 and thereafter .................150 percent."

(b) APPLICABLE PERSON.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in: The applicable percentage is:

2002 .........................................110 percent
2003 .........................................120 percent
2004 .........................................130 percent
2005 .........................................140 percent
2006 and thereafter .................150 percent."

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

On page 196, strike lines 4 through 9, and insert:

SEC. 404. EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.
(a) IN GENERAL.—Section 127(d) (relating to termination of exclusion for educational assistance programs), as amended by this Act, is amended by striking "May 31, 2000," and inserting "December 31, 2008."

TORRICELLI (AND OTHERS) AMENDMENT NO. 1475
(Designed to lie on the table.)

Mr. TORRICELLI (for himself, Mr. LIEBERMAN, Mr. LATHAM, and Mr. DODD) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:
(a) [omitted], United States Code, is amended by adding at the end the following:

Title...
Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification that—

(A) the area is one of pervasive poverty, unemployment, and general distress;

(B) the poverty rate and unemployment rate in the area, as determined by the most recent available data, was at least 1 1⁄2 times the national unemployment rate for the period to which such data relate;

(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for renewal communities under this section, the extent to which such areas have a high incidence of crime.

(5) CONSOLIDATION OF COMMUNITIES IDENTIFIED IN GAO STUDY.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the area involved.

(d) REQUIRED STATE AND LOCAL COMMITMENTS.

(1) IN GENERAL.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such government and the State in which such area is located certify in writing that the area is one of pervasive poverty, unemployment, and general distress; and

(B) the economic growth promotion requirements of paragraph (3) are met.

(2) COURSE OF ACTION.—A course of action meets the requirements of paragraph (3) if such course of action includes commitments from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employees, and residents from the renewal community.

(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS.—The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and the State, respectively, have repealed, or otherwise will not enforce within the area, if such area is designated as a renewal community:

(A) licensing requirements for occupations that do not ordinarily require a professional degree;

(B) zoning requirements on home-based businesses which do not create a public nuisance;

(C) permit requirements for street vendors which do not create a public nuisance;

(D) zoning or other restrictions that impede the formation of schools or child care centers; and

(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxi-cabs, jitneys, cable television, or trash hauling, except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

(4) COORDINATION WITH TREATMENT OF ECONOMIC GROWTH PROMOTION REQUIREMENTS.—For purposes of this title, if there are in effect with respect to the same area both—

(A) a designation as a renewal community; and

(B) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this subchapter—

(1) GOVERNMENTS.—If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

(2) STATE.—The term ‘State’ includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Marianas Islands, and any other possession of the United States.

(3) LOCAL GOVERNMENT.—The term ‘local government’ means—

(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development;

(C) the District of Columbia.

(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA.—The rules of sections 1392(b)(4) and 1393(a)(9) shall apply in determining the treatment of census tracts and census data.

PART II—RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

Sec. 1400F. Renewal community capital gain.

Sec. 1400G. Renewal community business defined.

Sec. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 6 years.

(b) QUALIFIED COMMUNITY ASSET.—For purposes of this section—

(1) IN GENERAL.—The term ‘qualified community asset’ means—

(A) a qualified community stock;

(B) any qualified community partnership interest; and

(C) any qualified community business property.

(2) QUALIFIED COMMUNITY STOCK.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘qualified community stock’ means any stock in a domestic corporation if—

(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

(ii) the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and

(iii) during substantially all of the taxpayer’s holding period for such stock, such corporation qualified as a renewal community business.

(B) RED EEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST.—The term ‘qualified community partnership interest’ means any interest in a domestic partnership if—

(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and

(C) during substantially all of the taxpayer’s holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

(4) QUALIFIED COMMUNITY BUSINESS PROPERTY.—

(A) IN GENERAL.—The term ‘qualified community business property’ means tangible property if—

(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

(ii) the original use of such property in the renewal community commences with the taxpayer; and

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(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

(ii) any land on which such property is located.

(C) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

For purposes of this part, the term 'renewal community business' means any entity or partnership which would be section 1400B business entity or qualified proprietorship under section 1397B if—

(1) in the case of certain renewal communities were substituted for references to empowerment zones in such section; and

(2) '80 percent' were substituted for '90 percent' in subsections (b)(2) and (c)(1) of such section.

PART III—FAMILY DEVELOPMENT ACCOUNTS

Sec. 1400H. Family development accounts for renewal community EITC recipients.

Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

SEC. 1400K. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

(A) ALLOWANCE OR DEDUCTION.—

(1) IN GENERAL.—There shall be allowed as a deduction—

(A) in the case of a qualified individual, the amount paid for the taxable year by such individual to any family development account for the benefit of such individual; and

(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account by a section 1400K donor (relating to demonstration program to provide matching amounts in renewal communities).

(B) LIMITATION.—

(1) IN GENERAL.—The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of—

(i) $2,000, or

(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by a qualified individual for any taxable year of such individual shall not exceed $1,000.

(C) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS

(1) IN GENERAL.—There shall be allowed as a deduction to any individual for any taxable year by reason of paragraph (1)(A) a deduction—

(a) ALLOWANCE OF DEDUCTION.—

(A) IN GENERAL.—There shall be allowed as a deduction to any individual for any taxable year by reason of paragraph (1)(A) a deduction—

(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

(ii) any land on which such property is located.

(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS.—The amount which may be designated under paragraph (1)(B) by a qualified individual for any taxable year of such individual shall not exceed $1,000.

(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS.—Rules similar to rules of section 212(c) shall apply to the limitation in paragraph (2)(A).

(4) COORDINATION WITH IRA'S.—No deduction shall be allowed under this section to any person on account of a contribution to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

(5) ROLLOVERS.—No deduction shall be allowed under this section with respect to any qualified rollover.

(b) TAX TREATMENT OF DISTRIBUTIONS.—

(1) INCLUSION OF AMOUNTS IN GROSS INCOME.—Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS.—Paragraph (1) shall not apply to any qualified family development distribution.

(3) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION.—For purposes of this section—

(A) IN GENERAL.—The term 'qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includable in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

(B) QUALIFIED FAMILY DEVELOPMENT EXPENSES.—The term 'qualified family development expenses' means any of the following:

(A) Qualified higher education expenses.

(B) Qualified first-time homebuyer costs.

(C) Qualified business capitalization costs.

(D) Qualified medical expenses.

(E) Qualified rollovers.

(F) QUALIFIED HIGHER EDUCATION EXPENSES.—

(A) IN GENERAL.—The term 'qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—The term 'postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(35) of such Act), as such sections are in effect on the date of the enactment of this section.

(C) COORDINATION WITH OTHER BENEFITS.—

The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

(D) QUALIFIED FIRST-TIME HOMEBUYER COSTS.—The term 'qualified first-time homebuyer costs' means qualified acquisition expenses (as defined in section 72(t)(8) without regard to subparagraph (B)) that are paid or incurred with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

(E) QUALIFIED BUSINESS CAPITALIZATION COSTS.—

(A) IN GENERAL.—The term 'qualified business capitalization costs' means qualified capitalization expenditures for an entity in which the individual is a partner or a shareholder (including a corporation treated as a partnership) and for a qualified development account pursuant to a qualified plan.

(F) QUALIFIED EXPENDITURES.—The term 'qualified expenditures' means any expenditure that is includible in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

(G) QUALIFIED BUSINESS.—The term 'qualified business' means any business that does not contravene any law.

(H) QUALIFIED PLAN.—The term 'qualified plan' means a business plan which meets such requirements as the Secretary may specify.

(I) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) that is paid or incurred by the individual.

(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS.

(A) IN GENERAL.—There is excluded from the amount of gross income of the individual the amount paid in cash for the taxable year by reason of paragraph (1) (relating to imposition of tax on unrelated business income of charitable, etc., organizations).

Notwithstanding any other provision of this title, the taxing authority creating the trust meets the following requirements:

(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))—

(A) no contribution will be accepted unless it is in cash; and

(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400K (relating to demonstration program to provide matching amounts in renewal communities)).

(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

(3) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means, for any taxable year, an individual—

(A) who is a bona fide resident of a renewal community throughout the taxable year; and

(B) to whom a credit was allowed under section 32 for the preceding taxable year.

(4) OTHER DEFINITIONS AND SPECIAL RULES.—
§ 1400L DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

(a) DESIGNATION.—

(1) DEFINITIONS.—For purposes of this section, the term ‘FDA matching demonstration area’ means any renewal community as defined in section 1400H(f), which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1) and—

(A) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with—

(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

(B) IN GENERAL.—If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account, or

(C) attributable to the account holder's being disabled within the meaning of section 1001(b); and

(D) payable to a family development account for any taxable year beginning after December 31, 2007.

(b) MANNER AND TIME OF DESIGNATION.—A demonstration area shall be designated by the Secretary under this subsection—

(1) at the time of filing the return of the tax imposed by this chapter for such taxable year.

(2) at any other time after the date which the tax imposed by this chapter for such taxable year is due.

(3) for purposes of thepreceding sentence, such amount contributed under this section shall be treated as attributable to amounts contributed under section 1400E(a)(5) for the taxable year of any qualified individual (as defined in section 1400E(f)) for the taxable year of the tax imposed by this chapter, such individual may designate a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The designation shall be made in such manner as the Secretary prescribes by regulations.

(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT PAYMENTS FOR DESIGNATED TO FAMILY DEVELOPMENT ACCOUNTS.—

(1) IN GENERAL.—With respect to the return of any qualified individual (as defined in section 1400E(f)) for the taxable year of the tax imposed by this chapter, such individual may designate a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The designation shall be made in such manner as the Secretary prescribes by regulations.

(d) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

(e) TERMINATION.—This section shall not apply to any taxable year beginning after December 31, 2007.

PART IV—ADDITIONAL INCENTIVES

Sec. 1400M. Commercial revitalization credit.

Sec. 1400L. Increase in expensing under section 179.
(a) GENERAL RULE.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

(b) APPLICABLE PERCENTAGE.—For purposes of this section—

(1) IN GENERAL.—The term ‘applicable percentage’ means—

(A) 5 percent for the taxable year in which a qualified revitalization building is placed in service, or

(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

(2) CREDIT PERIOD.—

(A) In General.—The term ‘credit period’ means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

(B) APPLICABLE RULES.—Rules similar to the rules under paragraphs (2) and (4) of section 42 shall apply for purposes of this section.

(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES.—For purposes of this section—

1. QUALIFIED REVITALIZATION BUILDING.—

The term ‘qualified revitalization building’ means any building (and its structural components) if—

(a) such building is located in a renewal community and is placed in service after December 31, 2000;

(b) a commercial revitalization credit amount is allocated to the building under subsection (e); and

(c) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

2. QUALIFIED REVITALIZATION EXPENDITURE.—

(A) In general.—The term ‘qualified revitalization expenditure’ means any expenditure—

(i) for property for which depreciation is allowable under section 168 and which is—

(I) nonresidential real property; or

(II) an addition or improvement to property described in subclause (I);

(ii) if in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 48(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

(B) DOLLAR LIMITATION.—The aggregate amount of credit may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of—

(i) $10,000,000, reduced by

(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building.

(C) CERTAIN EXPENDITURES NOT INCLUDED.—The term ‘qualified revitalization expenditure’ does not include—

(1) STRAIGHT LINE DEPRECIATION MUST BE USED.—Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 188. The preceding sentence shall not apply to the extent the alternative depreciation system of section 168 applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

(ii) ACQUISITION COSTS.—Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence (or its agent) owning such building shall be treated as a separate building.

(2) PROGRESS EXPENDITURE PAYMENTS.—Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

(1) IN GENERAL.—The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount which is allocable under this subsection to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(b).

(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCY.—

(A) IN GENERAL.—The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the commercial revitalization credit determined without regard to this clause.

(B) COMMERCIAL REVITALIZATION CREDIT AMOUNT.—The State commercial revitalization credit amount which a State may take into account under this section for any taxable year with respect to any building shall be zero unless—

(i) for each calendar year after 2000 and before 2008 is $2,000,000 for each renewal community business (as defined in section 1400E); and

(ii) the amount of any increase in permanent, full-time employment by reason of any project; and

(iii) the active involvement of residents and nonprofit groups within the renewal community; and

(C) which provides a procedure that the agency (or its agent) owning such building in monitoring compliance with this section.

(3) TERMINATION.—This section shall not apply to any building placed in service after December 31, 2007.

SEC. 1460L. INCREASE IN EXPENDING UNDER SECTION 179.

(a) GENERAL RULE.—In the case of a renewal community business (as defined in section 1400E), for purposes of section 179—

(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

(A) $35,000; or

(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community.

(c) QUALIFIED RENEWAL PROPERTY.—For purposes of this section—

(1) IN GENERAL.—The term ‘qualified renewal property’ means any property which section 168 applies (or would apply but for section 179) if—

(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

(B) such property would be qualified zone property (as defined in section 199) if the references to renewal communities were substituted for references to empowerment zones in section 199.

2. RULES TO APPLY.—The rules of subsections (a)(2) and (b) of section 199 shall apply for purposes of this section.

SEC. 602. EXTENSION OF EXPENDING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section 199(c)(defining targeted area) is amended by adding before paragraph (C) the following new subparagraph:

(B) COMMUNITY REDEVELOPMENT.—Subsection (h) of section 198 is amended by inserting before the period “(December 31, 2007, in the case of
SEC. 63. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES.

(a) Extension—Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

"(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES.--"(A) IN GENERAL.—In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 39(d)—

"(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to—

"(I) 15 percent of the qualified first-year wages for such year; and

"(II) 30 percent of the qualified second-year wages for such year;

"(ii) subsection (b)(3) shall be applied by substituting $10,000 for $6,500;

"(iii) paragraph (4)(B) shall be applied by substituting the taxable year referred to in subparagraph (A)(i) for the taxable year required to be determined in clause (i) of section 1400E of the renewal community referred to in subparagraph (B)(i) in effect; and

"(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

"(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES.—For purposes of subparagraph (A)—

"(i) in general.—The term 'qualified wages' means, with respect to each 1-year period referred to in clause (i) or (ii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if—

"(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

"(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

"(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in the zone (including its outermost region) in such renewal community.

"(ii) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered by the individual during the taxable year beginning with the day the individual begins work for the employer.

"(iii) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii)."

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS.—

(1) HIGH-RISK YOUTH.—Subparagraphs (A)(i) and (B) of section 51(d)(5) are each amended by striking "empowerment zone or enterprise community" and inserting "empowerment zone, enterprise community, or renewal community".

(2) QUALIFIED SUMMER YOUTH EMPLOYER.—Clause (iv) of section 51(d)(7)(A) is amended by striking "empowerment zone or enterprise community" and inserting "empowerment zone, enterprise community, or renewal community".

(c) BRAHINO—Paragraphs (5)(B) and (7)(C) of section 51(c) are each amended by inserting "or community" in the heading after "ZONE".

(d) INFORMATION RELATING TO CERTAIN TAXPAYER ITEMS AND ANNEXED TITLES.—Subsection (c) of section 6047 is amended—

"(1) by inserting "or section 1400H" after "section 219"; and

"(2) by inserting ', of any family development account described in section 1400H(e),", after "section 408(a)."

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION.—Clause (i) of section 6104(a)(1)(B) is amended by inserting "a family development account described in section 1400H(e),", after "section 408(a)."

(f) FAILURE TO REPORT ON FAMILY DEVELOPMENT ACCOUNTS.—Paragraph (2) of section 6603(a) is amended by striking "and" at the end of subparagraph (C), by striking the period and inserting "", and", and by adding at the end the following new subparagraph:

"(7) section 1400H(c)(6) (relating to family development accounts)."

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT.—

(1) Section 16 (relating to investment credit) is amended by striking out paragraph (2) and adding at the end the following new paragraph:

"(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K."

(2) Section 50(d) is amended by adding at the end the following new paragraph:

"(7) SEAGRAVE.—Subparagraph (A) of section 48(a)(2) is amended by inserting "or commercial revitalization" after "rehabilitation" each place it appears in the text and heading.

(3) Paragraph (C) of section 49(a)(1) is amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (iii) and inserting "; and", and by adding at the end the following new clause:

"(iv) the portion of the basis of any qualified revitalization building attributable to rehabilitation (respectively)" after "qualified rehabilitated building".

(4) Paragraph (2) of section 50(a) is amended by inserting "or section 1400K(d)(2)" after "section 47(d)" each place it appears.

(5) Paragraph (A) of section 50(a)(2) is amended by inserting "(or "section 1400K(d)(2)" after "section 47(d)" each place it appears.

(6) Paragraph (B) of section 50(a)(2) is amended by inserting "or qualified revitalization building (respectively)" after "qualified rehabilitated building".

(7) Paragraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: "A similar rule shall apply for purposes of section 1400K.

(8) Paragraph (B) of section 50(b) is amended by striking "and" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting "; and", and by adding at the end the following new subparagraph:

"(7) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis of the building which is attributable to qualified revitalization expenditures (as defined in section 1400K)."

(9) The last sentence of section 50(b)(3) is amended by striking "as read as follows: "If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for determining the amount of the rehabilitation credit or the commercial revitalization credit."

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(10) Subparagraph (C) of section 50(b)(4) is amended—
(A) by inserting "or commercial revitalization after "rehabilitated" in the text and heading; and
(B) by inserting "or commercial revitalization after "rehabilitated".

(11) Subparagraph (C) of section 469(c)(3) is amended—
(A) by inserting "or section 1400K" after "section 42;" and
(B) by striking "credit" in the heading and inserting "and commercial revitalization credit".

(c) CERTAIN CREDIT AMOUNTS TREATED AS STATE PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES.—For purposes of title IV of the Social Security Act, an amount equal to the amount of the revenue loss of a State during the fiscal year that is attributable to the charity tax credit, as determined under subsection (b), shall be treated as a State payment to the Secretary of the Treasury for temporary assistance for needy families under such title, taking into account the revenue effect amounts in section 2503(b)(2), as amended by section 1004(b)(2).

(d) PROVISIONS OF LAW.—The provisions of section 5301 of the Internal Revenue Code of 1986, as amended, shall be treated as a provision of law specified in subsection (a).

(1) the amount of the revenue loss of a State in each fiscal year that is attributable to the charity tax credit, as determined under subsection (b);
(2) the aggregate amount used by the State under subsection (a) during the fiscal year, shall be treated as an amount used during the fiscal year by the State to carry out a State program funded under part A of such title.

(e) EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, the Secretary shall submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

(f) PHASE-IN OF DESIGNATIONS OF RENEWAL COMMUNITIES.—For purposes of section 1400E(a)(2)(A) of the Internal Revenue Code of 1986 (as added by this title) the Secretary of Housing and Urban Development shall take into account the availability of revenues in the Treasury resulting from the application of subsection (a) in making any designation of a renewal community under such section.

SEC. 7. REVENUE OFFSET.

(a) IN GENERAL.—Notwithstanding any provision of, or amendment made by sections 1102 through 1114 and section 1116 of this Act, such sections shall only take effect for taxable years beginning after December 31, 2006.

(b) ADDITIONAL OFFSET.—The Secretary of the Treasury shall adjust the effective dates of the applicable Provisions of law under section 7212(a)(2) of this Act, as necessary to offset the decrease in revenues to the Treasury resulting from this enactment of this title, taking into account the revenue effect of subsection (a).

(c) PHASE-IN OF DESIGNATIONS OF RENEWAL COMMUNITIES.—For purposes of section 1400E(a)(2)(A) of the Internal Revenue Code of 1986 (as added by this title) the Secretary of Housing and Urban Development shall take into account the availability of revenues in the Treasury resulting from the application of subsection (a) in making any designation of a renewal community under such section.

Subtitle B—Assistance to States in Providing Charity Tax Credits

SEC. 11. AUTHORITY TO USE CERTAIN FEDERAL GRANT FUNDS FOR STATE CHARITY TAX CREDITS.

(a) IN GENERAL.—Notwithstanding any other provision of law, if there is in effect under State law a charity tax credit, then the State may use for any purpose not more than 50 percent of each total amount paid to the State during the fiscal year under each of the provisions of law specified in subsection (a) during a fiscal year shall not exceed an amount equal to 100 percent of the revenue loss of the State during the fiscal year that is attributable to the charity tax credit, as determined by the Secretary of the Treasury without regard to any such revenue loss occurring before the enactment of the legislation (as defined in section 1004(b)(2)).

(b) CERTAIN CREDIT AMOUNTS TREATED AS STATE PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES.—For purposes of title IV of the Social Security Act, an amount equal to the amount of the revenue loss of a State during the fiscal year that is attributable to the charity tax credit, as determined under subsection (b), shall be treated as an amount used by the State under subsection (a) during the fiscal year, shall be treated as an amount used during the fiscal year by the State to carry out a State program funded under part A of such title.

(d) PROVISIONS OF LAW.—The provisions of law specified in this subsection are the following:

(1) Paragraphs (1) through (4) of section 469(a) of the Social Security Act (42 U.S.C. 6093(a)), (2) The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9856-9856q) and section 418 of the Social Security Act (42 U.S.C. 610).


SEC. 12. DEFINITIONS.

(a) CHARITY TAX CREDIT.—For purposes of this title, the term "charity tax credit" means a nonrefundable credit against State income tax (or, in the case of a State which does not impose an income tax, a comparable benefit):—
(1) which is allowable only to an individual for a cash contribution to a qualified charity; and
(2) of which the maximum amount allowable to an individual for any taxable year does not exceed $50 ($100 in the case of a joint or combined return of individuals who are married to each other) in the first year the credit is available and such amount is increased by not more than $50 ($100 in the case of a joint or combined return of individuals who are married to each other) for each subsequent year (but not to exceed $250 ($500, if applicable)).

(b) QUALIFIED CHARITY.—For purposes of this title—
(1) in general.—The term "qualified charity" means any organization—
(A) which is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code; (B) which is certified by the appropriate State authority as meeting the requirements of paragraphs (3) and (4); and (C) which annually reports the information required to be furnished under paragraph (5) and if such organization is otherwise required to file a return under section 6033 of such Code, which elects to treat the information furnished as described in subsection (b) of such Code.

(2) CERTAIN CONTRIBUTIONS TO COLLECTION ORGANIZATIONS TREATED AS CONTRIBUTIONS TO QUALIFIED CHARITY.—
(A) in general.—A contribution to a collection organization shall be treated as a contribution to a qualified charity if the donee organizations in writing that the contribution is for the qualified charity.

(B) COLLECTION ORGANIZATION.—The term "collection organization" means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code—
(i) which solicits and collects gifts and grants which, by agreement, are distributed to qualified charities described in paragraph (1);
(ii) which distributes to qualified charities described in paragraph (1) at least 90 percent of the gifts and grants received that are designated for such qualified charities; and
(iii) which meets the requirements of paragraphs (3) and (4).

(3) CHARITY MUST PRIMARILY ASSIST POOR INDIVIDUALS.—
(A) in general.—An organization meets the requirements of this paragraph if—
(i) the predominant activity of such organization will be the provision of direct services to individuals and families; and
(ii) the incomes of individuals and families for purposes of subparagraph (A) if such individuals or families are members of groups which are generally recognized as including substantially only individuals and families described in subparagraph (A).

(C) FOOD AID AND HOMELESS SHELTER.—Except as otherwise provided by the appropriate State authority, for purposes of subparagraph (A), services to individuals in the form of—
(i) donations of food or meals; or
(ii) temporary shelter to homeless individuals, shall be treated as provided to individuals described in subparagraph (A) if the location and operation of such services are such that the service provider may reasonably conclude that the beneficiaries of such services are predominantly individuals described in subparagraph (A).

(4) MINIMUM EXPENSE REQUIREMENT.—
(A) in general.—An organization meets the requirements of this paragraph only if the appropriate State authority reasonably expects that the annual poverty program expense of such organization will not be less than 75 percent of the annual aggregate expense of such organization.

(B) POVERTY PROGRAM EXPENSE.—For purposes of subparagraph (A)—
(i) in general.—The term "poverty program expense" means any expense paid or incurred in providing program services described in paragraph (3).

