TRIBUTE TO HONOR BEDFORD PRESBYTERIAN CHURCH

Mr. SMITH of New Hampshire. Mr. President, I rise today to honor the Bedford Presbyterian Church which is celebrating its 250th Anniversary on August 15, 1999. The church first organized on August 15, 1749 and has been serving the people of Bedford ever since. The church was founded under the rules of Massachusetts Colony who deeded the land to the New Hampshire and also mandated that in order to organize a town there must be land for a church, a minister, and an orthodox ministry. The church was thus formed in 1749 and the town charter was signed the next year.

As a person of strong religious convictions, I applaud the services and strong sense of family and community that has been provided to its community. Furthermore, I applaud their monthly celebrations of this historic event.

I commend the Bedford Presbyterian Church and wish them luck in the next 250 years. It is an honor to represent the members of Bedford Presbyterian Church in the United States Senate.

TRIBUTE TO ADMIRAL BARRY COSTELLO

Mr. GRAMM. Mr. President, I rise today to recognize Rear Admiral (Select) Barry Costello, United States Navy, for his many achievements and distinguished service. He has served on the Navy and America. The Senator, the Navy and the American people are indebted to him for his many years of distinguished service. As he departs from his first and flag officer, I know that my colleagues wish Barry, his wife LuAnne, and their sons Aidan and Brendan the very best. I have a feeling we will work with Barry again in another more important role for our Navy and our nation.

TRIBUTE TO ROBERT STEPHEN

Mr. SMITH of New Hampshire. Mr. President, I rise today to pay tribute to Robert Stephen of Manchester, New Hampshire for his appointment to Director of Community Development Services at New Hampshire’s Department of Resources and Economic Development.

After ten years of service as a New Hampshire State Senator, Democratic Leader from 1981 to 1990, Robert was appointed Deputy Executive Director of the New Hampshire Job Training Council. In this capacity Robert was responsible for providing New Hampshire businesses with the skilled labor needed to grow and be successful and New Hampshire citizens with the skills they need to become self-sufficient. He has also been a driving force in workforce development by overseeing the state’s Rapid Response effort and convening the Statewide Business Relations Team.

Not only has Robert taken on the task of improving the New Hampshire workforce, but he has been an asset to his community. He has won numerous Multiple Sclerosis Fund-Raising Awards, was a former member of the New Hampshire State Athletic Commission, has received the Easter Seal VIP Award and has been a business owner in downtown Manchester. On top of all this service, Robert was also able to become a three-time New Hampshire Golden Gloves Boxing Champion.

Robert’s new responsibility as Director of Community Development Services will give him the opportunity to cultivate a stronger and more job ready workforce, meeting the needs and specifications of New Hampshire companies. His presence at the New Hampshire Job Training Council will surely be missed.

I want to commend Robert Stephen for his hard work on behalf of New Hampshire citizens and wish him luck in his new endeavor. It is an honor to represent Robert in the United States Senate.

TAXPAYER REFUND ACT OF 1999

On July 30, 1999, the Senate amended and passed H.R. 2488. The text of the bill follows:

Resolved, That the bill from the House of Representatives (H.R. 2488) entitled “An Act to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000,” do pass with the following amendment:

Strike out all after the enacting clause and insert:

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) SECTIONS 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. Reduction of 15 percent individual income tax rates.

Sec. 102. Increase in maximum taxable income for 14 percent rate bracket.

TITLE II—FAMILY TAX RELIEF

Provisions Sec. 201. Combined return to which unmarried couples may apply.


Sec. 203. Exclusion for foster care payments to apply to payments by qualified placement agencies.

Sec. 204. Modification of dependent care credit.

Sec. 205. Allowance of credit for employer expenses for child care assistance.

Sec. 206. Modification of alternative minimum tax for individuals.

Sec. 207. Long-term capital gains deduction for individuals.

Sec. 208. Credit for interest on higher education loans.

Sec. 209. Elimination of marriage penalty in standard deduction.


Sec. 211. Modification of rate taxes for trusts for individuals who are disabled.

TITLE III—RETIREMENT SAVINGS TAX RELIEF

Subtitle A—Individual Retirement Arrangements

Sec. 301. Modification of deduction limits for IRA contributions.

Sec. 302. Modification of income limits on contributions and rollovers to Roth IRAs.

Sec. 303. Deemed IRAs under employer plans.

Sec. 304. Tax credit for matching contributions to Individual Development Accounts.

Sec. 305. Certain coins not treated as collectibles.

Subtitle B—Expanding Coverage

Sec. 311. Option to treat elective deferrals as after-tax contributions.

Sec. 312. Increase in elective contribution limits.

Sec. 313. Plan loans for subchapter S owners, partners, and sole proprietors.

Sec. 314. Elective deferrals not taken into account for purposes of deduction limits.

Sec. 315. Reduced PBGC premium for new plans of small employers.

Sec. 316. Reduction of additional PBGC premium for new plans.

Sec. 317. Elimination of user fee for requests to IRS regarding new pension plans.

Sec. 318. SAFE annuities and trusts.

Sec. 319. Modification of top-heavy rules.

Subtitle C—Enhancing Fairness for Women

Sec. 321. Catchup contributions for individuals age 59 or over.
SEC. 102. INCREASE IN MAXIMUM TAXABLE INCOME FOR 14 PERCENT RATE BRACKET.

(a) In General.—Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases), as amended by section 161, is amended—

(1) in paragraph (2)—

(A) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), and

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

"(B) in the case of the tables contained in subsections (a), (b), (c), and (d), by increasing (after adjustment under paragraph (d)) the maximum taxable income level for the 14 percent rate bracket and the minimum taxable income level for the 28 percent rate bracket otherwise determined under subparagraph (A) for taxable years beginning in any calendar year after 2005 by the applicable dollar amount for such calendar year," and

(2) by adding at the end the following:

"(9) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (2) (B)—

"(A) IN GENERAL.—The applicable dollar amount for any calendar year shall be determined as follows:

(i) JOINT RETURNS AND SURVIVING SPOUSES.—In the case of the table contained in subsection (b), (c), or (d)—

Applicable dollar amount:

2006 .................................................. $4,000
2007 and thereafter ...................................... $5,000.

(ii) OTHER TABLES.—In the case of the tables contained in subsection (a), (e), or (f) of section 6013A—

Applicable dollar amount:

2006 .................................................. $2,500
2007 and thereafter ...................................... $3,000.

(B) ROUNDING.—Section 1(f)(9)(A) is amended by inserting "after being increased under paragraph (2)(B)" after "paragraph (2)(A)"."

"(B) ROUNDING.—The term 'qualified foster care payment' means any payment made pursuant to a foster care program of a State or political subdivision thereof.

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

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"; and

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

"(B) JOINT RETURNS.—In the case of a joint return for which the uninsured amount determined under subparagraph (A) shall be increased by $2,000.

(b) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(b) (relating to inflation adjustment) is amended—

(1) by striking "the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—" and inserting "in the case of amounts in subsections (b)(1)(A) and (1)(I), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof", and

(2) by adding (as a new subparagraph) after subsection (b)(2) and (a) of section 32(b) the following:

"(C) ROUNDED.—Section 32(b)(2)(A) (relating to rounding) is amended by striking "subsection (b)(2)" and inserting "subsection (b)(2)(A)"."

"(C) ROUNDING.—The applicable dollar amount under paragraph (2)(B) shall be rounded to the nearest percentage point."

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

SEC. 203. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PERSONS.

(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) A married individual filing a return which is a combined return under section 6013A,

(ii) a surviving spouse, or

(iii) a head of household, or ";

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED AGENCIES.—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

"(B) a qualified foster care placement agency of such State or political subdivision, or ";

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph (3) (as redesignated by paragraph (4) and by inserting after paragraph (2) 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) an entity designated by a State or political subdivision thereof, or

"(i) a married individual filing a return which is a combined return under section 6013A,

(ii) a surviving spouse, or

(iii) a head of household, or ";

(d) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.
to make foster care payments under the foster care program of any political subdivision to providers of foster care.

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

**SEC. 204. MODIFICATION OF DEPENDENT CARE CREDIT.**

(a) **Increase in Percentage of Employment-Related Expenses Taken into Account.**—

Subpart (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 "40 percent";

(2) by striking "$2,000" and inserting "$1,500"; and

(3) by striking "$10,000" and inserting "$30,000".

(b) **Indexing of Limit on Employment-Related Expenses.**—Section 21(c) (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 subparagraph (B) if there are 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.

"(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 2000" 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 it shall be rounded to the next lower multiple of $50.

"(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:

"(ii) **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 subsection (a)(1)(A) under the age 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) during calendar year 1999, 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) pursuant to section 129.

"(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 not have this paragraph apply to such qualifying individual for such taxable year."

"(d) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

**SEC. 205. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.**

(a) **In General.**—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"**SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.**

"(a) **Allowance of Credit.**—For purposes of section 31(b), the employer-provided child care credit determined by the taxpayer for the taxable year is an amount equal to the sum of—

"(1) 25 percent of the qualified child care expenditures, and

"(2) 10 percent of the qualified child care resource and referral expenditures, of the taxpayer for such taxable year.

"(b) **Dollar Limitation.**—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

"(c) **Definitions.**—For purposes of this section—

"(1) **Qualified Child Care Expenditure.**—

"(A) **In General.**—The term 'qualified child care expenditure' means any amount paid or incurred by the taxpayer, to acquire, construct, rehabilitate, or expand property—

"(i) which is to be used as part of an eligible child care facility of the taxpayer,

"(ii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

"(iii) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer.

"(B) **For Operating Costs.**—For purposes of this section, "qualified child care expenditure' means any amount paid or incurred by the taxpayer for purposes of providing child care services to employees of the taxpayer.

"(2) **Applicable Recapture Percentage.**—

"(A) **In General.**—The term 'qualified child care facility' means any eligible child care facility of the taxpayer, the tenant or lessee of which is a qualified child care worker who is a dependent of the taxpayer, which is subject to a lease or other arrangement for the operation of the facility as an eligible qualified child care facility, which provides child care services to employees of the taxpayer, and which is not a facility to which subsection (d) applies.

"(B) **Exclusion for Amounts Funded by Grants, Etc.**—The term 'qualified child care facility' shall not include any amount expended in relation to any child care resource and referral expenditure which the provision of services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 414(q)).

"(C) **Application of Subparagraph (B).**—In case of a facility as described in paragraph (2)(B), the term 'qualified child care facility' means the extent to which such facility is a facility described in subsection (d).

"(D) **Application to New Facility.**—In the case of a new facility, the facility shall be treated as meeting the requirement of subparagraph (B)(iii) if after 2 years after placing such facility into service, at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer.

"(E) **Qualified Child Care Resource and Referral Expenditure.**—

"(A) **In General.**—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to employees of the taxpayer.

"(B) **Exclusion for Amounts Funded by Grants, Etc.**—The term 'qualified child care resource and referral expenditure' shall not include any amount expended in relation to any child care resource and referral expenditure which the provision of services to employees of the taxpayer does not discriminate in favor of highly compensated employees (within the meaning of section 414(q)).

"(2) **Recapture of Acquisition and Construction Credit.**—

"(A) **In General.**—If, as of the close of any taxable year, there is a recapture event with respect to any eligible qualified child care facility of the taxpayer, the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

"(i) the applicable recapture percentage, and

"(ii) the aggregate decrease in the credits allowed under section 33 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

"(B) **Applicable Recapture Percentage.**—

"(A) **In General.**—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

<table>
<thead>
<tr>
<th>Recapture Event Percentage:</th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the recapture event occurs in:</td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
<td>Year 4</td>
</tr>
<tr>
<td>------------------------------</td>
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<td>-------</td>
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<tr>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
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<tr>
<td>20</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>40</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td></td>
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</tr>
</tbody>
</table>

"(B) **Years.**—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the eligible qualified child care facility is placed in service by the taxpayer.

"(C) **Recapture Event Defined.**—For purposes of this subsection, the term 'recapture event' means—

"(A) **Cessation of Operation.**—The cessation of the operation of the facility as an eligible qualified child care facility.

"(B) **Change in Ownership.**—

"(i) **In General.**—Except as provided in clause (ii), the disposition of a taxpayer's interest in an eligible qualified child care facility with respect to which the credit described in subsection (a) was allowable.

"(ii) **Agreement to Assume Recapture Liability.**—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect
immediately before such disposition. In the event of such an event, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

(4) SPECIAL RULES.—

(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the tax for the taxable year shall be increased under paragraph (1).

(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility by a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

(e) SPECIAL RULES.—For purposes of this section—

(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

(2) TREATMENT IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

(3) ALLOCATION IN THE CASE OF PARTNER - SHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

(f) NO DOUBLE BENEFIT.—

(1) IN GENERAL.—If a credit is determined under this section with respect to any pass-thru entity, the determination of when the sale or exchange occurs with respect to any pass-thru entity, the determination of when the sale or exchange occurs shall be appropriately adjusted.

(2) CREDIT TO PAYOR.—If a credit is allowed to a payor by reason of this section which were used to reduce tax liability, the credit shall be treated as a credit to the payor for purposes of determining the amount of any credit under subpart A, B, or D of this part.

(g) DEDUCTION ALLOWABLE IN COMPUTING MINIMUM TAX.—(1) GENERAL.—Subparagraph (e) of section 58(b)(1) is amended to read as follows:

"(e) SPECIAL RULE FOR CERTAIN DEDUCTIONS.—The standard deduction under subsection 64(b) shall be reduced by the deduction for personal exemptions under section 151 and the deduction under section 62(b)(6) shall each be allowed, but shall be reduced by $250.".

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

(h) PERSONAL EXEMPTIONS ALLOWED IN COMPUTING MINIMUM TAX.—(1) IN GENERAL.—Subparagraph (E) of section 64(b) is amended to read as follows:

"(E) S PECIAL RULE FOR CERTAIN DEDUCTIONS.—The standard deduction under subsection 64(b) shall be increased under paragraph (1) of section 67 for purposes of the preceding sentence.

(i) NO DOUBLE BENEFIT.—

(1) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

(2) REDUCTION IN BASIS.—For purposes of this subsection, the term 'recapture amount' means any recapture amount determined under subsection (d).

(3) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subparagraph (B) of section 62 is amended to read as follows:

"(B) the deduction under section 1202 and the deduction under section 1223 shall be increased by the amount of the net capital gain taken into account as investment income for the taxable year under section 1231.".

(4) LIMITATION ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subsection for the taxable year shall not exceed the taxpayer's regular tax liability for the taxable year.

(5) C HILD CREDIT.—Subsection (d) of section 24 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

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

SEC. 207. R EPLACEMENT IN PARTNERSHIP, ETC.—For purposes of section 1202, the term 'pass-thru entity' means—

(A) a regulated investment company,

(B) a real estate investment trust,

(C) an S corporation,

(D) a partnership,
subsection (d) shall apply to sales and exchanges of certain small business stock."

(6) 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, 2005.

(2) COLLECTIBLES.—The table of sections for part I of subchapter P of chapter 1 relating to nonrefundable personal credits is amended by inserting after the item relating to section 1201 the following new item:

"Sec. 1202. Capital gains deduction."

(7) PHASE-IN OF INCREASE IN BASIC STANDARD DEDUCTION.—In the case of taxable years beginning after December 31, 2000.

SEC. 210. EXPANSION OF ADOPTION CREDIT.

(a) IN GENERAL.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

(1) by striking "($6,000, in the case of a child with special needs)", and

(2) by striking "subsection (a)(1)".

(b) DOLLAR LIMITATION.—Section 23(b)(1) is amended—

(1) by striking "6,000", and

(2) by adding "or" at the end of subparagraph (A).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.
SEC. 301. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.

(a) INCREASE IN CONTRIBUTION 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 "the deductible amount".

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

"(I) the deductible amount.—For purposes of paragraph (1)(A) —

(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year beginning in</th>
<th>Deductible amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$3,000</td>
</tr>
<tr>
<td>2002</td>
<td>$3,400</td>
</tr>
<tr>
<td>2003 and thereafter</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

(B) COST-OF-LIVING ADJUSTMENT.—

(1) IN GENERAL.—In the case of any taxable year beginning after December 31, 2006, the deductible amount under subparagraph (A) shall be increased by an amount equal to:

"(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 219(g)(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.

(C) RONODURING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be reduced to the next lowest multiple of $1,000.

(b) INCREASE IN ADJUSTED GROSS INCOME LIMITS FOR ACTIVE PARTICIPANTS.—

(1) IN GENERAL.—Subparagraph (B) of section 219(g)(3) (relating to applicable dollar amount) is amended to read as follows:

"(B) APPPLICABLE DOLLAR AMOUNT.—The term ‘applicable dollar amount’ means the following:

"(i) in the case of a taxpayer filing a joint return —

For taxable years beginning in: the applicable dollar ginning in:

<table>
<thead>
<tr>
<th>Year beginning in</th>
<th>Applicable dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$4,000</td>
</tr>
<tr>
<td>2002</td>
<td>$4,400</td>
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<td>2003</td>
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<tr>
<td>2004</td>
<td>$5,200</td>
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<td>2007</td>
<td>$6,400</td>
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<td>2008</td>
<td>$6,800</td>
</tr>
<tr>
<td>2009</td>
<td>$7,200</td>
</tr>
<tr>
<td>2010 and thereafter</td>
<td>$7,600</td>
</tr>
</tbody>
</table>

SEC. 302. MODIFICATION OF INCOME LIMITS ON CONTRIBUTIONS AND ROLLOVERS TO BOTH IRAS.

(a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—Section 408A(c)(3) (relating to limits based on modified adjusted gross income) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(b) INCREASE IN AGI LIMIT FOR ROLLOVER CONTRIBUTIONS.—Section 408A(c)(1)(A) (relating to rollover contributions) is amended by striking "$2,000" and inserting "the dollar amount in effect under section 219(b)(1)(A)".

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 408A(c)(3), as redesignated by subsection (a) and as in effect before the amendments made by the Internal Revenue Service Restructuring and Reform Act of 1998, is amended to read as follows:

"(B) DEFINITION OF MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (A), adjusted gross income shall be determined—

"(i) after application of sections 86 and 469, and

"(ii) without regard to sections 135, 137, 221, and 911, the deduction allowable under section 219, or any amount included in gross income under subsection (d)(3)."

(d) EFFECTIVE DATE.—

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

(2) ROLLOVERS.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2002.

(3) ADJUSTED GROSS INCOME.—The amendment made by subsection (c)(2) shall apply to taxable years beginning after December 31, 2004.

SEC. 303. DEFERRED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) and by inserting after subsection (p) the following new subsection:

"(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

"(1) GENERAL RULE.—If—

(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan (and contributions to such account or annuity as contributions to an individual retirement plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

(b) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—

"(1) A qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1), and

"(2) any account or annuity described in paragraph (1), and any contribution to the account or annuity, shall not be subject to any requirement of this title applicable to a qualified employer plan or taken into account in applying any such requirement to any other contributions under the plan.

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

(A) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4).

(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term ‘voluntary employee contribution’ means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

"(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

"(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.”

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 502 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053) is amended by adding at the end the following new subsection:—
"(c) If a pension plan allows an employee to elect to use after-tax contributions to accounts and annuities as provided in section 408(a) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as an arrangement for purposes of section 401(a)(9)), but only if such amounts are not subject to taxation at the time of contribution or upon distribution to the employee."

"(2) CONFORMING AMENDMENT.—Section 2(a)(12) of the Internal Revenue Code of 1986 is amended to read: " 'individual development account' means a custodial account with a financial institution, the custodian of which is the eligible individual, the funds of which are controlled by the eligible individual, and the earnings thereon are not subject to taxation at the time of distribution to the eligible individual."

"(b) Adoption of individual accounts.—The Internal Revenue Service shall issue rules and regulations for the operation of the program established by this section in such manner as to encourage the adoption of the program by financial institutions."

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

"The Internal Revenue Code of 1986 is amended by inserting in section 402(a)(2) the following: " (C) Eligible matching contributions.—" '(D) Taxes.—The taxes imposed by this chapter on the contributions described in subparagraphs (A) and (B) shall not exceed the lesser of— "(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by subparagraph (A), or "(2) 20 percent of the regular tax liability (as defined in section 26(b))."

"Sec. 55. Individual Development Accounts.—The term 'individual development account' means a custodial account established by a financial institution for the benefit of an eligible individual, the funds of which are controlled by the eligible individual, and the earnings thereon are not subject to taxation at the time of distribution to the eligible individual."

"Sec. 530A. Individual Development Accounts.—For purposes of this section, the term 'individual development account' means a custodial account established by a financial institution for the benefit of an eligible individual, the funds of which are controlled by the eligible individual, and the earnings thereon are not subject to taxation at the time of distribution to the eligible individual."

"Sec. 530B. Matching Contributions to Individual Development Accounts.—For purposes of this section, the term 'eligible individual' means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals."

"The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(d)(8)) with respect to a principal residence (within the meaning of section 72(d)(8)) for a qualified first-time homebuyer (as defined in section 72(d)(8))."

"The term 'qualified business capitalization costs' means capital expenditures for the capitalization of a qualified business pursuant to a qualified business plan."

"The term 'qualified business plan' means a business plan which meets such requirements as the Secretary of Housing and Urban Development may specify."

"The term 'qualified rollover' means, with respect to any distribution from a Qualified Individual Development Account, the payment, within 120 days of such distribution, of all or a portion of such distribution to such account or to another Individual Development Account established in another qualified financial institution for the benefit of the eligible individual. Rules similar to the rules of section 408(d)(3) (other than subparagraph (C) thereof) shall apply for purposes of this subparagraph."