(ii) EXCEPTIONS.—Such term shall not include—
(I) any management or general expense;
(II) any expense for the purpose of influencing legislation (as defined in section 1004(b)(2)); or
(III) any expense for the purpose of fundraising;
IV. any expense for a legal service provided on behalf of any individual described in paragraph (3); and
(V) any expense which consists of a payment to an affiliate of the organization.
(b) REQUIREMENT.—The information required to be furnished under this paragraph—
(A) each category of services (including food, shelter, education, substance abuse, job training, or otherwise) which constitutes the predominant activities of the organization; and
(B) the percentages determined by dividing the categories of the organization’s expenses for the year by the total expenses of the organization for the year, including—
(i) program services;
(ii) management expenses;
(iii) general expenses;
(iv) fundraising expenses; and
(v) payments to affiliates.
(6) ADDITIONAL REQUIREMENTS FOR SOLICITATION ORGANIZATIONS.—The requirements of this paragraph are met if the organization—
(A) maintains separate accounting for revenues and expenses; and
(B) makes available to the public administrative and fundraising costs and information regarding any organization receiving funds from the organization and the amount of such funds.
(7) RECOMMENDATIONS.—It is recommended, but not required, that—
(A) the definition of “qualified charity” be further limited under State law to an organization—
(i) which has been operating for at least 1 year or is controlled by, or operated under the auspices of, an organization which has been operating for at least 1 year; and
(ii) with expenses for the purpose of influencing legislation, litigation on behalf of any individual described in paragraph (3), voter registration, political organizing, public policy advocacy, or public policy research in an amount not in excess of 5 percent of the total expenses of the organization;
(B) included in subsection (a)(2) the amount of the charity tax credit be equal to at least 50 percent and not more than 90 percent of the amount of the individual’s cash contributions of a qualified charity;
(C) contributions made not later than the time prescribed by law for filing the return of the State income tax for a taxable year (not including extensions thereof) be treated as made (at the taxpayer’s election) on the last day of such year.
(S) SPECIAL RULE FOR STATES REQUIRING TAX UNIFORMITY.—In the case of a State—
(A) which has a constitutional requirement of tax uniformity; and
(B) which, as of December 31, 1997, imposed a tax of personal income with—
(i) a single flat rate applicable to all earned and unearned income (except insofar as any amount is not taxed pursuant to tax forgiveness provisions thereof) and
(ii) no generally available exemptions or deductions to individuals, the requirement of subsection (a)(2) shall be treated as met if the amount of the credit is limited to a uniform percentage (but not greater than 25 percent) of State personal income tax liability (determined without regard to credits).
(6) COORDINATION WITH FEDERAL CHARITABLE CONTRIBUTION DEDUCTION.—The amount of the deduction allowed under the Internal Revenue Code of 1986 for contributions which are taken into account in determining any charity tax credit shall be reduced by the amount of such credit which is allowed.
(C) STATE.—For purposes of this subtitle, the term “State” means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, or any territory or possession of the United States.
SEC. 13. STUDY AND REPORT.
(a) STUDY.—The Comptroller General of the United States shall conduct a study of the effects of the charity tax credit under this subtitle, including—
(1) the types of organizations which receive contributions during the first year to which the credit applies; and
(2) the types of services provided to the poor by such organizations.
(b) REPORT.—The Comptroller General shall report to Congress the results of such study, including—
(1) the geographical distribution of funding from charity tax credit contributions, and an analysis of the information provided on the annual returns required under section 6033 of the Internal Revenue Code of 1986 with respect to all such grants; and
(2) recommendations for legislative changes.
SEC. 14. EFFECTIVE DATE.
This subtitle shall take effect on January 1, 2000.

Subtitle C—Revenue Offset
SEC. 21. REDUCTION OF EARNED INCOME CREDIT FOR INDIVIDUALS WITHOUT CHILDREN.
(a) IN GENERAL.—The table in subparagraph (A) of section 32(b)(1) (relating to percentages) is amended by striking the item relating to no qualifying children and inserting the following:
“no qualifying children .......... 3.825 7.65.”
(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

AMENDMENT No. 1477
On page 371, between lines 16 and 17, insert the following:
TITtE.—ASSISTANCE TO STATES IN PROVIDING CHARITY TAX CREDITS AND REVENUE OFFSET

Subtitle A—Assistance to States in Providing Charity Tax Credits
SEC. 90. AUTHORITY TO USE CERTAIN FEDERAL GRANT FUNDS FOR STATE CHARITY TAX CREDIT.
(a) IN GENERAL.—Notwithstanding any other provision of law, if there is in effect under State law a charity tax credit, then the State may use for any purpose not more than 50 percent of each total amount paid to the State during the fiscal year under each of the provisions of law specified in subsection (d).
(b) LIMITATION.—The aggregate amount a State may use under subsection (a) during a fiscal year shall not exceed an amount equal to 100 percent of the revenue loss of the State during the fiscal year that would be attributable to the charity tax credit, as determined by the Secretary of the Treasury without regard to any such revenue loss occurring in an amount not in excess of 5 percent of the charity tax credit.
(c) CERTAIN CREDIT AMOUNTS TREATED AS STATE PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDED FAMILIES.—For purposes of this section of the Social Security Act, an amount equal to the excess (if any) of—
(1) the amount of the revenue loss of a State (not to exceed 100 percent) during a fiscal year that is attributable to the charity tax credit, as determined under subsection (b); and
(2) the aggregate amount used by the State under subsection (a) during the fiscal year, shall be treated as an amount used during the fiscal year by the State to carry out a State program funded under part A of such title.

Subtitle B—Provisions of Law
(8) PROVISIONS OF LAW.—The provisions of law specified in this subsection are the following:
(1) Paragraphs (1) through (4) of section 409(a) of the Social Security Act (42 U.S.C. 600(a)).
(6) Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

SEC. 92. DEFINITIONS.
(a) CHARITY TAX CREDIT.—For purposes of this subtitle, the term “charity tax credit” means a nonrefundable credit against State income tax (or, in the case of a State which does not impose an income tax, a comparable benefit)—
(1) which is allowable only to an individual for a cash contribution to a qualified charity; and
(2) of which the maximum amount allowable to an individual for any taxable year does not exceed $50 ($100 in the case of a joint or combined return of individuals who are married to each other) in the first year the credit is available and such amount is increased by not more than $50 ($100 in the case of a joint or combined return of individuals who are married to each other) for each subsequent year (but not to exceed $250 [$500, if applicable])
(b) QUALIFIED CHARITY.—For purposes of this subtitle—
(1) IN GENERAL.—The term “qualified charity” means any organization—
(A) which is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code;
(B) which is certified by the appropriate State authority as meeting the requirements of paragraphs (3) and (4); and
(C) which annually reports the information required to be furnished under paragraph (5) and if such organization is otherwise required to file a return under section 6033 of such Code, which elects to treat the information reported on such return as comparable to the information required to be furnished under paragraphs (3) and (5) of section 6033 of such Code.
(2) CERTAIN CONTRIBUTIONS TO COLLECTION ORGANIZATIONS TREATED AS CONTRIBUTIONS TO QUALIFIED CHARITY.—
(A) IN GENERAL.—A contribution to a collection organization shall be treated as a contribution to a qualified charity if the donor designates in writing that the contribution is for the qualified charity.
(B) COLLECTION ORGANIZATION.—The term ‘‘collection organization’’ means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code—

(i) which solicits and collects gifts and grants, as payee under any agreement, are distributed to qualified charities described in paragraph (1);

(ii) which distributes to qualified charities described in paragraph (1) at least 90 percent of the gifts and grants received that are designated for such qualified charities; and

(iii) which meets the requirements of paragraph (6).

(3) CHARITY MUST PRIORITIZE POOR INDIVIDUALS.—

(A) IN GENERAL.—An organization meets the requirements of this paragraph only if the appropriate State authority reasonably expects that the predominant activity of such organization will be the provision of direct services within the United States to individuals and families whose annual incomes generally do not exceed 183 percent of the official poverty line (as defined by the Office of Management and Budget) in order to prevent or alleviate poverty among such individuals and families.

(B) NO RECORDKEEPING IN CERTAIN CASES.—

An organization shall not be required to establish or maintain records with respect to the incomes of individuals and families for purposes of subparagraph (A) if such individuals or families are members of groups which are generally recognized as including substantially only individuals and families described in subparagraph (A).

(C) FOOD AND HOMELESS SHELTERS.—Except as otherwise provided by the appropriate State authority, for purposes of subparagraph (A), services to individuals in the form of—

(i) donations of food or meals; or

(ii) temporary shelter to homeless individuals,

shall be treated as provided to individuals described in subparagraph (A) if the location and operation of such services are such that the service provider may reasonably conclude that the beneficiaries of such services are predominantly individuals described in subparagraph (A).

(4) MINIMUM EXPENSE REQUIREMENT.—

(A) IN GENERAL.—An organization meets the requirements of this paragraph only if—

(i) each category of services (including food, shelter, education, job training, or otherwise) which constitutes the predominant activities of the organization; and

(ii) the percentages determined by dividing the categories of the organization’s expenses for the year by the total expenses of the organization for the year, including—

(A) program services;

(B) management expenses;

(C) general expenses;

(D) fundraising expenses; and

(E) payment of other expenses.

(B) NO RECORDKEEPING IN CERTAIN CASES.—The requirements of this paragraph are met if the organization—

(i) maintains separate accounting for revenues and expenses; and

(ii) makes available to the public administrative and fundraising costs and information regarding any organization receiving funds from the organization and the amount of such funds.

(7) RECOMMENDATIONS.—It is recommended, but not required, that—

(A) the definition of ‘‘qualified charity’’ be further limited under State law to an organization—

(i) which has been operating for at least 1 year or is controlled by, or operated under the auspices of, an organization which has been operating for at least 1 year; and

(ii) with expenses that include provisions of influencing legislation, litigation on behalf of any individual described in paragraph (3), voter registration, political organizing, public policy advocacy, or public policy research in an amount not in excess of 5 percent of the total expenses of the organization;

(B) except as provided in subsection (a)(2), the amount of the charity tax credit shall be equal to at least 50 percent and not more than 90 percent of the amount of the individual’s cash contribution to a qualified charity; and

(C) contributions made not later than the time prescribed by law for filing the return of the State income tax for a taxable year (not including extensions thereof) be treated as made (at the taxpayer’s pleasure) on the last day of such year.

(8) SPECIAL RULE FOR STATES REQUIRING TAX UNIFORMITY.—In the case of a State—

(A) which has a constitutional requirement of tax uniformity; and

(B) which, as of December 31, 1997, imposed a tax on personal income with—

(i) a single flat rate applicable to all earned and unearned income (except insofar as any amount is not taxed pursuant to tax forgiveness provisions); and

(ii) no generally available exemptions or deductions to individuals, the requirement of subsection (a)(2) shall be treated as met if the amount of the credit is limited to a uniform percentage (but not greater than 25 percent) of State personal income tax liability (determined without regard to credits).

(9) COORDINATION WITH FEDERAL CHARITABLE CONTRIBUTION DEDUCTION.—The amount of the deduction allowed under the Internal Revenue Code of 1986 for contributions which are any charitable contribution for which any charity tax credit shall be reduced by the amount of such credit which is allowed.

(c) STATE.—For purposes of this subtitle, the term ‘‘State’’ means each of the several States, the District of Columbia, the Commonwealth of the Northern Mariana Islands, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, any other territory or possession of the United States.
of the Office of Management and Budget; and

(2) Number of designations.—

(A) In General.—The Secretary of Housing and Urban Development may designate not more than 100 nominated areas as renewal communities.

(B) Minimum designation in rural areas.—If the area designated under paragraph (1), at least 20 percent must be areas—

(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000, or

(ii) is entirely within an Indian reservation.

For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

(C) Priority for empowerment zones and enterprise communities with respect to first half of designations.—With respect to the first 50 percent of the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3).

(D) Areas designated based on degree of poverty, etc.—

(i) In General.—Except as otherwise provided in the nomination process, any nominated area designated as a renewal community under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subsections (A), (B), and (C) of section 14(k)(2)(B), or

(ii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(iii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(iv) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(v) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(vi) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(vii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(viii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(ix) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(x) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xi) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xiii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xiv) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xv) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xvi) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xvii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xviii) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xix) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(xx) which are outside of a metropolitan statistical area (within the meaning of section 14(k)(2)(B), or

(2) Period for which designation is in effect.—

(A) In General.—Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the date the termination date designated under subsection (a) only if the area meets the requirements of paragraph (3).

(B) Revocation of designation.—The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located—

(i) has modified the boundaries of the area, or

(ii) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d),

(2) and is designed to reduce the various burdens borne by employers or employees in such area; and

(B) the economic growth promotion requirements of paragraph (3) are met.

(3) Required state and local commitments.—

(A) In General.—A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, outputs, and timetables. Such course of action shall include at least five of the following:

(i) A reduction of tax rates or fees applying within the renewal community.

(ii) An increase in the level of efficiency of local services within the renewal community.

(1) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

(2) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

(3) Involvement in the program by private entities, organizations, neighborhood groups, or community entities, particularly those in the renewal community, including a commitment from such private


(4) Consideration of high incidence of crime.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

(5) Consideration of communities identified in GAO study.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

(6) Required state and local commitments.

(1) In General.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such government and the local government or community-based organizations, which evidences a partnership between such State or government and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, outputs, and timetables. Such course of action shall include at least five of the following:

(i) A reduction of tax rates or fees applying within the renewal community.

(ii) An increase in the level of efficiency of local services within the renewal community.

(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

(v) Involvement in the program by private entities, organizations, neighborhood groups, or community entities, particularly those in the renewal community, including a commitment from such private

(1) Publication of regulations.—The Secretary of Housing and Urban Development shall publish by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

(i) the procedures for nominating an area under paragraph (1)(A); and

(ii) the parameters relating to the size and population characteristics of a renewal community; and

(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

(2) Time limitations.—The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless—

(i) the local governments and the States in which a nominated area is located have the authority—

(ii) to nominate such area for designation as a renewal community;

(iii) to meet such local and local commitments as described in subsection (d); and

(iv) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled.

(3) Nomination process for Indian reservations.—For purposes of this subsection, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

(4) Termination date designated by Secretary.—The termination date designated under subsection (a) only if the area meets the requirements of paragraph (3).

(5) Consideration of communities identified in GAO study.—The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

(6) Required state and local commitments.

(1) In General.—The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if—

(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such government and the local government or community-based organizations, which evidences a partnership between such State or government and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, outputs, and timetables. Such course of action shall include at least five of the following:

(i) A reduction of tax rates or fees applying within the renewal community.

(ii) An increase in the level of efficiency of local services within the renewal community.

(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

(v) Involvement in the program by private entities, organizations, neighborhood groups, or community entities, particularly those in the renewal community, including a commitment from such private


entities to provide jobs and job training for,
and technical, financial, or other assistance
to, employers, employees, and residents from
the renewal community.
"(vi) State or local income tax benefits for
fees paid for services performed by a non-
governmental entity which were formerly
performed by a governmental entity.
"(vii) The gift (or sale at below fair market
value) of surplus real property (such as land,
homes, and commercial or industrial struc-
tures) in the renewal community to neigh-
borhood organizations, community develop-
ment corporations, or private companies.
"(B) RECOGNITION OF PAST EFFORTS.—For
purposes of this section, in evaluating the
course of action agreed to by any State or
local government, the Secretary of Housing
and Urban Development shall take into ac-
count the past efforts of such State or local
government in reducing the various burdens
borne by employers and employees in the
area involved.
"(3) ECONOMIC GROWTH PROMOTION
REQUIREMENTS.—The economic growth promo-
tion requirements of this paragraph are met
with respect to a nominated area if the local
government and the State in which such area
is located certify in writing that such govern-
ment and the State in which such area is
located certify in writing that such govern-
ment and the State in which such area is
designated as a renewal community.
"(A) Licensing requirements for occupa-
tions that do not ordinarily require a pro-
fessional degree;
"(B) zoning restrictions on home-based
businesses which do not create a public nui-
ance;
"(C) permit requirements for street ven-
dors who do not create a public nuisance;
"(D) zoning or other restrictions that im-
pede the formation of schools or child care
centers; and
"(E) franchises or other restrictions on
competition for businesses providing public
services, including but not limited to taxi-
cabs, jitneys, cable television, or trash haul-
ing,
except to the extent that such regulation of
businesses and occupations is necessary for
and well-tailored to the protection of health
and safety.
"(4) COORDINATION WITH TREATMENT OF
EMPLOYMENT OPPORTUNITIES FOR ENTERPRISE
COMMUNITIES.—For purposes of this title, if there
are in effect with respect to the same area
both—
"(1) a designation as a renewal community;
and
"(2) a designation as an empowerment zone
or enterprise community,
both of such designations shall be given full
effect with respect to such area.
"(1) DEFINITIONS AND SPECIAL RULES.—For
purposes of this subchapter—
"(1) GOVERNMENTS.—If more than one
government seeks to nominate an area as a re-
newal community, any reference to, or re-
quirement of, this section shall apply to all
such governments.
"(2) STATE.—The term ‘State’ includes
Puerto Rico, the Virgin Islands of the United
States, Guam, American Samoa, the North-
ern Mariana Islands, and any other posses-
sion of the United States.
"(3) LOCAL GOVERNMENT.—The term ‘local
government’ means—
"(A) any county, city, town, township,
parish, village, or other general purpose poli-
Ital subdivision of a State;
"(B) any combination of political subdivi-
sions described in subparagraph (A) recog-
nized by the Secretary of Housing and Urban
Development;
"(C) the District of Columbia.
"(4) APPLICATION OF RULES RELATING TO
CENSUS TRACTS AND CENSUS DATA.—The rules
of sections 1392(b)(4) and 1393(a)(9) shall
apply.
"PART II—RENEWAL COMMUNITY CAP-
ITAL GAIN; RENEWAL COMMUNITY BUSI-
NESS
"Sec. 1400F. Renewal community capital
gain.
Sec. 1400G. Renewal community business
defined.
"SEC. 1400F. RENEWAL COMMUNITY CAPITAL
GAIN; RENEWAL COMMUNITY BUSINESS
"(a) GENERAL RULE.—Gross income does
not include any qualified capital gain recog-
nized on the sale or exchange of a qualified
community asset held for more than 5 years.
"(b) QUALIFIED COMMUNITY ASSET.—For
purposes of this section—
"(1) IN GENERAL.—The term ‘qualified com-
munity asset’ means—
"(A) any qualified community stock;
"(B) any qualified community partnership
interest; and
"(C) any qualified community business
property.
"(2) QUALIFIED COMMUNITY STOCK.—
"(A) IN GENERAL.—Except as provided in
paragraph (b)(2), the term ‘qualified com-
munity stock’ means any stock in a domes-
tic corporation if—
"(i) such stock is acquired by the taxpayer
during the taxable year of the taxpayer or
within the taxable year following the taxa-
table year as to which such stock is acquired;
and
"(ii) during substantially all of the tax-
able year, the person who held the stock
was a qualified community business
property.
"(B) REDEMPTIONS.—A rule similar to the
rule of section 1392(c)(3) shall apply for pur-
poses of this paragraph.
"(3) QUALIFIED COMMUNITY PARTNERSHIP
INTEREST.—The term ‘qualified community
partnership interest’ means any interest in a
partnership if—
"(A) such interest is owned by the taxpayer
during the taxable year of the taxpayer or
within the taxable year following the taxa-
table year as to which such interest was
owned; and
"(B) during substantially all of the tax-
able year, the person who owned the
interest was a qualified community busi-
ness property.
"(4) QUALIFIED COMMUNITY BUSINESS
PROPERTY.—The term ‘qualified community
business property’ includes—
"(A) in general.—The term ‘qualified
community business property’ means tan-
gible property that—
"(i) such property was acquired by the tax-
payer by purchase (as defined in section
179(d)(2)) after December 31, 2000, and before
January 1, 2008; and
"(ii) during substantially all of the tax-
able year, the person who owned the
property was the owner of the property;
and
"(B) persons donating to family develop-
ment accounts of others.—The amount
which may be designated under paragraph
(1) by any qualified individual for any
taxable year of such individual shall not ex-
cede $1,000.
as provided in section 25A(g)(2). The amount of qualified higher education expenses included in a qualified plan, including capital equipment, working capital, and inventory expenses.

(C) QUALIFIED BUSINESS.—The term ‘qualified business’ means any business that does not contravene any law.

(D) QUALIFIED PLAN.—The term ‘qualified plan’ means a business plan which meets such requirements as the Secretary may specify.

(6) QUALIFIED MEDICAL EXPENSES.—The term ‘qualified medical expenses’ means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

(7) QUALIFIED ROLLOVERS.—The term ‘qualified rollover’ means any amount paid from a family development account of a taxpayer into another such account established for the benefit of—

(A) such taxpayer, or

(B) any other individual who—

(i) the spouse of such taxpayer, or

(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rights of section 408(d)(3) shall apply for purposes of this paragraph.

(d) TAX TREATMENT OF ACCOUNTS.—

(1) IN GENERAL.—Any family development account is exempt from taxation under this section, the term ‘qualified individual’ includes any person in such an account is zero.

(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS.—For purposes of this section, rules similar to the rules of section 408(e) shall apply.

(3) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

(e) FAMILY DEVELOPMENT ACCOUNT.—For purposes of this title, the term ‘family development account’ means a trust created or maintained in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

(1) Except in the case of a qualified rollover as defined in section (c)(7)—

(A) no contribution will be accepted unless it is in cash; and

(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contributions or distributions under section 408(a) relating to demonstration program to provide matching amounts in renewal communities).

(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

(f) QUALIFIED INDIVIDUAL.—For purposes of this section, the term ‘qualified individual’ means, for any taxable year, an individual—

(1) who is a bona fide resident of a renewal community throughout the taxable year; and

(2) to whom a credit was allowed under section 32 for the preceding taxable year.

"(g) OTHER DEFINITIONS AND SPECIAL RULES.—"
paid to a family development account for any taxable year beginning after December 31, 2007.

"SEC. 1400L. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

"(a) Designation.—

"(1) Definitions.—For purposes of this section, the term 'FDA matching demonstration area' means any renewal community—

"(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1); and

"(B) the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with—

"(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

"(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

"(2) Number of Designations.—

"(A) In General.—The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

"(B) Minimum Designation in Rural Areas.—Of the areas designated under paragraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

"(3) Limitations on Designations.—

"(A) Regulations.—The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)—

"(i) the procedures for nominating a renewal community under paragraph (1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E); and

"(ii) in which nominated renewal communities will be evaluated for purposes of this section.

"(B) Time Limitations.—The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in paragraph (A) are prescribed.

"(4) Designation Based on Derber of Poverty, etc.—The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

"(5) Find for Which Designation Is in Effect.—Any designation of a renewal community as an FDA matching demonstration area in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

"(c) Contributions to Family Development Accounts.—

"(1) In General.—Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 14002(b))—

"(A) who is a resident throughout the taxable year of an FDA matching demonstration area; and

"(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year.

"(2) Limitation.—The amount deposited to a family development account for any taxable year is not more than $2000 under paragraph (1) with respect to any individual for any taxable year.

"(3) Exclusion from Income.—Except as provided in section 1400E(a)(2)(B), the Secretary shall so deposit such income as not included in a family development account under paragraph (1).

"(d) Notice of Program.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

"(e) Termination.—No amount may be deposited under this section for any taxable year if the Secretary determines that such designation is no longer in compliance with the terms and conditions of such designation.

"SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEVELOPMENT ACCOUNTS.

"(a) In General.—With respect to the return of any qualified individual (as defined in section 1400E(f)) for the tax year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such tax year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual.

"(b) Manner and Time of Designation.—

"(1) In General.—The Secretary shall so designate such portion designated under subsection (a).

"(2) At any other time (after the time of filing of the return of the tax imposed by this chapter for such taxable year), the Secretary shall so designate such portion designated under subsection (a).

"(c) Portion Attributable to Earned Income Tax Credit.—For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit with respect to the credit period for such taxable year which is—

"(i) before the date on which the return for such taxable year is filed; or

"(ii) after the date on which the return for such taxable year is filed and before the date on which the Secretary determines the amount of such overpayment.

"(d) Credits.—No amount may be deposited under subsection (a) if such overpayment does not exceed the credit which the taxpayer is allowed under section 32 for the taxable year.

"(e) Notice of Program.—The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

"SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

"(a) General Rule.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditure with respect to any qualified revitalization building.

"(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

"(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

"(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

"(2) Election.—The election under subparagraph (B), once made, shall be irrevocable.