"The term 'qualified expenses' includes all expenses of an eligible individual which are incurred for the benefit of such individual, including capital, plant, equipment, working capital and inventory expenses."

"The term 'qualified business means any business that does not contravene any law."

"The term 'qualified educational expense' means any qualified educational expense as determined by the Department of Education."

"The term 'qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(d)(8)) with respect to a principal residence (within the meaning of section 72(d)(8)) for a qualified first-time homebuyer (as defined in section 72(d)(8))."
Congressional Record—Senate

Sec. 305. CERTAIN COINS NOT TREATED AS COIN CURRENCY

(a) In General.—Subparagraph (A) of section 408(m)(3) (relating to exception for certain coins and bullion) is amended to read as follows—

(1) any coin certified by a recognized grading service and traded on a nationally recognized electronic network, or listed by a recognized wholesale reporting service, and—

(2) issued under the laws of any State, or—

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

Subtitle B—Expanding Coverage

Sec. 311. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS

(a) In General.—Subpart A of part I of subchapter D of chapter I (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 unless the applicable retirement plan is—

(1) establishes separate accounts (designated plus accounts) for the designated plus contributions of each employee and any earnings properly attributable to the contributions; and

(2) maintains separate recordkeeping with respect to each account.

(3) Definitions and Rules Relating to Designated Plus Contributions.—For purposes of this section—

(1) Designated Plus Contribution.—The term ‘designated plus contribution’ means any elective deferral which—

(A) is excludable from gross income of an employee without regard to this section, and

(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

(2) Designation 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).

(3) 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,

(ii) a Roth IRA of such individual.

(3) Coordination with Limit.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

(4) 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’ means the meaning given such term by section 408(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 made within 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 any designated plus account established for such individual under the applicable retirement plan, or

(ii) a Roth IRA of such individual.

(C) Distributions of Excess Deferrals and Earnings.—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 each plus account and other distributions and payments from the plan.

Sec. 312. PRIVATIZING THE DEVELOPMENT ACCOUNT FOR ANY TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2000

(a) In General.—Subsection (a) of section 408(d)(4) (relating to the Development Account in a distribution to which section 530A applies) is amended by inserting—

(1) by inserting ‘‘or section 530A’’ after ‘‘section 219’’; and

(2) by inserting ‘‘, of any Individual Development Account as described in section 530A(a),’’ after ‘‘section 408(a).’’

(d) Failure to Provide Reports on Individual Development Accounts.—Paragraph (4) of section 408(d) shall be stricken and a new paragraph (4)(B) shall be inserted as follows—

(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

(5) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

Sec. 305. CERTAIN COINS NOT TREATED AS COIN CURRENCY

(a) In General.—Subparagraph (A) of section 408(m)(3) relating to exception for certain coins and bullion is amended to read as follows—

"(1) any coin certified by a recognized grading service and traded on a nationally recognized electronic network, or listed by a recognized wholesale reporting service, and—

(ii) issued under the laws of any State, or—

(b) Excess Contributions.—Section 4972 is amended by adding at the end the following new paragraph:

"(5) an Individual Development Account (within the meaning of section 530A(a)),

(2) EXCESS CONTRIBUTIONS.—Section 4972 is amended by adding at the end the following new subsection:

"(g) Individual Development Accounts.—For purposes of this section, in the case of Individual Development Accounts, the term ‘excess contributions’ means the excess (if any) of—

(1) the amount contributed for the taxable year to such account (other than a qualified rollover, as defined in section 530A(c)(2)(E), over

(2) the amount allowable as a contribution under section 530A.

For purposes of this subsection, any contribution which is distributed from the Individual Development Account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 530(d)(4) shall be treated as an amount not contributed.’’

(c) Information Relating to Certain Trusts and Annuity Plans.—Subsection (c) of section 408 is amended—

(1) by inserting ‘‘or section 530A’’ after ‘‘section 219’’; and

(2) by inserting ‘‘, of any Individual Development Account as described in section 530A(a),’’ after ‘‘section 408(a).’’
(c) Other Definitions.—For purposes of this section—

(1) Applicable Retirement Plan.—The term ‘applicable retirement plan’ means—

‘‘(A) an employees’ 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), and

(2) Elective Deferral.—The term ‘elective deferral’ means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).

(b) Excess Deferrals.—Section 402(g) (relating to limitation on elective deferrals) is amended—

(1) 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)’’.

(c) Rollovers.—Subparagraph (B) of section 402(c)(4) is amended by adding at the end the following:

‘‘If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.’’.

(d) Reporting Requirements.—

(1) W-2 Information.—Section 6051(a)(8) is amended by adding at the end the following:

‘‘(i) Designated Plus Contributions.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.’’.

(2) Information.—Section 6047 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 returns and reports regarding designated plus contributions (as so defined) to participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.’’.

(e) Conforming Amendments.—

(1) Section 402(g)(3) is amended by adding after the first sentence the following new sentence: ‘‘Such term includes a rollover contribution described in section 402A(c)(3)(A).’’

(2) The table of sections for subpart A of part 1 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.’’

(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 312. 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:

‘‘(1) In general.—

‘‘(A) Limitation.—Notwithstanding subsections (c)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual’s gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

‘‘(B) Applicable Dollar Amount.—For purposes of subparagraph (A), the applicable dollar amount shall be the dollar amount determined in accordance with the following table:

For taxable years beginning in:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
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<tr>
<td>2002</td>
<td>$12,000</td>
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<tr>
<td>2003</td>
<td>$13,000</td>
</tr>
<tr>
<td>2004</td>
<td>$14,000</td>
</tr>
<tr>
<td>2005 or thereafter</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

(2) Cost-of-Living Adjustment.—Paragraph (3) of section 402(g) is amended to read as follows:

‘‘(3) Cost-of-Living Adjustment.—In the case of taxable years beginning after December 31, 2003, the Secretary shall adjust the $15,000 amount under paragraph (1) at the same time and in the same manner as under section 415(d); except that the base period shall be the calendar quarter beginning on January 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.’’.

(B) Rollovers.—Paragraph (4) is amended by striking ‘‘$6,000’’ and inserting ‘‘the amount in effect under section 408(p)(3)(A)(ii)’’.

(C) Conforming Amendments.—

(1) Section 402(g)(3)(B) is amended by striking subparagraph (E).

(2) The table of sections for subpart A of part 1 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.’’

(3) Conforming amendments.—

(a) Amendment to 1996 Code.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions to not to apply to certain transactions) is amended by adding at the end the following new clause:

‘‘(iii) Loan Exception.—For purposes of subparagraph (A)(ii), the term ‘employer’ shall only include a person described in clause (i) or (iii) of subparagraph (A).’’.

(b) Amendment to ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 108(d)(2)) is amended by adding at the end the following new subparagraph:

‘‘(C) For purposes of paragraph (1)(A), the term ‘employer’ shall only include a person described in clause (i) or (iii) of subparagraph (A).’’

(c) Effective Date.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 313. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) Amendment to 1996 Code.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions to not to apply to certain transactions) is amended by adding at the end the following new clause:

‘‘(iii) Loan Exception.—For purposes of subparagraph (A)(ii), the term ‘employer’ shall only include a person described in clause (i) or (iii) of subparagraph (A).’’

(b) Amendment to ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 108(d)(2)) is amended by adding at the end the following new subparagraph:

‘‘(C) For purposes of paragraph (1)(A), the term ‘employer’ shall only include a person described in clause (i) or (iii) of subparagraph (A).’’

(c) Effective Date.—The amendments made by this section shall apply to loans made after December 31, 2000.

SEC. 314. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

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

‘‘(n) Elective Deferrals Not Taken Into Account for Purposes of Deduction Limits.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.’’.

(b) Effective Date.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 315. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.


(1) in clause (i), by inserting ‘‘other than a new employer-employee plan (as so defined),’’ after ‘‘single-employer plan,’’;

(2) in clause (ii), by striking the period at the end and inserting ‘‘;’’;

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

‘‘(C) Plans of Small Employers.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

For taxable years beginning in:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$7,000</td>
</tr>
<tr>
<td>2002</td>
<td>$8,000</td>
</tr>
<tr>
<td>2003</td>
<td>$9,000</td>
</tr>
<tr>
<td>2004 or thereafter</td>
<td>$10,000.</td>
</tr>
</tbody>
</table>
“(v) in the case of a new single-employer plan (as defined in section 436(f)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.”.

(b) Definitions.—For purposes of this section, the term ‘new single-employer plan’ means a new single-employer plan maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.”.

SEC. 316. ELIMINATION OF ADDITIONAL PBGC PREMIUM FOR NEW PLANS.

(a) In General.—Subparagraph (E) of section 4066(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1366(a)(3)) is amended by adding at the end the following new subparagraph:

“(F) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor’s controlled group (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 single-employer plan.”.

(ii) (I) For purposes of this paragraph, the term ‘small employer’ means an employer which on the first day of any plan year has, in aggregate with all other members of the controlled group of such employer, 100 or fewer employees.

“(II) In the case of a plan maintained by 2 or more contributing sponsors that are not part of the same controlled group, the employers maintaining the plan who are members of the same controlled group shall be treated as a single employer for purposes of determining whether any contributing sponsor is a small employer.

(c) Effective Date.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 317. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW 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 sections 6011(c)(6) and 6011(e) of the Internal Revenue Code of 1986 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar letters with respect to the qualification 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, the term ‘new pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subparagraph (a) for such plan (or any predecessor plan).

(c) Eligible Employer.—The term ‘eligible employer’ means an employer (or any predecessor employer) which has not established or maintained a plan to which this title applies with respect to which contributions were made, or benefits were accrued for service, in the 3 most recent taxable years ending prior to the first taxable year in which the request is made. The provisions of this section shall apply with respect to requests made after December 31, 2000.

SEC. 318. SAFE ANNUITIES AND TRUSTS.

(a) In General.—Subpart A of part II of chapter D of part I of subchapter D of chapter 1 of subtitle B of title 26 (known as the ‘SAFE annuities’) is amended—

(1) by striking ‘(1)’ in the heading of section 408(p)(5) and inserting in lieu thereof ‘(2)’;

(2) by striking ‘(2)’ in the heading of section 408(p)(9) and inserting in lieu thereof ‘(3)’;

(3) by striking ‘(3)’ in the heading of section 408(p)(11) and inserting in lieu thereof ‘(4)’;

(4) by striking ‘(4)’ in the heading of section 408(p)(12) and inserting in lieu thereof ‘(5)’;

(5) by striking ‘(5)’ in the heading of section 408(p)(13) and inserting in lieu thereof ‘(6)’;

(6) by striking ‘(6)’ in the heading of section 408(p)(14) and inserting in lieu thereof ‘(7)’;

(7) by striking ‘(7)’ in the heading of section 408(p)(15) and inserting in lieu thereof ‘(8)’;

(b)(1) In General.—An employer may establish 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 (and no predecessor of the employer maintains) a qualified plan (other than a permissible plan) with respect to which contributions were made, or benefits were accrued, for service in any year in the period beginning on the first day of the plan year immediately preceding the year such annuity or trust became effective and ending with the year for which the determination is being made.

(2) Definitions.—For purposes of this paragraph—

(A) Qualified Plan.—The term ‘qualified plan’ means—

(i) a SIMPLE plan described in section 408(p)(2), and

(ii) a SIMPLE 401(k) plan described in section 408(p)(3).

(B) Permissible Plan.—The term ‘permissible plan’ means—

(i) a SIMPLE plan described in section 408(p)(2),

(ii) a SIMPLE 401(k) plan described in section 401(k)(11),

(iii) an eligible deferred compensation plan described in section 404(b)(2) or (5) (other than an eligible deferred compensation plan described in subsection (b)(5) for such year),

(iv) a collectively bargained plan but only if the employees eligible to participate in such plan are not also entitled to a benefit described in section 101(d)(3) or (4),

(v) a plan under which there may be made only—

(A) elective deferrals described in section 402(g)(1), and

(B) employer matching contributions not in excess of the amounts described in subparagraphs (1) and (2) of section 401(h)(3)

(C) SAFE ANNUITY.—

(1) In General.—For purposes of this title, the term ‘SAFE annuity’ means an individual retirement annuity maintained by an eligible employer (as defined in section 408(p)(2)) without regard to paragraph (2) thereof and without regard to the limitation on aggregate annual premiums contained in the flush language of section 408(p)(4).

(2) Participation Requirements.—
(C) SAFE ROLLOVER PLAN.—For purposes of this subparagraph, "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)(6) 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 annuity amount with respect to the account of any participant, the plan requires that the employer make an additional contribution to such plan (at the time the annuity contract to which such annuity amount relates is purchased) equal to the unfunded annuity amount, and

(iii) 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 1⁄2 months following the end of the plan year.

(B) UNFUNDED PRIOR YEAR LIABILITY.—For purposes of this paragraph, the term "unfunded prior year liability" 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)(6) in the amount of the participant's accrued benefit determined under paragraph (5), over

(ii) the balance in such account at the time such contract is purchased.

(C) UNFUNDED ANNUITY AMOUNT.—For purposes of this title, floor] the assumed interest rate shall not be less than 3 percent, and not greater than 5 percent, per 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) is not less than the accrued benefit determined under paragraph (5).

(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 feature of the changes over a reasonable period of time, the contributions to such plan by an individual to whom a rollover was made from a plan subject to the requirements of this section.

(1) CERTAIN REQUIREMENTS TREATED AS MET.—For purposes of subsection (b)(6), the plan is treated as meeting the requirements of such subsection (b)(6) if the employer makes an additional contribution to such plan (at the time the annuity contract to which such annuity amount relates is purchased) equal to the unfunded annuity amount, and

(ii) the assumed mortality 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 time on the amount necessary to satisfy the minimum funding requirement under section 412.

(F) 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 same manner as if the amount of the failure were an accumulated funding deficiency to which such section applies.

(2) 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.

(5) DEDUCTION LIMITS NOT TO APPLY TO EMPLOYER CONTRIBUTIONS.—

(A) 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:

(6) SPECIAL RULES FOR SAFE ANNUITIES.—

(A) 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)(i), the amount necessary to satisfy the minimum funding requirement of section 412 shall be treated as the amount necessary to satisfy the minimum funding requirement of section 412.

(3) COORDINATION WITH DEDUCTION UNDER SECTION 401(a)(4).—

(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:

(7) SPECIAL RULE FOR SAFE ANNUITIES.—This section shall not apply with respect to any contributions to a plan subject to the requirements of such subsection (b)(6) if the plan is a plan subject to the requirements of section 408(p)(7) (without regard to the last sentence thereof).
amount contributed to a SAFE annuity established under section 408B(b)(5)(B)."

(B) Section 251(g)(3)(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:

"(vi) any SAFE annuity (within the meaning of section 408B), or"

(c) CONTRIBUTIONS AND DISTRIBUTIONS.—

(1) Section 402 (relating to taxability of beneficiary of employees' trust) is amended by adding at the end the following new subsection:

"(l) TREATMENT OF SAFE ANNUITIES.—Rules similar to the rules paragraphs (1) and (3) of subsection (b) shall apply to contributions and distributions with respect to a SAFE annuity under section 408B.

(2) Section 408(b)(3) is amended by adding at the end the following new subparagraph:

"(H) SAFE ANNUITIES.—This paragraph shall not apply to any amount paid or distributed out of a SAFE annuity (as defined in section 408B) unless it is paid in a trustee-to-trustee transfer into another SAFE annuity.

(3) Section 403(h) (relating to interest on early withdrawals) is amended by adding at the end the following new paragraph:

"(E) SAFE ANNUITIES AND TRUSTS.—In the case of any account 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:

"(2) SAFE ANNUITIES.—(A) SIMPLIFIED REPORT.—The employer maintaining any SAFE annuity (within the meaning of section 408B) shall file a simplified annual return with the Secretary containing only the information described in subparagraph (B).

"(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 number of such annuities required under section 408B to be so contributed,

"(vi) the percentage elected under section 408B(b)(5)(B), and

"(vii) the number of employees with respect to whom contributions are required to be made for such year under section 408B(b)(5)(D).

(3) REPORTING BY ISSUER OF SAFE ANNUITY.—

"(a) GENERAL.—The issuer of each SAFE annuity shall provide to the owner of the annuity for each year a written statement setting forth as of the close of such year—

"(I) the benefits guaranteed at age 65 under the annuity,

"(II) the cash surrender value of the annuity,

"(b) 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:

"(I) The name and address of the employer and the issuer.

"(II) The requirements for eligibility for participation.

"(III) The benefits provided with respect to the annuity.

"(IV) The procedures for, and effect of, withdrawals (including rollovers) from the annuity.

"(D) TIME AND MANNER OF REPORTING.—Any return, report, or statement required under this paragraph shall be made in such form and at such time and in such manner as prescribed by the Secretary.

"(2) SAFE TRUSTS.—Section 6059 (relating to actuarial reports) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, inserting after subsection (d) the following new subsection:

"(C) SAFE TRUSTS.—In the case of a SAFE trust (within the meaning of section 408B), the Secretary shall require a simplified actuarial report which contains information similar to the information required in section 408(l)(3)(B)."

(f) CONFORMING AMENDMENTS.—

(1) Section 4972 is amended by striking "or" at the end of paragraph (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) Subparagraphs (b), (c), (m)(4)(B), and (n)(4)(B) of section 401 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 (ii), by striking the period at the end of clause (iv) and inserting "., and", and by adding after clause (iv) the following new clause:

"(v) any SAFE annuity (within the meaning of section 408B).

(5) The table of sections for subsection A of part I of subtitle B 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. 1231) is amended by striking "or" 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.—Section 101 of such Act (29 U.S.C. 1081) is amended by redesigning subsection (b) as subsection (h) and by inserting after the first subsection (h) the following new subsection:

"(i) SAFE ANNUITIES.—

"(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 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) A SAFE annuity shall provide to the employer maintaining the annuity for each year a description containing the following information:

"(I) The name and address of the employer and the issuer.

"(II) The requirements for eligibility for participation.

"(III) The benefits provided with respect to the annuity.

"(IV) The procedures for, and effect of, withdrawals (including rollovers) from the annuity.

"(D) TIME AND MANNER OF REPORTING.—Any return, report, or statement required under this paragraph shall be made in such form and at such time and in such manner as prescribed by the Secretary.

"(2) SAFE TRUSTS.—Section 6059 (relating to actuarial reports) is amended by redesigning subsections (c) and (d) as subsections (d) and (e), respectively, inserting after subsection (d) the following new subsection:

"(C) SAFE TRUSTS.—In the case of a SAFE trust (within the meaning of section 408B), the Secretary shall require a simplified actuarial report which contains information similar to the information required in section 408(l)(3)(B)."

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

(1) 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:

"(h) Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.

(b) ELIMINATION OF FAMILY CONTRIBUTION.—

Section 416(h)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

"(iv) FAMILY CONTRIBUTION DISREGARDED.—

Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 418 shall be applied with regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.

(c) DEFINITION OF TOP-HEAVY PLANS.—

(4) Section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new paragraph:

"(h) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NON-DISCRIMINATION REQUIREMENTS.—The term "top-heavy plan" shall not include a plan which complies with section 401(h) and:

"(i) a cash or deferred arrangement which meets the requirements of section 401(k)(2), and

"(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

Subtitle C—Enhancing Fairness for Women

SEC. 321. 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:

"(c) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

"(1) IN GENERAL.—An applicable employer plan shall permit an additional elective deferral 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.
For taxable years beginning in:

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>110 percent</td>
</tr>
<tr>
<td>2002</td>
<td>100 percent</td>
</tr>
<tr>
<td>2003</td>
<td>90 percent</td>
</tr>
<tr>
<td>2004</td>
<td>80 percent</td>
</tr>
<tr>
<td>2005</td>
<td>70 percent</td>
</tr>
<tr>
<td>2006 and thereafter</td>
<td>60 percent</td>
</tr>
</tbody>
</table>

Exception to Section 401(j)(1).

For purposes of this section, the applicable percentage shall be determined in accordance with the following table:

For taxable years beginning in:

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>110 percent</td>
</tr>
<tr>
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</tr>
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<td>2005</td>
<td>70 percent</td>
</tr>
<tr>
<td>2006 and thereafter</td>
<td>60 percent</td>
</tr>
</tbody>
</table>

(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term ‘participant’s compensation’ means the participant’s includible compensation determined under section 403(b)(3).

(F) Section 415(c)(7) is amended by striking paragraph (4).

(J) The amendments made by subsection (h) shall apply to contributions in order for a distribution to be prohibited from making elective and employee contributions in 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 treated as an employer contribution to a defined contribution plan for such individual for such year.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to years beginning after December 31, 2000.

SEC. 253. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Subsection (k) of section 414(p)(11) (relating to application of rules to governmental and church plans) is amended by striking ‘‘(7)’’ and inserting ‘‘(7)’’.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ‘‘(7)’’ and inserting ‘‘(7)’’.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (12) the following new paragraph:

“(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 254. MODIFICATION OF SAFE HARBOR RELIANCE FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall by regulation require the plan administrator to adopt rules that prevent hardship distributions under 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 treated as an employer contribution to a defined contribution plan for such individual for such year.

(b) EFFECTIVE DATE.—The regulations under subsection (a) shall apply to years beginning after December 31, 2000.
CONGRESSIONAL RECORD—SENATE

SEC. 325. 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 (12), a plan”, and

(2) by adding at the end the following:

“(12) 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</th>
<th>Nonforfeitable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(b) AMENDMENTS TO ERISA.—Section 203(a)(5) 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 (4), a plan”, and

(2) by adding at the end the following:

“(4) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), 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</th>
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</tr>
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<tbody>
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<td>60</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning before the date that such plan is an eligible plan (as defined in section 401(m)(4)(A)) to the extent provided in such plan.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a collective bargaining agreement pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the date that such plan is an eligible plan.

Subtitle D—Increasing Portability for Participants

SEC. 331. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—

(4) Paragraph (e) (relating to other definitions and special rules) is amended by adding at the end the following:

“(4) ROLLOVER AMOUNTS.—

(A) GENERAL.—In the case of an eligible deferred compensation plan and maintained by an employer described in subsection (e)(1)(A),—

“(i) any portion of the balance of 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 in section 401(a)(31), and

“(iii) such distribution shall not be includible in gross income for the taxable year in which paid.

(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and section 402(c) and section 402(f) shall apply for purposes of paragraph (A).

(C) DIRECT ROLLER.—In any case under this paragraph shall be treated as a distribution from a qualified retirement plan described in section 4974(c)(1) to the extent that such distribution is allocable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 403(b)(c)).

(D) ALLOWANCE OF ROLLERS FROM AND TO 403(b) PLANS.—

(1) ROLLERS FROM SECTION 403(b) PLANS.—

Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by adding at the end the following:

“(c)-expanded explanation to recipients of rollover distributions.—Paragraph (1) of section 403(b)(8) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking “and”; and

(2) ROLLERS TO SECTION 403(b) PLANS.—

Section 402(c)(6)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking “or” at the end of clause (ii) (as defined in section 403(b)(8)), and

(E) CONFORMING AMENDMENTS.—

(1) Section 72(a)(4) is amended by striking “408(d)(3)” and inserting “403(b)(8), 403(b)(3), and 408(d)(1)”.

(2) Section 221(d)(2) is amended by striking “408(d)(3)” and inserting “408(d)(3), 408(d)(5), 408(d)(6), and 403(b)(1)”.

(3) Section 401(a)(31)(B) is amended by striking “and 403(a)(4)”. and inserting “and 403(a)(4), 403(a)(4), and 403(b)(1), and 403(b)(8).”.

(4) Subparagraph (A) of section 402(c)(2) is amended by striking “or (4) of section 403(a)” and inserting “and (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 402(a)(4)(B)”,.

(5) Paragraph (1) of section 402(f) is amended by striking “an eligible retirement plan”. and inserting “another eligible retirement plan”.

(6) Subparagraphs (A) and (B) of section 403(b)(8) are amended by striking “an eligible retirement plan”.

(7) Paragraph (B) of section 403(b)(8) is amended to read as follows:

“(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of...
section 402(c) and section 402(f) shall apply for purposes of, including section (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.

(8) Section 405(b)(1) is amended by striking "or 408(d)(3)" and inserting "408(d)(3), 457(e)(16)".

(9) Paragraphs (A) and (B) of section 415(c)(2) are each amended by striking "and 408(d)(3)" and inserting "408(d)(3), 457(e)(16)".

(10) Section 415(c)(2) is amended by striking "and 408(d)(3)" and inserting "408(d)(3), 457(e)(16)".

(11) Section 4973(b)(1)(A) is amended by striking "or 408(d)(3)" and inserting "408(d)(3), 457(e)(16)".

(a) EFFECTIVE DATE; SPECIAL RULE.—

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

(a) EFFECTIVE DATE; SPECIAL RULE.—

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

SEC. 332. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding "or" at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan, and

(2) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

(II) not with standing the pro rata allocation of income on, and investment in the contract, to distributions under section 72, the portion of such distribution which is part of a plan which is a defined contribution plan shall not be treated as failing to meet the requirements imposed by section 417 if—

(i) the form of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferee plan') is transferred to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferee plan,

(ii) the terms of both the transferee plan and the transferee plan authorize the transfer described in clause (I), and

(iii) the form of distribution made by the participant or beneficiary described in clause (III) is made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan.

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

(c) EF FECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.

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

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

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

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(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2000.
“(ii) such single sum payment is based on the same or greater portion of the participant’s account as the form of distribution being eliminated.’’.

(2) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

“(4)(A) A defined contribution plan (in this subparagraph referred to as the ‘transferor plan’) shall not be treated as failing to meet the requirements of this subsection merely because the transferor plan does not provide some or all of the present value of retribution previously available under another defined contribution plan (in this paragraph referred to as the ‘transferor plan’) to the extent that

“(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferor plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

“(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

“(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

“(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election;

“(v) if the transferor plan provides for an annuity as the normal form of distribution under the plan in accordance with section 417, the transfer is made with the consent of the participant’s spouse (if any), and such consent meets requirements similar to the requirements imposed by section 417(a)(2); and

“(vi) the transferee plan allows the participant or beneficiary described in subclause (II) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

“(B) Subparagraph (A) shall apply to plan mergers prevailing before the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

“(1) MODIFICATION OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless

“(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated;

“(B) such single sum payment is based on the same or greater portion of the participant’s account as the form of distribution being eliminated.’’.

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

(b) REGULATIONS.—(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: “The Secretary may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.’’.

(2) AMENDMENT TO ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting after “The Secretary of the Treasury may by regulations provide that this paragraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.”—

“(3) SECRETARY DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall be in effect prior to and after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 336. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DEED EXCEPT.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking “separation from service” and inserting “severance from employment”.

(B) Section 401(k)(2)(B)(ii) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

“(I) An event described in subsection (a) is treated as an event described in subsection (b) on the date the event described in subsection (a) occurs if the event described in subsection (b) includes the date the event described in subsection (a) occurred;

“(II) by inserting “An event described in subsection (a) occurs on the date the event described in subsection (b) occurs on” in the heading,

“(III) by striking “An event described in subsection (a) occurs on the date the event described in subsection (b) occurs on” in paragraph (1),

“(IV) by striking the heading and the first sentence of paragraph (2), and

“(V) by striking “An event described in subsection (a) occurs on the date the event described in subsection (b) occurs on” in paragraphs (3) and (4).”.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B) by striking “An event” in clause (i) and inserting “A termination”, and

(ii) by striking “the event” in clause (i) and inserting “the termination”,

(iii) by striking paragraph (C), and

(iv) by striking “or disposition of assets or subsidiary” in the heading.

(2) SECTION 401(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking “separation from service” and inserting “severance from employment”.

(B) The heading of paragraph (11) of section 403(b) is amended by striking “SEPARATION FROM SERVICE” and inserting “SEVERANCE FROM EMPLOYMENT”.

(C) Section 402(g).—Clause (ii) of section 457(d)(1)(A) is amended by striking “is separable from service” and inserting “has a severance from service”.

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

SEC. 337. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

“(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSED SERVICE CREDIT.—No amount shall be includable 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 permissible service credit (as defined in section 415(n)(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 after paragraph (17) the following new paragraph:

“(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSED SERVICE CREDIT.—No amount shall be includable 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 permissible service credit (as defined in section 415(n)(3)(A)) under such plan, or

“(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.”.

(2) Section 457(b)(2) is amended by striking “(other than rollover amounts)” and inserting “(other than rollover contributions and amounts re-ceived in a transfer referred to in subsection (e)(15))”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2000.

SEC. 338. EMPLOYERS MAY DISREGARD ROLL-OVER CONTRIBUTIONS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

“(5) ELIGIBLE DEFERRED COMPENSATION PLANS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined to be equal to or less than 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).”.

(b) AMENDMENT TO ERISA.—Section 203(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

“(2) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined to be equal to or less than 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) of the Internal Revenue Code of 1986.”

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

SEC. 339. INCLUSION REQUIREMENTS FOR SECTION 457 PLAN PLANS.

(a) YEAR OF INCLUSION.—Subsection (a) of section 457 relating to year of inclusion in gross income) is amended to read as follows:

“(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (c)(1)(A), and

“(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t), section 72(t) shall apply to any amount includible in gross income under this subsection.”.

"
(b) CONFORMING AMENDMENT.—So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

“(9) BENEFITS OF TAX EXEMPT ORGANIZATIONS.—Notwithstanding any provision of law, benefits of tax-exempt organizations (as defined in section 501(c)(3)) described in paragraph (7) of section 457, and paid to a nonemployee, are not subject to tax under subsection (b) if the requirements of paragraph (1) are met.

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

Subtitle E—Strengthening Pension Security and Enforcement

SEC. 341. REPEAL OF 150 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 412(c)(7) (relating to full-funding limit) is amended—

(1) by striking the applicable percentage in subparagraph (A)(i)(I) and inserting “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:

<table>
<thead>
<tr>
<th>Year Beginning in</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>160</td>
</tr>
<tr>
<td>2002</td>
<td>165</td>
</tr>
<tr>
<td>2003</td>
<td>170</td>
</tr>
</tbody>
</table>

(b) AMENDMENT TO ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(c)(7)) is amended—

(1) by striking “the applicable percentage” in subparagraph (A)(i)(I) and inserting “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:

<table>
<thead>
<tr>
<th>Year Beginning in</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>160</td>
</tr>
<tr>
<td>2002</td>
<td>165</td>
</tr>
<tr>
<td>2003</td>
<td>170</td>
</tr>
</tbody>
</table>

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 342. EXTENSION OF MISSING PARTICIPANTS PROGRAM TO MULTIEmployER PLANS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following:

“(c) MULTIEmployER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

(b) CONFORMING AMENDMENT.—Section 206(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(f)) is amended by striking “the plan shall provide that”,

“(c) LIMITATIONS ON AMOUNT OF TAX.—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 (after notice to the persons referred to in subsection (d) 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) such 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 such 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 year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

“(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined in accordance with the principles similar to the principles of section 1561.

“(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (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 subsection (a): (1) In the case of a plan other than a multiemployer plan, the employer.

“(2) In the case of a multiemployer plan, the plan.

“(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—A plan funded through a benefit accrual plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more plan 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 the affected applicable individual (and to each 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 participants and beneficiaries 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) provides for a significant change in the manner in which the accrued benefit is to be applied, the person so affected is an applicable individual under the plan, or

“(ii) requires an applicable individual to choose between 2 or more benefit formulas, and

“(iii) 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 which includes the information described in subparagraph (B).

“(B) ADDITIONAL NOTICE.—The notice under paragraph (A) shall include the following information:

“(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, determined...
under the terms of the plan in effect immediately before the effective date of the plan amendment.

(ii) The accrued benefit as of the effective date, determined under the terms of the plan in effect immediately before the effective date of the plan amendment.

(iii) Special pension plan.—For purposes of this section, the term ‘applicable pension plan’ means—

(1) a defined benefit plan, or

(2) an annuity plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e) with respect to which an election under section 410(d) has not been made).

(4) 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 in effect immediately before the effective date of the plan amendment.

(5) Special Rule for Collectively Bargained Plans.—In the case of a plan that is a collectively bargained plan, the term ‘applicable pension plan’ shall mean—

(A) any plan, or

(B) any pension benefit plan, or

(C) any other plan maintained by a collective bargaining agreement or any secondary benefit plan, if—

(i) the accrued benefit as of the effective date, and

(ii) the accrued benefit as of the effective date, are subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e) with respect to which an election under section 410(d) has not been made).

(2) Applicable individual.—For purposes of this section, the term ‘applicable individual’ means, with respect to any plan amendment—

(1) any participant in the plan, and

(2) any beneficiary who is an alternate payee (within the meaning of section 410(d)(1)) under the plan in effect immediately before the effective date of the amendment.

(3) Special Rule.—In the case of a plan that is a collectively bargained plan, the term ‘applicable individual’ shall mean—

(A) any participant in the plan, and

(B) any beneficiary who is an alternate payee (within the meaning of section 410(d)(1)) under the plan in effect immediately before the effective date of the amendment.

(6) Exception.—In the case of a plan that is a collectively bargained plan, the term ‘applicable individual’ shall mean—

(A) any participant in the plan, and

(B) any beneficiary who is an alternate payee (within the meaning of section 410(d)(1)) under the plan in effect immediately before the effective date of the amendment.

(7) Special Rule.—In the case of a plan that is a collectively bargained plan, the term ‘applicable individual’ shall mean—

(A) any participant in the plan, and

(B) any beneficiary who is an alternate payee (within the meaning of section 410(d)(1)) under the plan in effect immediately before the effective date of the amendment.
is 3 months after the date of the enactment of this Act.

SEC. 345. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) In General.—Section 522(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

(b) EFFECTIVE DATE.—

(i) 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.

(ii) In Case of Multiemployer Plans.—The amendments made by this section shall not apply to any elective deferral used to acquire an interest in the income or gain from employer securities or employer real property acquired—

(1) before January 1, 1999, or

(2) after such date pursuant to a written contract which was binding on such date and at all times thereafter on such plan.

(c) CONFORMING AMENDMENTS.—

(i) Section 415(b)(1)(A) to a plan which is not a multiemployer plan shall be treated as a plan, but only employees of such employer’s controlled group (within the meaning of section 412(l)(8)(C)) shall be treated as 1 plan, but only employees of such member or employer shall be taken into account.

(ii) Plans established and maintained by professional service employers.—Clause (i) shall not apply to a plan described in section 402(b)(11) of the Employee Retirement Income Security Act of 1974.

SEC. 348. INCREASE IN SECTION 415 EARLY RETIREMENT LIMIT.

(a) In General.—Subclause (II) of section 415(b)(2)(F)(i) is amended to read as follows:

(b) EFFECTIVE DATE.—

(i) Plans with less than 100 participants.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees specified in section 410(g) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

(ii) Plans with more than 100 participants.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer’s controlled group) shall be treated as if the plan year involved is the last 2 years before the termination date.

(c) USE OF PROVISON OF THE TAXPAYER RELIEF ACT OF 1997.—The amendment made by this section shall apply to plan years beginning after December 31, 1998.

(d) EFFECTIVE DATE.—

(i) Plans with less than 100 participants.—(I) except as provided in paragraph (2), the amendments made by this section shall be treated as if the proposed termination date referred to

(ii) Plans with more than 100 participants.—(I) the amendments made by this section shall be treated as if the proposed termination date referred to

(iii) Plans established and maintained by professional service employers.—Clause (i) shall not apply to a plan described in section 402(b)(11) of the Employee Retirement Income Security Act of 1974.

SEC. 352. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

SEC. 353. PERIODIC PENSION BENEFITS STATEMENTS.

(a) In General.—Subsection (a) of section 105(b) of such Act (29 U.S.C. 105(b)) is amended to read as follows:

(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in clause (a)(1)(A) or (a)(2)(B), whichever is applicable, in any 12-month period.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2000.

SEC. 354. INCREASE IN SECTION 415 EARLY RETIREMENT LIMIT FOR GOVERNMENT AND LABOR Plans.

(a) In General.—Subclause (II) of section 415(b)(2)(F)(i), as amended by section 346(c), is amended—

(1) by inserting “a multiemployer plan (within the meaning of section 414(d))” after “a plan” in section 414(d)(1) in section 415(b)(2)(F)(i), as amended by section 346(c).

(b) CONFORMING AMENDMENTS.—

(i) Clause (ii) of paragraph (4) of section 402(b) is amended to read as follows:

(ii) To a plan beneficiary upon written request of a participant or beneficiary of a plan upon written request.

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

Subtitle F—Encouraging Retirement Education

SEC. 355. FEDERAL PREMIUM RETIREMENT SAVINGS PROGRAM.

(a) In General.—Section 498(b)(1)(I)(i) of the Employee Retirement Income Security Act of 1974 is amended to read as follows:

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

SEC. 356. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO 401(K) PLAN.

(a) In General.—Subparagraph (D) of section 404(a)(1)(A) (relating to special rule in case of certain plans) is amended to read as follows:

(b) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

(i) In General.—In the case of any defined contribution benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to

in section 401(b)(2)(A)(ii) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

(ii) Plans with less than 100 participants.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees specified in section 410(g) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

(iii) Plans with more than 100 participants.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer’s controlled group) shall be treated as if the plan year involved is the last 2 years before the termination date.

(iv) Plans established and maintained by professional service employers.—Clause (i) shall not apply to a plan described in section 402(b)(11) of the Employee Retirement Income Security Act of 1974.

SEC. 357. CLARIFICATION OF TREATMENT OF EMPLOYEE-PROVIDED RETIREMENT ADVICE.

(a) In General.—Section 402(b) of the Employee Retirement Income Security Act of 1974 was the last day of the plan year.

(b) Administrator of a defined benefit plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(c) Nonforfeitable pension benefits, if any, which have accrued, and

(i) the total benefits accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(d) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(e) Nonforfeitable pension benefits, if any, which have accrued, and

(i) the total benefits accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(f) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(g) Nonforfeitable pension benefits, if any, which have accrued, and

(i) the total benefits accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(h) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(i) Nonforfeitable pension benefits, if any, which have accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(j) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(k) Nonforfeitable pension benefits, if any, which have accrued, and

(i) the total benefits accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(l) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

(m) Nonforfeitable pension benefits, if any, which have accrued, and

(i) the total benefits accrued, and

(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable, whichever is later.

(n) Except as otherwise provided by the employer and any multiemployer plan shall furnish a pension benefit statement—

(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan, and

(ii) to a participant or beneficiary of the plan upon written request.

SEC. 358. FEDERAL PREMIUM RETIREMENT SAVINGS PROGRAM.

(a) In General.—Subsection (a)(7) of such Act is amended to read as follows:

(b) Qualified retirement planning services defined.—Section 332 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

"(l) Qualified Retirement Planning Services Defined.—Section 332 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

 laundered.
(a) In GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(1) by inserting “(A)” after “(9)”, and

(B) by adding at the end the following:

“(B)(i) 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 defined in paragraph (7)(B)), determined as of the valuation date immediately before the enactment of this Act.

(ii) EXCEPTIONS.—(A) 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 subclause.

(B) Clauses (i) and (ii) of paragraph (3) are insufficient to satisfy in full the benefits described in subparagraph (A) of that paragraph.

(ii) By reason of this subclause.

(iii) Information under clause (i) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

(iv) An election under this subparagraph, once made, shall be irrevocable without the consent of the Secretary.

(a) NONDISCRIMINATION.—

(1) by striking “For purposes” and inserting “(A) IN GENERAL.—Section 412(c)(9) (relating to annual valuation) is amended—

(i) a fraction (not to exceed 1) the numerator of which is 10, and

(ii) the amount of benefits that would be qualities in the event of the participant were not a majority owner.”.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—


(2) Section 404(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking “(5)” in paragraph (2) and inserting “(4)”, and

(B) by redesigning paragraphs (2) 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) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then 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 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. 1321) is amended—

(A) in subsection (b)(9), by striking “as defined in section 4022(b)(6)”, and

(B) by adding at the end the following:

“(d) EFFECTIVE DATES.—

(1) In GENERAL.—Except as provided in paragraph (2), the amendments made by this section may be applied to plan years beginning after December 31, 2000.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this section may be applied to plan years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 412(c)(9) of the Internal Revenue Code of 1986 shall not apply before the first year beginning after December 31, 2000, and

(C) PLAN CYCLES.—The amendments made by this section shall be applied to plan years beginning after December 31, 2000.

SEC. 363. CONSTRUCTION AND CONSTRUCTION AND COVERAGE RULES.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1343(1)(D)(3)) is amended to read as follows:

“(5)(A) For purposes of this paragraph, the term ‘majority owner’ means an individual who, at any time during the 60-month period ending on the date the determination is being made—

(i) owns the entire interest in an unincorporated trade or business,

(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of such corporation or all the stock of such corporation.

For purposes of paragraph (3), 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)).

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking “section 4022(b)(6)” and inserting “section 4021(a)”.

(B) EFFECTIVE DATES.—

(1) In GENERAL.—Except as provided in paragraph (2), the amendments made by this section may be applied to plan years beginning after December 31, 2003.

(a) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2000, and

(B) under section 4042 of such Act (29 U.S.C. 1342(a)(2)), respectively, and by inserting after section 4041(c) of that Act (29 U.S.C. 1341(c)) the following:

“(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on the first day of the plan year to which the effective date of the enactment of this Act applies.

SEC. 364. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DESTRUCTION.

(a) In GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking “or” at the end of clause (ii), by redesignating...
clause (iii) as clause (ii), and by inserting after such clause the following new clause:—

“(iii) is, at the election of such participants or their beneficiaries—

“(I) payable as provided in clause (i) or (ii), or

“(II) paid to the plan and reinvested in qualifying employer securities, or”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 365. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) IN GENERAL.—

(A) AMENDMENT OF INTERNAL REVENUE CODE OF 1986.—Subparagraph (A) of section 410(a)(6) is amended by striking “90-day” and inserting “1-year”.

(B) AMENDMENT TO ERISA.—Subparagraph (A) of section 205(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)) is amended by striking “90-day” and inserting “1-year”.

(2) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute “1-year” for “90-day” each place it appears in Treasury Regulations sections 1.402(j)-1(c), 1.411(a)-1(c), and 1.417(e)-1(b).

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under sections 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant’s right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2000.

SEC. 366. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COM pensated EMPLOYEES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)-6 to provide that employees of an organization described in section 401(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to receive contributions under section 403(b)(1) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 401(k) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan, and

(2) 95 percent of the employees who are not employers of such organization described in section 401(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1240(b) of the Small Business Job Protection Act of 1996.
(ii) ending on the date described in paragraph (i)(B) (relating to the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect, and (iii) such plan or contract amendment applies retroactively for such period.