"(c) Qualified Revitalization Buildings and Expenditures.—For purposes of this section—

"(1) Qualified Revitalization Building.—The term 'qualified revitalization building' means any building (and its structural components) if—

"(A) such building is located in a renewal community and is placed in service after December 31, 2000; and

"(B) a commercial revitalization credit amount is allocated to the building under subsection (e); and

"(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

"(2) Qualified Revitalization Expenditure.—

"(A) In General.—The term 'qualified revitalization expenditure' means any amount that is allowable under section 168 and which is—

"(i) nonresidential real property; or

"(ii) any such expenditures with respect to any qualified revitalization building.

"(B) Applicable Rules.—Rules similar to the rules under paragraphs (2) and (4) of section 168 shall apply.

"(C) Qualified Revitalization Buildings and Expenditures.—For purposes of this section—

"SEC. 1400L. COMMERCIAL REVITALIZATION CREDIT.

"(a) General Rule.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditure with respect to any qualified revitalization building.

"(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

"(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

"(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

"(2) Election.—The election under subparagraph (B), once made, shall be irrevocable.

"(c) Qualified Revitalization Buildings and Expenditures.—For purposes of this section—

"(1) Qualified Revitalization Building.—The term 'qualified revitalization building' means any building (and its structural components) if—

"(A) such building is located in a renewal community and is placed in service after December 31, 2000; and

"(B) a commercial revitalization credit amount is allocated to the building under subsection (e); and

"(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

"(2) Qualified Revitalization Expenditure.—

"(A) In General.—The term 'qualified revitalization expenditure' means any amount that is allowable under section 168 and which is—

"(i) nonresidential real property; or

"(ii) any such expenditures with respect to any qualified revitalization building.

"(B) Applicable Rules.—Rules similar to the rules under paragraphs (2) and (4) of section 168 shall apply.

"(C) Qualified Revitalization Buildings and Expenditures.—For purposes of this section—

"SEC. 1400M. COMMERCIAL REVITALIZATION CREDIT.

"(a) General Rule.—For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditure with respect to any qualified revitalization building.

"(b) Applicable Percentage.—For purposes of this section—

"(1) In General.—The term 'applicable percentage' means—

"(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

"(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

"The election under subparagraph (B), once made, shall be irrevocable.

"(2) Credit Period.—

"(A) In General.—The term 'credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

"(B) Applicable Rules.—Rules similar to the rules under paragraphs (2) and (4) of section 168 shall apply.

"(c) Qualified Revitalization Buildings and Expenditures.—For purposes of this section—
188. The preceding sentence shall not apply to any such amount treated to the extent the alter-
native depreciation system of section 168(g) applies to such expenditure by reason of sub-
paragraph (B) or (C) of section 168(g)(1).

(ii) ACQUISITION COSTS.—The costs of ac-
quiring any building or interest therein and any land in connection with such building to
the extent that such costs exceed 30 percent of the qualified revitalization expenditures
determined without regard to this clause.

(iii) OTHER CREDITS.—Any expenditure which the taxpayer may take into account in
computing any other credit allowable under
which the taxpayer may take into account in
any calendar year for such agency.

(b) PROGRESS EXPENDITURE PAYMENTS.—
Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for pur-
poses of this section.

(e) LIMITATION ON AGGREGATE CREDITS
ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE.—

(1) IN GENERAL.—Qualified revitalization
expenditures with respect to any qualified
revitalization building shall be taken into
account for the taxable year in which the
qualified revitalization building is placed in
service. For purposes of the preceding sen-
tence, the qualified revitalization building shall be treated as a separate building.

(2) QUALIFIED ALLOCATION PLAN.—For
purposes of this subsection, the term 'qualified
allocation plan' means any plan—

(i) the degree to which a project contrib-
utes to the implementation of a strategic plan that is devised for a renewal community through a
community participation process;

(ii) the amount of any increase in perma-
rent, full-time employment by reason of any
project; and

(iii) the active involvement of residents and
nonprofit groups within the renewal
community; and

(C) which provides a procedure that the
agency shall follow in monitoring compliance with this section.

(g) TERMINATION.—This section shall not
apply to any building placed in service after

SEC. 1400L. INCREASE IN EXPENDING UNDER SECTION 179.

(a) GENERAL RULE.—In the case of a re-
newal community business (as defined in sec-
tion 1400G), for purposes of section 179—

(1) the limitation under section 179(b)(1)
shall be increased by the lesser of—

(A) $35,000; or

(B) the cost of section 179 property which
is qualified renewal property placed in
service during the taxable year; and

(2) the amount in account under section
179(b)(2) with respect to any section 179
property which is qualified renewal prop-
erty shall be 50 percent of the cost thereof.

(b) RECAPTURE.—Rules similar to the rules
under section 179(d)(10) shall apply with
respect to any qualified renewal property which ceases to be used in a renewal
community by a renewal community business.

(c) QUALIFIED RENEWAL PROPERTY.—For
purposes of this section—

(1) IN GENERAL.—The term ‘qualified
renewal property’ means property to
which section 168 applies (or would apply but
for section 179) if—

(A) such property was acquired by the
 taxpayer by purchase (as defined in section
179(d)(2)) after December 31, 2000, and before
January 1, 2008; and

(B) such property would be qualified zone
property (as defined in section 1397C) if ref-
erences to renewal communities were sub-
stituted for references to empowerment zones in section 1397C.

(2) CERTAIN RULES TO APPLY.—The rules of
subsections (a)(2) and (b) of section 1397C shall
apply for purposes of this section.

SEC. 02. EXTENSION OF EXPENSING OF ENVI-
RONMENTAL REMEDIATION COSTS TO RENEWAL
COMMUNITIES.

(a) EXTENSION.—Paragraph (2) of section
198(e) (defining targeted area) is amended by
replacing "empowerment zone or enter-
prise community" and inserting "empower-
ment zone, enterprise community, or re-
newal community".

(b) QUALIFIED COMMUNITY.—Clause (iv) of
section 51(d)(7)(A) is amended by striking "empowerment zone or enter-
prise community" and inserting "empower-
ment zone, enterprise community, or re-
newal community".

(c) HEADINGS.—Paragraphs (5)(B) and (7)(C)
of section 51(b)(5) are each amended by insert-
ning "or community" in the heading after
"ZONE".
the following new paragraph:

(4) The commercial revitalization credit provided under section 1400K.

Section 39(d) is amended by adding at the end the following new paragraph:

"(E) Section 1400K(g)(6) (relating to family development accounts)."

(5) Conforming Amendments Regarding Commercial Revitalization Credit.—

(1) Section 46 (relating to investment credit) is amended by striking "or" at the end of paragraphs (2), by striking the period at the end of paragraph (3) and inserting "and" and by adding at the end the following new subparagraph:

"(4) The commercial revitalization credit provided under section 1400K.

Section 39(d) is amended by adding at the end the following new paragraph:

"(E) Section 1400K(g)(6) (relating to family development accounts)."

(g) Conforming Amendments Regarding Commercial Revitalization Credit.—

(1) Section 46 (relating to investment credit) is amended by striking "or" at the end of paragraphs (2), by striking the period at the end of paragraph (3) and inserting "and" and by adding at the end the following new subparagraph:

"(4) The commercial revitalization credit provided under section 1400K.

(2) Section 39(d) is amended by adding at the end the following new paragraph:

"(E) Section 1400K(g)(6) (relating to family development accounts)."

(2) Section 4973 is amended by striking ''or'' at the end of the following new subsection:

"(c) Family Development Accounts.—For purposes of this section, the term 'family development account' shall not include an account established under section 1400H(a)(1)(A).

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting "or commercial revitalization credit" after "rehabilitation" each place it appears.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking "and" at the end of clause (ii), by striking the period at the end of clause (ii) and by adding at the end the following new clause:

"(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures (as defined in section 1400K) to the extent of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 2911 and shall not apply for purposes of section 1400K.

(5) Paragraph (2) of section 50(a) is amended by inserting "or qualified revitalization building" after "rehabilitated building".

(6) Subparagraph (B) of section 50(a)(2) is amended by inserting "or qualified revitalization building (respectively)" after "qualified rehabilitated building".

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new subparagraph:

"(E) A qualified revitalization building (as defined in section 1400K) to the extent of the unused business credit for any taxable year which is attributable to any commercial revitalization expenditures (as defined in section 1400K).

(8) The last sentence of section 50(b)(3) is amended by adding at the end of paragraphs (2) and (3) the following new subparagraph:

"(E) A qualified revitalization building (as defined in section 1400K) to the extent of the unused business credit for any taxable year which is attributable to any commercial revitalization expenditures (as defined in section 1400K)."

(9) The last sentence of section 50(b)(3) is amended by adding at the end the following new subparagraph:

"(E) A qualified revitalization building (as defined in section 1400K) to the extent of the unused business credit for any taxable year which is attributable to any commercial revitalization expenditures (as defined in section 1400K)."

(10) Paragraph (2) of section 50(b) is amended by inserting "or commercial revitalization credit" after "rehabilitated" in the text and heading;

(11) Subparagraph (C) of section 4961(a)(3) is amended by adding at the end the following new subparagraph:

"(A) By inserting "or section 1400K after "section 42";

(12) Subparagraph (C) of section 4961(a)(3) is amended by inserting "or" at the end of paragraphs (1) and (2); and

(13) Section 62 (relating to adjusted gross income defined) is amended by inserting a new subparagraph:

"(M) The rehabilitation credit determined under section 42d, section 42d(a)(1), or section 25A(b)(1)."

(iii) the commercial revitalization credit determined under section 1400K (as defined in section 1400K)."

SEC. 95. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of the Treasury determines that the first designation of an area as a renewal community under section 1400K of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designation in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

SEC. 96. EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act.

SEC. 70. REVENUE OFFSET.

(a) In General.—Notwithstanding any provision of, or amendment made by sections 1102 through 1114 and section 1116 of this Act, such sections shall only take effect for taxable years beginning after December 31, 2006.

(b) Additional Offset.—The Secretary of the Treasury shall adjust the effective dates of the phase-in of the applicable dollar amounts of section 2911 and shall reduce the amount of the revenue that is offset the decrease in revenues to the Treasury resulting from the enactment of this Act taking into account the revenue effect of subsection (a).

(c) Phase-In of Designations of Renewal Communities.—For purposes of section 1400K(b)(1)(A) of the Internal Revenue Code of 1986 (as added by this title) the Secretary of Housing and Urban Development shall take into account the availability of revenue resulting from the application of subsection (a) in making any designation of a renewal community under such section.

JOHNSON AMENDMENT NO. 1479

(Ordained to lie on the table.)

Mr. JOHNSON submitted an amendment intended to be proposed by him to the bill, S. 1429, supra, as follows:

At the appropriate place, add the following:

SECTION 1. CERTAIN NATIVE AMERICAN HOUSING ASSISTANCE DISREGARDED IN DETERMINING WHETHER BUILDING IS FEDERALLY SUBSIDIZED FOR PURPOSES OF THE LOW-INCOME HOUSING PURPOSES.

(a) In General.—Subparagraph (E) of section 42(1)(2) of the Internal Revenue Code of
Mr. CRAIG submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 2. CLARIFICATION OF NONRECOGNITION OF CERTAIN SALES OF STOCK TO ELIGIBLE FARM CO-OPTERATIVES.

Section 162(g) (relative to application of section 1221 of the Internal Revenue Code of 1986 to sales of stock in qualified cooperatives) is amended by adding at the end the following paragraph:

"(5) TREATMENT OF PREDECESSOR.—Any reference in this subsection to stock in a qualified cooperative shall be treated as including reference to a controlling interest in any predecessor or successor (including a controlled partnership) of such farm cooperative or processor."
by inserting after subsection (d) the following new subparagraph:

"(e) BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.—

"(1) IN GENERAL.—If—

"(A) the proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unaffiliated person,

"(B) the land is subject to a conservation restriction issued after the date of the enactment of this Act, and

"(C) the person maintaining the fund agrees with the Secretary of Commerce that the fund will be used to acquire land or lease land that the Secretary determines is necessary to maintain, preserve, or improve the value of the fund to the extent that such sale, leasing, or other use because of the sale or leasing of the renewable resource to, or other use of the renewable resource by, an unaffiliated person, to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

"(2) APPLICABILITY OF BOND MATURITY LIMITATION.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life that comports with the economic and ecological feasibility of the financing of such land or renewable resource.

"(3) UNAFFILIATED PERSON.—For purposes of this subsection, the term "unaffiliated person" means any person who controls not more than 20 percent of the governing body of another person."
(e) Treatment of Capital Gains and Losses.—

(1) Paragraph (3) of section 607(e) of such Act as amended to read as follows:

‘‘(A) amounts representing long-term capital gains (as defined in section 1222 of such Code) on assets held in the fund, reduced by

(B) amounts representing long-term capital losses (as defined in section 1222 of such Code) on assets held in the fund.’’.

(2) Subparagraph (B) of section 607(e)(4) of such Act is redesignated as paragraph (5) and inserting ‘‘(as defined in paragraph (4))’’ in clause (ii)

(3) Subparagraph (B) of section 607(h)(3) of such Act is amended by striking ‘‘gain’’ and all that follows and inserting ‘‘long-term capital gain (as defined in section 1222 of such Code) on assets held in the fund.’’.

(4) The last sentence of subparagraph (A) of section 607(h)(6) of such Act is amended by striking ‘‘20 percent (34 percent in the case of a corporation)’’ and inserting ‘‘the rate applicable to net capital gain under section 1(h)(1)(C) or 1201(a) of such Code, as the case may be’’.

(f) Computation of Interest With Respect to Nonqualified Withdrawals.—

(1) Subparagraph (C) of section 607(h)(3) of such Act is amended—

(A) by striking clause (1) and inserting the following new clause:

‘‘(1) no addition to the tax shall be payable under section 6651 of such Code, and

(B) by striking ‘‘paid at the applicable rate (as defined in paragraph (4))’’ in clause (ii) and inserting ‘‘paid in accordance with section 6661 of such Code’’.

(2) Subsection (b) of section 607 of such Act is amended by striking paragraph (4) and by redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(3) Subparagraph (A) of section 607(h)(5) of such Act, as redesignated by paragraph (2), is amended by striking ‘‘paragraph (5)’’ and inserting ‘‘paragraph (4)’’.

(g) Other Changes.—

(1) Section 607 of such Act is amended by striking ‘‘the Internal Revenue Code of 1954’’ each place it appears by inserting ‘‘the Internal Revenue Code of 1986’’.

(2) Subsection (c) of section 607 of such Act is amended by striking ‘‘interest-bearing securities approved by the Secretary’’ and inserting ‘‘interest-bearing securities and other income-producing assets (including accounts receivable) approved by the Secretary’’.


(a) Treatment of Certain Lease Payments.—

(1) Paragraph (1) of section 7518(e) of the Internal Revenue Code of 1986 is amended by striking ‘‘or’’ at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ‘‘and’’; and, by adding at the end the following new subparagraph:

‘‘(D) the payments of amounts which reduce the principal amount (as determined under regulations) of a qualified lease of a qualified vessel or container which is part of the complement of an eligible vessel.’’.

(2) Paragraph (4) of section 7518(f) of such Code is amended by inserting ‘‘or to reduce the principal amount of any qualified lease’’ after ‘‘indebtedness’’.

(b) Authority To Make Deposits Under the Tariff Act of 1930.—

(1) Paragraph (1) of section 7518(a) of such Code is amended by striking ‘‘and at the end of'
“(i) which is from sources without the United States or farm debt income.

(ii) which is attributable to a fixed place of business in the United States, shall be treated for purposes of this title as effectively connected with the conduct of a trade or business within the United States, and

“(b) No deductions or credits shall be allowed which are attributable to income from the international operation of a ship or ships.

“(3) Reasonable cause exception.—This subsection shall not apply to a failure to disclose a position if it is shown that such failure is due to reasonable cause and not due to willful neglect.”

(2) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 872(b) of such Code is amended by striking “Gross income” and inserting as provided in section 883(d), “gross income”.

(2) Paragraph (1) of section 883(a) of such Code is amended by striking “Gross income” and inserting “Except as provided in subsection (d), gross income”.

(c) COORDINATION WITH TREATIES.—The amendments made by this section shall not apply in any case where their application would be contrary to any treaty obligation of the United States.

(d) INFORMATION TO BE PROVIDED BY CUSTOMS SERVICE.—The United States Customs Service shall provide the Secretary of the Treasury or his delegate with such information as may be specified by such Secretary in order to enable such Secretary to determine whether ships which are not registered in the United States are engaged in transportation to or from the United States.

SEC. 7. MODIFICATION OF LIMITATIONS ON DEDUCTIONS FOR ATTENDANCE AT CONVENTIONS, ETC. ON CRUISE SHIPS.

(a) ONLY HOME PORT OF CRUISE SHIP MUST BE IN UNITED STATES OR POSSESSIONS.—Subparagraph (B) of section 274(b)(2) of the Internal Revenue Code of 1986 (relating to conventions on cruise ships) is amended to read as follows:

“(B) the home port of such cruise ship is located in the United States or a possession of the United States:"

MCCAIN AMENDMENT NO. 1487

(Ordered to lie on the table.)

Mr. MCCAIN submitted an amendment intended to be proposed by him to the bill, S. 1429, supre; as follows:

Strike all after the first word and insert:

1. SHORT TITLE: TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Middle Class Tax Relief Act of 1999”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title: table of contents.

TITLE I—MIDDLE CLASS TAX RELIEF

Sec. 11. Increase in maximum taxable income for 15 percent rate bracket.

Sec. 12. Elimination of marriage penalty in standard deduction.

Sec. 13. Exemption of certain interest and dividends from tax.

Sec. 14. Phase-out of estate and gift taxes through increase in unified estate and gift tax credit.

Sec. 15. Elimination of earnings test for individuals who have attained retirement age.

TITLE II—OFFSETS

Subtitle A—Tax Loophole Closures

Sec. 31. Inclusion in gross income of contributions in aid of construction.

Sec. 32. Elimination of nonexclusion of dividends and capital gains.

Sec. 33. Elimination of U.S. possessions tax credit.

Sec. 34. Elimination of tax incentives relating to merchant marine capital construction funds.

Sec. 35. Source rules for inventory property.

Sec. 36. Phaseout of oil, gas, and minerals expensing of drilling exploration and development costs.

Sec. 37. Sunset of alcohol fuels incentives.

Sec. 38. Reprieve of enhanced oil recovery credit.

Sec. 39. Repeal of unlimited passive loss deductions for oil and gas properties.

Sec. 40. Uniform depreciation treatment of rental property.

Sec. 41. Elimination expensing of certain timber production costs.

Sec. 42. Excise tax on excusable non-retirement fringe benefits.

Sec. 43. Transfer pricing.

Sec. 44. Disallowance of deduction for advertising and promotion expenditures.

Sec. 45. Elimination of private-purpose tax-exempt bonds.

Subtitle B—Spending Cuts

CHAPTER 1—GENERAL PROVISIONS

Sec. 61. Elimination of free use of government owned takeoff and landing runways.

Sec. 62. Elimination of foreign market development program.

Sec. 63. Elimination of highway demonstration projects.

Sec. 64. Elimination of Federal subsidies for AMTRAK.

Sec. 65. Elimination of funding to complete Appalachian Development Highway System.

Sec. 66. Elimination of advanced technology demonstration projects.

Sec. 67. Elimination of NASA’s earth science program.

Sec. 68. Elimination of market access programs.

Sec. 69. Elimination of below-cost sales of timber from national forest system lands.

Sec. 70. Prohibition on certain research functions of Department of Energy.

Sec. 71. Offset fee for the Federal capital cost savings provided to the FNMA and FHLMC.

Sec. 72. Enhanced competition with the private sector regarding military family housing.

CHAPTER 2—ABOLISHMENT OF DEPARTMENT OF COMMERCE

Sec. 81. Title short. Subchapter A—Abolishment of Department of Commerce

Sec. 101. Definitions.

Sec. 102. Abolishment of Department of Commerce.

Sec. 103. Resolution and termination of Department functions.

Sec. 104. Responsibilities of the Director of the Office of Management and Budget.

Sec. 105. Personnel.

Sec. 106. Plans and reports.

Sec. 107. General Accounting Office audit of the Office.

Sec. 108. Conforming amendments.

Sec. 109. Privatization framework.

Sec. 110. Priority placement programs for Federal employees affected by a reduction in force attributable to this chapter.

Subchapter B—Disposition of Programs, Functions, and Agencies of Department of Commerce

Sec. 201. Economic development.

Sec. 202. Technology Administration.

Sec. 203. Reorganization of the Bureau of the Census and the Bureau of Economic Analysis.

Sec. 204. Terminated functions of National Telecommunications and Information Administration.

Sec. 205. Terminations and transfers.


Sec. 207. Miscellaneous terminations; moratorium on program activities.

Sec. 208. Effective date.

Subchapter C—Establishment of United States Trade Administration

PART I—GENERAL PROVISIONS

Sec. 301. Definitions.

PART II—UNITED STATES TRADE ADMINISTRATION

Subpart A—Establishment

Sec. 311. Establishment of the United States Trade Administration.

Sec. 312. Functions of the Trade Representative.

Subpart B—Officers

Sec. 321. Deputy United States Trade Representatives.

Sec. 322. Assistant Administrators.

Sec. 323. General Counsel.

Subpart C—Transfers to the Trade Administration

Sec. 331. Office of the United States Trade Representative.

Sec. 332. Transfers from the Department of Commerce.

Sec. 333. Trade and Development Agency.

Subpart D—Administrative Provisions

Sec. 341. Personnel provisions.

Sec. 342. Delegation and assignment.

Sec. 343. Succession.

Sec. 344. Reorganization.

Sec. 345. Rules.

Sec. 346. Funds transfer.

Subpart E—Interim Appointments

Sec. 347. Contracts, grants, and cooperative agreements.

Sec. 348. Use of facilities.

Sec. 349. Gifts and bequests.

Sec. 350. Working capital fund.

Sec. 351. Service charges.

Sec. 352. Seal of office.

Subpart F—Conforming Amendments

Sec. 353. Amendments to general provisions.

Sec. 354. Amendments to provisions relating to text.

Sec. 355. Conforming amendments relating to Executive Schedule positions.

Sec. 356. Miscellaneous.

Sec. 357. Effective date.

Sec. 358. Interim appointments.

Sec. 359. Funding reductions resulting from reorganization.
Subchapter D—Establishment of the Office of Patents, Trademarks, and Standards

PART I—ESTABLISHMENT

Sec. 401. Definitions.

Sec. 402. Establishment of the Office of Patents, Trademarks, and Standards.

Sec. 403. Functions.

Sec. 404. Transfers to the Office.

Sec. 405. Additional officers.

PART II—ADMINISTRATIVE PROVISIONS

Sec. 411. Rules.

Sec. 412. Delegation.

Sec. 413. Personnel and services.

Sec. 414. Contracts.

Sec. 415. Copystand and patents.

Sec. 416. Gifts and bequests.

Sec. 417. Transfers of funds from other Federal agencies.

Sec. 418. Seal of Office.

Sec. 419. Status of Office under certain laws.

PART III—CONFORMING AMENDMENTS

Sec. 421. Patent and Trademark Office.

Sec. 422. National Institute of Standards and Technology.


Subchapter E—Statistical Consolidation

PART I—GENERAL PROVISIONS

Sec. 501. Findings.

Sec. 502. Sense of Congress.

Sec. 503. Definitions.

PART II—ESTABLISHMENT OF THE FEDERAL STATISTICAL SERVICE

Sec. 511. Establishment.

Sec. 512. Principal officers.


PART III—TRANSFERS OF FUNCTIONS AND OFFICES


Sec. 522. Transfer date.

PART IV—ADMINISTRATIVE PROVISIONS

Sec. 531. Officers and employees.

Sec. 532. Experts and consultants.

Sec. 533. Acceptance of voluntary services.

Sec. 534. General authority.

Sec. 535. Delegation.

Sec. 536. Reorganization.

Sec. 537. Contracts.

Sec. 538. Regulations.

Sec. 539. Seal.

Sec. 540. Annual report.

PART V—MISCELLANEOUS

Sec. 541. Incidental transfers.

Sec. 542. References.

Sec. 543. Proposed change in law.

Sec. 544. Trivial.