**TITLE IV—EDUCATION TAX RELIEF PROVISIONS**

**SEC. 401. ELIMINATION OF 60-MONTH LIMIT AND INCREASE IN INCOME 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 6703(f)(1) is amended by striking "$60,000 amounts" and inserting "$50,000 amounts".

(b) **INCREASE IN INCOME LIMITATION.—**

(1) In general.—Section 221(g)(1) is amended by striking "$40,000 and $55,000" and inserting "$50,000 and $60,000".

(2) **CONFORMING AMENDMENT.—** Section 402 is amended by striking "$40,000 and $55,000" and inserting "$50,000 and $60,000".

(c) **EFFECTIVE DATE.—** The amendments made by this subsection shall apply to taxable years ending after December 31, 1999, in taxable years ending after such date.

**SEC. 402. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.**

(a) **SHORT TITLE.—** This section may be cited as the "Collegiate Learning and Student Savings (CLASS) Act".

(b) **ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—**

(1) In general.—Section 529(b)(1) (defining qualified State tuition program) is amended by inserting "or a State agency or instrumentality thereof" after "maintained by a State or agency or instrumentality thereof".

(2) **PRIVATE QUALIFIED TUITION 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), 4973(e), and 6693(a)(2)(C) are each amended by striking "qualified State tuition" each place it appears and inserting "qualified tuition".

(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are each amended by striking "QUALIFIED STATE TUITION" and inserting "QUALIFIED TUTION".

(C) The headings for sections 529(b) and 530(b)(2)(B) are each amended by striking "qualified State tuition program" and inserting "qualified tuition program".

(D) The heading for section 529 is amended by striking "qualified State tuition program" and inserting "qualified tuition program".

(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 "State..." and inserting "Qualified Tuition Programs...".

(f) **COORDINATION WITH OTHER EDUCATION DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—**

(1) In general.—Section 529(c)(3)(B) (relating to distributions is amended to read as follows:

"(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—"

(2) **COORDINATING AMENDMENTS.—**

(A) Subsection (e) of section 25A is amended to read as follows:

"(e) **ELECTION TO HAVE SECTION APPLY.—** No credit shall be allowed 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 year.

(B) Section 135(d)(3)(A) is amended by striking "allowable" and inserting "allowed".

(C) Section 530(d)(2)(C) is amended—

(i) by striking "or credit", and

(ii) by striking "CREDIT OR" in the heading.

(D) **ROLLOVER TO DIFFERENT PROGRAM FOR NON-QUALIFIED DISTRIBUTIONS.—**

Section 529(c)(3)(C) (relating to change in beneficiaries) is amended—

(A) by striking "transferred to the credit" in clause (i) and inserting "transferred—"

(B) by adding at the end the following new clause:

"(C) LIMITATION ON CERTAIN ROLLOVERS.—

Clause (ii) shall not apply to any amount transferred with respect to a designated beneficiary if, at any time during the 1-year period ending on the day of such transfer, any other amount was transferred with respect to such beneficiary which was not includable in gross income in reason of clause (I)(i),", and

(3) by inserting "ON PROGRAMS" after "BENEFICIARIES" in the heading.

(2) **MEMBER OF FAMILY INCLUDES FIRST COUSIN.—**

Section 529(e)(2)(D) (relating to definition of qualified higher education expenses) is amended by inserting "or program" in the heading.

(b) **DEFINITION OF QUALIFIED HIGHER EDUCATION EXPENSES.—**

(1) In general.—

(A) **QUALIFIED TUITION PROGRAMS.—** If, with respect to an individual for the taxable year, any other amount as such expenses bear to such distributions.

(B) **EXCEPTION FOR INSTITUTIONAL PROGRAMS.—** In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program determined by the eligible educational institution.

(C) **TREATMENT AS DISTRIBUTIONS.—** Any benefit furnished under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

(D) **COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—** The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

(i) as provided in section 25A(g)(2), and

(ii) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

(E) **COORDINATION WITH EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.—** If, with respect to an individual for any taxable year—

(I) the aggregate distributions to which clauses (i) and (ii) and section 529(d)(2)(A) apply, exceed—

(II) $50,000 (twice such dollar amount in the case of a joint return), bears to—

(ii) $15,000..

(2) **CONFORMING AMENDMENTS.—** Section 221(f)(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 HIGHER EDUCATION SAVINGS PLANS.**

(a) **SHORT TITLE.—** This section may be cited as the "College Savings Bond Bill".

(b) **PRIVATE QUALIFIED SAVINGS PROGRAMS.—**

(1) **In general.—**

(A) Section 529(a)(1) is amended by striking "qualified State tuition program" and inserting "qualified higher education savings plan".

(B) The heading for section 529 is amended by striking "qualified State tuition program" and inserting "qualified higher education savings plan".

(C) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking "State..." and inserting "Higher Education Savings...".

(D) Any reference in this title to a qualified State tuition program shall be treated in the case of such a program as a qualified higher education savings plan.

**SEC. 404. TAX RELIEF FOR INSTITUTIONS OF HIGHER EDUCATION.**

(a) **SHORT TITLE.—** This section may be cited as the "Institutional Higher Education Credit Bill".

(b) **INCREASES IN AMOUNTS.—**

(1) **IN GENERAL.—**

(A) Section 25A(g)(2) (relating to the percentage of the amount which is creditable to the taxpayer or any other person) is amended by—

(i) by striking "$15,000", and

(ii) by inserting "$15,000." before "(ii)",

(ii) by striking "$15,000", and

(iii) by inserting "$15,000." before "(ii)",

(2) **COORDINATING AMENDMENTS.—**

(A) By inserting "qualified higher education expenses" for "qualified higher education expenses with respect to an individual for the taxable year shall be reduced—"

(B) By inserting "the exclusion under section 529(c)(2)(C) and" before "section 25A.

(C) By inserting "the exclusion under sections 529(c)(2)(B) and 529(d)(2)" before "section 25A.

(D) By inserting "the exclusion under section 529(c)(2)(B) and 529(d)(2)" before "section 25A.

(E) By inserting "the exclusion under section 529(c)(2)(B) and 529(d)(2)" before "section 25A.

(3) **EFFECTIVE DATE.—** The amendments made by this section shall apply to taxable years beginning after June 30, 1999.

(c) **COORDINATIONS WITH OTHER TAX PROVISIONS.—**

(1) **COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—** The total amount of qualified higher education expenses which are incurred in connection with such enrollment or attendance, but not to exceed the allowance for books and supplies in-
SEC. 403. EXCLUSION OF CERTAIN AMOUNTS RECEIVED UNDER THE NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM AND THE F. EDWARD HEBERT ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND LOAN-ASSISTANCE PROGRAM.

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

(1) by striking "Subsections (a)(2), (3), (4), (5)", and (6)" and inserting the following—

""(8) provides for improvements to any school facility which is—"

(2) by inserting at the end of subsection (g) the following new paragraph:

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

(a)(13) The term ""qualified public educational facility"" means any school facility which is—

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

(ii) $5,000,000, whichever is greater.

(b) EXCESSIVE COSTS.—For purposes of subsection (a)(13), the term ""qualified public educational facility"" includes—

(i) $10,000,000 or of the aggregate face amount of such bonds which may be guaranteed may not exceed $500,000,000 in any calendar year.

(c) EFFECTIVE DATE.—Subparagraph (E) of section 149(c)(3) of the Internal Revenue Code of 1986, as added by subsection (a), shall take effect upon the enactment of this section.

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds issued for (ii) the Federal Home Loan Bank under the Federal Home Loan Bank Act (12 U.S.C. 1412 et seq.), to the extent the Federal Housing Finance Board allocates authority to such Bank to so guarantee such bond.

(e) CONFORMING AMENDMENTS.—The heading for section 147(h) is amended by striking ""MORTGAGE REVENUE BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3) BONDS"" and inserting ""CERTAIN BONDS"".

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

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) is amended by striking ""May 31, 2000"" and inserting ""December 31, 2003"".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 1999.

SEC. 405. ADDITIONAL INCREASE IN ARBITRAGE RESTRICTION EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 149(f)(4)(D)(viii) (relating to increase in exclusion for bonds financing public school capital expenditures) is amended by striking ""$5,000,000"" and inserting ""$10,000,000"".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 1999.

SEC. 410. TREATMENT OF QUALIFIED PUBLIC EDUCATION FACILITY BONDS AS EXEMPT FACILITY BONDS.

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended—

(1) by striking ""at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ""or,"" and by adding at the end the following new paragraph:

""(12) qualified public educational facilities."".

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 (relating to exempt facility bonds) is amended by adding at the end of the following new paragraph:

""(1) qualified public educational facilities."".

(c) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds issued for

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds issued for

SEC. 411. MODIFICATION OF RULES FOR CARRYFORWARD OF UNUSED LIMITATION.

(a) IN GENERAL.—Section 144(f)(3) (relating to similar to the rules of section 146(f), except that which the unused limitation arose under rules

(b) EFFECTIVE DATE.—Subparagraph (E) of section 146(f)(3) of the Internal Revenue Code of 1986, as added by the amendment made by subsection (a), shall take effect upon the enactment, after the date of the enactment of this Act, of legislation authorizing the Federal Housing Finance Board to allocate authority to the Federal Home Loan Bank to guarantee any bond described in such subparagraph, but only if such legislation makes specific reference to such subparagraph.

SEC. 408. CERTAIN EDUCATIONAL BENEFITS PROVIDED BY AN EMPLOYER TO CHILDREN OF EMPLOYEES.

(a) IN GENERAL.—In determining whether any amount is a qualified scholarship for purposes of subsection (a), the fact that such amount is provided in connection with an employment relationship shall not be considered—

(A) such amount is provided by the employer to a child (as defined in section 161(c)(3)) of an employee under such employment;

(B) such amount is provided pursuant to a plan which meets the nondiscrimination requirements of subsection (d)(3), and any employee contributions allocated to such plan are in addition to any other compensation payable to employees and such plan does not provide employees with a choice between such amounts and higher benefits.

For purposes of subparagraph (C), the business practices of the employer (as well as such plan) shall be taken into account.

(C) DOLLAR LIMITATIONS.—

""(4) PER CHILD.—The amount excluded from the gross income of the employee by reason of

droelectric generating facilities, and qualified public educational facilities.

""(12) qualified public educational facilities."".

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 (relating to exempt facility bonds) is amended by adding at the end of the following new paragraph:

""(1) qualified public educational facilities."".

""(2) DOLLAR LIMITATIONS.—

""(4) PER CHILD.—The amount excluded from the gross income of the employee by reason of

""(3) the term 'qualified public educational facility' means any school facility which is—"

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

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

(ii) the term 'qualified public education facility agreement is described in this paragraph if it is an agreement—"

(A) under which the corporation agrees—"

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

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

(B) the term is not to exceed the last maturity date of any bond which is a part of the issue to be used to finance the activities described in subparagraph (A)(i).

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

(A) school buildings,

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

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

(4) PUBLIC SCHOOLS.—For purposes of this subsection, the terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221), as in effect on the date of the enactment of this subsection.

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

(A) IN GENERAL.—An issue shall not be treat-"
paragraph (1) for a taxable year with respect to amounts paid to each child of such employee shall not exceed $2,000.

"(B) AGGREGATE LIMIT.—The amount excluded from the gross income of the employee by reason of paragraph (1) for a taxable year after the application of subparagraph (A) shall not exceed the excess of the dollar amount contained in section 127(a)(2) over the amount excluded from the employee's gross income under section 127 for such year.

"(3) PRINCIPAL SHAREHOLDERS AND OWNERS.—Paragraph (1) shall not apply to any amount provided as a payment of a fixed amount per individual (or such individual's spouse) own (on any day of the year) more than 5 percent of the stock or of the capital or profits interest in the employer.

"(4) DEGREE REQUIREMENT NOT TO APPLY.—In the case of an amount which is treated as a qualified scholarship by reason of this subsection, subsection (a) shall be applied without regard to the requirement that the recipient be a candidate for a degree.

"(5) CERTAIN OTHER RULES TO APPLY.—Rules similar to subparagraphs (A), (B), and (D) of section 127(c) shall apply for purposes of this subsection.

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

TITLE V—HEALTH AND LONG-TERM CARE INSURANCE

SEC. 501. DEDUCTION FOR HEALTH AND LONG-TERM CARE INSURANCE COSTS OF INDIVIDUALS NOT PARTICIPATING IN EMPLOYER-SUBSIDIZED HEALTH CARE PLANS.

(a) IN GENERAL.—Part VII of chapter B of chapter 1 is amended by redesignating section 222 as section 223 and by inserting after section 223 the following new section:

"Sec. 222. Health and long-term care insurance costs.

"(1) IN GENERAL.—Subsection (a) shall not apply to any amount paid for any coverage for an individual for any calendar month if, as of the first day of such month, the individual is covered under any medical care program described in—

"(i) title XVIII, XIX, or XXI of the Social Security Act;
"(ii) chapter 55 of title 10, United States Code; or
"(iii) chapter 17 of title 38, United States Code.

"(2) COVERAGE UNDER CERTAIN FEDERAL PROGRANS.—(A) IN GENERAL.—Subsection (a) shall not apply to any amount paid for any coverage for an individual as follows:

"(i) which is at least 180 consecutive days, ending on such due date (or such other period ending before the period at the end "

"B) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 502. ADDITIONAL PERSONAL EXEMPTION FOR TAXPAYER CARING FOR ELDERLY FAMILY MEMBER IN TAXPAYER'S HOME.

(a) IN GENERAL.—Section 151 (relating to allowance for personal exemptions) is amended by adding the following subsection (e) and by inserting after subsection (d) the following new subsection:

"e) ADDITIONAL EXEMPTION FOR CERTAIN ELDERLY FAMILY MEMBERS RESIDING WITH TAXPAYER.—

"(1) IN GENERAL.—An exemption of the exemption amount for each qualified family member of the taxpayer.

"(2) QUALIFIED FAMILY MEMBER.—For purposes of this subsection, the term 'qualified family member' means, with respect to any taxable year, any individual—

"(A) who is—

"(i) the father or mother, or an ancestor of either or both of the taxpayer, or the taxpayer's spouse or former spouse;

"(ii) a stepfather or stepmother, of the taxpayer or of the taxpayer's spouse or former spouse;

"(B) who is a member of the entire taxable year of a household maintained by the taxpayer, and

"(C) who has been certified that such individual meets such requirements.

"(3) INCOME LIMITATION.—The term 'qualified individual' means, with respect to any taxable year, the individual described in paragraph (1) and (2) if such individual is not a member of the household maintained by the taxpayer for the taxable year.

"(4) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (d) of section 62 is amended by inserting after paragraph (17) the following new item:

"(18) HEALTH AND LONG-TERM CARE INSURANCE COSTS.—The deduction allowed by section 222.''

SEC. 503. LONG-TERM CARE INSURANCE PERMITTED TO BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE SPENDING ARRANGEMENTS.

(a) CAFETERIA PLANS—

"(1) IN GENERAL.—Subsection (f) of section 125 (defining qualified benefits) is amended by inserting before the term describing the term "

"(2) SEPARATE APPLICATION TO HEALTH INSURANCE AND LONG-TERM CARE INSURANCE.—Subparagraphs (A) and (C) shall be applied separately with respect to—

"(i) plans which include primarily coverage for qualified long-term care services or are qualified long-term care insurance contracts, and

"(ii) plans which do not include such coverage and are not such contracts.

"(2) COVERAGE UNDER CERTAIN FEDERAL PROGRANS.—(A) IN GENERAL.—Subsection (a) shall not apply to any amount paid for any coverage for an individual for any calendar month if, as of the first day of such month, the individual is covered under any medical care program described in—

"(i) title XVIII, XIX, or XXI of the Social Security Act;
"(ii) chapter 55 of title 10, United States Code; or
"(iii) chapter 17 of title 38, United States Code.

"(B) EXCEPTIONS.—(i) QUALIFIED LONG-TERM CARE.—Subparagraph (A) shall not apply to amounts paid for coverage under a qualified long-term care insurance contract.

"(ii) CONTINUATION COVERAGE OF FEHRP.—Subparagraph (A)(iv) shall not apply to coverage which is comparable to continuation coverage under section 4980B.

"(3) IN GENERAL.—Subsection (f) of section 125 is amended by redesignating subsection (f) as subsection (g) and by inserting after section 125 the following new section:

"g) CROSS REFERENCE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 504. MEDICAL SAVINGS ACCOUNTS PERMITTED TO BE OFFERED UNDER CAFETERIA PLANS AND FLEXIBLE SPENDING ARRANGEMENTS.
SEC. 304. INCLUSION OF CERTAIN VACCINES AGAINST STREPTOCOCCUS PNEUMONIAE TO LIST OF TAXABLE VACCINES; REDUCTION IN PER DOSE TAX RATE.

(a) INCLUSION OF VACCINES.—

(1) IN GENERAL.—Section 4122(a)(1) (defining taxable vaccine) is amended by adding at the end the following new subparagraph:

"(L) Any conjugate vaccine against streptococcus pneumoniae, but shall not take effect if subsection (c) does not take effect.

(2) EFFECTIVE DATE.—

(A) SALES.—The amendment made by this subsection shall apply to sales beginning on the day after the date on which the Centers for Disease Control and Prevention makes final recommendations for routine administration to children of any conjugate vaccine against streptococcus pneumoniae, 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.

(b) REDUCTION IN PER DOSE TAX RATE.—

(1) IN GENERAL.—Section 4121(b) (relating to amount of tax) is amended by striking "75 cents" and inserting "25 cents".

(2) 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.

SEC. 605. FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of section 465 of chapter J of this chapter (relating to grantors and beneficiaries of trusts) is amended by redesignating paragraph (1) of section 465(a)(1) as paragraph (2) of such section.

(b) ACCOUNT.—(1) FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNT.—

"(4) FARM, FISHING, AND RANCH RISK MANAGEMENT ACCOUNTS.—

"(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business or commercial fishing, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm Service Agency, and Ranch Risk Management Account (hereinafter referred to as the 'FFARRM Account').

"(b) LIMITATION.—(1) The amount which a taxpayer may pay into the FFARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

"(2) Distributions from a FFARRM Account made to a taxpayer in order 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.

"(c) ELIGIBLE FARMING BUSINESS.—(1) For purposes of this section, the term 'eligible farming business' means an farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

"(2) COMMERCIAL FISHING.—For purposes of this section, the term 'commercial fishing' is defined under section (3) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1832).

"(d) FFARRM ACCOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term ‘FFARRM Account’ means a trust created or organized in the United States for the exclusive benefit of 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 179(b)(2)), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

"(C) The assets of the trust consist entirely of cash or of 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 FFARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax therein in accordance with subparagraph (B) of paragraph (1) of subchapter J of chapter 1 of this chapter (relating to grantors and others treated as substantial owners).

"(3) INCLUSION OF AMOUNTS DISTRIBUTED.—

"(a) Clause (4) of section 162(l)(2)(B) of the Internal Revenue Code of 1986 shall not apply to any taxpayer for any taxable year the amount of which is attributable (determined in the manner applicable under section 1301) to any eligible farming business or commercial fishing.

"(4) MAGNUSON-STEVEN'S FISHERY CONSERVATION AND MANAGEMENT ACT.—

"(a) IN GENERAL.—Section 263A(e)(4) of the Internal Revenue Code of 1986 is amended—

"(1) DOLLAR LIMITATION.—The aggregate cost which may be taken into account under subparagraph (B) for any taxable year shall not exceed $30,000.

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

"(2) IN GENERAL.—Section 263A(e)(4) (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

"(3) COORDINATION WITH INCOME AVERAGING FOR FARMERS AND FISHERMEN.—Soley for purposes of this section, section 1301 (relating to averaging of farm and fishing income) shall not apply in computing the regular tax.

"(b) ALLOWING INCOME AVERAGING FOR FISHERMEN.—(1) Section 1301(a) of the Internal Revenue Code of 1986 is amended—

"(B) the fishing business of the taxpayer (within the meaning of section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer; and

"(C) the farming business of the taxpayer (within the meaning of section 263A(e)(4)).

"(2) Section 1301(b)(1)(A)(ii) is amended by striking "and inserting "or", and by striking subsection (b)(1)(A)(ii) and replacing it with "(b)(1)(A)(ii) a fishing business; and" and by redesignating subsection (b)(1)(A)(ii) as subsection (b)(1)(A)(ii)

"(3) Section 1301(b) is amended by inserting the following paragraph after subsection (b)(3):

"(4) FISHING BUSINESS.—The term 'fishing business' means an agricultural or commercial fishing as defined in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1832).

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.
For purposes of subparagraph (A), distributions are treated as made from deposits in such Account before the 4th preceding taxable year.

The section heading for section 4973 is amended by inserting after the item relating to section 4973(c)(1)(B)(ii), or a qualified subchapter S subsidiary bank, the term 'passive investment income' shall not include—

(6) Deduction NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

(b) REPORTS.—The trustee of a FFARRM Account shall make reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. 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 or annuities), as amended by section 304(b)(1), is amended by striking "or" at the end of paragraph (4) and by inserting after paragraph (3) the following:

"(4) A FFARRM Account (within the meaning of section 468C(d)), or"

(2) Section 4973, as amended by section 304(b)(2), is amended by adding at the end the following:

"(h) Excess CONTRIBUTIONS TO FFARRM ACCOUNTS.—For purposes of this section, in the case of a FFARRM 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 FFARRM Account in a distribution to which section 468(4) 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 adding the following:

"Sec. 4973. Excess contributions to certain accountss, 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 FFARRM ACCOUNTS.—A person for whose benefit a FFARRM 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 concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FFARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.

(2) Paragraph (f) of subsection (d) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

"(E) A FFARRM Account described in section 468C(d)."

(d) FAILURE TO PROVIDE REPORTS ON FFARRM ACCOUNTS.—

(1) Paragraph (2) of section 1361(f), as amended by inserting after the item relating to section 1361(b)(3)(A) the following:

"(F) A FFARRM Account described in section 468C(d)."

(2) Section 1361(b) is amended by adding at the end the following:

"(6) TREATMENT WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section

"(a) IN GENERAL.—Section 1362(d)(3)(C) (defining participating investment income) is amended by adding at the end the following:

"(c) EXCEPTIONS FOR BANKS.—In the case of a bank (as defined in section 581), a bank holding company (as defined in section 246A(c)(1)(B)(ii)), or a qualified subchapter S subsidiary bank, the term "participating investment income" shall not include—

(1) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or

(2) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to conduct a banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.''

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

SEC. 607. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) IN GENERAL.—Section 1361 is amended by adding at the end the following:

"(f) TREATMENT OF QUALIFYING DIRECTOR SHARES.—

(1) IN GENERAL.—For purposes of this subsection, qualifying director shares shall not be treated as a second class of stock, and

(2) NO PERSON SHALL BE TREATED AS A SHAREHOLDER OF THE CORPORATION BY REASON OF HOLDING QUALIFYING DIRECTOR SHARES.

(2) QUALIFYING DIRECTOR SHARES DEFINED.—For purposes of this subsection, the term "qualifying director shares" means the shares of stock in a bank (as defined in section 581) in which the holder is held by an individual solely by reason of status as a director of such bank or company, or its controlled subsidiary, and which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder's status as a director at the same price as the individual acquired the shares.

(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall not be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) is amended by inserting "; except as provided in subsection (f), before " which does not'.

(2) Section 1366(a) is amended by adding at the end the following:

"(d) TREATMENT WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section
(A) IN GENERAL.—Section 2057(a)(2) (relating to maximum deduction) is amended by striking "$75,000" and inserting "$16,000".

(b) CONFORMING AMENDMENTS.—Section 2057(a)(3)(B) (relating to coordination with unified credit) is amended by striking "$75,000" each place it appears in the text and heading and inserting "$16,000".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

SEC. 609. CREDIT FOR QUALIFIED EMPLOYEE HEALTH INSURANCE EXPENSES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 11 is amended by adding the following:

"SEC. 45E. EMPLOYEE HEALTH INSURANCE EXPENSES.

"(a) IN GENERAL.—For purposes of section 38, in the case of a small employer, the employee health insurance expenses credit determined under this section is an amount equal to—

"(1) the dollar amount, multiplied by—

"(A) the aggregate amount of gifts made by the decedent after December 31, 2003,

"(B) the aggregate amount of gifts made by the decedent after December 31, 2003, but does not exceed $5,000 but does not exceed $5,000, and

"(ii) rounding.—If any increase determined under clause (i) is not a multiple of $100, such amount shall be rounded to the nearest multiple of $100.

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

SEC. 701. REDUCTIONS OF ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAXES.

(a) MAXIMUM RATE OF TAX REDUCED TO 53 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>Amount</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $2,500,000</td>
<td>$1,025,800, plus 53% of the excess over $2,500,000.</td>
</tr>
</tbody>
</table>

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (a) 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.

(2) SUBSECTION (b).—The amendment made by subsection (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2003.

SEC. 702. 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 2001 the following new section:

"SEC. 2052. EXEMPTION.

"(a) IN GENERAL.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an amount equal to the excess (if any) of—

"(1) the exemption amount for the calendar year in which the decedent died, over

"(2) the sum of—

"(A) the aggregate amount allowed as an exemption under section 2521 with respect to gifts made by the decedent after December 31, 2003, and

"(B) the aggregate amount of gifts made by the decedent for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997).

Gifts which are includible in the gross estate of the decedent shall not be taken into account in determining the amounts under paragraph (2).

(b) EXEMPTION AMOUNT.—For purposes of subsection (a), the term "exemption amount" means the amount determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exemption Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$500,000</td>
</tr>
<tr>
<td>2005</td>
<td>$550,000</td>
</tr>
<tr>
<td>2006</td>
<td>$600,000</td>
</tr>
<tr>
<td>2007 or thereafter</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

(2) GIFT TAX.—Subchapter C of chapter 12 (relating to deductions) is amended by inserting before section 2523 the following new section:

"SEC. 2521. EXEMPTION.

"(a) IN GENERAL.—In computing taxable gifts for any calendar year, there shall be allowed as a deduction in the case of a citizen or resident of the United States an amount equal to the excess of—

"(1) the exemption amount determined under section 2502 for such calendar year, over

"(2) the sum of—

"(A) the aggregate amount allowed as an exemption under this section for all preceding calendar years after 2003, and

"(B) the aggregate amount of gifts for which credit was allowed by section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997).

(b) REPEAL OF UNIFIED TRANSFER TAXES.

(1) Section 2016 (relating to unified credit against estate tax) is hereby repealed.
(2) Section 2505 (relating to unified credit against tax imposed under section 2601) is amended by inserting before the comma “reduced by the amount described in section 252(a)(2)”.

(B) Subsection (b) of section 2001 is amended by adding at the end the following new sentence: “The value of property transferred by gift under section 2036 shall be such values as of the date of the gift for which the credit was so allowed.”.

(3) Subsection (a) of section 2012 is amended by striking “and the unified credit provided by section 2010”.

(4) Subsection (b) of section 2013 is amended by inserting after the period at the end of the first sentence “and increased by the exemption allowed under section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999)”.

(2) Section 2052 (relating to estate tax) is amended by inserting after the amount described in paragraph (2) “the amount of the tax payable under chapter 12 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999)”.

(3) Section 2053 (relating to GST) is amended by inserting after “and its terminable interest in” “the estate tax”.

(4) Section 2053 (relating to estate tax) is amended by inserting “and the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under section 2532 or 2106(a)(4) (or the corresponding provisions of prior law)”.

(5) Paragraph (1) of section 2053 (relating to estate tax) is amended by inserting “the amount of the exemption allowed under section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999)”.

(6) Paragraph (2) of section 2054 (relating to estate tax) is amended by striking “2010”.

(7) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows: “(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999) or the exemption allowable under section 2505 (as in effect on the day before the date of the enactment of the Taxpayer Refund Act of 1999)”.

(8) Section 2056A is amended by striking subsection (c).

(9) Section 2016 is amended by adding after the item relating to section 2010 the following new item: “The values referred to in paragraph (8)(B) shall be such values as of the date of the gift for which the credit was so allowed.”.

SEC. 711. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—Subsection (a) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(1) in general.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(2) effective date.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 1999.
such severance shall be treated as separate trusts for purposes of this chapter.

(‘‘B’’ QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

(i) In GENERAL.—The term ‘‘qualified severance’’ means the division of a single trust and

the creation (by any means available under the

governing instrument or under local law) of 2 or

more trusts.

(ii) The single trust was divided on a frac-
tional basis, and

(iii) The terms of the new trusts, in the aggre-
gate, provide for the same succession of interests

of beneficiaries as are provided in the original trust.

(iv) TRUSTS WITH INCLUSION RATIO GREATER

THAN ZERO.—If a trust has an inclusion ratio of

greater than zero and less than 1, a severance is

a qualified severance only if the single trust is

divided into 2 trusts, one of which receives a

fractional share of the total value of all trust

assets equal to the applicable fraction of the sin-
gle trust immediately before the severance. In

such case, the trust receiving such fractional

share shall have an inclusion ratio of zero and

the other trust shall have an inclusion ratio of

1.

(iii) REGULATIONS.—The term ‘‘qualified se-

verance’’ includes any other severance permitted

under regulations prescribed by the Secretary.

(2) EFFECTIVE DATE.—The amendment made

by this section shall apply to allocations made before

the date of the enactment of this Act.

SEC. 734. MODIFICATION OF CERTAIN VALUATION

RULES.

(a) GITS FOR WHICH GIFT TAX RETURN FILED

OR DEEMED ALLOCATION MADE.—Paragraph (1) of

section 2642(b) (relating to valuation rules,

etc.) is amended to read as follows:

‘‘(1) CHITS FOR WHICH GIFT TAX RETURN FILED

OR DEEMED ALLOCATION MADE.—If the allo-

cation of the GST exemption to any transfers of

property is made on a gift tax return filed on or

before the date prescribed by section 6901(b) for

such transfer or is deemed to have been made under

section 2642(b)(1)—

(A) an allocation of property for purposes of

subsection (a) shall be its value as finally de-
termined for purposes of chapter 12 (within the

meaning of section 2001(f)(2)), or, in the case of an

allocation of post-death changes in property

located in the State, by the State legislature, or

by the State’s designee, or both, and

(B) such allocation shall be effective on and

after the date of such transfer, or, in the case of an

allocation deemed to have been made at the
close of an estate tax inclusion period, its value

at the time of the close of the estate tax inclu-
sion period, and

(C) the value of the property received shall be

taken into account, including evidence of in-

surance proceeds, for purposes of determining

whether there has been substantial compliance

with the requirements prescribed by the Secretary

devising and implementing the transfer instru-
ment of transfer and such other factors as the

Secretary deems relevant.’’.

(b) EFFECTIVE DATE.—The amendment made

by this section shall apply to allocations made before

the date of the enactment of this Act.

SEC. 801. EXEMPTION FROM INCOME TAX FOR

STATE-CREATED ORGANIZATIONS PROVIDING

PROPERTY AND CASUALTY INSURANCE FOR

PROPERTY WHICH SUCH COVERAGE IS

OTHERWISE UNAVAILABLE.

(a) IN GENERAL.—Subsection (c) of section 501

(relating to exemption from tax on corporations,
certain trusts, etc.) is amended by adding at the
end the following new paragraph:

‘‘(28) Any association created before January 1, 1999, pursuant to State law and organized and
operated exclusively to provide property and casualty insurance for property located within the State for which the State has deter-
mined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, if

(i) no part of the net earnings of which in-

sures to the benefit of any private shareholder

or individual,

(ii) no part of the assets of which may be used for, or di-

verted to, any purpose other than—

(I) to satisfy, in whole or in part, the liabil-

ity of the association with respect to, claims

made on policies written by the association,

(II) to invest in investments authorized by ap-
plicable law, and

(III) to pay reasonable and necessary admin-
ister expenses in connection with the estab-
lishment and operation of the association and

the processing of claims against the association,
or

(iv) to make remittances pursuant to State

law to be used by the State to provide for the

payment of claims on policies written by the as-

sociation, purchase reinsurance covering losses

under such policies, or to support governmental

programs to prepare for or mitigate the effects of

natural catastrophic events.

(b) Transitional RULE.—The term ‘‘qualified

severance’’ means the division of a single trust and

the creation (by any means available under the

governing instrument or under local law) of 2 or

more trusts.

(1) Effect of TRANSFERS AT DEATH.—The

amendments made by this section shall take effect as if included in
the amendments made by section 1431 of the Tax


SEC. 734. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by

adding at the end the following new subsection:

‘‘(g) RELIEF PROVISIONS.—

(1) RELIEF FOR LATE ELECTIONS.

(A) IN GENERAL.—The Secretary shall by reg-

ulation prescribe such circumstances and proce-

dures under which extensions of time will be

granted to make—

(i) an allocation of GST exemption described

in paragraph (1) or (2) of subsection (b), and

(ii) an election under section 2632(b)(2).

Such regulations shall include procedures for

requesting and granting relief with respect to

the processing of claims against the assiciation,
or

(iv) the plan of operation of the association

is subject to approval by the chief executive

officer or other executive branch official of the

Secretary deems relevant.’’.

‘‘(E) PARAGRAPH TO APPLY ONLY TO EXCESS

PAYMENTS.—

(1) IN GENERAL.—Paragraph (1) of section 512(b),

as amended by subsection (a), shall apply only to the portion of a specified payment

related to the period ending on or before January 1, 1999.

(b) RELIEF FOR LATE ELECTIONS.—Subsection

(a) of section 512 (relating to unrelated business taxable income) is amended by

adding at the end the following new paragraph:

‘‘(2) SPECIAL RULE APPLICABLE TO ORGANIZA-

TIONS DESCRIBED IN SECTION 501(c)(28).—In

the case of an organization described in section 501(c)(28), the term ‘‘unrelated business taxable income’’ means taxable income for a taxable year
computed without the application of section 501(c)(28) if, at the end of the immediately pre-
ceding taxable year, the organization’s net eq-

uity exceeded 15 percent of the total coverage in

force under insurance contracts issued by the organization and outstanding at the end of such
preceeding year.’’.

(c) TRANSITIONAL RULE.—No income or gain
shall be recognized by an association as a result of a change in status to that of an organization

described in section 501(c)(28) if the association, or the State law governing the association,

is subject to approval by the chief executive official of the

Secretary deems relevant.’’.

(d) EFFECTIVE DATE.—The amendment made

by subsection (a) shall apply to taxable years beginning after December 31, 1999.

SEC. 802. MODIFICATIONS TO SECTION 512(b)(13).

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended by redesignating subpara-

graph (D) as subparagraph (E) and by inserting after subparagraph (D) the following new para-

graph:

‘‘(E) PARAGRAPHS TO APPLY ONLY TO EXCESS

PAYMENTS.—

(1) IN GENERAL.—Paragraph (A) shall

apply only to the portion of a specified payment
received by the controlling organization which exceeds an amount which would have been paid if such payment met the requirements prescribed under section 482.

"(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—In the case of a qualified charitable distribution from an individual retirement account to an organization described in clause (i) of such section, such amendments also shall not apply to any amount received or accrued after the date of the enactment of this Act under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to any amount received or accrued under such contract before January 1, 2006.

SEC. 803. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Section 501(h)(1) of chapter 491 of title 26 (relating to lobbying expenditures) is amended by striking subsection (a) and inserting "limit of section 501(h)(1)".

(b) EFFECTIVE DATE.—

SEC. 804. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

SEC. 805. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.

SEC. 806. CHARITABLE CONTRIBUTION DEDUCTION FOR CERTAIN EXPENSES INCURRED IN SUPPORT OF NATIVE ALASKAN SUBSISTENCE WHALING.

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

SEC. 807. CHARITABLE CONTRIBUTIONS TO CERTAIN LOW INCOME VOLUNTEERS MAY BE MADE IN NEXT TAXABLE YEAR.

(a) IN GENERAL.—Section 170(f) (relating to disallowance of deduction in certain cases of expenditures) is amended by adding at the end the following new paragraph:

"(10) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—

"(a) IN GENERAL.—At the election of the taxpayer, a qualified low-income school contribution shall be deemed to be made on the last day
of the preceding taxable year if the contribution is made in such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof). The election may be made in the return for any taxable year for such taxable year, and shall be made and substantiated in such manner as the Secretary shall by regulations prescribe.

"(B) QUALIFIED ELEMENTARY SCHOOL CONTRIBUTION.—For purposes of subparagraph (A), the term 'qualified low-income school contribution' means a charitable contribution to an educational organization described in subsection (b)(1)(A)(i) if—

(i) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), as determined under State law, and

(ii) with respect to which at least 50 percent of the students attending such school are eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

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

SEC. 808. REDUCED PORTION OF CHARITABLE CONTRIBUTIONS TO BE ALLOWED TO INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS.

(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts), as amended by section 806, is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (m) the following new subsection:

"(n) REDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—In the case of an individual who does not itemize his deductions for the taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the lesser of—

(1) the amount allowable as a deduction under subsection (a) for the taxable year, or

(2) $50 ($100 in the case of a joint return)."

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 is amended by striking "and" at the end of paragraph (2) and inserting "and", and by adding at the end thereof the following new paragraph:

"(3) the direct charitable deduction."

(2) DEFINITION.—Section 63 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (f) the following new subsection:

"(g) DIRECT CHARITABLE DEDUCTION.—For purposes of this section, the term 'direct charitable deduction' means that portion of the amount allowable under section 170(a) which is taken as a direct charitable deduction for the taxable year under section 170(n)."

(c) CONFORMING AMENDMENT.—Subsection (d) of section 63 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 thereof the following new paragraph:

"(3) the direct charitable deduction."

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

SEC. 810. LIMITED EXCEPTION TO EXCESS BUSINESS HOLDINGS RULE.

(a) IN GENERAL.—Section 4943(c) (2) (relating to permitted holdings in a corporation) is amended by adding at the end thereof the following new subparagraphs:

"(D) RULE WHERE VOTING STOCK IS PUBLICLY TRADED.—

(i) IN GENERAL.—If—

(1) the private foundation and all disqualified persons together do not own more than the applicable percentage of the voting stock and not more than the applicable percentage in value of all outstanding shares of all classes of stock of an incorporated business enterprise, and

(2) the voting stock owned by the private foundation and all disqualified persons together is stock for which market quotations are readily available on an established securities market, market quotation is readily available on an established securities market, and

(III) the requirements of clause (ii) are met, then subparagraph (A) shall be applied by substituting 'the applicable percentage' for "20 percent'.

(ii) REQUIREMENTS TO BE MET.—The requirements of this clause are met during any taxable year—

(1) in which disqualified persons with respect to the private foundation do not receive compensation (as defined in section 4941(d) of the Internal Revenue Code of 1986) from employment by the corporation or engage in any act with such corporation which would constitute self-dealing within the meaning of section 4941(d) of the Internal Revenue Code of 1986 if such corporation were a private foundation and if such disqualified person were a disqualified person with respect to such corporation, and

(2) in which disqualified persons with respect to the private foundation do not own or have in their possession, directly or indirectly, any beneficial interest in property (including interests in a partnership or a trust) which is appreciated to the extent of $50,000 or more in any taxable year and are not substantial donors to such foundation for the taxable year, or any member of the family of such disqualified person is a substantial donor to such foundation.
SEC. 901. INTEREST ALLOCATION RULES.

(a) Election to Allocate Interest on a Worldwide Basis—Subsection (e) of section 864 (relating to rules for allocation of interest expense) 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) Election to allocate interest on a worldwide basis.—

"(A) IN GENERAL.—Except as provided in this paragraph, the election referred to in paragraph (5)(A) shall be applied by treating a worldwide affiliated group for which an election is in effect under this paragraph as an affiliated group solely for purposes of allocating interest expense of each domestic corporation which is a member of such group.

"(B) World Wide Affiliated Group.—For purposes of this paragraph, the term 'worldwide affiliated group' means the group of corporations which consists of—

"(i) all corporations in an affiliated group (as defined in paragraph 5(A), except that section 1504 shall also be applied without regard to subsection (b)(2) thereof), and

"(ii) foreign corporations (other than a FSC, as defined in section 922(a)) which would be a member of such affiliated group if paragraph (1) of section 1504 (b) did not apply.

"(C) Treatment of Worldwide Affiliated Group.—For purposes of applying paragraph (1), the taxable income of the domestic members of a worldwide affiliated group from sources outside the United States shall be determined by allocating and apportioning the interest expense of such domestic members to such income in an amount equal to the excess (if any) of—

"(i) the average annual dividend (expressed as a percentage of current earnings and profits) during the 5-taxable-year period ending with the taxable year in question of the worldwide affiliated group multiplied by the ratio of the foreign assets of the worldwide affiliated group bears to all the assets of the worldwide affiliated group, over

"(ii) the interest expense of all foreign corporations which are members of the worldwide affiliated group to the extent such interest expense of such foreign corporations would have been allocated and apportioned to foreign source income if this subsection were applied to a group consisting of all the foreign corporations in such worldwide affiliated group.

"(D) Election.—An election under this paragraph with respect to any worldwide affiliated group may be made only by the common parent of the election effected under subparagraph (B)(i) and may be made only for the first taxable year beginning after December 31, 2004, in which a worldwide affiliated group exists which includes such affiliated group and at least 1 corporation described in subparagraph (B)(ii). Such an election, once made, shall apply to such common parent and all other corporations which includes such affiliated group and at least 1 corporation described in subparagraph (B)(ii).

(b) Conforming Amendments—Section 864 is amended by redesignating subsection (f) as subsection (g) and by inserting after such subsection (g) and by inserting after such subsection—

"(1) Election to Expand Financial Institution Group of Worldwide Group.—

"(A) IN GENERAL.—If a worldwide affiliated group for which an election under subsection (e)(6) is in effect elects the application of this subsection, all financial corporations which—

"(i) are members of such worldwide affiliated group, and

"(ii) are not corporations described in subsection (e)(5)(C) shall be treated as a member of such worldwide affiliated group for purposes of allocating interest expense, and

"(B) Election Financial Institution Group.—The term 'electing financial institution group' means the group of corporations to which this subsection applies by reason of the application of subsection (e)(5)(B) and which includes financial corporations by reason of an election under paragraph (1).

"(2) Regulations.—The Secretary shall prescribe such regulations as may be appropriate to carry out this subsection and subsection (e), including—

"(i) providing for the direct allocation of interest expense in other circumstances where such allocation would be appropriate to carry out the purposes of this subsection, and

"(ii) preventing unused or disallowed interest expense from being taken into account more than once, and

"(iii) dealing with changes in members of any group (through acquisitions or otherwise) treated under this subsection as an affiliated group for purposes of subsection (e).',

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

SEC. 902. LOOK-THRU RULES TO APPLY TO DIVIDENDS FROM NONCONTROLLED SECTION 902 CORPORATIONS.