Sec. 545. Interim appointments.

Sec. 546. Conforming amendments.

Subchapter F—Miscellaneous Provisions

Sec. 601. References.

Sec. 602. Exercise of authorities.

Sec. 603. Savings provisions.

Sec. 604. Transfer of assets.

Sec. 605. Delegation and assignment.

Sec. 606. Authority of Director of the Office of Management and Budget with respect to functions transferred.

Sec. 607. Certain vesting of functions considered transfers.

Sec. 608. Availability of existing funds.

Sec. 609. Definitions.

Sec. 610. Conforming amendments.

TITLE VII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

Sec. 701. Sunset of provisions of Act.
(2) DISTRIBUTIONS BY A TRUST.—For purposes of section 116, in the case of a dividend paid by a regulated investment company which may be taken into account as a dividend for purposes of the exclusion under section 116, the amount of such dividend which bears the portion of such dividend which bears the same ratio to the sum of the gross income of such company for the taxable year as the amount of such dividend bears to the aggregate dividends and interest received by such company during such taxable year equal to or exceeds 75 percent of its gross income, or

(3) CREDIT ALLOWABLE.—For purposes of section 116, in the case of a dividend paid by a regulated investment company which may be taken into account as a dividend for purposes of the exclusion under section 116, the amount of such dividend which bears the portion of such dividend which bears the same ratio to the sum of the gross income of such company for the taxable year as the amount of such dividend bears to the aggregate dividends and interest received by such company during such taxable year equal to or exceeds 75 percent of its gross income.

(4) NOTICE TO SHAREHOLDERS.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1998.

(a) PHASE-OUT.—

(1) IN GENERAL.—The table in section 265(b)(7) of the Internal Revenue Code of 1986 relating to applicable credit amount is amended to read as follows:

<table>
<thead>
<tr>
<th>2000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2002</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>2003</td>
<td>$2,500,000</td>
</tr>
<tr>
<td>2004</td>
<td>$5,000,000</td>
</tr>
</tbody>
</table>

(b) EFFECTIVE DATE.—The amendment made by this subsection shall apply to the estates of decedents dying, and gifts made, during, after December 31, 1999.
for individuals described in subparagraph (D) and for (B) which shall be "applicable" and inserting "a new exempt amount which shall be applicable."

(2) CONFORMING AMENDMENTS.—Section 233(f)(8)(B) of the Internal Revenue Code of 1986 is amended—

(A) in the matter preceding clause (i), by striking "Except and all that follows through "The exempt amount which is applicable for each month of a particular taxable year shall be whichever;"

(B) in clauses (i) and (ii), by striking "corresponding" each place it appears; and

(C) in the last sentence, by striking "an exempt amount" and inserting "the exempt amount which is applicable for each month of a particular taxable year shall be whichever."

(3) REPEAL OF BASIS FOR COMPUTATION OF SPECIAL EXEMPT AMOUNT.—Section 233(f)(8)(D) of the Social Security Act (42 U.S.C. (f)(8)(D)) is repealed.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) ELIMINATION OF REDUNDANT REFERENCES TO RETIREMENT AGE.—Section 203 of the Social Security Act (42 U.S.C. 403) is amended—

(A) in subsection (c), in the last sentence, by striking any deduction and inserting "nor shall any deduction be made under this subsection from any widow's or widower's insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60;" and

(B) in subsection (f)(1), by striking clause (D) and inserting the following: "(D) for which such individual is entitled to widow's or widower's insurance benefits if such individual became so entitled prior to attaining age 60;"

(2) CONFORMING AMENDMENTS TO PROVISIONS FOR DETERMINING AMOUNT OF INCREASE ON ACCOUNT OF DELAYED RETIREMENT.—Section 203(w)(2)(B)(ii) of the Social Security Act (42 U.S.C. 402(w)(2)(B)(ii)) is amended—

(A) by striking "either"; and

(B) by striking "or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit,

(3) PROVISIONS RELATING TO EARNINGS TAKEN INTO ACCOUNT IN DETERMINING SUBSTANTIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—The second sentence of section 222(c)(1)(B) of the Internal Revenue Code of 1986 is amended by striking "taking into consideration the following: "(if the amendments to section 203 made by section 102 of the Senior Citizens' Right to Work Act of 1996 had not been enacted" and inserting the following: "the applicable percentages for any taxable year shall be determined in accordance with the following table:

In the case of any tax—The applicable percentage year beginning age is—

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>After 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>100</td>
</tr>
<tr>
<td>2002</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>After 2003</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1999.

SEC. 31. INCLUSION IN GROSS INCOME OF CONVERSIONS IN ADJUDICATION.

(a) IN GENERAL.—Section 118 of the Internal Revenue Code of 1986 (relating to contributions in aid of construction) is amended by striking subsection (c) and (d) and by redesignating subsection (e) as subsection (c) and inserting the following:

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 1999, in taxable years ending after December 31, 1999, which are realized after such date."

SEC. 32. ELIMINATION OF NONEXCLUSION OF DISCHARGE OF FARM DEBT INCOME.

(a) IN GENERAL.—Section 108(a)(1) of the Internal Revenue Code of 1986 (relating to exclusion from gross income) is amended by adding "or" to the end of subparagraph (B), by striking subparagraph (C), and by redesignating subparagraph (D) as subparagraph (C).

(b) CONFORMING AMENDMENTS.—

(1) Section 108(a)(2) of the Internal Revenue Code of 1986 is amended by striking "Subparagraphs (B), (C), and (D)" and inserting "Subparagraphs (B) and (C)"

(2) Section 108(a)(2)(B) of such Code is amended to read as follows:

"(B) INSOLVENCY EXCLUSION TAKES PRECEDENCE OVER QUALIFIED REAL PROPERTY BUSINESS EXCLUSION.—Subparagraph (C) of paragraph (1) shall not apply to a discharge to the extent the taxpayer is insolvent."

(3) Section 108(d)(1) of such Code is amended by striking 

"(A) (B), (C), and (D)" and inserting 

"(A) or (B)"

(4) Paragraphs (1)(A), (2)(A), and (2)(B) of section 108(c) of such Code are each amended by striking "(D)" and inserting "(C)"

(5) Section 108(c)(3) of such Code is amended by striking the last sentence.

(6) Section 108(d)(7)(B) of such Code is amended by striking "subsection (a)(1)(D)" and inserting "subsection (a)(1)(C)"

(7) Section 108 of such Code is amended by striking subsection (g)

(8) Section 107(b) of such Code is amended by striking paragraph (c).

SEC. 33. ELIMINATION OF U.S. POSSESSIONS TAX CRÉDIT.

(a) SECTION 936.—

(1) Section 936(c)(2)(A) of the Internal Revenue Code of 1986 is amended by striking "2002" and inserting "2000"

(2) Section 936(c)(3)(A) of such Code is amended by striking "2006" and inserting "2000"

(3) Section 936(j)(8)(A) of such Code is amended by striking "2004" and inserting "2000"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxes computed after December 31, 1999.

SEC. 34. ELIMINATION OF TAX INCENTIVES RELATING TO MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS.

Section 7518 of the Internal Revenue Code of 1986 is amended by inserting at the end the following:

"(j) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 1999.

SEC. 35. SOURCE RULES FOR INVENTORY PROPERTY.

(a) IN GENERAL.—Section 961(a)(1) of the Internal Revenue Code of 1986 is amended by striking "in any income of such United States resident taxpayer which is attributable to the sale of property which was source in the United States."

(b) CONFORMING AMENDMENTS.—Section 963(b) of the Internal Revenue Code of 1986 is amended by striking "In the case of any tax—The applicable percentage year beginning age is—

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>After 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>100</td>
</tr>
<tr>
<td>2002</td>
<td>50</td>
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<tr>
<td>2003</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>After 2003</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

SEC. 36. PHASEOUT OF OIL, GAS, AND MINERALS DEVELOPMENT AND PRODUCTION COSTS.

(a) OIL AND GAS AND MINING DEVELOPMENT COSTS.—Sections 691(c) and 616(a) of the Internal Revenue Code of 1986 are each amended by changing the reference date to "2006".

(b) MINING EXPLORATION COSTS.—Section 617(a)(1) of the Internal Revenue Code of 1986 is amended by changing the reference date to "2006".

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

SEC. 37. SUSPENSION OF ALCOHOL FUELS INCENTIVES.

(a) IN GENERAL.—The provisions of the Internal Revenue Code of 1986 are each amended by changing the reference date to "2003".

(b) EFFECTIVE DATE.—The repeals made by this section shall apply to the applicable percentage of costs incurred in taxable years beginning after December 31, 1999. For purposes of the preceding sentence, the applicable percentage for any taxable year shall be determined in accordance with the following table:

"In the case of any tax—The applicable percentage year beginning age is—

<table>
<thead>
<tr>
<th>Percentage</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>After 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>30</td>
<td>40</td>
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<tr>
<td>2001</td>
<td>40</td>
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<tr>
<td>2002</td>
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<tr>
<td>2003</td>
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<td>90</td>
<td>100</td>
</tr>
<tr>
<td>After 2003</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

SEC. 38. REPEAL OF ENHANCED OIL RECOVERY CREDIT.

Section 43 of the Internal Revenue Code of 1986 is amended by striking the reference date to "2003".
SEC. 39. REPEAL OF UNLIMITED PASSIVE LOSS DEDUCTIONS FOR OIL AND GAS PROPERTIES.

Section 469(c)(3) of the Internal Revenue Code of 1986 (relating to working interests in oil and gas property) is amended by adding at the end the following:

"(f) TERMINATION.—In the case of taxable years beginning after December 31, 1999, the enhanced oil recovery credit is zero.".

SEC. 40. UNIFORM DEPRECIATION TREATMENT OF LEASED PROPERTY.

(a) In General.—The table in section 168(c) is amended by striking "27.5 years" and inserting "39 years".

(b) Effective Date.—The amendments made by this section shall apply to property placed in service after December 31, 1999.

SEC. 41. ELIMINATION EXPANDING OF CERTAIN TIMBER PRODUCTION COSTS.

(a) In General.—Section 263A(c) of the Internal Revenue Code of 1986 (relating to general exceptions) is amended by striking paragraph (5) and redesignating paragraph (6) as paragraph (5).

(b) Effective Date.—The amendments made by this section shall apply to years beginning after December 31, 1999.

SEC. 42. EXCISE TAX ON EXCLUDABLE NON-RETIREE TIME FRINGE BENEFITS.

(a) In General.—Subtitle D of the Internal Revenue Code of 1986 (relating to miscellaneous excise taxes) is amended by adding at the end the following:

"CHAPTER 48—EXCLUDABLE NON-RETIREE TIME FRINGE BENEFITS

"Sec. 5000A. Tax on excludable non-retirement fringe benefits.

"Sec. 5000B. Tax on excludable non-retirement fringe benefits.

"(a) Imposition of Tax.—There is hereby imposed on any person who provides excludable non-retirement fringe benefits to such person’s employees, retired employees, or former employees a tax equal to percent of the amount of benefits.

"(b) Excludable Non-Retirement Fringe Benefits.—For purposes of this section, the term ‘excludable fringe benefits’ means any benefit (other than a pension or retiring allowance) provided by the employer that is not deductible under section 415(q) of the Internal Revenue Code of 1986 (relating to qualified retirement plans)."

(c) Effective Date.—Section 5000A and Section 5000B are enacted as subsections (b) and (c), respectively.

SEC. 43. TRANSFER PRICING.

(a) Authority of Secretary When Legal Limits on Transfer by Taxpayer.—Section 482 (relating to allocation of income and deductions among taxpayers) is amended by adding at the end the following: "The authority of the Secretary under this section shall not be limited by any restriction (by any law or otherwise) on the ability of such interests, organizations, trades, or businesses to transfer or receive money or other property.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 44. DISALLOWANCE OF DEDUCTION FOR ADVERTISING AND PROMOTION EXPENDITURES.

(a) In General.—Part IX of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to prohibited deductions) is amended by adding at the end the following:

"SEC. 280J. ADVERTISING AND PROMOTION EXPENDITURES.

"No deduction otherwise allowable under the 27.5 years, and in- (c) Effective Date.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 1999.

SEC. 45. ELIMINATION OF PRIVATE-PURPOSE TAX-EXEMPT BONDS.

Section 141(e) of the Internal Revenue Code of 1986 (relating to excludable from gross income) is amended by striking "39 years".

SEC. 46. ELIMINATION OF FREE USE OF GOVERNMENT NEEDED TAKEOFF AND LANDING SLOTS.

(a) Definitions.—In this section:

(1) AIR CARRIER.—The term ‘air carrier’ has the meaning given that term in section 41714(h)(2) of title 49, United States Code.

(2) HIGH DENSITY AIRPORT.—The term ‘high density airport’ has the meaning given that term in section 41714(h)(2) of title 49, United States Code.

(3) SECRETARY.—The term ‘Secretary’ means the Secretary of Transportation.

(4) SLOT.—The term ‘slot’ has the meaning given that term in section 41714(h)(4) of title 49, United States Code.

(b) Expenditures.—The term ‘slot exemption’ means an exemption to the requirements of subparts K and S of part 93 of title 49, United States Code.

(c) Amendment.—The amendment made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 1999.

SEC. 47. ELIMINATION OF FEDERAL SUBSIDIES FOR AMTRAK.

(a) In General.—Notwithstanding any other provision of law, including section 24104 of title 49, United States Code, beginning with fiscal year 2000, the Secretary of Transportation may not use any funds for the benefit of Amtrak for—

(1) capital expenditures, operating expenses, or payments (including direct grants) made by or loan guarantees.

(b) Conforming Amendments.—

(1) Section 24104(a) of title 49, United States Code, is amended—

(A) in paragraph (1), by adding “and” at the end;

(B) in paragraph (2), by striking the semi-colon and adding a period;

(C) by striking paragraphs (3) through (5); and

(D) in the matter following paragraph (2), by striking the last sentence.

(2) Section 24909(a) of title 49, United States Code, is amended—

(A) in paragraph (1), by striking “Not more” and inserting “Except as provided in paragraph (3), not more”;

(B) in paragraph (2), by striking “Not more” and inserting “Except as provided in paragraph (3), not more”;

and

(D) by adding at the end the following:

"(3) Beginning with fiscal year 2000, no funds shall be appropriated to Amtrak under this section.

(3) Section 26104 of title 49, United States Code, is amended by adding at the end the following:

"(I) Prohibition.—Beginning with fiscal year 2000, the Secretary may not use any amounts made available under this section to provide assistance to Amtrak.

SEC. 48. ELIMINATION OF priority projects.

Title VII of the Agricultural Trade Act of 1978 (7 U.S.C. 3721 et seq.) is repealed.

SEC. 49. ELIMINATION OF priority projects PROGRAM.

Title 7 of the Water Resources and Development Act of 1978 (33 U.S.C. 1281 et seq.) is repealed.

SEC. 50. ELIMINATION OF Tolls and Broadband INVESTMEN

(a) Authorization of Appropriations.—Part I of subchapter B of chapter 4 of title 49, United States Code (relating to air traffic safety, infrastructure improvements, and airport development projects), is amended—

(1) by striking the last sentence, and

(2) by adding at the end the following:

"(2) Beginning with fiscal year 2000, no funds shall be appropriated to the Federal Aviation Administration under this section.

SEC. 51. ELIMINATION OF FEDERAL SUBSIDIES FOR AMTRAK.

(a) In General.—Notwithstanding any other provision of law, including section 24104 of title 49, United States Code, beginning with fiscal year 2000, the Secretary of Transportation may not use any funds for the benefit of Amtrak for—

(1) capital expenditures, operating expenses, or payments (including direct grants) made by or loan guarantees.

(b) Conforming Amendments.—

(1) Section 24104(a) of title 49, United States Code, is amended—

(A) in paragraph (1), by adding “and” at the end;

(B) in paragraph (2), by striking the semi-colon and adding a period;

(C) by striking paragraphs (3) through (5); and

(D) in the matter following paragraph (2), by striking the last sentence.

(2) Section 24909(a) of title 49, United States Code, is amended—

(A) in paragraph (1), by striking “Not more” and inserting “Except as provided in paragraph (3), not more”;

(B) in paragraph (2), by striking “Not more” and inserting “Except as provided in paragraph (3), not more”;

and

(D) by adding at the end the following:

"(3) Beginning with fiscal year 2000, no funds shall be appropriated to Amtrak under this section.

(3) Section 26104 of title 49, United States Code, is amended by adding at the end the following:

"(I) Prohibition.—Beginning with fiscal year 2000, the Secretary may not use any amounts made available under this section to provide assistance to Amtrak.”.
SEC. 65. ELIMINATION OF FUNDING TO COM- 
plete Appalachian Develop- 
ment Highway System.

(a) Program.—Section 117 of the Trans- 
portation Equity Act for the 21st Century (112 Stat. 160) is amended—
(1) by striking subsections (a) and (b); and
(2) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

(b) Funding.—Section 1101(a) of the Trans- 
portation Equity Act for the 21st Century (112 Stat. 111) is amended by striking par- 
agraph (6).

(c) Conforming Amendments.—
(1) Section 104(a)(1) of title 23, United States 
Code, is amended—
(A) by inserting ‘‘or’’ after ‘‘section 105,’’;
(B) by striking ‘‘or the Appalachian develop- 
ment highway system program under sec- 
tion 202 of the Appalachian Regional Devel- 
opment Act of 1965 (40 U.S.C. App.),’’;
(C) by striking ‘‘necessary’’ and all that follows through ‘‘(A) to’’ and inserting ‘‘necessary’’;
(D) by striking ‘‘chapter 2’’ and all that follows and inserting ‘‘chapter 2’’.

(2) Section 105 of title 23, United States 
Code, is amended—
(A) in the first sentence of subsection (a), by striking ‘‘Appalachian develop- 
ment highway system program’’;
(B) in subsection (c)(1), by striking ‘‘Appa- 
lachian development highway system’’ each place it appears.

(d) Section 132(c) of the Transportation 
Equity Act for the 21st Century (112 Stat. 116) is amended—
(1) in paragraph (4), by striking ‘‘section 201 of the Appalachian Regional Develop- 
ment Act of 1965,’’; and
(2) in paragraph (6), by striking ‘‘and the Appalachian develop- 
ment highway system program’’.

SEC. 66. ELIMINATION OF ADVANCED TECH- 
NOLOGY PROGRAM.

(a) In General.—
(1) Repeal.—Section 28 of the National 
Institute of Standards and Technology Act (15 
U.S.C. 278n) is repealed, effective October 1, 1999.

(2) Moratorium.—Beginning on the date of 
enactment of this section, neither the Secre- 
tary of Commerce or the Director of the Na- 
tional Institute of Standards and Tech- 
ology may enter into any contract or agree- 
ment under section 28(b) of the National In- 
stitute of Standards and Technology Act (15 U.S.C. 278n) or otherwise initiate any activ- ity or joint venture under the Advanced 
Technology Program.

(b) Contracts and Cooperative Agree- 
ments.—Beginning on October 1, 1999, any 
contract or cooperative agreement entered into under section 28(b) of the National Institute 
of Standards and Technology Act (15 U.S.C. 278n(b)) shall be null and void. To the ex- tent necessary to carry out this subsection, the Secretary of Commerce, from funds oth- 
erwise available to carry out the Advanced 
Technology Program, shall provide compen- 
sation to a party to such a contract or agreement.

SEC. 67. ELIMINATION OF NASA’S EARTH 
SCIENCE PROGRAM.

The Earth Science Program of the Na- 
tional Aeronautics and Space Administra- 
tion is terminated, effective October 1, 1999.

The Administrator of the National Aeronautics and Space Administration shall take such action as may be necessary to 
carry out this section.

SEC. 68. ELIMINATION OF MARKET ACCESS PRO- 
GRAM.

(a) In General.—Section 203 of the Agri- 
cultural Trade Act of 1978 (7 U.S.C. 5623) is repealed.

(b) Conforming Amendments.—
(1) Section 302(a)(1) of the Agricultural Trade 
Act of 1978 (7 U.S.C. 5611) is amended by striking subsection (c).

(2) Section 402(a)(1) of the Agricultural Trade 
Act of 1978 (7 U.S.C. 5622(a)(1)) is amended by striking subsection (c).

(3) Section 1302 of the Omnibus Budget 
Reconciliation Act of 1993 (7 U.S.C. 5623 note; Public Law 103-66) is repealed.

SEC. 69. ELIMINATION OF BELOW-COST SALES OF 
TIMBER FROM NATIONAL FOREST LANDS.

(a) Definition of Below-Cost Timber Sales.—In this section, the term ‘‘below-cost timber sale’’ means a sale of timber in which the costs to be incurred by the Federal Gov- ernment exceed the cash returns to the United States Treasury.

(b) Prohibition That Sale Revenues Exceed Costs.—Effective beginning October 1, 2003, in appraising timber and setting a minimum bid for trees, portions of trees, or forest land on National Forest System land that are proposed for sale under section 14 or any other provision of law, the Secretary of Agriculture shall ensure that the estimated cash returns to the United States Treasury from each sale equal or ex- ceed the estimated costs to be incurred by the Federal Government in the preparation of the sale or as a result of the sale.

(c) Costs To Be Considered.—For pur- poses of estimating under this section the costs to be incurred by the Federal Gover- nment, the Secretary shall assign to the sale the following costs:

(1) The actual appropriated expenses for sale preparation and harvest administration 
incurred or to be incurred by the Federal Government from the sale and the payments to counties to be made as a result of the sale.

(2) A portion of the annual timber re- source planning and forest resource evalua- 
tion costs, other resource support costs, road design and construction costs, road mainte- 
nance costs, transportation planning costs, appropria- 
tion of the sale or as a result of the sale.

(3) Stand improvement costs, forest genetics re- 
search costs, general administrative costs (including administrative costs of the na- 
tional and regional offices of the Forest Service), and facilities construction costs of the Federal Government directly or indi- rectly related to the timber harvest program conducted on National Forest System land.

(d) Method of Allocating Costs.—The Secretary shall allocate the costs referred to in subsection (c)(2) to each unit of the Na- 
tional Forest System and each proposed 
timber sale in the unit, on the basis of har- 
vest volume.

(e) Transitional Requirements.—To en- 
sure the elimination of all below-cost timber sales by the date specified in subsection (b), the Secretary shall progressively reduce the number and size of below-cost timber sales on National Forest System land as follows:

(1) In fiscal year 2000, the quantity of tim- 
ber sold in below-cost timber sales on Na- 
tional Forest System land shall not exceed 75 percent of the quantity of timber sold in such sales in the fiscal year 2000.

(2) In fiscal year 2001, the quantity of tim- 
ber sold in below-cost timber sales on Na- 
tional Forest System land shall not exceed 65 percent of the quantity of timber sold in such sales in fiscal year 2000.

(c) Determination of Rental Amounts.—
(1) During the period beginning on January 1, 2000, and ending on December 31, 2002, the rented amount for quarters of the United States, or a housing facility under the juris- diction of a military department, in exist- ence on the date of the enactment of this Act shall be the amount (as determined by the Secretary concerned) necessary to ensure
that such quarters or facility is fully occupied with the waiting list for occupancy of such quarters or facility.

(2) After December 31, 2002, the rental amount of any quarters or housing facility shall be the amount (as determined by the Secretary concerned) equal to the amount necessary:

(A) to cover the costs of operation and maintenance of such quarters or facility; and

(B) to provide for the amortization of any capital costs associated with the construction of such quarters or facility.

(3) The Secretary concerned may establish rental amounts for quarters or facilities of a historic or unique character that differ from the rental amounts that would otherwise be established for such quarters or facilities under this subsection if the Secretary concerned that such differing amounts are required for purposes of preserving or maintaining the character of such quarters or facilities.

(d) USE OF RENTAL AMOUNTS PAID.—Amounts paid for quarters or facilities under subsection (c) shall be the only amounts available to the Secretary concerned:

(1) in the case of quarters or facilities covered by paragraph (1) of subsection (c), for purposes of defraying the costs of such Secretary in operating and maintaining the quarters or facilities;

(2) in the case of quarters or facilities covered by paragraph (2) of subsection (c), for purposes of—

(A) covering the costs of operation and maintenance of the quarters or facilities; and

(B) providing for the amortization of any capital costs associated with the construction of the quarters or facilities.

CHAPTER 2—ABOLISHMENT OF DEPARTMENT OF COMMERCE

SEC. 81. SHORT TITLE.

This chapter may be cited as the “Department of Commerce Dismantling Act”.

Subchapter A—Abolishment of Department of Commerce

SEC. 101. DEFINITIONS.

For purposes of this chapter, the following definitions apply:

(1) DEPARTMENT.—The term “Department” means the Department of Commerce.

(2) DIRECTOR.—The term “Director” means the Director of the Office of Management and Budget.

(3) OFFICE.—The term “Office” means the Office of Management and Budget.

SEC. 102. ABOLISHMENT OF DEPARTMENT OF COMMERCE.

(a) ABOLISHMENT OF DEPARTMENT.—Effective on the date specified in subsection (c), the Department of Commerce is abolished.

(b) TRANSFER OF DEPARTMENT FUNCTIONS TO OFFICE OF MANAGEMENT AND BUDGET.—Except as otherwise provided in this chapter, all functions transferred to the Director under section 102(b) and not otherwise continued under this chapter.

(c) FUNCTIONS TERMINATION DATE.—The date of termination of functions referred to in subsections (a) and (b) is the last day of the 3-year period beginning on the date of enactment of this chapter.

SEC. 104. RESPONSIBILITIES OF THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.

(a) IN GENERAL.—The Director shall be responsible for the implementation of this title, including—

(1) the administration, during the period specified in section 103(c), of all functions transferred to the Director under section 102(b);

(2) the administration, during the period specified in section 103(a), of any outstanding obligations of the Federal Government under any programs terminated by this chapter;

(3) taking any other action that may be necessary to complete any outstanding affairs of the Department before the end of the period specified in section 103(a);

(b) DELEGATION OF FUNCTIONS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Director may, to the extent that the Director determines that such delegation is appropriate to carry out this title, delegate to any officer of the Office or to any other Federal department or agency head the performance of the functions of the Director under this title.

(2) EXCEPTION.—The Director may not delegate the planning and reporting responsibilities under section 106.

(c) TRANSFER OF ASSETS AND PERSONNEL.—In connection with any delegation of functions under subsection (b), the Director may transfer, within the Office or to the department or agency concerned, such assets, funds, personnel, records, and other property relating to the delegated function as the Director determines to be appropriate.

(d) APPOINTMENTS.—For purposes of performing the functions of the Director under this title, the Director may—

(1) enter into contracts;

(2) employ experts and consultants in accordance with section 3109 of title 5, United States Code, at rates for individuals not to exceed the per diem rate equivalent to the rate for level IV of the Executive Schedule; and

(3) utilize, on a reimbursable basis, the services, facilities, and personnel of other Federal agencies.

SEC. 105. PERSONNEL.

Effective on the date specified in section 103(c), there is transferred to the Office any individual who—

(1) on the day before that date, was an officer or employee of the Department; and

(2) in the capacity as an officer or employee of the Department, performed functions that are transferred to the Director under section 102(b).

SEC. 106. PLANS AND REPORTS.

(a) INITIAL IMPLEMENTATION PLAN.—

(1) IN GENERAL.—Not later than 90 days after the date of enactment of this chapter, the Director shall submit a report to Congress that specifies actions that have been taken and actions that have not been taken but are necessary—

(A) to resolve the programs and functions termination in this chapter on the date of enactment of this chapter;

(B) to implement the additional transfers and other program dispositions provided for in this chapter;

(2) CONTINUED.—The report in paragraph (1) shall include—

(A) recommendations for any legislation necessary for the implementation of this chapter, including terminations, transfers, terminations, and other dispositions of programs and functions under this chapter; and

(B) a description of actions planned and taken to comply with limitations imposed by this chapter on spending for continued functions.

(b) ANNUAL STATUS REPORTS.—At the end of the first full fiscal year following the date of enactment of this chapter and at the end of each of the 2 following fiscal years, the Director shall submit a report, through the President, to Congress that—

(1) specifies the status and progress of actions taken to implement this chapter and to wind up the affairs of the Department of Commerce by the functions termination date specified in section 103(c);

(2) includes any recommendations for legislation that the Director considers appropriate; and

(3) describes actions taken to comply with limitations imposed by this chapter on spending for continued functions.

(c) GAO REPORTS.—Not later than 60 days after the issuance of a report under subsection (a) or (b), the Comptroller General of the United States shall submit to Congress a report that—

(1) evaluates the report; and

(2) includes any recommendations the Comptroller General considers appropriate.

SEC. 107. GENERAL ACCOUNTING OFFICE—AUDIT AND ACCESS TO RECORDS.

(a) AUDIT OF PERSONS PERFORMING FUNCTIONS TRANSFERRED TO THIS CHAPTER.—The General Accounting Office, gencies, corporations, organizations, and other persons of any description that, under the authority of the United States, perform any function or activity of the Department of Commerce, shall be subject to an audit by the Comptroller General of the United States with respect to that function or activity.

(b) AUDIT OF PERSONS PROVIDING CERTAIN GOODS OR SERVICES.—All persons and organizations that, by contract, grant, or otherwise, provide goods or services to, or receive financial assistance from, any agency or other person performing functions or activities covered under this chapter shall be subject to an audit by the Comptroller General of the United States with respect to the provision of such goods or services or the receipt of such financial assistance.

(c) PROVISIONS APPLICABLE TO AUDITS UNDER THIS SECTION.

(1) NATURE AND SCOPE OF AUDIT.—The Comptroller General of the United States shall determine the nature, scope, terms, and conditions of audits conducted under this section.

(2) COORDINATION WITH OTHER PROVISIONS OF LAW.—The authority of the Comptroller General of the United States under this section shall be in addition to any audit authority available to the Comptroller General under any other provision of law (including any other provision of this chapter).

(3) RIGHTS OF ACCESS, EXAMINATION, AND COPYING.—The Comptroller General of the United States shall—
United States, and any duly authorized representative of the Comptroller General, shall have access to, and the right to examine and copy, all records and other recorded information in any form, and to examine any property within the possession or control of any agency or person that—

(A) is subject to audit under this section; and

(B) the Comptroller General considers relevant to an audit conducted under this section.

(4) ENFORCEMENT OF RIGHT OF ACCESS.—The right of access provided by the Comptroller General of the United States to information under this section shall be enforceable under section 716 of title 31, United States Code.

(5) MAINTENANCE OF CONFIDENTIAL RECORDS.—Section 716(e) of title 31, United States Code, shall apply to information obtained by the Comptroller General under this section.

SEC. 108. CONFORMING AMENDMENTS.

(a) PRESIDENTIAL SUCCESSION.—Section 19(d)(1) of title 3, United States Code, is amended by striking “Secretary of Commerce.”

(b) EXECUTIVE DEPARTMENTS.—Section 101 of title 5, United States Code, is amended by striking the following item:

“‘The Department of Commerce.’

(c) COMPENSATION.—Section 5312 of title 5, United States Code, is amended by striking the following item:

“Secretary of Commerce.’’

(d) COMPENSATION FOR POSITIONS AT LEVEL V.—Section 5314 of title 5, United States Code, is amended—

(1) by striking the following item:

“Under Secretary of Commerce, Under Secretary of Commerce for Economic Affairs, Under Secretary of Commerce for Export Administration and Under Secretary of Commerce for Travel and Tourism.”

(2) by striking the following item:

“Under Secretary of Commerce for Oceans and Atmosphere, the incumbent of which also serves as Administrator of the National Oceanic and Atmospheric Administration.”

and

(3) by striking the following item:

“Assistant Secretary of Commerce for Technology.”

(e) COMPENSATION FOR POSITIONS AT LEVEL IV.—Section 5315 of title 5, United States Code, is amended—

(1) by striking the following item:

“Assistant Secretaries of Commerce (11).”

(2) by striking the following item:

“General Counsel of the Department of Commerce.”

(3) by striking the following item:

“Assistant Secretary of Commerce for Oceans and Atmosphere, the incumbent of which also serves as Deputy Administrator of the National Oceanic and Atmospheric Administration.”

(4) by striking the following item:

“Director, National Institute of Standards and Technology, Department of Commerce.”

(5) by striking the following item:

“Inspector General, Department of Commerce.”

(6) by striking the following item:

“Chief Financial Officer, Department of Commerce.”

(7) by striking the item relating to the Director of the Bureau of the Census and inserting “Director of the Census, Federal Statistical Service”;

and

(8) by striking the following item:

“Chief Information Officer, Department of Commerce.”

(f) COMPENSATION FOR POSITIONS AT LEVEL V.—Section 5315 of title 5, United States Code, is amended—

(1) by striking the following item:

“Director, United States Travel Service, Department of Commerce.”;

and

(2) by redesigning subparagraphs (C) through (W) as subparagraphs (B) through (V), respectively;

(3) in section 11(1), by striking “Commerce,”; and

(4) in section 11(2), by striking “Commerce.”

(h) EFFECTIVE DATE.—The amendments made by this section shall be effective on the applicable date specified in section 102(c).

SEC. 109. PRIVATIZATION FRAMEWORK.

(a) IN GENERAL.—

(1) PRIVATIZATION.—Not later than 18 months after a function designated for privatization under title II is transferred to the Office of Management and Budget, the Director shall privatize that function. The Director shall pursue such forms of privatization arrangements as the Director considers appropriate to best serve the interests of the United States.

(2) REPORT.—If, by the date specified in paragraph (1), the Director is unable to privatize a function, the Director shall submit a report that states that inability to Congress, together with recommendations concerning the appropriate disposition of the function involved and the assets of the function.

(b) ROLE OF THE FEDERAL GOVERNMENT.—No privatization arrangement made under subsection (a) shall include any role for, or accountability to, the Federal Government unless the role or accountability is necessary to ensure the continued accomplishment of a specific Federal objective. The Federal role should be the minimum role necessary to accomplish Federal objectives.

(c) ASSETS.—In privatizing a function, the Director shall take any action necessary—

(1) to preserve the value of the assets of a function during the period during which the Office holds such assets; and

(2) to continue the performance of the function to the extent necessary.

(d) COMPENSATION.—In privatizing a function, the Director shall take any action necessary—

(1) to preserve the value of the assets of a function during the period during which the Office holds such assets; and

(2) to continue the performance of the function to the extent necessary.

(e) Priority placement programs for employees affected by a reduction in force attributable to the Department of Commerce Dismantling Act.

(a)(1) For the purpose of this section, the term “affected agency” means—

(‘‘A) except as provided in subparagraph (B), means an Executive agency to which personnel are transferred in connection with a transfer of function under the Department of Commerce Dismantling Act, and

(B) with respect to employees of the Department of Commerce in general administration, the General Counsel’s office, or the General Counsel’s office, or who provided overhead support to other components of the Department on a reimbursable basis, means all agencies to which functions whose employees are transferred are transferred under the Department of Commerce Dismantling Act.

(2) This section applies with respect to any reduction in force that occurs within 12 months after the date of enactment of this section; and

(B) is due to—

(i) the agency’s having excess personnel as a result of a transfer of function described in paragraph (1), as determined by—

(I) the Director of the Office of Management and Budget, in the case of a function transferred to the Office of Management and Budget; or

(ii) the head of the agency, in the case of any function transferred to an agency other than the Office of Management and Budget.

(3) As soon as practicable after the date of enactment of this section, each affected agency shall establish an agencywide priority placement program to facilitate employment placement for employees who, due to a reduction in force described in subsection (a)(2)—

(1) are scheduled to be separated from service;

and

(2) are separated from service.

(c)(1) Each agencywide priority placement program shall include provisions under which the vacant position shall not be filled by the appointment or transfer of any individual from outside of that agency if—

(A) an individual described in paragraph (2) who is qualified for the position is available for the position at the time of the occurrence of the vacancy; and

(B) the position—

(i) is at the same grade (or pay level) or not more than 1 grade (or pay level) below that of the position last held by such individual before placement in the new position; and

(ii) is within the same commuting area as the individual’s last-held position (as referred to in clause (i)) or residence.

(2) For purposes of this subsection, the term “priority placement program” means a program authorized under this title to facilitate employment placement for employees who, due to a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.

(d)(1) Nothing in this section shall affect any priority placement program of the Department of Defense that is in operation as of the date of enactment of this title.

(2) Nothing in this section shall impair any placement program within an agency subject to a reduction in force resulting from a cause other than the Department of Commerce Dismantling Act.

(e) An individual shall cease to be eligible to participate in a program under this section on the earlier of—

(1) the conclusion of the 12-month period beginning on the date on which the individual first became eligible to participate under subsection (c); or

(2) the date on which the individual declines a bona fide offer (or if the individual does not act on the offer, the last date on which the affected agency could accept the offer) from the affected agency of a position described in subsection (c).
(b) CONFORMING AMENDMENT.—The chapter analysis of chapter 33 of title 5, United States Code, is amended by inserting after the item relating to section 3329 the following:

"3329a. Priority placement programs for employees affected by a reduction in force attributable to the Department of Commerce Disman-

ting Act of 1965 in fiscal year 1998 and all loans, obligations, or guarantees issued by the Office of Management and Budget for privatization in accordance with section 109(a) of this chapter.

(b) TRANSFER OF BUREAUS.—The Bureau of the Census and the Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(c) REORGANIZATION OF THE BUREAU OF THE CENSUS AND THE BUREAU OF ECONOMIC ANALYSIS.—The Bureau of the Census and Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(d) REORGANIZATION OF THE BUREAU OF THE CENSUS AND THE BUREAU OF ECONOMIC ANALYSIS.—The Bureau of the Census and Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(e) REFERENCES TO SECRETARY.—Section 8 of Public Law 94–168 (15 U.S.C. 205b) is amended by striking "(h) VOLUNTARY AND UNCOMPENSATED SERVICES.—The Bureau of the Census and the Bureau of Economic Analysis of the Department of Commerce may accept voluntary and uncompensated services notwithstanding the provisions of section 3132 of title 31, United States Code;"

(f) MISCELLANEOUS AMENDMENTS.—Section 3 of Public Law 94–168 (15 U.S.C. 205b) is amended—

(A) by striking paragraph (2); (B) by redesigning paragraphs (3) through (5) as paragraphs (2) through (4), respectively; (C) by striking paragraphs (1), (2), and (3) as a separate and inserting "Subject to paragraph (2), by striking "(b) TRANSFER OF BUREAUS.—The Bureau of the Census and the Bureau of Economic Analysis of the Department of Commerce are transferred to the Federal Statistical Service established under title V.

(d) REFERENCES TO SECRETARY.—Section 12 of this chapter, by striking "The Secretary of Commerce shall designate certain National Technical Information Service" and inserting "Standards and Technology Administration established in section 206.

SEC. 111. FUNDING REDUCTIONS FOR TRANS-
FERRED FUNCTIONS.

(a) FUNDING REDUCTIONS.—Except as provided in subsection (b), the total amount obligated or expended by the United States in performance of those functions transferred to the National Oceanic and Atmospheric Administration by this chapter to the Director or to the Office from the Department, or any of its officers or components, shall not exceed—

(1) for the first fiscal year that begins after the date specified in section 102(c), 75 percent of the total amount appropriated to the Department for the performance of those functions for fiscal year 1998; and

(2) for the second fiscal year that begins after the date specified in section 102(c) and for each subsequent fiscal year, 65 percent of the total amount appropriated to the Department for the performance of those functions for fiscal year 1998.

(b) EXCEPTION.—Subsection (a) shall not apply to obligations or expenditures incurred as a direct consequence of the termination, transfer, or other disposition of functions described in subsection (a) pursuant to this chapter.

(c) RULE OF CONSTRUCTION.—This section shall supersede any other provision of law that does not explicitly—

(1) refer to this section; and

(2) create an exemption from this section.

(d) RESPONSIBILITIES OF THE DIRECTOR.—The Director shall—

(1) ensure compliance with the requirements of this section; and

(2) include in each report under subsections (a) and (b) of section 106 a description of actions taken to comply with the requirements referred to in paragraph (1).

Subchapter B — Disposition of Programs, Functions, and Agencies of the Department of Commerce

SEC. 201. ECONOMIC DEVELOPMENT.

(a) TERMINATED FUNCTIONS.—The Public Works and Economic Development Act of 1965 (42 U.S.C. 3121 et seq.) is repealed.

(b) TRANSFER OF FINANCIAL OBLIGATIONS OWED TO THE DEPARTMENT.—There are transferred to the Secretary of the Treasury the loans, notes, bonds, debentures, securities, and other financial obligations owed by the Department of Commerce under the Public Works and Economic Development Act of 1965, together with all assets or other rights (including security interests) incident thereto, and all liabilities related thereto. There are assigned to the Secretary of the Treasury the functions, powers, and abilities vested in or delegated to the Secretary of Commerce or the Department of Commerce to manage, service, collect, sell, dispose of, or otherwise realize proceeds on obligations owed to the United States from the sale of any property of the Department of Commerce under the provisions of section 1342 of title 31, United States Code.

(c) AUDIT.—Not later than 18 months after the date of enactment of this chapter, the Comptroller General shall—

(1) conduct an audit of all grants made or issued by the Department of Commerce under the Public Works and Economic Develop-
(d) REFERENCES TO DEPARTMENT.—Section 2 of title 13, United States Code, is amended by striking “Department of Commerce” and inserting “Federal Statistical Service”.

(e) GENERAL REFERENCES TO SECRETARY AND DEPARTMENT.—Title 13, United States Code, is further amended—

(1) by striking “Secretary of Commerce” each place it appears and inserting “Administrator of the Federal Statistical Service”;

and

(2) by striking “Department of Commerce” each place it appears and inserting “Federal Statistical Service”.

SEC. 204. TERMINATED FUNCTIONS OF NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION.

(a) REPEALS.—The following provisions of law are repealed:


(b) DISPOSAL OF NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION LABORATORIES.

(1) PRIVATIZATION.—All laboratories of the National Telecommunications and Information Administration are transferred to the Director of the Office of Management and Budget for privatization in accordance with section 109 by the date specified in subsection (a) of that section.

(2) TRANSFER TO THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION.—If an appropriate arrangement for the privatization of functions of the laboratories of the National Telecommunications and Information Administration under paragraph (1) has not been made by the date specified in section 109(a), the laboratories of the National Telecommunications and Information Administration shall be transferred as of the end of such period to the National Oceanic and Atmospheric Administration established in section 202.

(3) TRANSFER OF FUNCTIONS.—The functions of the National Telecommunications and Information Administration concerning research and analysis of the electromagnetic spectrum described in section 5112(b) of the Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 1532) are transferred to the Director of the National Bureau of Standards.

(c) TRANSFER OF NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION ACCOUNTS.

(1) TRANSFER TO FEDERAL COMMUNICATIONS COMMISSION.—Except as provided in subsection (b)(2), the functions of the National Telecommunications and Information Administration, and of the Secretary of Commerce and the Assistant Secretary for Communications and Information of the Department of Commerce with respect to the National Telecommunications and Information Administration, are transferred to the Federal Communications Commission. The functions transferred by this paragraph shall be placed in an organizational component of the Federal Communications Commission that is independent from all Federal Communications Commission functions directly related to the negotiation of trade agreements. Such functions shall be performed by an individual whose principal professional expertise is in the area of telecommunications. The position to which such individual is appointed shall be graded at a level sufficiently high to attract a highly qualified individual, while ensuring autonomy in the conduct of such functions from all activities and influences associated with trade negotiations.

(2) USE OF FEDERAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION FUNCTIONS.—In any provision of law (including the National Telecommunications and Information Administration Organization Act) to the Secretary of Commerce or the Assistant Secretary for Communications and Information of the Department of Commerce—

(A) with respect to a function vested pursuant to this section in the Federal Communications Commission, such function shall be deemed to refer to the United States Trade Representative; and

(B) with respect to a function vested pursuant to this section in the Director of the National Bureau of Standards, such function shall be deemed to refer to the Director of the National Bureau of Standards.

(3) TERMINATION OF NTIA.—Effective on the date specified in subsection (a) of this section, the National Telecommunications and Information Administration is abolished.

SEC. 205. TERMINATIONS AND TRANSFERS.

(a) TERMINATION OF MISCELLANEOUS RESEARCH PROGRAMS AND ACCOUNTS.—

(1) IN GENERAL.—No funds may be appropriated for any fiscal year for the following programs and accounts of the National Oceanic and Atmospheric Administration:

(A) The National Undersea Research Program.

(B) The Fleet Modernization Program.

(C) The Charleston, South Carolina, Special Management Plan.

(D) Chesapeake Bay Observation Buoyas (as of September 30, 2002).

(E) Federal/State Weather Modification Grants.

(F) The Southeast Storm Research Account.

(G) The Southeast United States Caribbean Fisheries Oceanographic Coordinated Investigations Program.

(H) National Institute for Environmental Renewal.

(I) The Lake Champlain Study.

(J) The Maine Marine Research Center.

(K) The Sower.

(L) Pacific Island Technical Assistance.

(M) Sea Grant Oyster Disease Account.

(N) Sea Grant Zebra Mussel Account.

(O) National Weather Service non-Federal, non-wildfire Weather Service.

(P) National Weather Service Regional Climate Centers.

(Q) National Weather Service Samoa Weather Forecast Office Repair and Upgrade Account.

(R) Dissemination of Weather Charts (Marine Facsimile Service).

(S) The Climate and Global Change Account.

(T) The Global Learning and Observations to Benefit the Environment Program.

(U) Mussel watch.

(b) REPEALS.—The following provisions of law are repealed:


(F) Section 305 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1454) is repealed effective October 1, 2000.

(G) The NOAAS Fleet Modernization Act (33 U.S.C. 891 et seq.).


(b) AERONAUTICAL MAPPING AND CHARTING.

(1) IN GENERAL.—The aeronautical mapping and charting functions of the National Oceanic and Atmospheric Administration are transferred to the Defense Mapping Agency.

(2) TRANSFER OF MAPPING, CHARTING, AND GEODESY FUNCTIONS TO THE ARMY CORPS OF ENGINEERS.—

(A) IN GENERAL.—Notwithstanding paragraph (2), the Director of the Defense Mapping Agency (referred to in this paragraph as the “Director”) shall carry out such aeronautical charting functions as may be requested by the Administrator of the Federal Aviation Administration.

(B) AERONAUTICAL MAPPING.—In carrying out aeronautical mapping functions requested by the Administrator under subparagraph (A), the Director shall in such manner and including such information as the Administrator determines is necessary for, or will promote, the safe and efficient movement of aircraft in air commerce—

(i) publish and distribute to the public and to the Administrator any aeronautical charts as may be requested by the Administrator; and

(ii) provide to the Administrator such other air traffic control products and services as may be requested by the Administrator.

(C) CONTINUING APPLICABILITY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the requirements of section 1001 of title 44, United States Code, shall continue to apply with respect to all aeronautical products created or published by the Director in carrying out the functions transferred to the Director under this paragraph.

(B) EXCEPTIONS.—The prices for products referred to in subparagraph (A) shall be established jointly by the Director and the Secretary of Transportation on an annual basis.

(c) TRANSFER OF MAPPING, CHARTING, AND GEODESY FUNCTIONS TO THE ARMY CORPS OF ENGINEERS.—

(1) IN GENERAL.—Except as provided in subparagraph (B), there are transferred to the Army Corps of Engineers the functions relating to mapping, charting, and geodesy authorized under the Act of August 7, 1947 (61 Stat. 787, chapter 504; 33 U.S.C. 585a).

(2) TERMINATION OF CERTAIN FUNCTIONS.—

(A) The Secretary of the Army, acting through the Chief of Engineers of the Army Corps of Engineers, shall terminate any functions transferred under paragraph (1) that are performed by the private sector.
after and inserting "National Oceanic and Atmospheric Administration established in section 206 all functions and assets of the National Oceanic and Atmospheric Administration that on the date immediately before the effective date of this section are authorized to be performed by the National Environmental Satellite, Data, and Information System.

(e) OCEANIC AND ATMOSPHERIC ADMINISTRATION.—There are transferred to the National Oceanic and Atmospheric Administration (including global programs) that on the date immediately before the effective date of this section were authorized to be performed by the National Weather Service.

(1) IN GENERAL.—There are transferred to the National Oceanic and Atmospheric Administration established in section 206 all functions and assets of the National Oceanic and Atmospheric Administration that on the date immediately before the effective date of this section were authorized to be performed by the National Weather Service.