(a) In General.—Section 904(d)(4) (relating to application of look-thru rules to dividends from noncontrolled section 902 corporations) is amended by inserting after clause (2) the following new clause:

"(3) The last sentence of section 904(d)(2)(D), as so in effect, is amended to read as follows:

"'The term 'look-thru group' means the members of an affiliated group to which an election is in effect under this section.'

"(b) Conforming Amendments.—

"(1) Paragraph (d)(1) of section 904(d)(1), as in effect both before and after the amendments made by section 1105 of the Taxpayer Relief Act of 1997, is hereby repealed.

"(2) Section 904(d)(2)(C)(iii), as so in effect, is amended by amending subparagraph (A) also to apply to any carryover under subsection (c) from a taxable year beginning before January 1, 1998, of tax allocable to a dividend from a noncontrolled section 902 corporation with respect to the taxpayer.

"(c) Effective Date.—The rules set forth in this section shall be effective as of the date of the enactment of this Act.
(5) Section 904(d)(3)(F) is amended by striking “(D) or (E)" and inserting "or (D)".

(6) Section 864(d)(5)(A)(i) is amended by striking "(C)(ii)(III)" and inserting "(C)(ii)(II)".

**SEC. 903. CLARIFICATION OF TREATMENT OF PIPELINE TRANSPORTATION IN VOLTAGE ELECTRICITY.**

(a) IN GENERAL.—Section 595(g)(1) (defining foreign base company oil related income) is amended by striking "or" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting "", or", and by inserting after subparagraph (B) the following new subparagraph:

"(C) the pipeline transportation of oil or gas within such foreign country,".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2002, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

**SEC. 904. SUBPART F TREATMENT OF INCOME FROM THE TRANSMISSION OF HIGH VOLTAGE ELECTRICITY.**

(a) IN GENERAL.—Paragraph (2) of section 595(e) (relating to foreign base company services income) is amended by striking "or" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting "", or", and by inserting after subparagraph (B) the following new subparagraph:

"(C) the transmission of high voltage electricity,"

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations beginning after December 31, 2002, and taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

**SEC. 905. ADVANCE PRICING AGREEMENTS.**

(a) IN GENERAL.—Section 6110(b) (defining written determination) is amended by striking the period at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting "", or", and by inserting after subparagraph (B) the following new subparagraph:

"(C) which cannot be associated with, or otherwise referred to, a particular taxpayer.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to advance pricing agreements executed on and after December 31, 2004.

**SEC. 906. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.**

(a) IN GENERAL.—Clause (1) of section 42(c)(6)(A) (relating to State housing credit dollar amount) is amended by striking "$2,000,000" and inserting "$1,500,000".

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

**TITLE X—HOUSING AND REAL ESTATE TAX RELIEF.**

Subtitle A—Low-Income Housing Credit

**SEC. 1001. MODIFICATION OF STATE CEILING ON LOW-INCOME HOUSING CREDIT.**

(a) IN GENERAL.—Clause (i) of section 42(c)(6)(A) (relating to State housing credit dollar amount) is amended by striking "$2,000,000" and inserting "$1,500,000".

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

**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) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST OF LIVING.—Paragraph (2) of section 42(h) (relating to State ceiling for agencies) is amended by striking "" and inserting "" and mileage awards which are issued to individuals whose mailing addresses on record with the person providing the right to air transportation are outside the United States before the period at the end thereof"".

(b) CONFORMING AMENDMENT.—Section 53(d)(1)(B)(i)(I) is amended by striking "and if section 59(a)(2) did not apply".

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

(b), is amended by adding at the end the following:

“(I) COST-OF-LIVING ADJUSTMENT.—

“(ii) IN GENERAL.—In the case of a calendar year after 2005, the $1,75 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 101(b)(1) of such calendar year by substituting ‘calendar year 2004’ for ‘calendar year 1992’ in subparagraph (B) thereof;

“(iii) the dollar amount determined in clause (i) is not at which the employer is entitled to substitute ‘calendar year 2004’ for ‘calendar year 1992’ in subparagraph (B) thereof;

“(IV) 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 (ii) and inserting “clause (i)”, and

(B) by striking “clauses (ii)” in the matter following clause (ii) and inserting “clauses (ii)”.

(2) Section 47(c)(2)(C) is amended—

(A) by striking “subparagraph (C)(ii)” and inserting “subparagraph (C)(i)”, and

(B) by striking “clauses (ii)” in subclause (II) and inserting “clauses (i)”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

Subtitle B—Historic Homes

SEC. 1011. TAX CREDIT FOR RENOVATING HISTORIC HOMES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable 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 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) IN GENERAL.—The term ‘qualified rehabilitation expenditure’ means any amount properly chargeable to capital account.

“(A) In connection with the certified rehabilitation of a qualified historic home, and

“(B) for property for which depreciation would be allowable under section 168 if the qualified historic home were used in a trade or business.

“(2) CERTAIN EXPENDITURES NOT INCLUDED.—

“(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) AFTER EFFECT.—Rules similar to the rules of clauses (ii) and (iii) of section 47(c)(2)(B) shall apply.

“(d) 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.

“(e) CERTIFIED REHABILITATION.—For purposes of this section:

“(A) 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).

“(d) FACTORS TO BE CONSIDERED IN THE CASE OF trigonometric functions, 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;

“(iii) the effects of such deterioration or demolition on neighboring historic properties.

“(B) BUILDINGS TO WHICH THIS PARAGRAPH APPLIES.—This paragraph shall apply with respect to any building—

“(I) which is a targeted area revenue zone described under section 1391; or

“(II) which is located within an enterprise community or empowerment zone as designated under section 1391;

but shall not apply with respect to any building which is listed under section 1391.

“(c) QUALIFIED REHABILITATION EXPENDITURES.—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 used (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)(C) except that, in the case of any building described in subsection (d)(2), clause (i)(I) thereof shall not apply.

“(3) 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 located, and is certified by the Secretary of the Interior to the Secretary as being of historic significance.

“(B) CERTAIN STRUCTURES INCLUDED.—Such term includes any building (and its structural components) which is designated as being of historic significance by 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 enhance and preserve buildings of historic significance.

“(5) QUALIFIED CENSUS TRACT.—For purposes of subparagraph (A)(ii)—

“(i) IN GENERAL.—When a ‘qualified census tract’ means a census tract in which the median family income is less than twice the statewide median family income.

“(d) DATA USED.—The determination under clause (i) shall be made on the basis of the most recent decennial census for which data are available.

“(e) REHABILITATION NOT COMPLETE BEFORE CERTIFICATION.—A rehabilitation shall not be treated as complete before the date of the certification referred to in subsection (d).

“(2) ALLOCATION OF EXPENDITURES RELATING TO EXTERIOR ORぴسطح cooperaative or condominium unit.—The percentage of the total expenditures made in the rehabilitation of a building containing cooperative or condominium residential units allocated to the rehabilitation of the exterior of the building shall be attributed proportionately to each cooperative or condominium residential unit in such building for which a credit under this section is claimed.

“(f) WHEN EXPENDITURES TAKEN INTO ACCOUNT.—In the case of a building other than a building to which subsection (a) applies, qualified rehabilitation expenditures shall be treated for purposes of this section as made on the date the rehabilitation is completed.

“(g) ALLOWANCE OF CREDIT FOR PURCHASE OF REHABILITATED HISTORIC HOME.—

“(1) IN GENERAL.—In the case of a qualified purchased historic home, the taxpayer shall be treated as having made a qualified purchase (as defined in section 47) for purposes of this section.

“(2) QUALIFIED PURCHASED HISTORIC HOME.—For purposes of this subsection, the term ‘qualified purchased historic home’ means any substantially rehabilitated historic structure purchased by the taxpayer if—

“(A) the taxpayer is the first purchaser of such structure after the date rehabilitation is completed, and the purchase occurs within 5 years after such date,

“(B) the structure (or a portion thereof) was, within a reasonable period, the principal residence of the taxpayer,

“(C) the credit was allowed to the seller under this section or section 47 with respect to such rehabilitation, and

“(D) the taxpayer is furnished with such information by the Secretary determines is necessary to determine the credit under this subsection.

“(h) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—

“(1) IN GENERAL.—The taxpayer may elect, in lieu of the credit otherwise allowable under this

August 2, 1999
section, to receive a historic rehabilitation mortgage credit certificate. An election under this paragraph shall be made—

(A) in the case of a building to which subsection (g) applies, at the time of purchase, or (B) in any other case, at the time rehabilitation is completed.

(2) HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.—For purposes of this subsection, the term "historic rehabilitation mortgage credit certificate" means a certificate—

(A) issued to the taxpayer, in accordance with procedures prescribed by the Secretary, with respect to rehabilitation,

(B) the face amount of which shall be equal to the credit which would (but for this subsection) be allowable under subsection (a) to the taxpayer with respect to such rehabilitation,

(C) which 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 such 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 payment reductions 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 certificate relating to a building—

(I) which is a targeted area residence within the meaning of section 142(i)(1), or

(II) which is located in an enterprise community or empowerment zone as designated under section 199,

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 DISCOUNTING.—The present value of section 1016 is amended by striking ''(A)'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''(B)'' and by striking the period at the end of paragraph (28) to the extent provided in section 856(d)(7)(C) (relating to exceptions to impermissible tenant service income) is amended by inserting ''or'' and''(B)'' in any other case, at the time rehabilitation

(4) MORTGAGE CREDIT CERTIFICATE.—For purposes of this section, the term "historic rehabilitation mortgage credit certificate" means a certificate—

(A) in the case of a building to which subsection (g) applies, at the time of purchase, or (B) in any other case, at the time rehabilitation is completed.

(5) RECAPTURE.—(A) RECAPTURE PERCENTAGE.—For purposes of this paragraph, the recapture percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>If the disposition or cessation occurs within</th>
<th>The recapture percentage is</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years from the issuance of the certificate</td>
<td>(i) Full year after the tax year 100 becomes entitled to the credit.</td>
<td></td>
</tr>
<tr>
<td>10 to 20 years from the issuance of the certificate</td>
<td>(ii) Full year after the close of the period described in clause (i).</td>
<td></td>
</tr>
<tr>
<td>20 to 30 years from the issuance of the certificate</td>
<td>(iii) Full year after the close of the period described in clause (ii).</td>
<td></td>
</tr>
<tr>
<td>30 years or more from the issuance of the certificate</td>
<td>(iv) Full year after the close of the period described in clause (iii).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(v) Full year after the close of the period described in clause (iv).</td>
<td></td>
</tr>
</tbody>
</table>
| (B) BASIS ADJUSTMENTS.—For purposes of this table, if a credit is allowed under this section for any expenditure with respect to any property (including any purchase under this section (g) and any transfer under subsection (h)), the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(6) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount for which credit is allowed under section 47.

(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations where less than all of a building is used as a principal residence and where more than 1 taxpayer use the same dwelling unit as a principal residence.

(8) IMPOSITION OF A FEE.—The Secretary may impose a reasonable fee to recover the costs of administering this section.

Subtitle C—Provisions Relating to Real Estate Investment Trusts

PART I—TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REAL ESTATE INVESTMENT TRUSTS

SEC. 1021. MODIFICATIONS TO ASSET DIVERSIFICATION TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows—

``(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includable under subparagraph (A)), and

(ii) except with respect to a taxable REIT subsidiary and securities includable under subparagraph (A)—

(i) not more than 5 percent of the value of its total assets is represented by securities of any 1 issuer, and

(ii) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any 1 issuer.

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following new paragraph:

(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (A).—Securities of an issuer which are straight debt (as defined in section 584(c)(5) without regard to subparagraph (B)(iii)(I) thereof) shall not be taken into account in applying paragraph (A)(B)(ii)(I).

(4) PERCENTAGE.—For purposes of this subsection, the term "straight debt"—

(A) for purposes of section 856(d)(7)(B), means debt which is (I) subject to payment in accordance with a fixed interest rate and the annual Federal long-term rate is determined as a term rate and 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 paragraph (1) and compounded annually, and

(B) in the case of a mortgage 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)).

(5) METHOD OF DISCOUNTING.—The present value of the credit allowed under this section for all prior taxable years with respect to the credit relates, and

(ii) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of such 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 payment reductions 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 certificate relating to a building—

(I) which is a targeted area residence within the meaning of section 142(i)(1), or

(II) which is located in an enterprise community or empowerment zone as designated under section 199,

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 DISCOUNTING.—The present value of section 1016 is amended by striking ''(A)'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''(B)'' and by adding at the end the following new item:

``(28) to the extent provided in section 25B(i)(1).''

(4) CLERICAL AMENDMENT.—The table of sections for part B of title IV of chapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

``Sec. 25B. Historic homeownership rehabilitation in Oregon credit.''

(5) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 1998.
business of operating qualified lodging facilities for any period of time after the date on which a related person with respect to the real estate investment trust or the taxable REIT subsidiary,

“(B) SPECIAL RULES.—Soley for purposes of this paragraph and paragraph (d)(2)(A), a person shall not be treated as an independent contractor with respect to any qualified lodging facility by reason of any of the following:

(i) The taxable REIT subsidiary bears the expenses for the operation of the facility pursuant to the management agreement or other similar service contract.

(ii) The taxable REIT subsidiary receives the revenues from the operation of such facility, net of expenses for such operation and fees payable to the operator pursuant to such agreement or contract.

(iii) The real estate investment trust receives income from such person with respect to another property that is attributable to a lease of such other property to such person that was in effect as of the later of—

(I) January 1, 1999, or

(II) The earliest date that any taxable REIT subsidiary enters into a management agreement or other similar service contract with such person with respect to such qualified lodging facility.

(B) Renewals, etc., of existing leases.—For purposes of subparagraph (B)(iii)—

(1) a lease shall be treated as in effect on January 1, 1999, without regard to its renewal after such date, so long as such renewal is pursuant to the terms of such lease as in effect on whichever of the dates under subparagraph (B)(iii) is the latest, and

(2) a lease of a property entered into after whichever of the dates under subparagraph (B)(iii) is the latest shall be treated as in effect on such date if—

(I) such date, a lease of such property from the trust was in effect, and

(II) under the terms of the new lease, such trust receives a substantially similar or lesser benefit in comparison to the lease referred to in subclause (I).

(D) Qualified lodging facility.—For purposes of this paragraph.

(1) GENERAL.—The term ‘qualified lodging facility’ means any lodging facility unless gaging activities are conducted at or in connection with such facility by any person who is engaged in such activities as an independent contractor and who is legally authorized to engage in such business at or in connection with such facility.

(2) Lodging facility.—The term ‘lodging facility’ means a hotel, motel, or other establishment more than one-half of the dwelling units in which are used on a transient basis.

(3) CUSTOMARY AMENITIES AND FACILITIES.—The term ‘lodging facility’ includes customary amenities and facilities operated as part of, or associated with, the lodging facility so long as such amenities and facilities are customary for other properties of a comparable size and class owned by other owners unrelated to such real estate investment trust.

(E) Operate includes manage.—References in this paragraph to operating a property shall be treated as including a reference to managing the property.

(F) Related person.—Persons shall be treated as related persons to each other if such persons are treated as a single employer under subsection (a) or (b) of section 52.

(2) CONFORMING AMENDMENT.—Subparagraph (A) of section 856(d)(2)(C) is amended by inserting “except as provided in paragraph (6),” after “(B).”

(3) Determining rents from real property.—

(A)(i) Paragraph (A)(i) of section 856(d) is amended by striking “adjusted bases” in each place that it occurs and inserting “fair market values” in such paragraphs.

(ii) The amendment made by this paragraph shall apply to taxable years beginning after December 31, 1999.

(B) Clause (i) of section 856(d)(2)(B) is amended by striking “number” and inserting “value”.

(iii) The amendment made by this paragraph shall apply to amounts received or accrued in taxable years beginning after December 31, 1999, except for amounts paid pursuant to leases in effect on July 12, 1999 or pursuant to a binding binding on contract in effect on such date and at all times thereafter.

SEC. 1023. TAXABLE REIT SUBSIDIARY.

(a) In General.—Section 856 is amended by adding at the end the following new paragraph:

“(I) TAXABLE REIT SUBSIDARY.—For purposes of this paragraph—

(I) in general.—The term ‘taxable REIT subsidiary’ means, with respect to any real estate investment trust, a corporation (other than a real estate investment trust) if—

(A) such trust directly or indirectly owns stock in such corporation, and

(B) such trust and such corporation jointly elect that such corporation shall be treated as a taxable REIT subsidiary of such trust for purposes of this paragraph.

Such an election, once made, shall be irrevocable unless both such trust and corporation consent to its revocation. Such consent, and any revocation thereof, may be made without the consent of the Secretary.

(A) 35 percent ownership in another taxable REIT subsidiary.—The term ‘taxable REIT subsidiary’ includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

(A) securities possessing more than 35 percent of the total value of the outstanding securities of such corporation, or

(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

(B) The taxable REIT subsidiary includes, with respect to any real estate investment trust, any corporation (other than a real estate investment trust) with respect to which a taxable REIT subsidiary of such trust owns directly or indirectly—

(A) securities possessing more than 35 percent of the total value of the outstanding securities of such corporation, or

(B) securities having a value of more than 35 percent of the total value of the outstanding securities of such corporation.

The preceding sentence shall not apply to a qualified subsidiary (as defined in subsection (i)(2)). The rule of section 856(c)(7) shall apply for purposes of subparagraph (B).

(C) exceptions.—The term ‘taxable REIT subsidiary’ shall not include—

(A) any corporation which directly or indirectly operates a lodging facility or a health care facility, and

(B) any corporation which directly or indirectly provides to any other person (under a franchise, license, or otherwise) rights to any brand name under which any lodging facility or health care facility is operated.

Subparagraph (B) shall not apply to rights provided to an eligible independent contractor to operate or manage a lodging facility if such rights are held by such corporation as a franchise, license, or in a similar capacity and such lodging facility is owned by such corporation or is leased to such corporation from the real estate investment trust.

(D) Definitions.—For purposes of paragraph (C)—

(A) lodging facility.—The term ‘lodging facility’ means the meaning given to such term by paragraph (3)(B).

(B) health care facility.—The term ‘health care facility’ means the meaning given to such term by section 856(d)(7)(A).

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 856(i) is amended by adding at the end the following new sentence: “Such term shall not include TANSTAAFL.”

SEC. 1024. LIMITATION ON EARNINGS STRIPPING.

Paragraph (3) of section 162(j) (relating to limitation on deduction for interest on certain indebtedness) is amended by striking “and” at the end of such paragraph and inserting “the end of such period at the end of subparagraph (B) and inserting “and” and by adding at the end the following new subparagraph:

“(I) interest paid or accrued (directly or indirectly) by a taxable REIT subsidiary (as defined in section 856(i) of a real estate investment trust to such trust.”
(iv) EXCEPTIONS GRANTED BY SECRETARY.—

The Secretary may grant 1 or more exceptions to the tax otherwise imposed by subparagraph (A) if the trust establishes to the satisfaction of the Secretary that rents charged to tenants were established on an arms’ length basis even though a taxable REIT subsidiary of the trust provided services to such tenants.

(C) DETERMINED DEDUCTIONS.—The term ‘determined deductions’ means any deductions (other than determined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for such paragraph) be decreased on a distribution, apportionment, or allocation under section 482 to clearly reflect income as between such subsidiary and such trust.

(D) EXCESS INTEREST.—The term ‘excess interest’ means any deductions for interest payments by a taxable REIT subsidiary of a real estate investment trust to such trust to the extent that the interest payments are in excess of a rate that is commercially reasonable.

(E) COORDINATION WITH SECTION 482.—The imposition of tax under subparagraph (A) shall be in lieu of any allocation, apportionment, or allocation under section 482.

(F) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.

(5) AMOUNT SUBJECT TO TAX NOT REQUIRED TO BE DISTRIBUTED.—Subparagraph (E) of section 857(b)(2) (relating to real estate investment trust taxable income) is amended by adding before the period ‘the term’ the following sentence: ‘(F) such corporation by reason of paragraph (1), and

SEC. 1028. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(b) TRANSITIONAL RULES RELATED TO SECTION 1021.—

(i) EXISTING ARRANGEMENTS.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendment made by section 1021 shall not apply to a real estate investment trust with respect to—

(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999;

(ii) securities of a corporation held by an entity on July 12, 1999, if such trust acquires control of such entity pursuant to a written binding contract in effect on such date and at all times thereafter before such acquisition;

(iii) securities received by such trust (or a successor) in exchange for, or with respect to, securities described in clause (i) or (ii) in a transaction in which gain or loss is not recognized, and

(iv) securities acquired directly or indirectly by such trust as part of a reorganization (as defined in section 368(a)(1) of the Internal Revenue Code of 1986) with respect to such trust if such securities are described in clause (i), (ii), or (iii) with respect to any other real estate investment trust.

Notwithstanding the preceding sentence, such securities shall be taken into account in determining whether such trust fails to meet the requirements applicable to real estate investment trusts.

(B) NEW TRADE OR BUSINESS OR SUBSTANTIAL NEW ASSETS.—Subparagraph (A) shall cease to apply to securities of a corporation as of the first day after July 12, 1999, on which such corporation ceases to be in a substantially new line of business, or acquires any substantial asset, other than—

(i) pursuant to a binding contract in effect on such date and at all times thereafter, or

(ii) a lease of property entered into after such date and at all times thereafter.