(2) DUTIES.—Except as provided in paragraph (3), to protect life and property and enhance efficiency, the Administrator of Oceans and Atmosphere, through the National Weather Service, shall be responsible for the following:

(A) Forecasts. The Administrator shall serve as the sole and official sources of weather and flood warnings for the Federal Government.

(B) The issuance of storm warnings.

(C) The collection, exchange, and distribution of meteorological, hydrological, climatic, and oceanographic data and information.

(D) The preparation of hydro-meteorological guidance and core forecast information.

(3) LIMITATIONS ON COMPETITION.—The National Weather Service may not compete, or assist other entities in competing, with the private sector to provide a service in any case in which the National Weather Service, through a private sector commercial enterprise or a private sector commercial enterprise is able to provide that service, unless—

(A) The Administrator of Oceans and Atmosphere finds that private sector commercial enterprises are unwilling or unable to provide the service; and

(B) The Administrator of Oceans and Atmosphere finds that the service provides vital weather warnings and forecasts for the protection of lives and property of the general public.

(4) ORGANIC ACT AMENDMENTS.—The chapter entitled “An Act to increase the efficiency and reduce the expenses of the Signal Corps of the Army,” and to transfer the Weather Bureau to the Department of Agriculture,” approved October 1, 1900 (26 Stat. 653, chapter 1265) is amended

(A) by striking section 3 (15 U.S.C. 313) and

(B) in section 9 (15 U.S.C. 317), by striking “Department of” and all that follows thereafter and inserting “National Oceanic and Atmospheric Administration.”

(5) REPEAL.—Sections 706 and 707 of the Weather Service Modernization Act (15 U.S.C. 313 note) are repealed.

(6) CONFORMING AMENDMENTS.—The Weather Service Modernization Act (15 U.S.C. 313 note) is amended—

(A) in section 702, by striking paragraph (3) and redesignating paragraphs (4) through (10) as paragraphs (3) through (9), respectively; and

(B) in section 703—

(i) by striking "(a) NATIONAL IMPLEMENTATION PLAN.—":

(ii) by striking paragraph (3) and redesignating paragraphs (4) through (6) as paragraphs (3) through (5), respectively; and

(iii) by striking paragraph (10) and (c) and (d).

(g) TERMINATION OF THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION CORPS OF COMMISSIONED OFFICERS.

(1) NUMBER OF OFFICERS.—Notwithstanding section 8 of the Act of June 3, 1948 (62 Stat. 298, chapter 390; 33 U.S.C. 653g), no funding shall be provided for a commissioned officer of the National Oceanic and Atmospheric Administration Corps after fiscal year 1999 and no individual may serve as such a commissioned officer after fiscal year 1999.

(2) SEPARATION PAY.—

(A) IN GENERAL.—Commissioned officers may be separated from the active list of the National Oceanic and Atmospheric Administration. Any officer so separated because of paragraph (1) shall, subject to subparagraph (B) and the availability of appropriations, be eligible for separation pay under section 9 of the chapter of June 3, 1948 (62 Stat. 299, chapter 390; 33 U.S.C. 653h) to the same extent as if such officer had been separated under section 8 of such chapter (62 Stat. 298, chapter 390; 33 U.S.C. 653g).

(B) TRANSFERRERS.—Any officer who, under paragraph (4), transfers to another of the uniformed services is able to assist other entities in competing, with the Secretary of Defense in consultation with the Secretary of the Treasury, equal to the actuarial present value of any retired or retainer pay they will draw upon retirement, including full credit for service in the National Oceanic and Atmospheric Administration Corps.

(3) RETIREMENT PROVISIONS.—

(A) IN GENERAL.—For commissioned officers who transfer under paragraph (4)(A) to the Armed Forces, the National Oceanic and Atmospheric Administration shall pay into the Department of Defense Military Retirement Fund an amount, to be calculated by the Secretary of Defense in consultation with the Secretary of the Treasury, equal to the actuarial present value of any retired or retainer pay they will draw upon retirement, including full credit for service in the National Oceanic and Atmospheric Administration Corps.

(B) OTHER TRANSFERS.—For commissioned officers who transfer under paragraph (4)(B) to the United States Coast Guard, full credit shall be given for purposes of any annuity or other similar benefit under the retirement system for members of the United States Coast Guard, pursuant to which is based on the separation of such officer.

(C) PAYMENT TO CERTAIN COMMISSIONED OFFICERS WHO TRANSFER TO CIVIL SERVICE POSITIONS.—(1) For a commissioned officer who becomes employed in a civil service position pursuant to paragraph (4)(C) and thereupon becomes subject to the Federal Employees’ Retirement System, the National Oceanic and Atmospheric Administration shall pay, on such officer’s behalf—

(i) into the Civil Service Retirement and Disability Fund, the amounts required under clause (ii); and

(ii) into the Government Securities Investment Fund, the amount required under clause (iii).

(iii) The amount required under this subclause is the amount of any deposit required under section 8422(e)(1) of title 5, United States Code, with respect to any prior service performed by that individual as such an officer.

(II) To determine the amount required under this paragraph, first determine, for each year of service with respect to which the deposit under subparagraph (I) applies, an amount equal to

(A) the difference.

(B) the Administrator of Oceans and Atmospheric Administration shall pay into the Civil Service Retirement and Disability Fund, on such officer’s behalf, any deposit required under section 8422(e)(1) of title 5, United States Code, with respect to any prior service performed by that individual as such an officer; and

(II) if the amount paid under subclause (I) is less than the amount of the repayment required under subparagraph (C), the National Oceanic and Atmospheric Administration shall pay into the Government Securities Investment Fund (established under section 8438(b)(1)(A) of title 5, United States Code), first determine, for such year (as determined under the last sentence of this subclause) multiplied by basic
pay received by the individual for any such services is treated as failing to meet any non-cable limitation on contributions contained in the Internal Revenue Code of 1986, and shall not be taken into account in applying any such limitation to other contributions or benefits under the Thrift Savings Plan, with respect to the year in which the contribution is made.

(ii)(A) An amount referred to in subclause (i) shall not be treated as failing to meet any non-discrimination requirement by reason of the making of such contribution.

(b) Rule of Construction.—(A) In General.—The following provisions of law are repealed:


(c) Transfer to Public Law 87-649.—


(B) Rule of Construction.—No repeal under this subparagraph shall affect any amity or other similar benefit payable, under any provision of law so repealed, based on the separation of any individual from the NOAA Corps on or before September 30, 2000. Any authority exercised by the Secretary of Commerce or the designee of the Secretary with respect to any such benefit shall be exercised by the Administrator of Oceans and Atmosphere and any authority granted under this subparagraph shall be exercised in effect as of September 30, 2000, shall be considered to have remained in effect.

(c) By Repeal.—The effective date of the repeals under subparagraph (A) shall be October 1, 2000.

(D) Applicability of Retirement Laws.—

(i) Laws relating to the retirement of commissioned officers of the Navy shall apply to commissioned officers of the former Commissioned Officers Corps of the Naval Oceanic and Atmospheric Administration and its predecessors.

(ii) Active Military Service.—Active service of officers of the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its predecessors who have retired from the Commissioned Officers Corps shall be deemed to be active military service in the United States Navy for purposes of all rights, privileges, immunities, and benefits provided to retired commissioned officers of the Navy by the laws of the United States and any agency thereof. In the Administration of those laws (including regulations) with respect to retired officers of the former Commissioned Officers Corps of the National Oceanic and Atmospheric Administration and its predecessors, the authority of the Secretary of the Navy shall be exercised by the Administrator of Oceans and Atmosphere.

(iii) Its Predecessors Defined.—For purposes of this subparagraph, the term "its predecessors" means the Commissioned Officers Corps of the Environmental Science Services Administration and the former Commissioned Officers Corps of the Coast and Geodetic Survey.

(7) CREDIBILITY OF NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION SERVICE FOR PURPOSES RELATING TO REDUCTIONS IN PERSONNEL.—Any Commissioned Officer assigned to or detailed to the National Oceanic and Atmospheric Administration or its predecessors from the active list of the National Oceanic and Atmospheric Administration or its successor by reason of paragraph (1) shall, for purposes of any subsequent reduction in force, receive credit for any period of service performed as such an officer before separation from such list to the same extent and in the same manner as though the individual had been on the active list for the period of active service in the Armed Forces.

(8) Abolition.—Effective September 30, 2000, the Office of the National Oceanic and Atmospheric Administration Corps of Operations or its successor and the Commissioned Personnel Center are abolished.

(h) National Oceanic and Atmospheric Administration.—

(i) Service Contracts.—Notwithstanding any other provision of law, the Administrator of Oceans and Atmosphere shall enter into service contracts under paragraph (4) for vessels subject to paragraph (3), for the use of vessels to conduct oceanographic research and fisheries research, monitoring, enforcement, and management, and to acquire other data necessary to carry out the missions of the National Oceanic and Atmospheric Administration. The Administrator of Oceans and Atmosphere shall enter into such contracts unless—

(A) the cost of the contract is more than the cost (including the cost of vessel operation, maintenance, and all personnel) to the National Oceanic and Atmospheric Administration of obtaining those services on vessels of the National Oceanic and Atmospheric Administration;

(B) the contract is for a period greater than 7 years; or

(C) the data is acquired through a vessel agreement pursuant to paragraph (4).

(2) Vessels.—The Administrator of Oceans and Atmosphere may not enter into any contract for the construction, lease-purchase, upgrade, or service life extension of any vessel.

(3) Multyear Contracts.—

(A) In General.—Subject to subparagraphs (B) and (C), none of the provisions of section 301 of title 31, United States Code, and section 11 of title 41, United States Code, the Administrator of Oceans and Atmosphere may acquire under multiyear contracts.

(B) Required Findings.—The Administrator of Oceans and Atmosphere may not enter into a contract pursuant to this paragraph unless the Administrator makes, with respect to that contract, that there is a reasonable expectation that throughout the contemplated contract period the Administration will request from Congress funding for the contract at the level required to avoid the termination of that contract.

(C) Required Provisions.—The Administrator of Oceans and Atmosphere may not enter into a contract under this paragraph unless the contract includes—

(i) a provision under which the obligation of the United States to make payments under the contract for any fiscal year is subject to the availability of appropriations provided in advance for those payments;

(ii) a provision that specifies the term of effectiveness of the contract; and

(iii) appropriate provisions under which, in case of any termination of the contract before the expiration of the term thereof pursuant to clause (ii), the United States shall only be liable for the lesser of—

(I) an amount specified in the contract for such termination; or

(II) amounts that were appropriated before the date of the termination for the performance of the contract or for procurement of that acquisition required by the contract and are unobligated on the date of the termination.

(4) Vessel Agreements.—The Administrator of Oceans and Atmosphere—

(A) shall, if appropriate, use excess capacity of University National Oceanographic Laboratory System vessels; and

(B) enter into memoranda of agreement with the operators of the vessels referred to in subparagraph (A) to carry out the requirement under that subparagraph.

(5) Transfer of Excess Vessels.—The Administrator of Oceans and Atmosphere shall transfer any vessel that weighs more than 1,500 gross tons that are excess to the needs of the National Oceanic and Atmospheric Administration to the National Defense Reserve Fleet. Notwithstanding any other provision of law, these vessels may be scrapped or otherwise disposed of in accordance with section 1160(i) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1160(i)).

(i) National Marine Fisheries Service.—There are transferred to the National Oceanic and Atmospheric Administration all functions that on the day before the effective date of this section are authorized by law to be performed by the National Marine Fisheries Service.

(i) National Ocean Service.—Except as otherwise provided in this chapter, there are transferred to the National Oceanic and Atmospheric Administration the functions of the National Ocean Service.

(k) Transfer of Coastal Nonpoint Pollution Control Functions.—There are transferred to the National Marine Fisheries Service the functions of the National Marine Fisheries Service (including the Coastal Ocean Program).
IN GENERAL.—There is established as an independent agency in the executive branch of the Federal Government the National Oceanic and Atmospheric Administration (in this section referred to as "NOAA"). NOAA, and all functions and offices transferred to NOAA under this chapter, shall be administered under the supervision and direction of an Administrator of Oceans and Atmosphere.

(1) ADMINISTRATOR OF OCEANS AND ATMOSPHERE.—The Administrator of Oceans and Atmosphere shall—
(A) be appointed by the President, by and with the advice and consent of the Senate; and
(B) receive basic pay at the rate payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(2) FUNCTIONS.—The Administrator of Oceans and Atmosphere shall perform the functions performed by the Administrator of the National Oceanic and Atmospheric Administration, except as otherwise provided in this chapter.

(b) PRINCIPAL OFFICERS.—There shall be in NOAA—
(1) a Chief Financial Officer, to be appointed by the President, by and with the advice and consent of the Senate; and
(2) a Chief of External Affairs, to be appointed by the President, by and with the advice and consent of the Senate;

(c) ADDITIONAL OFFICERS.—
(1) IN GENERAL.—There shall be in NOAA—
(A) a Chief Financial Officer, to be appointed by the President, by and with the advice and consent of the Senate; and
(B) a Chief of External Affairs, to be appointed by the President, by and with the advice and consent of the Senate;

(D) ANOTHER DESIGNER, TO BE APPOINTED IN ACCORDANCE WITH THE INSPECTOR GENERAL ACT OF 1978 (5 U.S.C. APP.).

(2) COMPENSATION.—Each Officer appointed under this subsection shall receive basic pay at the rate payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(3) ADDITIONAL OFFICERS.—
(1) IN GENERAL.—There shall be in NOAA—
(A) a Chief Financial Officer, to be appointed by the President, by and with the advice and consent of the Senate;

(b) CHIEF OF EXTERNAL AFFAIRS, TO BE APPOINTED BY THE PRESIDENT, BY AND WITH THE ADVICE AND CONSENT OF THE SENATE;

(C) a General Counsel, to be appointed by the President, by and with the advice and consent of the Senate; and

(D) ANOTHER DESIGNER, TO BE APPOINTED IN ACCORDANCE WITH THE INSPECTOR GENERAL ACT OF 1978 (5 U.S.C. APP.).

(2) COMPENSATION.—Each Officer appointed under this subsection shall receive basic pay at the rate payable for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

(4) TRANSFER OF FUNCTIONS AND OFFICES.—Except as otherwise provided in this chapter, there are transferred to NOAA—
(i) the functions and offices of the National Oceanic and Atmospheric Administration, as provided in section 205;

(ii) the National Bureau of Standards, along with its functions and offices, as provided in section 202; and

(iii) the Office of Space Commerce, along with its functions and offices.

(5) EXEMPTION OF POSITIONS.—The Administrator of Oceans and Atmosphere may eliminate positions that are no longer necessary because of the termination of functions under this section and sections 202 and 205.

(6) AGENCY TERMINATIONS.—
(1) TERMINATIONS.—
(A) EFFECTIVE DATE.—On the date specified in section 208(a), the following shall terminate:
(i) the Office of the Deputy Administrator and Assistant Secretary of the National Oceanic and Atmospheric Administration;

(ii) the Office of the Deputy Under Secretary of the National Oceanic and Atmospheric Administration;

(iii) the Office of Chief Scientist of the National Oceanic and Atmospheric Administration;

(iv) the position of Deputy Assistant Secretary of the Department of Commerce, and

(v) the position of Deputy Assistant Secretary for International Affairs.

(2) TERMINATION OF EXECUTIVE SCHEDULE POSITIONS.—Each position that, before the effective date of this section, was expressly authorized by law, or the incumbent of which is authorized to receive compensation at the rate payable for level IV of the Executive Schedule under sections 5312 through 5315 of title 5, United States Code, in an office terminated pursuant to this section and section 205 shall also terminate.

(3) FUNDING REDUCTIONS RESULTING FROM REORGANIZATION.—
(1) FUNDING REDUCTIONS.—Notwithstanding the amount appropriated under this title, the total amount appropriated by the United States for the performance of all functions vested in the National Oceanic and Atmospheric Administration pursuant to this title shall not exceed—
(A) for the first fiscal year that begins after the date specified in section 102(c), 75 percent of the amount appropriated for fiscal year 1998 for the performance of all functions vested in the National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the Office of Space Commerce, except for those functions transferred under section 205 to agencies or departments other than the National Oceanic and Atmospheric Administration; and

(B) for the second fiscal year that begins after the abolition date specified in section 102(c), 65 percent of the total amount appropriated for fiscal year 1998 for the performance of all functions vested in the National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the Office of Space Commerce, except for those functions transferred under section 205 to agencies or departments other than the National Oceanic and Atmospheric Administration;

(2) FEDERAL AGENCY.—The term "Federal agency" has the meaning given to the term "agency" in section 551(1) of title 5, United States Code.

(3) TRADE ADMINISTRATION.—The term "Trade Administration" means the United States Trade Administration established by section 311 of this chapter.

(4) TRADE REPRESENTATIVE.—The term "Trade Representative" means the United States Trade Representative provided for under section 311 of this chapter.

(5) RESPONSIBILITIES OF THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET.—The Director of the Office of Management and Budget shall in each report under subsections (a) and (b) of section 106 a description of actions taken to comply with the requirements of this subsection.

SEC. 207. MISCELLANEOUS TERMINATIONS; MORATORIUM ON PROGRAM ACTIVITIES.

(a) TERMINATIONS.—The following agencies and programs of the Department of Commerce are terminated:

(1) The Minority Business Development Administration.

(2) The programs and activities of the National Telecommunications and Information Administration referred to in section 204(a).

(b) MORATORIUM ON PROGRAM ACTIVITIES.—The authority to make grants, enter into contracts, provide assistance, incur obligations, or provide commitments (including enactment of existing obligations or commitments, except if required by law) with respect to the agencies and programs described in subsection (a) is terminated effective on the date of enactment of this chapter.

SEC. 208. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this title shall take effect on the date specified in section 102(c).

(b) PROVISIONS EFFECTIVE ON DATE OF ENACTMENT.—The following provisions of this title shall take effect on the date of enactment of this Act:

(1) Section 201.

(2) Section 205(g), except as otherwise provided in that section.

(3) Section 207(b).

(c) This section.

Subchapter C—Establishment of United States Trade Representative

PART I—GENERAL PROVISIONS

SEC. 301. DEFINITIONS.

In this title:

(1) FEDERAL AGENCY.—The term "Federal agency" has the meaning given to the term "agency" in section 551(1) of title 5, United States Code.

(2) TRADE ADMINISTRATION.—The term "Trade Administration" means the United States Trade Administration established by section 311 of this chapter.

(3) TRADE REPRESENTATIVE.—The term "Trade Representative" means the United States Trade Representative provided for under section 311 of this chapter.

PART II—UNITED STATES TRADE ADMINISTRATION

Subpart A—Establishment

SEC. 311. ESTABLISHMENT OF THE UNITED STATES TRADE ADMINISTRATION.

(a) IN GENERAL.—The Trade Administration is established in the executive branch of Government as an independent establishment as defined in section 104 of title 5, United States Code. The Trade Representative shall be the head of the Trade Administration.
(b) Ambassador Status.—The Trade Representative is the person of the interagency organization established under section 242 of the Trade Expansion Act of 1962 (19 U.S.C. 2127), for the purpose of advising the President on governmental policies designed to improve the competitiveness of United States industries and services, and for the purpose of promoting international trade through aggressive promotion and marketing of goods and services that are products of the United States; (c) exercise lead responsibility for the conduct of international trade negotiations, including negotiations relating to commodity matters and, to the extent that such negotiations are related to international trade, direct investment negotiations; (d) exercise lead responsibility for the establishment of a national export strategy, including policies designed to implement such strategy; (e) with the advice of the interagency organization established under section 242 of the Trade Expansion Act of 1962, and in consultation with the Secretary of Commerce, maintain United States leadership in international trade liberalization and expansion efforts; (f) negotiate, in the name of the United States, at all levels, and with all persons or organizations, agreements of mutual benefit; (g) with the concurrence of the head of any other Federal agency, may assign the responsibility for conducting or participating in any specific international adjudication or meeting to the head of such agency whenever the Trade Representative determines that the subject matter of such international trade negotiation is related to the functions carried out by such agency.

Subpart B—Officers

SEC. 321. DEPUTY UNITED STATES TRADE REPR ESENTATIVE

(a) Establishment.—There shall be in the Trade Administration 3 Deputy United States Trade Representatives, who shall be appointed by the President, by and with the advice and consent of the Senate. The Deputy United States Trade Representatives shall exercise all functions under the direction of the Trade Representative, and shall include—

(1) the Deputy United States Trade Representative for Negotiations (referred to in this title as the “Deputy Trade Representative for Negotiations”); (2) the Deputy United States Trade Representative for Administration (referred to in this title as the “Deputy Trade Representative for the WTO”); and (3) the Deputy United States Trade Representative for Administration (referred to in this title as the “Deputy Trade Representative for Administration”).

(b) Functions of Deputy Trade Representatives

(1) Deputy Trade Representative for Negotiations.—The Deputy Trade Representative for Negotiations shall exercise all functions transferred under section 241 relating to trade negotiations and such other functions as the Trade Representative may direct and shall have the rank and status of Ambassador.

(2) Deputy Trade Representative for Administration.—The Deputy Trade Representative for Administration shall act in the capacity of the Trade Representative during the absence or disability of the Trade Representative or in the case of his refusal or inability to act, or when so directed by the Trade Representative.

(3) Deputy Trade Representative for Administration (referred to in this title as the “Deputy Trade Representative for the WTO”).

(4) The Deputy Trade Representative for the WTO shall exercise all functions relating to representation to the World Trade Organization and shall have the rank and status of Ambassador.

(5) The Deputy Trade Representative for Administration shall act in the capacity of the Trade Representative during the absence or disability of the Trade Representative or in the case of his refusal or inability to act, or when so directed by the Trade Representative.
event the office of the Trade Representative becomes the Board. The Deputy Administrator shall act for and exercise the functions of the Trade Representative until the absence or disability of the Trade Representative no longer exists or a successor to the Trade Representative has been appointed by the President and confirmed by the Senate.

(b) FUNCTIONS.—The Deputy Trade Representative shall perform all functions, under the direction of the Trade Representative, transferred to or established in the Trade Administration, except those functions exercised by the Deputy United States Trade Representatives described in paragraphs (1) and (2), the Assistant Administrator for Export Promotion, the Inspector General of the Trade Administration, and the General Counsel of the Trade Administration.

SEC. 322. ASSISTANT ADMINISTRATORS.

(a) ESTABLISHMENT.—There shall be in the Trade Administration 4 Assistant Administrators who shall be appointed by the President, by and with the advice and consent of the Senate. The Assistant Administrators shall exercise all functions under the direction of the Assistant Representative for Administration and include—

1. the Assistant Administrator for Export Administration;
2. the Assistant Administrator for Import Administration;
3. the Assistant Administrator for Trade and Policy Analysis; and
4. the Assistant Administrator for Export Promotion.

(b) FUNCTIONS OF ASSISTANT ADMINISTRATORS.—

1. EXPORT ADMINISTRATION.—The Assistant Administrator for Export Administration shall exercise all functions transferred under section 332(1)(C).
2. IMPORT ADMINISTRATION.—The Assistant Administrator for Import Administration shall exercise all functions transferred under section 332(1)(D).
3. TRADE AND POLICY ANALYSIS.—The Assistant Administrator for Trade and Policy Analysis shall exercise all functions transferred under section 332(1)(B) and all functions transferred under section 332(2).
4. EXPORT PROMOTION.—The Assistant Administrator for Export Promotion shall exercise all functions transferred under sections 332(1)(A) and 332(2) of this title.

SEC. 323. GENERAL COUNSEL.

There shall be in the Trade Administration a General Counsel, who shall be appointed by the President, by and with the advice and consent of the Senate. The General Counsel shall provide legal assistance to the Trade Representative concerning the activities, programs, and policies of the Trade Administration.

SEC. 324. INSPECTOR GENERAL.

There shall be in the Trade Administration an Inspector General who shall be appointed in accordance with the Inspector General Act of 1978, as amended by section 371(a) of this chapter.

SEC. 325. CHIEF FINANCIAL OFFICER.

There shall be in the Trade Administration a Chief Financial Officer who shall be appointed in accordance with section 301 of title 31, United States Code, as amended by section 371(e) of this chapter. The Chief Financial Officer shall perform all functions prescribed by the Deputy Trade Representative for Administration, under the direction of the Deputy Trade Representative.