(D) QUALIFIED HEALTH CARE PROPERTY.—

(1) IN GENERAL.—The term ‘qualified health care property’ means any real property (including interests therein), and any personal property incident to such real property, which—

(I) is a health care facility;

(II) is necessary or incidental to the use of a health care facility;

(III) HEALTH CARE FACILITY.—For purposes of clause (i), the term ‘health care facility’ means a hospital, nursing facility, assisted living facility, congregate care facility, qualified congregate care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, or default, was operated by a taxable REIT subsidiary, the lease of which the trust acquired is not subject to the lease referred to in subparagraph (I).

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

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

SEC. 1041. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

(a) DISTRIBUTION REQUIREMENTS.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to real estate investment trusts) are each amended by striking ‘95 percent’ and inserting ‘90 percent’.

(b) IMPOSITION OF TAX.—Clause (i) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirements) is amended by striking ‘95 percent’ (in the case of taxable years beginning after January 1, 1980)’ and inserting ‘90 percent’.

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

PART IV—CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor) is amended by inserting at the end the following flush sentence: ‘In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be taken into account as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purposes of determining the applicable percentage of ownership).’

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

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1061. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULARLY TRADED ON AN ESTABLISHED SECURITIES MARKET.—Subparagraph (A) or paragraph (1), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income—

(i) any lease of property entered into after such date and at all times thereafter;

(ii) on such date, a lease of such property from the trust was in effect, and

(iii) under the terms of the lease, such trust ceases to be a taxable REIT subsidiary or the Internal Revenue Code of 1986.

(B) SPECIAL RULE FOR QUALIFIED HEALTH CARE PROPERTY.—

(1) IN GENERAL.—The term ‘qualified health care property’ means any real property (including interests therein), and any personal property incident to such real property, which—

(I) is a health care facility;

(II) is necessary or incidental to the use of a health care facility;

(III) HEALTH CARE FACILITY.—For purposes of clause (i), the term ‘health care facility’ means a hospital, nursing facility, assisted living facility, congregate care facility, qualified congregate care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, or default, was operated by a taxable REIT subsidiary, the lease of which the trust acquired is not subject to the lease referred to in subparagraph (I).

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

SEC. 1091. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOOD IM

PROVISIONS.

Subsection (c) of section 168(e)(3) is amended by striking "section 168(e)(3) (relating to 15-year property)" and adding at the end the following new sentence: "(ii) the original use of such improvement begins with the lessee and after December 31, 2002, by the lessee, or by the lessor or other appropriate party, respectively by the lessee (or any sublessee) of such portion, and

"(v) such improvement is placed in service more than 10 years after the date the building was first placed in service.

"(B) 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,

"(iv) the internal structural framework of the building,

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment is treated as a lease, and 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 1564), and

"(II) persons having a relationship described in section (b) of section 267(b) or 707(b)(1); except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase 'more than 50 percent' each place it appears in such subsections.

"(c) REQUIREMENTS TO USE STRAIGHT LINE METHOD.—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

"(G) Qualified leasehold improvement property described in subsection (e)(6).

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

PART VI—STUDY RELATING TO TAXABLE REIT SUBSIDIARIES

SEC. 1071. STUDY RELATING TO TAXABLE REIT SUBSIDIARIES.

The Commissioner of the Internal Revenue shall conduct a study to determine how many taxable REIT subsidiaries are in existence and the aggregate amount of taxes paid by such subsidiaries. The Secretary shall submit a report to the Congress describing the results of such study.

Subtitle D—Private Activity Bond Volume Cap

SEC. 1081. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS.


(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

Subtitle E—Leasehold Improvements

Depreciation

SEC. 1091. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOOD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) is amended by striking "and at the end of the recovery period at the period at the end of clause (ii) and inserting "and", and by adding at the end the following new clause:

"(ii) any qualified leasehold improvement property,

(b) QUALIFIED LEASEHOOD IMPROVEMENT PROPERTY.—Subsection (e) of section 168 is amended by inserting at the end the following new paragraph:

"(G) QUALIFIED LEASEHOOD IMPROVEMENT PROPERTY.—

"(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property—

"(i) which such disposition is first permitted and the highest rate of tax under the preceding sentence is in effect as of such time—

"(B) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property—

"(i) which such disposition is first permitted and the highest rate of tax under the preceding sentence is in effect as of such time—

"(C) PERIOD ELECTION IN EFFECT.—Except as provided in paragraph (3), an election under subparagraph (A) shall be made—

"(i) on or before the due date (including extensions) for filing the return of tax for the 1st taxable year of the Settlement Trust ending after December 31, 1999, and

"(ii) by attaching to such return of tax a statement specifying for each election under subparagraph (A) which such disposition is first permitted and the highest rate of tax under the preceding sentence is in effect as of such time—

"(C) PERIOD ELECTION IN EFFECT.—Except as provided in paragraph (3), an election under subparagraph (A) shall be made—

"(i) on or before the due date (including extensions) for filing the return of tax for the 1st taxable year of the Settlement Trust ending after December 31, 1999, and

"(ii) by attaching to such return of tax a statement specifically prescribing for such election the period in effect for any taxable year.

"(D) SPECIAL RULES RELATING TO TAXATION OF ALASKA NATIVE SETTLEMENT TRUSTS.—Section 502 is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

"(p) SPECIAL RULES FOR TAXATION OF ALASKA NATIVE SETTLEMENT TRUSTS.—

"(1) IN GENERAL.—For purposes of this title, the following rules shall apply in the case of a Settlement Trust:

"(A) ELECTING TRUST.—If an election under paragraph (2) is in effect for any taxable year—

"(i) no amount shall be includable in the gross income of the Settlement Trust by reason of a contribution to the Settlement Trust made during such taxable year,

"(iii) not elected in accordance with the preceding sentence, the provisions of subchapter J and section 1(e) shall not apply to the Settlement Trust and its beneficiaries for such taxable year.

SEC. 1102. TAX TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) TAX TREATMENT.—

"(A) CONSTRUCTIONS.—Subsection (c) of section 801(a), is amended by adding after the end of the following new clause:

"(B) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2006.

SEC. 1102. TAX TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) TAX TREATMENT.—

"(A) CONSTRUCTIONS.—Subsection (c) of section 801(a), is amended by adding after the end of the following new clause:

"(B) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2006.
(B) STOCK IN CORPORATION.—If—

(i) the Settlement Common Stock in any Native Corporation which transferred assets to a Settlement Trust making an election under paragraph (2)(A) may be disposed of in a manner not permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)), and

(ii) at any time after such disposition of stock is first permitted, such corporation transfers assets to such trust,

clause (ii) of subparagraph (A) shall be applied to such trust on and after the date of the transfer in the same manner as if the trust permitted dispositions of beneficial interests in the trust in a manner not permitted by such section 7(h).

(C) ADMINISTRATIVE PROVISIONS.—For purposes of subtitle F, any tax imposed by subparagraph (A)(i)(II) shall be treated as an excise tax with respect to which the deficiency procedures of such subtitle apply.

(D) DISTRIBUTION REQUIREMENT ON ELECTING SETTLEMENT TRUST.—

(A) IN GENERAL.—If an election is in effect under paragraph (2) for any taxable year, a Settlement Trust (as defined in section 614(d)) in any amount of its adjusted taxable income for such taxable year.

(B) TAX IMPOSED IF INSUFFICIENT DISTRIBUTION.—If a Settlement Trust fails to meet the distribution requirement of subparagraph (A) for any taxable year, then, notwithstanding subsection (c)(29), a tax shall be imposed on the trust under section 55 as a tax equal to the amount of such failure.

(C) DESIGNATION OF DISTRIBUTION.—Solely for purposes of meeting the requirements of this paragraph, a Settlement Trust may elect to treat any distribution (or portion) during the 65-day period following the close of any taxable year as made on the last day of such taxable year. Any such distribution (or portion) may not be taken into account under this paragraph for any other taxable year.

(D) ADJUSTED TAXABLE INCOME.—For purposes of this paragraph, the term 'adjusted taxable income' means taxable income determined under section 661(b) without regard to any deduction under section 651 or 661.

(E) SETTLEMENT REQUIREMENT OF DISTRIBUTIONS TO BENEFICIARIES.—

(A) ELECTING TRUST.—If an election is in effect under paragraph (2) for any taxable year, any distribution of a settlement trust to a beneficiary shall be included in gross income of the beneficiary as ordinary income.

(B) NON-ELECTING TRUSTS.—Any distribution to a beneficiary from a Settlement Trust not described in subparagraph (A) shall be included in income as provided under subchapter J.

(C) EARNINGS AND PROFITS.—The earnings and profits of any Native Corporation making a contribution to a Settlement Trust shall be reduced on account thereof at the time of such contribution, but such earnings and profits shall be reduced up to the amount of such contribution as distributions are thereafter made by the Settlement Trust which exceed the sum of—

(i) such Trust's total undistributed net income for all prior years during which an election under paragraph (2) is in effect, and

(ii) such Trust's distributable net income.

(D) DEFINITIONS.—For purposes of this subsection—

(A) NATIVE CORPORATION.—The term 'Native Corporation' has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).

(B) SETTLEMENT TRUST.—The term 'Settlement Trust' means a trust which constitutes a Settlement Trust under the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).
(a) In General.—Section 263 (relating to capital expenditures) is amended by adding at the end the following:

“(i) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR DOMESTIC OIL AND GAS WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution pursuant to a transaction which—

(A) made pursuant to an agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described or on before such date in a public announcement at or in a filing with the Securities and Exchange Commission.

3. ELECTION TO HAVE AMENDMENTS APPLY.—

Paragraph (2) shall not apply if the distributing corporation elects not to have such paragraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.

SEC. 1108. TEMPORARY SUSPENSION OF MAXIMUM AMOUNT OF AMORTIZABLE REFORESTATION EXPENDITURES.

(a) INCREASE IN DOLLAR LIMITATION.—

Paragraph (1) of section 194(b) (relating to amortization of reforestation expenditures) is amended by adding at the end the following:

“$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:

“(3) ELECTION TO HAVE AMENDMENTS APPLY.—

Paragraph (2) shall not apply if the distributing corporation elects not to have such paragraph apply to distributions of such corporation. Any such election, once made, shall be irrevocable.

SEC. 1109. MODIFICATION OF EXCISE TAX IMPOSED ON ARROW COMPONENTS.

(a) In General.—

Paragraph (2) of section 4161(b) (relating to bows and arrows, etc.) is amended by adding at the end the following:

“(2) ARROWS.—

“(A) IN GENERAL.—There is hereby imposed on the sale by the manufacturer, producer, or importer of an arrow as defined in paragraph (1)(A), a tax equal to 12.4 percent of the price for which so sold.

“(B) REDUCED RATE ON CERTAIN HUNTING POINTS.—

Subparagraph (A) shall be applied by substituting ‘11 percent’ for ‘12.4 percent’ in the case of a point which is designed primarily for use in hunting fish or large animals.”

(b) EFFECTIVE DATE.—

The amendment made by this section shall apply to distributions in taxable years beginning after December 31, 1999.

SEC. 1110. INCREASE IN THRESHOLD FOR JOINT INCOME TAX RETURNS OF A CORPORATION AND ITS AFFILIATES.

(a) In General.—Section 355(b) is amended by adding at the end the following:

“(2) Section 355(b)(2) is amended by striking the last sentence and inserting the following:

“(c) EFFECTIVE DATE.—

The amendments made by this section shall apply to distributions in taxable years beginning after December 31, 1998.

SEC. 1112. PAYMENT OF DIVIDENDS ON STOCK OF Cooperatives without REDUCING PATRONAGE DIVIDENDS.

(a) In General.—

Subsection (a) of section 1388 (relating to patronage dividend defined) is amended by adding at the end the following:

“For purposes of paragraph (3), net earnings shall not be reduced by amounts paid during the year as dividends on capital stock or other proprietary capital interests of the organization to the extent that the articles of incorporation or bylaws of such organization or other contract with patrons provide that such dividends are in addition to amounts otherwise payable to patrons which are derived from business done with or for patrons during the taxable year.”

(b) EFFECTIVE DATE.—

The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

SEC. 1113. CONSOLIDATION OF LIFE INSURANCE COMPANIES WITH OTHER CORPORATIONS.

(a) In General.—

Section 1504(b) (defining includable corporation) is amended by striking paragraph (2).

(b) CONFORMING AMENDMENTS.—

(1) Section 1504 is amended by striking subsection (c) and by redesignating subsections (d), (e), and (f) as subsections (c), (d), and (e), respectively.

(2) Section 1504(c)(1) (relating to special rule for application of certain losses against income of insurance companies taxed under section 801) is amended by striking “$1,000,000” and inserting “$2,000,000”.

(c) EFFECTIVE DATE.—

The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(d) No Carryback Before January 1, 2001.—

To the extent that a consolidated net operating loss is allowed or increased by reason of the amendments made by this section, such loss may not be carried back to a taxable year beginning before January 1, 2001.

(e) NONTERMINATION OF GROUP.—

Any affiliated group shall terminate solely as a result of the amendments made by this section.

(f) WaIVER OF 5-YEAR WAITING PERIOD.—

Under regulations prescribed by the Secretary of the Treasury or his delegate, an automatic waiver from the 5-year waiting period for reconsolidation provided in section 1504(a)(3) of the Internal Revenue Code of 1986 shall be granted to any corporation which was previously an includable corporation but was subsequently deemed a nonincludible corporation as a result of becoming a subsidiary of a corporation which was not an includable corporation solely by operation of section 1504(a)(2) of such Code (as in effect on the day before the date of the enactment of this Act).
(a) IN GENERAL.—Paragraph (6) of section 54(b)(1)(B) (defining personal holding company) is amended by—
(1) by striking “rents,” in subparagraph (B), and
(2) by adding “and” at the end of subparagraph (B).

(b) EXCLUSION.—In the case of a personal holding company which is a disregarded entity, any item of income, gain, loss, deduction, or credit of such personal holding company which is attributable to a member of such personal holding company that is not a personal holding company shall be included in the income, gain, loss, deduction, or credit of such personal holding company.

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

SEC. 1107. EXPANSION OF EXEMPTION FROM PERSONAL HOLDING COMPANY TAX FOR LENDING OR FINANCE COMPANIES.

(a) IN GENERAL.—Paragraph (6) of section 54(b)(1)(B) (defining personal holding company) is amended by—
(1) by striking “rents,” in subparagraph (B), and
(2) by adding “and” at the end of subparagraph (B).

(b) EXCEPTION FOR LENDING OR FINANCE COMPANIES DETERMINED ON AFFILIATED GROUP BASIS.—Subsection (d) of section 542 is amended by striking paragraphs (1) and (2) and inserting the following new paragraphs:

(1) LENDING OR FINANCE BUSINESS DEFINED.—For purposes of subsection (c)(6), the term ‘‘lending or finance business’’ means a business of—
(A) making loans,
(B) purchasing or discounting accounts receivable, notes, or installment obligations,
(C) engaging in leasing (including entering into leases and purchasing, servicing, and disposing of related assets),
(D) rendering services or making facilities available in the ordinary course of a lending or finance business,
(E) leasing of services or making facilities available in connection with activities described in subparagraphs (A), (B), and (C) carried on by the corporation rendering services or making facilities available, or
(F) rendering services or making facilities available to another corporation which is engaged in the lending or finance business (within the meaning of the term ‘‘lending or finance business’’ as determined by the Secretary) or services or facilities are related to the lending or finance business (within such meaning) of such other corporation and such corporation and the corporation rendering services or making facilities available are members of the same affiliated group (as defined in section 1504).

(2) IN GENERAL.—In the case of a lending or finance company which is a member of an affiliated group (as defined in section 1504), such company shall not be treated as the meeting the requirements of subsection (c)(6) if such services or facilities are related to the lending or finance business (within such meaning) of such other corporation and such corporation and the corporation rendering services or making facilities available are members of the same affiliated group (as defined in section 1504).

(3) GENERAL RULE.—For purposes of this subsection, the term ‘‘eligible bus access expenditures’’ means—
(A) a treatment as exempt facility bond—
(i) otherwise payable to refund (other than to advance refund) a bond issued pursuant to this section if such bond is issued after December 31, 1999,
(ii) reallocated under clause (i) to any other eligible bus access expenditures, or
(iii) reallocated under clause (i) to any other eligible bus access expenditures;
(B) the extent to which the projects used new technologies, construction techniques, or innovation cost controls that resulted in savings in building the project, and
(C) the use and efficiency of the Federal tax subsidy provided by the bond financing.

(b) EXPANSION OF DC ZERO PERCENT CAPITAL GAINS RATE.

(a) IN GENERAL.—Subsection (d)(5) of section 1046 is amended—
(1) by striking “$10,000,000,” and
(2) by inserting “$25,000,000,” after “$10,000,000,”.

(b) EFFECTIVE DATE.—This amendment made by this section shall apply to sales or exchanges occurring after the date of the enactment of this Act.

SEC. 1119. EXPANSION OF DC ZERO PERCENT CAPITAL GAINS RATE.

(a) IN GENERAL.—Subsection (d)(5) of section 1046 is amended—
(1) by striking “$10,000,000,” and
(2) by inserting “$25,000,000,” after “$10,000,000,”.

(b) EFFECTIVE DATE.—This amendment made by this section shall apply to sales or exchanges occurring after the date of the enactment of this Act.
SEC. 1120. NATURAL GAS GATHERING LINES AS 7-YEAR PROPERTY.
(a) In General.—Subparagraph (C) of section 168(c)(3) (relating to classification of certain property) is amended by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

(ii) any natural gas gathering line, and

(b) Natural Gas Gathering Line.—Subsection (i) of section 168 is amended by adding at the end the following new paragraph:

(15) NATURAL GAS GATHERING LINE.—The term ‘natural gas gathering line’ means—

(A) the pipe, equipment, and appurtenances determined to be a gathering line by the Federal Energy Regulatory Commission, or

(B) the pipe, equipment, and appurtenances used to deliver natural gas from the wellhead or a common point to the point at which such gas first reaches—

(i) a gas processing plant,

(ii) an interconnection with a transmission pipeline certified by the Federal Energy Regulatory Commission as an interstate transmission pipeline,

(iii) an interconnection with an intrastate transmission pipeline, or

(iv) a direct interconnection with a local distribution company, a gas storage facility, or an industrial consumer.

(c) Effective Date.—The amendments made by this section shall apply to property placed in service on or after the date of the enactment of this Act.

SEC. 1121. EXEMPTION FROM TAXES FOR CERTAIN AIRPORTS PROVIDED BY SMALL SEAPLANES.
(a) In General.—Section 4281 (relating to small airport on nonestablished lines) is amended to read as follows:

‘‘SEC. 4281. SMALL AIRCRAFT.

The taxes imposed by sections 4261 and 4271 shall not apply to—

(1) transportation by an aircraft having a maximum certificated takeoff weight of 6,000 pounds or less, except when such aircraft is operated on an established line, and

(2) transportation by a seaplane having a maximum certificated takeoff weight of 6,000 pounds or less with respect to any segment consisting of a takeoff from, and a landing on, water.

For purposes of the preceding sentence, the term ‘maximum certificated takeoff weight’ means the maximum such weight contained in the type certificate or airworthiness certificate.

(b) Clerical Amendment.—The table of sections for part III of subchapter C of chapter 33 is amended by striking ‘‘on nonestablished lines’’ in the item relating to section 4281.

(c) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act but shall not apply to any amount paid on or before such date with respect to taxes imposed by sections 4261 and 4271 of the Internal Revenue Code of 1986.

SEC. 1122. NO FEDERAL INCOME TAX ON APPORTIONMENT RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.
(a) In General.—For purposes of the Internal Revenue Code of 1986, gross income shall not include—

(1) any amount received by an individual (or any heir) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or from any foreign charitable organization,

(B) as a result of the settlement of the action entitled ‘In re Holocaust Victims’ Asset Litigation’ (E.D. NY), C.A. No. 96–6489, or as a result of any settlement of any applicable State or local law are met with respect to such 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.

(3) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000, and ending before December 31, 2004.

SEC. 1124. EXPANSION OF DEDUCTION FOR COMPUTER DONATIONS TO SCHOOLS AND SENIOR CENTERS.
(a) In General.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by this Act, is amended by adding at the end the following:

‘‘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 contributions made by the taxpayer during the taxable year.

(b) Qualified Contribution.—For purposes of this section, the term ‘qualified computer contribution’ has the meaning given the term ‘qualified elementary or secondary educational contribution’ by section 170(c)(6)(B), except that—

(1) such term shall include the contribution of a computer (as defined in section 168(l)(2)(B)(i)) only if computer software (as defined in section 1917(c)(3)(B)) that serves as a computer operating system has been lawfully installed in taxable years ending after the date of the enactment of this Act.

(c) Increased Percentage for Contributions to Entities in Empowerment Zones, Enterprise Communities, and Indian Reservations.—In the case of a contribution to an entity located in an empowerment zone or enterprise community designated under section 1391 or an Indian reservation (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35)) to be used by individuals who have attained 60 years of age to improve job skills in such community, and

(2) for purposes of clauses (i) and (ii) of section 170(c)(6)(B), such term shall include the contribution of computer technology or equipment to nonprofit educational institutions (as defined in section 102(35) of the Older Americans Act of 1965 (42 U.S.C. 3002(35)) to be used by individuals who have attained 60 years of age to improve job skills in such community, and

(c) Increased Percentage for Contributions to Entities in Empowerment Zones, Enterprise Communities, and Indian Reservations.—In the case of a 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(l)(6)), subsection (a) shall be applied by substituting ‘‘50 percent’’ for ‘‘30 percent’’.
(d) Certain Rules Made Applicable.—For purposes of paragraphs (1) and (2) of section 41(f) and of section 170(c)(6)(A) there shall apply.—

(e) Termination.—This section shall not apply to taxable years beginning after the date which is 3 years after the date of the enactment of the Taxpayer Relief Act of 1999.