Subpart C—Transfers to the Trade Administration

SEC. 331. OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE.

(a) ABOLISHMENT OF OFFICE OF THE USTR.—Effective on the applicable date specified in section 332(c)(1) of this title, the Office of the United States Trade Representative established by section 121 of the Trade Act of 1974 (19 U.S.C. 121) is abolished.

(b) TRANSFER OF FUNCTIONS.—Except as otherwise provided in this chapter, all functions exercised before the applicable date specified in section 121(c) are authorized to be performed by the United States Trade Representative, any other officer or employee of the Office of the United States Trade Representative acting in that capacity, or any agency or office of the Office of the United States Trade Representative, are transferred to the Trade Administration established under this title effective on that date.

(c) DETERMINATION OF CERTAIN FUNCTIONS.—If necessary, the Office of Management and Budget shall make any determination of the functions that are transferred under this title.

SEC. 332. TRANSFERS FROM THE DEPARTMENT OF COMMERCE.

There are transferred to the Trade Administration the following functions:

1. All functions of any officer or employee of the Department of Commerce, including sharing of facilities, costs, and expenses that are products of the United States, in exporting nonagricultural goods or services that are products of the United States, and in providing information to United States businesses that stimulates or assists them.
2. All functions of any other officer or employee of the Department of Commerce that relates to the National Trade Data Bank.
3. All functions of the Secretary of Commerce relating to the following:
   (A) the elimination of overlap and duplication among all Federal nonagricultural export promotion activities and export financing activities; and
   (B) to transfer the functions to the Trade Administration.

SEC. 333. OVERSEAS PRIVATE INVESTMENT CORPORATION.

(a) BOARD OF DIRECTORS.—The second and third sentences of section 259(b) of the Foreign Assistance Act of 1961 (22 U.S.C. 2193(b)) are amended to read as follows: “(b) EX OFFICIO MEMBER OF OVERSEAS PRIVATE INVESTMENT CORPORATION BOARD OF DIRECTORS.—The Assistant Administrator for Export Promotion of the United States Trade Administration serves as an ex officio nonvoting member of the Board of Directors of the Overseas Private Investment Corporation.

(b) PLAN ELEMENTS.—The plan under subsection (a) shall—

1. place all Federal nonagricultural export promotion activities and export financing activities in the amount of funding for all Federal nonagricultural export promotion activities and export financing activities within the Trade Administration; and
2. achieve an overall 25 percent reduction in the amount of funding for all Federal nonagricultural export promotion activities and export financing activities by not later than 2 years after the date of enactment of this chapter.

Subpart D—Exports Promotion

SEC. 334. EXPORT-IMPORT BANK.

(a) IN GENERAL.—

1. TRANSFER OF FUNCTIONS.—There are transferred to the Office of the United States Trade Representative (who shall serve as Chairman), the President of the Export-Import Bank of the United States (who shall serve as Vice Chairman), the first Vice President, and 2 additional persons appointed by the President of the United States, by and with the advice and consent of the Senate.

(b) EX OFFICIO MEMBER OF EXPORT-IMPORT BANK BOARD OF DIRECTORS.—The Assistant Administrator for Export Promotion shall serve as an ex officio nonvoting member of the Board of Directors of the Export-Import Bank.

(c) AMENDMENTS TO RELATED BANKING AND TRADE ACTS.—Section 259(h) of the Omnibus Trade and Competitiveness Act of 1988 (15 U.S.C. 4439(h)) is amended to read as follows: “(h) ASSISTANCE TO EXPORT-IMPORT BANK.—The Commercial Service shall provide such services as the Assistant Administrator for Export Promotion of the United States Trade Administration determines necessary to assist the Export-Import Bank of the United States to carry out the lending, loan guarantee, insurance, and other activities of the Bank.”

SEC. 335. CONSOLIDATION OF EXPORT PROMOTION AND FINANCING ACTIVITIES.

(a) SUBMISSION OF PLAN.—

1. IN GENERAL.—Not later than 180 days after the date of enactment of this chapter, the President shall transmit to Congress a comprehensive plan—

(A) to consolidate Federal nonagricultural export promotion activities and export financing activities; and

(B) to transfer the functions to the Trade Administration.

2. CONTENTS OF PLAN.—The plan under this section shall—

(A) the elimination of overlap and duplication among all Federal nonagricultural export promotion activities and export financing activities; and

B. a unified budget for all Federal nonagricultural export promotion activities which eliminates funding for overlapping and duplicative activities identified under subparagraph (A); and

C. a long-term agenda for developing better cooperation between local, State, and Federal programs and activities designed to stimulate or assist United States businesses in competing in nonagricultural goods or services that are products of the United States, including sharing of facilities, costs, and export market research data.

(b) PLAN ELEMENTS.—The plan under subsection (a) shall—

1. place all Federal nonagricultural export promotion activities and export financing activities within the Trade Administration; and
2. achieve an overall 25 percent reduction in the amount of funding for all Federal nonagricultural export promotion activities and export financing activities by not later than 2 years after the date of enactment of this chapter.
be made without regard to the provisions of this section. Subject to the provisions of this subsection, the individual appointed to such position is an individual who is transferred in connection with the transfer of functions and offices pursuant to this title and, on the day before the effective date of this title, held a position in such grade level which—

(a) FUNCTIONS OF CITA.—

(1) IN GENERAL.—Subject to paragraph (2), those functions delegated to the Committee for the establishment of Textile Agreement provisions under sections 1342 of title 31, United States Code, such rules and regulations as the Secretary of Commerce may prescribe, in accordance with the provisions of sections 5010, 5011, and 5012 of such title, to the United States Trade Representative under this subsection shall be transferred to the Trade Administration.

(2) OTHER FUNCTIONS.—Those functions delegated to CITA that relate to the assessment of the impact of textile imports on domestic industry are transferred to the International Trade Administration. The International Trade Commission shall make a determination and advise the President of the determination not later than 180 days after receiving a request for an investigation.

(b) ABOLITION OF CITA.—CITA is abolished.

Subpart D—Administrative Provisions

SEC. 346. FUND TRANSFER.

The Trade Representative may, when authorized in an appropriation Act in any fiscal year, transfer funds from one appropriation to another within the Trade Administration, except that—

(1) no appropriation for any fiscal year shall be either increased or decreased by more than 10 percent; and

(2) any such transfer shall result in increasing any such appropriation above the amount authorized to be appropriated for that purpose.

SEC. 347. CONTRACTS, GRANTS, AND COOPERATIVE AGREEMENTS.

(a) IN GENERAL.—Subject to the provisions of the Federal Property and Administrative Services Act of 1949, the Trade Representative may make, enter into, and perform such contracts, leases, cooperative agreements, grants, or other similar transactions with public agencies, private organizations, and individuals (in lieu of requisition or installation, and by way of advance or reimbursement, and, in the case of any grant,
with necessary adjustments on account of overpayment of appropriated amounts.

The Trade Representative considers necessary or appropriate to carry out the functions of the Trade Representative or the Trade Administration.

(b) Exception.—Notwithstanding any other provision of this title, the authority to enter into contracts or to make payments under this chapter shall be effective only to such extent, or in such amounts, as are provided in advance in appropriation Acts. This subsection does not apply with respect to the authorities granted under section 349.

SEC. 348. USE OF FACILITIES.

(a) USE BY TRADE REPRESENTATIVE.—In carrying out any function of the Trade Representative or the Trade Administration, the Trade Representative, with or without reimbursement, may use the research, services, equipment, and facilities of—

(1) an individual;

(2) a public or private nonprofit agency or organization, including any agency or instrumentality of the United States or of any State, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States;

(3) any political subdivision of any State, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States; or

(4) any foreign government.

(b) USE OF TRADE REPRESENTATIVE FACILITIES.—The Trade Representative, under terms, at rates, and for periods that the Trade Representative considers to be in the public interest, may permit the use by public and private agencies, corporations, associations or other organizations, or individuals, of any real property, or any facility, structure or other improvement thereon, under the custody of the Trade Representative. The Trade Representative may require permittees under this section to maintain or recondition, at their own expense, the real property, facilities, structures, and improvements used by such permittees.

SEC. 349. GIFTS AND BEQUESTS.

(a) In General.—The Trade Representative is authorized to accept, hold, administer, and utilize gifts and bequests of property, both real and personal, for the purpose of aiding or facilitating the work of the Trade Administration. Gifts and bequests of money and the proceeds from sales of other property received as gifts or bequests shall be deposited in the United States Treasury in a separate fund and shall be disbursed on order of the Trade Representative. Property accepted pursuant to this subsection, and the proceeds thereof, shall be used as nearly as possible in accordance with the terms of the gift or bequest.

(b) Tax Treatment.—For the purpose of Federal, U.S. estate, and gift taxes, and State taxes, property accepted under subsection (a) shall be considered a gift or bequest to or for the use of the United States.

(c) Investment.—

(1) In General.—Upon the request of the Trade Representative, the Secretary of the Treasury may invest and reinvest in securities of the United States or in securities guaranteed as to principal and interest by the United States any moneys contained in the fund provided for in subsection (a).

(2) Terms of Investment.—Income accruing from the securities referred to in paragraph (1), and from any other property held by the Trade Representative pursuant to subsection (a), is authorized to be deposited to the credit of the fund; and

(b) be disbursed on order of the Trade Representative.

SEC. 350. WORKING CAPITAL FUND.

(a) Establishment.—The Trade Representative is established to authorize to establish the Trade Administration a working capital fund, to be available without fiscal year limitation, for expenses necessary for the maintenance and operation of such common administrative services as the Trade Representative shall find to be desirable in the interest of economy and efficiency, including—

(1) a central supply service for stationery and other supplies and equipment for which adequate stock has been maintained in whole or in part the requirements of the Trade Administration and its components;

(2) central messenger, mail, and telephone service and other communications services;

(3) office space and central services for document reproduction and for graphics and visual aids;

(4) a central library service; and

(5) such other services as may be approved by the Director of the Office of Management and Budget.

(b) Operation of Fund.—

(1) In General.—The capital of the fund shall consist of any appropriations made for the purpose of providing working capital and the fair and reasonable value of such stocks of supplies, equipment, and other assets and inventories on order as the Trade Representative may transfer to the fund, less the related liabilities and unpaid obligations.

(2) Advance Reimbursements.—The fund shall be reimbursed in advance from available funds of agencies and offices in the Trade Administration, or from other sources, for supplies and services at rates which will approximate the expense of operation, including the actual cost of supplies, equipment, and other assets and unpaid obligations relating to those services which the Trade Representative determines will be performed.

(c) Deposit of Moneys.—Moneys received as gifts or bequests shall be deposited in the United States Treasury as miscellaneous receipts any surplus of the fund (all assets, liabilities, and any prior losses considered) above the amount transferred or appropriated to establish and maintain the fund.

(3) Transfers to Fund.—There shall be transferred to the fund the stocks of supplies, equipment, other assets, liabilities, and unpaid obligations relating to those services which the Trade Representative determines will be performed.

(d) Authority.—Notwithstanding any other provision of law, the Trade Representative may establish reasonable fees and commissions with respect to applications, documents, awards, loans, grants, research data, services, and assistance administered by the Trade Administration. The Trade Representative may establish reasonable fees and commissions. Before establishing, changing, or abolishing any schedule of fees or commissions under this section, the Trade Representative may submit such schedule to Congress.

(e) Deposits.—The Trade Representative is authorized to require a deposit before the Trade Administration may retain any item, information, service, or assistance for which a fee or commission is required under this section.

(f) Deposit of Moneys.—Moneys received under this section shall be deposited in the Treasury in a special account for use by the Trade Representative and are authorized to be appropriated and made available until expended.

(d) Effect of Establishment of Fees.—In establishing reasonable fees and commissions under paragraph (a), the Trade Representative may take into account—

(1) the actual costs which will be incurred in providing the items, information, services, or assistance concerned;

(2) the efficiency of the Government in providing such items, information, services, or assistance;

(3) the portion of the cost that will be incurred in providing such items, information, services, or assistance which may be attributed to benefits for the general public rather than exclusively for the person to whom the items, information, services, or assistance is provided;

(4) any public service which occurs through the provision of such items, information, services, or assistance; and

(5) such other factors as the Trade Representative considers appropriate.

(e) Refunds of Excess Payments.—In any case in which the Trade Representative determines that any person has made a payment which is not required under this section or has made a payment which is in excess of the amount required under this section, the Trade Representative, upon application of the person, or otherwise may, in his or her discretion, refund such payment to be made from applicable funds.

SEC. 352. SEAL OF OFFICE.

The Trade Representative shall cause a seal of office to be made for the Trade Administration of such design as the Trade Representative shall approve. Judicial notice shall be taken of such seal.

Subpart E—Related Agencies

SEC. 361. INTERAGENCY TRADE ORGANIZATION.

Section 242(a)(3) of the Trade Expansion Act of 1962 (19 U.S.C. 1827(a)(3)) is amended to read as follows:

(3) the portion of the cost that will be incurred in providing such items, information, services, or assistance which may be attributed to benefits for the general public rather than exclusively for the person to whom the items, information, services, or assistance is provided;

(4) any public service which occurs through the provision of such items, information, services, or assistance; and

(5) such other factors as the Trade Representative considers appropriate.

SEC. 362. NATIONAL SECURITY COUNCIL.

The fourth paragraph of Section 402(a) of the National Security Act of 1947 (50 U.S.C. 402(a)) is amended—

(1) by redesignating paragraphs (5), (6), and (7) paragraph (6), (7), and (8), respectively; and

(2) by inserting after paragraph (4) the following new paragraph:

"(8) The United States Trade Representative may invite representatives from other agencies, as appropriate, to attend particular meetings if subject matters of specific functional interest to such agencies are under consideration. It shall meet at such times and with respect to such matters as the President or the chairperson shall direct.

SEC. 363. INTERNATIONAL MONETARY FOUND.

Section 3 of the Bretton Woods Agreement (22 U.S.C. 286a) is amended by adding at the end the following new subsection:

"(e) The United States executive director of the Fund shall consult with the United
States Trade Representative with respect to matters under consideration by the Fund which relate to trade.

Subpart F—Conforming Amendments
SEC. 371. AMENDMENTS TO GENERAL PROVISIONS.
(a) INSPECTOR GENERAL.—The Inspector General Act of 1978 (5 U.S.C. App. 1 et seq.) is amended—
(1) in section 5(a)(1) by adding after subparagraph (W) the following:
‘‘(X) of the United States Trade Representative, all functions of the Inspector General of the Department of Commerce and the Office of the Inspector General of the Department of Commerce relating to the functions transferred to the United States Trade Representative by section 332 of the Department of Commerce Dismantling Act; and’’; and
(2) in section 11—
(A) in paragraph (1) by inserting ‘‘the United States Trade Representative;’’ after ‘‘the Attorney General;’’; and
(B) in paragraph (2) by inserting ‘‘the United States Trade Administration,’’ after ‘‘Treasury.’’
(b) AMENDMENT TO THE TRADE ACT OF 1974.—
(1) TRADE NEGOTIATIONS.—Chapter 4 of title 1, the Trade Act of 1974 (19 U.S.C. 2171) is amended to read as follows:
‘‘CHAPTER 4—ADMINISTRATION OF TRADE AGREEMENTS, REPRESENTATION IN TRADE NEGOTIATIONS, AND OTHER TRADE MATTERS
‘‘SEC. 141. FUNCTIONS OF THE UNITED STATES TRADE REPRESENTATIVE.
‘‘The United States Trade Representative, established under section 311 of the Department of Commerce Dismantling Act, shall—
‘‘(1) be the chief representative of the United States for each trade negotiation under this title or chapter 1 or chapter III of this Act, or subtitile A of title I of the Omnibus Trade and Competitiveness Act of 1988, or any other provision of law relating to international trade negotiations;
‘‘(2) be responsible for the administration of trade agreement programs under this Act, the Omnibus Trade and Competitiveness Act of 1988, or any other provision of law relating to trade agreement programs;
‘‘(3) advise the President and Congress with respect to nontariff barriers to international trade, international commodity agreements, and other matters which are related to trade agreement programs; and
‘‘(4) be responsible for making reports to the President and Congress with respect to the matters set forth in paragraphs (1) and (2).

(2) TABLE OF CONTENTS.—Title I of the table of contents of the Trade Act of 1974 is amended by striking the items relating to chapters 4 and 311, and inserting:
‘‘CHAPTER 4—ADMINISTRATION OF TRADE AGREEMENTS, REPRESENTATION IN TRADE NEGOTIATIONS, AND OTHER TRADE MATTERS
‘‘SEC. 141. FUNCTIONS OF THE UNITED STATES TRADE REPRESENTATIVE.

(d) FOREIGN SERVICE PERSONNEL.—Section 202(a) of the Foreign Service Act of 1980 (22 U.S.C. 3921(a)) is amended by striking paragraph (3) and inserting:
‘‘(3) The United States Trade Representative may utilize the Foreign Service personnel system in accordance with this Act—
(A) with respect to the personnel performing functions—
(i) which were transferred to the Department of Commerce from the Department of State by Reorganization Plan No. 3 of 1979; and
(ii) which were subsequently transferred to the United States Trade Representative by section 332 of the Department of Commerce Dismantling Act; and
(B) with respect to other personnel of the United States Trade Administration to the extent the President determines to be necessary in order to enable the United States Trade Administration to carry out functions which require service abroad.

(c) CHIEF FINANCIAL OFFICER.—Section 901(b)(1)(B) of title 19, United States Code, is amended to read as follows:
‘‘(B) The Trade Administration.’’
SEC. 372. REPEALS.
(a) DEPARTMENT OF COMMERCE.—The first section of the Act entitled ‘‘An Act to establish the Department of Commerce and Labor’’, approved February 14, 1903 (15 U.S.C. 1501), is repealed.
(b) UNDER SECRETARY; ASSISTANT SECRETARIES; OTHER POSITIONS.—
(1) Subsection (a) of the first section of the Act entitled ‘‘An Act to establish the Under Secretary of Commerce for Economic Affairs’’, approved June 18, 1962 (96 Stat. 115; 15 U.S.C. 1502(a)), is repealed.
(2) The Act entitled ‘‘An Act to provide for the appointment of one additional Assistant Secretary of Commerce, and for other purposes’’, approved July 15, 1947 (15 U.S.C. 1505), is repealed.
(4) The chapter entitled ‘‘An Act to authorize an additional Assistant Secretary of Commerce, and for other purposes’’, approved February 19, 1989 (15 U.S.C. 1511), is repealed.
(9) The section of the Act entitled ‘‘An Act to authorize an additional Assistant Secretary of Commerce, and for other purposes’’, approved December 26, 1990 (15 U.S.C. 1515), is repealed.
(10) The section of the Act entitled ‘‘An Act to authorize an additional Assistant Secretary of Commerce, and for other purposes’’, approved November 29, 1991 (15 U.S.C. 1516), is repealed.
(c) POSITIONS AT LEVEL IV.—Section 5315 of title 5, United States Code, is amended by striking the item relating to Deputy United States Trade Representatives and inserting the following:
‘‘Assistant Administrators, United States Trade Administration (4).’’
(d) POSITIONS AT LEVEL IV.—Section 5315 of title 5, United States Code, is amended by adding at the end the following:
‘‘General Counsel, United States Trade Administration. Inspector General, United States Trade Administration.
Chief Financial Officer, United States Trade Administration.’’
Subpart G—Miscellaneous
SEC. 381. EFFECTIVE DATE.
(a) IN GENERAL.—This title shall take effect on the date specified in section 102(c), except that—
(1) section 336 shall take effect on the date of enactment of this chapter; and
(2) at any time after the date of enactment of this chapter the officers provided for in chapter 2 may be nominated and appointed, as provided in such chapter.
(b) INTERIM COMPENSATION AND EXPENSES.—Funds available to the Department of Commerce or the Office of the United States Trade Representative (or any official or component thereof), with respect to the functions transferred by this title, may be used, with approval of the Director of the Office of Management and Budget, to pay the compensation and expenses of an officer appointed under subsection (a) who will carry out such functions until funds for that purpose are otherwise available.
SEC. 382. INTERIM APPOINTMENTS.
(a) IN GENERAL.—If one or more officers required by this title to be appointed by and with the advice and consent of the Senate have not entered upon office on the effective date of this title and notwithstanding any other provision of law, the President may designate any officer who was appointed by and with the advice and consent of the Senate and who was subsequently removed before the effective date of this title, to act in the office until it is filled as provided by this title.
(b) COMPENSATION.—Any officer acting in an office pursuant to subsection (a) shall receive compensation at the rate prescribed by this title for such office.
SEC. 401. DEFINITIONS.

For purposes of this title—

(1) the term ‘‘Director’’ means the Director of the Office of Patents, Trademarks, and Standards; and

(2) the term ‘‘Office’’ means the Office of Patents, Trademarks, and Standards.

SEC. 402. ESTABLISHMENT OF THE OFFICE OF PATENTS, TRADEMARKS, AND STANDARDS.

There is established the Office of Patents, Trademarks, and Standards which shall be an independent establishment in the executive branch of Government as defined under section 101 of title 5, United States Code. There shall be a Director of the Office of Patents, Trademarks, and Standards who shall administer the Office and shall be appointed by the President, by and with the advice and consent of the Senate.

SEC. 403. FUNCTIONS.

The Director shall perform all functions transferred under section 401 and such other functions as the President may assign or delegate.

SEC. 404. TRANSFERS TO THE OFFICE.

(a) TRASPER OF FUNCTIONS.—There are transferred to the Director all functions of, and all functions performed under the direction of, the following described employees of the Department of Commerce:

(1) The Director of the National Institute of Standards and Technology.

(2) The Assistant Secretary and Commissioner of Patents and Trademarks.

(3) The Under Secretary for Technology relating to functions performed by the Office of Technology Policy relating to the Baldrige Quality Award.

(4) The Secretary of Commerce and Assistant Secretary for Communications and Information with respect to only those functions of the National Telecommunications and Information Administration relating to telecommunication standards and laboratories.

(b) TRASPER OF OFFICES.—


(2) The National Institute of Standards and Technology of the Department of Commerce is transferred to the Office. The National Institute of Standards and Technology shall be administered through the Director of the National Institute of Standards and Technology.

SEC. 405. ADDITIONAL OFFICERS.

(a) The General Counsel. The General Counsel of the Office shall be in the Office a General Counsel, who shall be appointed by the President, by and with the advice and consent of the Senate. The General Counsel shall provide legal assistance to the Director concerning the activities, programs, and policies of the Office.

(b) Inspector General. There shall be in the Office an Inspector General who shall be appointed in accordance with the Inspector General Act of 1978, as amended by this subsection.

(c) Section 901(b) of subtitle A of title 31, United States Code, as amended by this Act is further amended—

(1) in paragraph (1) by inserting ‘‘the Director of the Office of Patents, Trademarks, and Standards’’ after ‘‘the Chief Executive Officer of the Corporation for National and Community Service’’; and

(2) in paragraph (2) by inserting ‘‘the Office of Patents, Trademarks, and Standards’’ after ‘‘the Corporation for National and Community Service’’.

(d) Chief Financial Officer. There shall be in the Office a Chief Financial Officer who shall be appointed in accordance with section 901 of title 31, United States Code, as amended by this subsection.

(e) Responsibilities of the Director of the Office of Management and Budget. The Director of the Office of Management and Budget shall include in each report under subsections (a) and (b) of section 136 a description of the actions taken to comply with the requirements of this section.

Subchapter D—Establishment of the Office of Patents, Trademarks, and Standards

PART I—ESTABLISHMENT

SEC. 411. RULES.

In the performance of the functions of the Director and the Office, the Director is authorized to make, promulgate, issue, rescind, and amend rules and regulations. The promulgation of such rules and regulations—

(1) Shall be governed by the provisions of chapter 5 of title 5, United States Code; and

(2) shall be after notice and opportunity for full participation by relevant Federal agencies, State agencies, local governments, regulatory organizations, authorities, councils, and other interested public and private parties.

SEC. 412. DELEGATION.

Except as otherwise provided in this Act, the Director may delegate any function to such officers and employees of the Office as the Director may designate, and may authorize such successors of such functions in the Office as may be necessary or appropriate. No delegation of functions by the Director under this section or under any other provision of this Act shall relieve the Director of responsibility for the administration of such functions.

SEC. 413. PERSONNEL AND SERVICES.

(a) APPOINTMENTS. In the performance of the functions of the Director and in addition to the officers provided for under subtitle A, the Director is authorized to appoint, transfer, and fix the compensation of such officers and employees, including attorneys, as may be necessary to carry out the functions of the Director and the Office. Except as otherwise provided by law, such officers and employees, including attorneys, may proceed with the civil service laws and compensated in accordance with title 5, United States Code.

(b) EXPERTS AND CONSULTANTS. The Director is authorized to hire experts and consultants in accordance with title 5, United States Code.

(c) TRANSPORTATION EXPENSES. The Director is authorized to pay transportation expenses, and per diem in lieu of subsistence expenses, in accordance with chapter 57 of title 5, United States Code.

(d) DETAIL OF EMPLOYEES AND OFFICERS. The Director is authorized to detail employees and officers of the Office for performing functions assigned by law to the Director after the date of enactment of this Act.

(e) VOLUNTARY SERVICES.—

(1) (A) The Director is authorized to accept voluntary and uncompensated services without regard to the provisions of section 1342 of title 31, United States Code, if such services will not be used to displace Federal employees employed on a full-time, part-time, or intermittent basis.

(B) The Director is authorized to accept volunteer service in accordance with the provisions of section 3111 of title 5, United States Code.

(2) The Director is authorized to provide for incidental expenses, including but not limited to transportation, lodging, and subsistence for such volunteers.

(3) An individual who provides voluntary services under paragraph (1)(A) of this subsection shall not be considered a Federal employee for any purpose other than the performance of the purposes of chapter 81 of title 5, United States Code, relating to compensation for work injuries, and chapter 171 of title 28, United States Code, relating to tort claims.

SEC. 414. CONTRACTS.

The Director is authorized, without regard to the provisions of section 3324 of title 31, United States Code, to enter into and perform such contracts, leases, agreements, and other transactions as may be necessary to carry out the functions of the Director and the Office. The Director may enter into such contracts, leases, agreements, and other transactions with any Federal agency or any instrumentality of the United States, with any State, territory, or possession, or with any political subdivision thereof, or with any person, firm, association, corporation, or educational institution, on such terms and conditions as the Director may consider appropriate. The authority of the Director to enter into contracts and leases under this section shall be such extent as such amounts as are provided in appropriation Acts.

SEC. 415. COPYRIGHTS AND PATENTS.

The Director is authorized to acquire any copyrights, patents, and applications for patents, designs, processes, specifications, and data.

(2) LICENSES UNDER COPYRIGHTS, PATENTS, AND APPLICATIONS FOR PATENTS.

(3) RELEASES, BEFORE AN ACTION IS BROUGHT, FOR PAST INFRINGEMENT OF PATENTS.

SEC. 416. GIFTS AND REQUESTS.

The Director is authorized to accept gifts, hold, administer and utilize gifts, donations, or bequests of property, real or personal, tangible or intangible, and contributions of money for purposes of aiding or facilitating the work of the Director or the Office. For the purposes of Federal income, estate, and gift taxes, and estate, inheritance, and other taxes, property acquired under this subsection shall be considered a gift or bequest to the United States.

SEC. 417. TRANSFERS OF FUNDS FROM OTHER FEDERAL AGENCIES.

The Director is authorized to accept transfers from other Federal agencies of funds which are available to carry out functions transferred by this Act or functions assigned by law to the Director after the date of enactment of this Act.
SEC. 511. ESTABLISHMENT.

The Federal Statistical Service is established as an independent entity, as that term is defined in section 191 of title 5, United States Code, in the executive branch of the Federal Government.

SEC. 512. PRINCIPAL OFFICERS.

(a) ADMINISTRATOR.—(1) IN GENERAL.—There shall be at the head of the Service an Administrator of the Federal Statistical Service, who shall be appointed, from among individuals nominated by the President, by and with the advice and consent of the Senate.

(b) DUTIES.—The Administrator shall perform such other duties and exercise such powers as the Administrator may from time to time prescribe.

(2) COMPENSATION OF ADMINISTRATOR.—The Administrator shall receive basic pay at the rate payable for level II of the Executive Schedule under section 5313 of title 5, United States Code.

(b) DEPUTY ADMINISTRATOR.—(1) IN GENERAL.—There shall be in the Service a Deputy Administrator, who shall be appointed, from among individuals nominated by the President, by and with the advice and consent of the Senate.

(2) COMPENSATION OF DEPUTY ADMINISTRATOR.—The Deputy Administrator shall receive basic pay at the rate payable for level III of the Executive Schedule under section 5313 of title 5, United States Code.

(c) BUREAU DIRECTORS.—(1) IN GENERAL.—There shall be in the Service a Director of the Bureau of Economic Analysis who shall act as Administrator. The Deputy Administrator shall perform such other duties and exercise such powers as the Administrator may from time to time prescribe.

(2) COMPENSATION OF DEPUTY ADMINISTRATOR.—The Deputy Administrator shall receive basic pay at the rate payable for level III of the Executive Schedule under section 5313 of title 5, United States Code.

(3) BUREAU DIRECTORS.—(1) IN GENERAL.—There shall be in the Service a Director of the Bureau of Economic Analysis who shall act as Administrator.

(2) COMPENSATION.—The Administrator shall receive basic pay at the rate payable for level III of the Executive Schedule under section 5313 of title 5, United States Code.
and offices under subtitle C, serve as the head of the Bureau of Labor Statistics.

(2) APPOINTMENT.—Each of the Directors referred to in paragraph (1) shall be appointed by the President, by and with the advice and consent of the Senate.

(4) COMPENSATION OF DIRECTOR OF BUREAU OF ECONOMIC ANALYSIS.—

(A) IN GENERAL.—The position of Director of the Bureau of Economic Analysis shall be a Senior Executive Service position.

(B) SENIOR EXECUTIVE SERVICE DEFINED.—For purposes of this paragraph, the term "Senior Executive Service position" shall have the same meaning as in section 3132(a) of title 5, United States Code.

(5) TERMS.—The term of office for each Director referred to in paragraph (1) shall be as specified in the predecessor under the applicable provision of law in effect on the day before the date of enactment of this Act, except that, notwithstanding section 21 of title 13, United States Code, the term of the Director of the Census shall be 4 years.

(d) FUNCTIONS.—

(1) IN GENERAL.—The Council shall—

(A) make any nominations required under section 512(a)(1);

(B) serve as an advisory body to the Chief Statistician on confidentiality issues, such issues relating to—

(i) the collection or sharing of data for statistical purposes among Federal agencies; and

(ii) the sharing of data, for statistical purposes, by States and political subdivisions with the Federal Government; and

(C) establish the statistical policy as described in section 501(3).

(2) STUDY AND REPORT AS PROCEDURES.—

(A) STUDY.—The Council shall study procedures for the release of major economic and social indicators by the Federal Government.

(B) REPORT.—Not later than 18 months after the date of enactment of this Act, the Council shall submit to Congress a report on the findings of the study under subparagraph (A).

(3) STUDY OF FUNCTIONS.—

(A) STUDY.—The Council shall study—

(i) whether or not the functions of the Bureau of the Census relating to decennial censuses of population could be delineated from the other functions of the Bureau; and

(ii) if the functions referred to in clause (i) could be delineated from other functions of the Bureau, recommendations on how such a delineation of functions should be achieved.

(B) REPORT.—Not later than 12 months after the date of enactment of this Act, the Council shall submit to Congress a report on the findings of the study conducted under subparagraph (A).

(4) STUDY AND REPORT ON FIELD OFFICERS.—

(A) STUDY.—The Council shall study—

(i) making such field officers as are appropriately qualified, the field offices of the Bureau of the Census part of the field offices of the Bureau of Labor Statistics; and

(ii) any savings anticipated as a result of the implementation of clause (i).

(B) REPORT.—Not later than 12 months after the date of enactment of this Act, the Council shall submit to Congress a report on the findings of the study conducted under subparagraph (A).

(e) COMPENSATION.—Members of the Council under subsection (b)(6) shall be entitled to receive, in addition to basic pay for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Council.

(f) CHAIRPERSON.—The Chairperson of the Council shall be elected by and from the members for a term of 1 year.

PART III—TRANSFERS OF FUNCTIONS AND OFFICES

SEC. 521. TRANSFER OF THE BUREAU OF LABOR STATISTICS.

There is transferred to the Service the Bureau of Labor Statistics of the Department of Labor, along with all of its functions and offices.

SEC. 522. TRANSFER DATE.

The transfers of functions and offices under this title shall be effective on the date specified in section 5315 of title 5, United States Code.

PART IV—ADMINISTRATIVE PROVISIONS

SEC. 531. OFFICERS AND EMPLOYEES.

The Administrator may appoint and fix the compensation of such officers and employees as he may determine as necessary or appropriate to carry out functions and offices under this title.

Except as otherwise provided by law, such officers and employees shall be appropriated to

accordance with the civil service laws and their compensation shall be fixed in accordance with title 5, United States Code.

SEC. 532. EXPERTS AND CONSULTANTS.

The Administrator, as may be provided in appropriation Acts, may employ experts and consultants in accordance with section 3109 of title 5, United States Code and may compensate such experts and consultants at rates not to exceed the daily rate prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code.

SEC. 533. ACCEPTANCE OF VOLUNTARY SERVICES.

(a) IN GENERAL.—Notwithstanding section 1342 of title 31, United States Code, the Administrator may accept, subject to regulation by the Office of Personnel Management, voluntary services if such services—

(1) are to be uncompensated; and

(2) are not used to displace any employee.

(b) TREATMENT.—Any individual who provides voluntary services under this section shall not be considered a Federal employee for any purpose other than for purposes of chapter 81 of title 5, United States Code (relating to compensation for injury) and sections 2671 through 2680 of title 28, United States Code (relating to Federal claims).

SEC. 534. GENERAL AUTHORITY.

In carrying out any function transferred by this Act, the Administrator, or any officer, employee, or consultant of the Service, or any authority available by law with respect to such function to the official or agency from which such function is transferred, and the action of the Administrator in exercising such authority shall have the same force and effect as when exercised by such official or agency.

SEC. 535. DELEGATION.

Except as otherwise provided in this title, the Administrator may delegate any function to such officers and employees of the Service as the Administrator may designate, and may authorize such successive delegations of such functions within the Service as may be necessary or appropriate. No delegation of functions by the Administrator under this section or under any other provision of this title shall relieve the Administrator of responsibility for the administration of such functions.

SEC. 536. REORGANIZATION.

The Administrator may allocate or reallocate functions among the officers of the Service, and to establish, consolidate, alter, or abolish such offices or positions within the Service as may be necessary or appropriate.

SEC. 537. CONTRACTS.

(a) IN GENERAL.—Subject to the Federal Property and Administrative Services Act of 1949 and other applicable Federal law, the Administrator may make, enter into, and perform such contracts, grants, leases, cooperative agreements, and other similar transactions with Federal or other public agencies (including State and local governments) and private organizations and persons, and to make payments, in lieu of or in reimbursement, as the Administrator may determine necessary or appropriate to carry out functions of the Administrator or the Service.

(b) APPROPRIATION AUTHORITY REQUIRED.—No authority to enter into contracts or to make payments under this title shall be effective except to such extent or in such amounts as are provided in advance under appropriation Acts.
SEC. 538. REGULATIONS. The Administrator may prescribe such rules and regulations as the Administrator considers necessary or appropriate to administer and manage the functions of the Administration, the Service, in accordance with chapter 5 of title 5, United States Code.

SEC. 539. SEAL. The Administrator shall cause a seal of office to be made for the Service of such design as the Administrator shall approve. Judicial notice shall be taken of such seal.

SEC. 540. ANNUAL REPORT. The Administrator, in consultation with the Council, shall, as soon as practicable after the close of each fiscal year, make a single, comprehensive report to the President for transmittal to Congress on the activities of the Service during such fiscal year.

PART V—MISCELLANEOUS

SEC. 541. INCIDENTAL TRANSFERS.
The Director of the Office of Management and Budget, in consultation with the Administrator, shall make such determinations as may be necessary with regard to the functions, personnel, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available to, or to be made available in connection with such functions, offices, or portions thereof, as may be necessary to carry out this title. The Director shall provide for the termination of the affairs of all entities terminated by this title and, in consultation with the Administrator, for such further measures and dispositions as may be necessary to effectuate the purposes of this title.

SEC. 542. REFERENCES.
With respect to any function transferred by this title and exercised on or after the date of such transfer, any reference in any other Federal law to any department, commission, or agency or any officer or office the functions of which so transferred is deemed to refer to the Administrator, other official, or component of the Service to which this title transfers such functions.

SEC. 543. RIDERS IN LAW.
Not later than 90 days after the date of enactment of this Act, the President shall submit to Congress a description of any changes in Federal law necessary to reflect any transfers or other measures under this title.

SEC. 544. TRANSITION.
(a) USE OF FUNDS.—Funds available to any department or agency (or any official or component thereof), the functions or offices of which are transferred to the Administrator or the Service by this title, may, with the approval of the Director of the Office of Management and Budget, be used to pay the compensation and expenses of any officer appointed pursuant to this title and other transitional and planning expenses associated with the establishment of the Service or transfer of functions or offices thereto until such time as funds for such purposes are otherwise available.

(b) USE OF PERSONNEL.—With the consent of the appropriate department or agency head concerned, the Administrator may utilize the services of such officers, employees, and other personnel of the departments and agencies from which functions or offices have been transferred to the Administrator or the Service, for such period of time as may reasonably be needed to facilitate the orderly implementation of this title.

SEC. 545. INTERIM APPOINTMENTS.
(a) HEADS OF DEPARTMENTS AND AGENCIES.—Notwithstanding any other provision of law, in the event that 1 or more officers required by this title to be appointed by and with the advice and consent of the Senate have not been appointed upon the date on the date of the transfer of functions and offices under section 203 or subtitle C, the President may designate an existing officer of an office to which such office is transferred to act in such office for 120 days or until the office is filled as provided in this title, whichever occurs first.

(b) COMPENSATION.—Any officer acting in an office in the Department pursuant to the provisions of subsection (a) shall receive compensation at the rate prescribed for such office under this title.

SEC. 546. CONFORMING AMENDMENTS.
(a) DIRECTOR, BUREAU OF LABOR STATISTICS.—Section 5315 of title 5, United States Code, as amended by this Act, is further amended by adding at the end the following new item: "Director, Bureau of Labor Statistics." (b) GENERAL COUNSEL; INSPECTOR GENERAL.—Section 5315 of title 5, United States Code, as amended by subsection (a), is further amended by adding at the end the following new item: "General Counsel, Bureau of Labor Statistics." (c) BUREAU DIRECTORS.—Section 5315 of title 5, United States Code, as amended by subsection (b), is further amended—(1) by striking "The Commissioner of Labor Statistics, Department of Labor"; and (2) by inserting after the item relating to the Director of the Census, the following new item: "Director of the Bureau of Labor Statistics, Federal Statistical Service."

SEC. 547. DUTIES IN LAW.
Subchapter F—Miscellaneous Provisions

SEC. 601. REFERENCES.
Any reference in any other Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to a department or office from which a function is transferred by this Act—(1) to the head of such department or office is deemed to refer to the head of the department or office to which such function is transferred; or (2) to such department or office is deemed to refer to the department or office to which such function is transferred.

SEC. 602. EXERCISE OF AUTHORITIES.
Except as otherwise provided by law, a Federal official to whom a function is transferred by this Act may, for such period of time as may reasonably be needed to facilitate the orderly implementation of this title, perform any function of performing the function, exercise all authorities under any other provision of law that were available to such function immediately before the effective date of the transfer of the function under this Act.

SEC. 603. SAVINGS PROVISIONS.
(a) LEGAL DOCUMENTS.—All orders, determinations, rules, regulations, permits, grants, loans, contracts, agreements, certifications, reports, fees, assessments, examinations, judgments, fines, orders, notices, and other orders, in effect on the date of enactment of this Act, and in all such suits, proceeding shall be had, appeals taken, and judgments rendered in the same manner and with the same effect as if this Act had not been enacted.

(b) NONABATEMENT OF ACTIONS.—No suit, action, or other proceeding commenced by or against the Department of Commerce or the United States Trade Representative, any officer or employee of any such office, or any individual in the official capacity of such individual as an officer or employee of an office transferred by this Act, shall abate by reason of the enactment of this Act.

(c) CONTINUANCE OF SUITS.—If any Government official in the official capacity of such officer is party to a suit with respect to a function of the officer, and under this Act such function is transferred to any other officer or office, then such suit shall be continued with the other officer or the head of such other office, as applicable, substituted or added as a party.

(d) ADMINISTRATIVE PROCEDURE AND JUDICIAL REVIEW.—Except as otherwise provided by this Act, any statutory requirements relating to notice, hearings, action upon the record, or administrative or judicial review that apply to any function transferred by this Act shall apply to the exercise of such function by the Secretary of Commerce, the United States Trade Representative, any other officer or employee of any office transferred by this Act, or any other Government official, or by a court of competent jurisdiction, in the performance of any function that is transferred by this Act; and

(e) TRANSFER OF ASSETS.

Except as otherwise provided in this Act, so much of the personnel, property, records, and unexpended balances of appropriations, that are reasonably necessary to facilitate the orderly implementation of this title, may reasonably be needed to facilitate the orderly implementation of this title.
official or agency by this Act shall be available to the official or the head of that agency, respectively, at such time or times as the Director of the Office of Management and Budget directs for use in connection with the functions transferred.

SEC. 605. DELEGATION AND ASSIGNMENT.

Except as otherwise expressly prohibited by law or otherwise provided in this Act, an official to whom functions are transferred under this Act (including the head of an office to which functions are transferred under this Act) may delegate any of the functions so transferred to such officers and employees of the official or of the official as the official may designate, and may authorize successive redelegations of such functions as may be necessary or appropriate. No delegation of functions under this section or under any other provision of this Act shall relieve the official to whom a function is transferred under this Act of responsibility for the administration of that function.

SEC. 606. AUTHORITY OF DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET WITH RESPECT TO FUNCTIONS TRANSFERRED.

(a) DETERMINATIONS.—If necessary, the Director shall make any determination of the functions that are transferred under this Act.

(b) INCIDENTAL TRANSFERS.—The Director, at such time or times as the Director shall provide, may make such determinations as may be necessary with regard to the functions transferred by this Act, and to make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, agreements, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from funds available to, or to be made available in connection with such functions, as may be necessary to carry out the provisions of this Act. The Director shall provide for the termination of the affairs of all entities terminated by this Act and for such further measures and dispositions as may be necessary to effectuate the purposes of this Act.

SEC. 607. CERTAIN VESTING OF FUNCTIONS CONCERNED TRANSFERRED.

For purposes of this Act, the vesting of a function in a department or office pursuant to reestablishment of an office shall be considered to be the transfer of the function.

SEC. 608. AVAILABILITY OF EXISTING FUNDS.

Existing appropriations and funds available for the performance of functions, programs, and activities terminated pursuant to this Act shall remain available, for the duration of their period of availability, for necessary expenses in connection with the termination and resolution of such functions, programs, and activities.

SEC. 609. DEFINITIONS.

For purposes of this Act—

(1) the term ‘‘function’’ includes any duty, obligation, power, authority, responsibility, right, privilege, activity, or program; and

(2) the term ‘‘office’’ includes any office, agency, bureau, institute, council, unit, organizational entity, or component thereof.

SEC. 610. CONFORMING AMENDMENTS.


(1) in paragraph (1), by striking ‘‘or the Commissioner of the Social Security Administration’’; and inserting ‘‘the Commissioner of the Social Security Administration, the Administrator of the National Oceanic and Atmospheric Administration; or the Administrator of the Federal Statistical Service’’;

and

(2) in paragraph (2), by striking ‘‘or the Social Security Administration’’ and inserting ‘‘the National Oceanic and Atmospheric Administration, the Federal Statistical Service, or the Social Security Administration’’.

TITLE VII—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

SEC. 701. SUNSET OF PROVISIONS OF ACT.

All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

STEVENS AMENDMENT NO. 1488

(Ordered to lie on the table.)

Mr. STEVENS submitted an amendment intended to be proposed by him to the bill, S. 1429, supra, as follows:

On page 215, line 18 after ‘‘FARMERS’’ insert ‘‘AND FISHERMEN’’.

On page 215, line 26 insert ‘‘AND FISHERMEN’’ before the period.

On page 216, line 1 after ‘‘farm’’ insert ‘‘and fishing’’.

On page 216, insert the following new paragraph after subsection (b) and redesignate subsection (c) as subsection (d):

‘‘(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—

(1) Section 1301(a) of the Internal Revenue Code of 1986 is amended by striking ‘‘fishing business’’ and inserting ‘‘farming business or fishing business’’.

(2) Section 1301(b)(1)(A)(i) is amended by striking paragraph (ii) and inserting the following:

‘‘(A) fishing business;’’.

(3) Section 1301(b)(2) is amended by striking subsection (b) and replacing it with the following:

‘‘(b) Fishing business.—The term fishing business means the conduct of commercial fishing as defined in Section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802).’’

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

ENZI AMENDMENT NO. 1489

(Ordered to lie on the table.)

Mr. ENZI submitted an amendment intended to be proposed by him to the bill, H.R. 2466, supra, as follows:

On page 76, line 23, after the word ‘‘years,’’ insert the following: ‘‘$36 million shall be available for the Advanced Development Project Powder River Coal Initiative to be located in Gillette, Wyoming, and’’.

MACK AND GRAHAM AMENDMENT NO. 1490

(Ordered to lie on the table.)

Mr. MACK (for himself and Mr. GRAHAM) submitted an amendment intended to be proposed by him to the bill, H.R. 2466, supra, as follows:

On page 13, line 8, strike ‘‘55,244,000’’ and insert ‘‘57,674,000’’.

On page 17, line 19, strike ‘‘$221,093,000’’ and insert ‘‘$221,593,000’’.

TAXPAYER REFUND ACT OF 1999

DORGAN AMENDMENT NO. 1491

(Ordered to lie on the table.)

Mr. DORGAN submitted an amendment intended to be proposed by him to the bill, S. 1429, supra, as follows:

At the appropriate place, insert the following:

SEC. 6. SENSE OF CONGRESS REGARDING THE NEED TO ENHANCE IMPROVEMENTS IN MAIN STREET BUSINESSES BY EXPANDING EXISTING SMALL BUSINESS TAX EXPENDING RULES TO INCLUDE INVESTMENTS IN BUILDINGS AND OTHER DEPRECIABLE REAL PROPERTY.

(a) FINDINGS.—Congress finds that—

(1) under current tax law, small businesses can immediately deduct, that is, ‘‘expense’’, up to $19,000 in purchases of equipment and similar assets;

(2) there is bipartisan support for increasing the amount of this expense provision because it helps many small businesses make the investments in equipment and machinery they need by allowing them to immediately write off the costs of such investments and bolstering their cash flow;

(3) this expense provision, however, is not as helpful as it could be for some small businesses because it does not cover their investments in improving the storefront or the buildings in which they conduct their business;

(4) in many small towns, the local drug store, shoe store, or grocery store doesn’t have much need for new equipment, but it does need to improve the storefront or the interior;

(5) although such investments are good for Main Streets across this Nation, our current tax law creates a disincentive to make them by requiring a small business owner to depreciate the costs of the building improvements over 27½ years for tax purposes;

(6) legislation to expand the current expense provision to cover investments in depreciable real property was recently introduced in the Senate with broad bipartisan cosponsorship, including the leaders of the Republican and Democratic parties;

(7) this proposal is also strongly supported by small business-oriented trade groups, including the National Federation of Independent Business, the Small Business Legislative Council, and the National Association of Real Estate;

(8) the Department of the Treasury is currently conducting a comprehensive study of all depreciation provisions in our tax laws; and

(9) Congress should consider expanding the existing expense provision to cover investments in depreciable real property in any reform legislation that results from this study or, if possible, in any earlier legislation.

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

(1) many small businesses trying to improve their storefronts or investing to upgrade their property would benefit if Congress expanded the existing expense provision to cover investments in depreciation of property; and

(2) Congress should consider including this proposal in any future tax legislation.