(f) Amount of Credit.—Section 41(b) (relating to current year business credit), as amended by this Act, is amended by striking “plus” at the end of paragraph (12), by striking the period at the end of paragraph (12), inserting “plus”, and by adding at the end the following:—

(14) the computer donation credit determined under section 45E(a).

(c) Disallowance of Deduction by Amount of Credit.—Section 280C (relating to certain expenses for which credits are allocable) is amended by adding at the end the following:—

(4) Credit for Computer Donations.—No deduction shall be allowed for that portion of the qualified computer contributions (as defined in section 45E(b)) made during the taxable year that is in excess of the amount of credit determined for the taxable year under section 45E(a).

(d) 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:—

(5) the carryback of computer donation credit before effective date.—No amount of unused business credit available under section 45E may be carried back to a taxable year beginning on or before the date of the enactment of this paragraph.

(e) Clerical Amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is amended by inserting after the item relating to section 45D the following:—

Sec. 45E. Credit for computer donations to schools and senior centers.

(f) Effective Dates.—

(1) General.—As provided in paragraph (2), the amendments made by this section shall apply to contributions made in taxable years beginning after the date of the enactment of this Act.

(2) Certain Contributions.—The amendments made by this section shall apply to contributions made to an organization or entity not described in section 45E(c) of the Internal Revenue Code of 1986, as added by subsection (a), in taxable years beginning after the date that is one year after the date of the enactment of this Act.

SEC. 1126. INCREASE IN MANDATORY SPENDING FOR CHILD CARE AND DEVELOPMENT BLOCK GRANT.

Section 41(b)(3)(A) of the Social Security Act (42 U.S.C. 618(a)(3)) is amended—

(1) in subparagraph (E), by striking “and” at the end and inserting “; and”; and

(2) by adding at the end the following:—

(2) $4,075,000,000 for fiscal year 2008; and

SEC. 1127. SENSE OF CONGRESS REGARDING SAVINGS INCENTIVES.

It is the sense of the Senate that before December 31, 1999, Congress should pass legislation that encourages businesses to provide a partial Federal income tax exclusion for income derived from interest and dividends of no less than $400 for married taxpayers and $200 for single taxpayers.

SEC. 1128. SENSE OF CONGRESS REGARDING THE NEED FOR ADDITIONAL FEDERAL FUNDING AND TAX INCENTIVES FOR 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 was one of the important goals of the Taxpayer Relief Act of 1997 and the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999;

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

(3) the 1997 law authorizing this second round of empowerment zones and enterprise communities was 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 and rural 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 improvement;

(6) unfortunately, those areas that are designated EZs or ECs under the 1997 and 1998 tax provisions, or REAPs (Rural Enterprise 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 the first round of 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) Sense of Congress.—It is the sense of Congress that—

(1) many small businesses trying to improve their storefronts on Main Street or investing to upgrade their property would benefit if Congress expanded the existing expensing provision to cover improvements to depreciable real property; and

(2) Congress should consider including this proposal in any future tax legislation.
SEC. 1131. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

“(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.”.

SEC. 1132. TREATMENT OF MAPLE SYRUP PRODUCTION.

Line 3 of subsection (k) of section 3206 of the Internal Revenue Code of 1986 is amended by inserting after “chapter” the following: “agricultural labor includes labor connected to the harvesting or production of maple sap into maple syrup or sugar, and”.

SEC. 1133. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.

(a) In General.—Section 145 (defining qualified 501(c)(3) bond) is amended by redesignating subsection (c) as subsection (f) and by inserting after subsection (f) the following new subsection:

“(e) Bonds Issued To Acquire Renewable Resources on Land Subject to Conservation Easement.—

(1) In General.—Section 145(c) (requiring the holder of the conservation restriction in monitoring compliance with such restriction) is amended by striking paragraph (2) and inserting the following:

“(2) the land associated with the renewable resource is not used for purposes of this section—

(b) Application 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 be deemed to be in compliance with the economic and ecological feasibility of the financing of such land or renewable resource.

(c) Exclusion of Affiliated 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.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 1134. MODIFICATION OF ALTERNATIVE MINIMUM TAX FOR INDIVIDUALS.

Section 501(c)(1)(E), as amended by section 266, is amended by striking “$250” and inserting “$300”.

SEC. 1135. EXCLUSION FROM INCOME OF SEVERANCE PAYMENTS.

(a) In General.—Section 139 (relating to severance payments) is amended by striking “$250” and inserting “$300”.

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

SEC. 1137. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.

(a) In General.—Subparagraph D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 39 the following new section:

“SEC. 39. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.

“(a) General Rule.—For purposes of section 38, the medical innovation credit determined under subsection (a) for the taxable year shall be an amount equal to 40 percent of the excess (if any) of—

(1) the qualified medical innovation expenses for the taxable year, over

(2) the medical innovation base period amount.

(b) Qualified Medical Innovation Expenses.—For purposes of this section—

(1) in General.—The term ‘qualified medical innovation expenses’ means the amounts which are paid or incurred by the taxpayer during the taxable year directly or indirectly to any qualified academic institution for clinical testing research activities.

(2) Clinical Testing Research Activities.—(A) In General.—The term ‘clinical testing research activities’ means the activities conducted at any qualified academic institution in the development of any product, which occurs before—

(i) the date on which a license for such product is issued under section 351 of the Public Health Service Act (as so in effect), or

(ii) the date on which a biological product is licensed for human human use under section 314 of the Federal Food, Drug, and Cosmetic Act (as so in effect).

(B) Product.—The term ‘product’ means any drug, biological, or medical device.

(C) Qualified Academic Institution.—The term ‘qualified academic institution’ means any of the following institutions:

(A) Educational Institution.—A qualified organization described in section 170(b)(1)(A)(ii) which is owned by, or affiliated with, an institution of higher education (as defined in section 330(f)).

(B) Teaching Hospital.—A teaching hospital which—

(i) is publicly supported or owned by an organization described in section 501(c)(3), and

(ii) is affiliated with an organization meeting the requirements of subparagraph (A).

(C) Foundation.—A qualified medical research organization described in section 501(c)(3) (other than a private foundation) which is affiliated with, or owned by—

(i) an organization meeting the requirements of subparagraph (A), or

(ii) a teaching hospital meeting the requirements of subparagraph (b) or (c).

(D) Charitable Research Hospital.—A hospital that is designated as a cancer center by the National Cancer Institute.

(E) University and Foundations Funded by Grants, etc.—The term ‘qualified medical innovation expenses’ shall not include any amount...
Sec. 41A. Credit for medical innovation expenses.

(a) PERMANENT EXTENSION.—

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

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b) (relating to current year innovation business credits), as amended by this Act, is amended by striking "plus" at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting "plus", and by adding at the end the following:

"(16) the medical innovation expenses credit determined under section 41A(a),".

(c) TRANSITION.—Section 38(d), as amended by this Act, is amended by adding at the end the following new paragraph:

"(11) NO CARRYBACK OF SECTION 41A CREDIT BEFORE ENACTMENT.—No portion of the medical innovation business credits, as determined under this section, may be carried back to any taxable year which is equal to the amount of the credit determined for such taxable year under section 41A(c)."

(2) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(h) (relating to medical innovation business credits), as amended by this Act, is amended by striking "plus" at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting "plus", and by adding at the end the following:

"(16) the medical innovation expenses credit determined under section 41A(a),".

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

(c) EFFECTIVE DATE.—The amendment made by this subsection shall apply to amounts paid or incurred after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.

(b) INCREASE IN PERCENTAGES UNDER ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) is amended—

(a) by striking "3.65 percent" and inserting "2.75 percent"; and

(b) by striking "3.2 percent" and inserting "2.75 percent".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after June 30, 1999.
TITLE XIII—REVENUE OFFSETS
Subtitle A—General Provisions
SEC. 1301. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.
(a) IN GENERAL.—Section 904(c) (relating to limitation on foreign tax credits) is amended—
(1) by striking “in the second preceding taxable year,” and “(and” by striking “(3) or” and inserting “(fifth, sixth, or seventh)”; and
(2) by striking “by” and inserting “five”.
(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to credits arising in taxable years beginning after December 31, 1999.
SEC. 1302. RETURNS RELATING TO CANCELLATION OF INDEBTEDNESS BY ORGANIZATIONS LENDING MONEY.
(a) IN GENERAL.—Paragraph (2) of section 6657(c) (relating to requirements for cancellation of indebtedness) is amended by striking “in any taxable year beginning after December 31, 2000” and inserting “made after September 30, 2009”.
(b) CONFORMING AMENDMENTS.—
(2) Section 403(c)(1) of such Act (29 U.S.C. 1010(c)(1)) is amended by striking “1995” and inserting “2001”.
(3) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 1010(b)(13)) is amended—
(A) by striking “in a taxable year beginning before January 1, 2001” and inserting “made before October 1, 2009”.
(B) by striking “and inserting “2001”.
(6) APPLICATION OF MINIMUM COST REQUIREMENTS.—
SEC. 1303. INCREASE IN ELECTIVE WITHHOLDING RATES AND INDIVIDUAL PERIODIC DISTRIBUTIONS FROM DEFERRAL COMPENSATION PLANS.
(a) IN GENERAL.—Section 404(h)(1) (relating to method of disallowing compensation) 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. 1304. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.
(a) IN GENERAL.—Paragraph (7) (relating to miscellaneous provisions) is amended by adding at the end the following new section:
SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.
(a) GENERAL RULE.—The Secretary shall establish and maintain a program requiring the payment of user fees for services provided by the Secretary, including—
(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters,
(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,
(2) ELECTRONIC STATUS.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.
(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the average amount determined under the following table:

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<th>Category</th>
<th>Average Fee</th>
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<tr>
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<tr>
<td>Exempt organization ruling</td>
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</tr>
<tr>
<td>Chief counsel ruling</td>
<td>$200</td>
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</tbody>
</table>
| (c) TAXPAYERS.—The Secretary shall be accountable to the House of Representatives for such fees and shall make an annual report to such Committee regarding the operation of such program.
SEC. 1305. TRANSFER OF EXCESS DEFINED BENEFIT PLAN ASSETS FOR RETIREE HEALTH BENEFITS.
(a) EXTENSION.—
(A) IN GENERAL.—Paragraph (5) of section 402(b) (relating to amortization) is amended by striking “in any taxable year beginning after December 31, 2000” and inserting “made after September 30, 2009”.
(B) CONFORMING AMENDMENTS.—
(2) Section 403(c)(1) of such Act (29 U.S.C. 1010(c)(1)) is amended by striking “1995” and inserting “2001”.
(3) Paragraph (13) of section 408(b) of such Act (29 U.S.C. 1010(b)(13)) is amended—
(A) by striking “in a taxable year beginning before January 1, 2001” and inserting “made before October 1, 2009”.
(B) by striking “and inserting “2001”.
(6) APPLICATION OF MINIMUM COST REQUIREMENTS.—
SEC. 1306. ALASKA EXEMPTION FROM DYEING REQUIREMENTS.
(a) EXCEPTION TO DYEING REQUIREMENTS FOR EXEMPT DIESEL FUEL AND KEROSENE.—Paragraph (1) of section 408(c) (relating to exception to dyeing requirements) is amended to read as follows:
(1) removed, entered, or sold in the State of Alaska for ultimate sale or use in such State, and
(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.
SEC. 1206. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.
(a) EXTENSION OF TERMINATION DATE.—Subsection (h) of section 198 is amended by striking “December 31, 2000” and inserting “June 30, 2004”.
(b) EXPANSION OF QUALIFIED CONTAMINATED SITE.—Section 198(c) is amended to read as follows:
(1) 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
(2) at or from 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 that is not proposed for, the national priorities listed under section 101(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 section).
(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 requirement of paragraph (1)(B).
(4) APPROPRIATE STATE AGENCY.—For purposes of paragraph (2), the chief executive officer of each State may, in consultation with the Administrator of the Environmental Protection Agency, designate the appropriate State environmental agency within 60 days of the date of the enactment of this section. If the chief executive officer of a State has not designated an appropriate environmental agency within such 60-day period, the appropriate environmental agency for such State shall be designated by the Administrator of the Environmental Protection Agency.
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after December 31, 1999.
SEC. 1305. 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.—For purposes”,

(2) by striking the period at the end of paragraph (5) and inserting a semicolon, and

(3) by adding at the end the following:

“(6) 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 trader and

“(B) such instrument is clearly identified in such dealer’s records as being described in subparagraphs (A) or (B) 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 as such 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

“(8) supplies of a type regularly used or consumed by the taxpayer in the ordinary course of a trade or business of the taxpayer.

“(b) DEFINITIONS AND SPECIAL RULES.—

“(1) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENTS.—For purposes of subsection (a)(6)—

“(A) COMMODITIES DERIVATIVE 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.

“(B) COMMODITIES DERIVATIVE FINANCIAL INSTRUMENT.—

“(i) 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 calculated by or determined by reference to a specified index.

“(ii) SPECIFIED INDEX.—The term ‘specified index’ means any one or more or any combination of—

“(I) a fixed rate, price, or amount, or

“(II) a variable rate, price, or amount, which is based on any current, objectively determinable 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) HEDGING TRANSACTION.—

“(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 entering into, or arising out of, situations 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 in regulations.

“(B) TREATMENT OF NONIDENTIFICATION OR IMPROPER IDENTIFICATION OF HEDGING TRANSACTION.—

“(1) In general.—If subsection (a)(7) is not satisfied with respect to any instrument held by a commodities derivatives dealer, 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.

“(2) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of paragraphs (6) and (7) of subsection (a) in the case of transactions involving related parties.

“(b) MANAGEMENT OF RISK.—

“(1) Section 475(h)(4)(C) is amended by striking “to reduce” and inserting “to manage”.

“(2) Section 477(h)(4)(C)(vi) is amended by striking “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) DEFINITIONS OF HEDGING TRANSACTION.—For purposes of this subsection, the term ‘hedging transaction’ means any hedging transaction (as defined in section 1221(2)(A)) if, before the close of the day on which such transaction was 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 311(c).

“(D) Section 317(c).

“(E) Section 351(c).

“(F) Section 352(c).

“(G) Subparagraphs (C) and (D) of section 1221(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 198(c)(1)(A)(i).

“(B) Section 263A(b)(2)(A).

“(C) Clauses (ii) and (iii) of section 267(f)(3)(B).

“(D) Section 341(d).

“(E) Section 543(a)(1)(D).

“(F) Section 751(d).

“(G) Sections 775(c).

“(H) Section 836(c)(2)(D).

“(I) Section 836(c)(3)(C).

“(J) Section 836(e)(1).

“(K) Sections 853(6)(2)(B).

“(L) Section 853(7)(B).

“(M) Section 857(b)(6)(B)(iii).

“(N) Section 864(c)(4)(B)(iii).


“(P) Section 881(b)(3).

“(Q) Section 954(c)(1)(B)(ii).

“(R) Section 955(b)(1)(C).

“(S) Section 1041(b)(3)(B).

“(T) Section 1261(c)(2).

“(U) Section 1262(c)(2)(C).

“(V) Section 1270(c)(3).

“(W) Section 7204(d)(1)(D).

“(X) Section 7204(d)(5).

“(Y) Section 7204(d)(5).

“(3) Section 481(b)(2) is amended by striking “section 1221(2)” and inserting “section 1221(a)(2)”.

“(4) Section 1397B(c)(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 or acquired on or after the date of enactment of this Act.

Subtitle B—Loophole Closers

SEC. 1311. LIMITATION ON USE OF NON-ACCRUAL 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.

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,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 1312. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—

Section 419A(f)(6) (defining disqualified benefit) is amended to read as follows:

“(6) with respect 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 more 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 for collateral for a loan.

(The preceding sentence shall not apply to any plan which maintains a reasonable administrative arrangement with respect to individual employers.”.

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—

Section 478(b) (defining disqualified benefit) is amended by adding at the end the following new paragraph:

“(7) Special rule for 10 or more employer plans exempted from prepayment limits.—For purposes of paragraph (1)(C), if—

“(A) a plan described in paragraph (1)(C), or subparagraph (D) of paragraph (1)(C) if the plan is a welfare benefit fund under a 10 or more employer plan, or

“(B) any portion of the welfare benefit fund attributable to such distributions is used for a purpose other than that for which the contributions were made,
then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or accrued after June 30, 1999, in taxable years ending after such date.

SEC. 1312. MODIFICATION OF INSTALLMENT METHOD AND REPEAL OF INSTALLMENT-TAX-TIME FOR ACCRUAL METHOD TAXPAYERS.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL BASIS TAXPAYERS.—

(1) IN GENERAL.—Section 453(d)(1) of chapter 1 (relating to installment method of accounting for sales) is amended by adding at the end the following new subsection:

``(2) A CCRUAL METHOD TAXPAYER. The installment method shall not apply to income from an installment sale if such income would be reported under an accrual method of accounting without a deduction. The preceding sentence shall not apply to a disposition described in subparagraph (A) or (B) of subsection (b)(2).
``

(2) CONFORMING AMENDMENTS.—Sections 453(d)(2), 453(2)(1), and 453(k) are each amended by striking ``(a)(2)'' each place it appears and inserting ``(a)(l)''.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (4) of section 453A(d) (relating to pledges, etc., of installment obligations) is amended by adding at the end the following new clause:

``(j) When the constructive ownership or economic return with respect to a financial asset may be affected by a constructive ownership transaction with respect to any financial asset, the term 'net underlying long-term capital gain' means the aggregate net capital gain that the taxpayer would have had if—
``(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and
``(2) only gains and losses that would have resulted from the deemed ownership under paragraph (1) were taken into account.
``The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

(f) SPECIAL RULE WHERE TAXPAYER TAKES DELIVERY.—Except as provided in regulations prescribed by the Secretary, if a constructive ownership transaction is closed by reason of taking delivery, this section shall be applied as if the taxpayer had sold all the contracts, options, or other positions which are part of such transaction for fair market value on the closing date. The amount of gain recognized under the preceding sentence shall not exceed the amount of gain treated as ordinary income under subsection (a), proper adjustments shall be made in the amount of any gain or loss subsequently realized for gain recognized as treated as ordinary income under this subsection.

(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

``(1) to permit taxpayers to market constructive ownership transactions in lieu of applying this section, and
``(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.
``

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

``Sec. 1260. Gains from constructive ownership transactions.
``

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after July 11, 1999.

SEC. 1313. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.

(a) IN GENERAL.—Subsection (f) of section 170 (relating to disallowance of deduction in certain special rules) of title 26 is amended by adding at the end the following new paragraph:

``(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.
``

(e) NEUTRAL TREATMENT OF CONTRIBUTIONS.—Subparagraphs (A) and (B) of section 170(f)(2) are each amended by striking ``(a)(1)'' and inserting ``(a)(2)'' and by striking the period at the end of subparagraph (B) and inserting a semicolon.

(f) ECONOMIC RETURN.—Subsection (i) of section 170(f) is amended by adding at the end the following new clause:

``(M) in the case of a constructive ownership transaction with respect to any financial asset, the term 'net underlying long-term capital gain' means the aggregate net capital gain that the taxpayer would have had if—
``(1) the financial asset had been acquired for fair market value on the date such transaction was opened and sold for fair market value on the date such transaction was closed, and
``(2) only gains and losses that would have resulted from the deemed ownership under paragraph (1) were taken into account.
``The amount of the net underlying long-term capital gain with respect to any financial asset shall be treated as zero unless the amount thereof is established by clear and convincing evidence.

(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

``(1) to permit taxpayers to market constructive ownership transactions in lieu of applying this section, and
``(2) to exclude certain forward contracts which do not convey substantially all of the economic return with respect to a financial asset.
``

(h) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end the following new item:

``Sec. 1260. Gains from constructive ownership transactions.
``

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after July 11, 1999.
to any premium on any personal benefit contract with respect to the transferor.

"(D) PERSONAL BENEFIT CONTRACT.—For purposes of subparagraph (A), the term 'personal benefit contract' means, with respect to the transferor, any life insurance, annuity, or endowment contract if

"(i) the organization directly or indirectly pays, or has previously paid, any premium on any personal benefit contract with respect to the transferor.

"(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

"(E) APPLICATION TO CERTAIN ANNUITY CONTRACTS.—If, in connection with a transfer to or from a trust referred to in subsection (E) which tax is imposed by clause (i) with respect to a trust, or

"(ii) there is an understanding or expectation that any person will directly or indirectly pay any premium on any personal benefit contract with respect to the transferor.

"(F) TRUSTS.—In the case of a transfer to a trust referred to in subparagraph (A), determined without regard to any premium referred to in paragraph (1)(A) imposed under subsection (c) on the organization.

"(G) SPECIAL RULE WHERE STATE REQUIRES SPECIFICATION OF CHARITABLE GIFT ANNUITY IN CONTRACT.—In the case of an obligation to pay a charitable gift annuity referred to in subparagraph (A), determined without regard to any premium referred to in paragraph (1)(A) imposed under subsection (c) on the organization.

"(H) MEMBER OF FAMILY.—For purposes of this paragraph, an individual's family consists of the individual's parents, the individuals' spouse, the lineal descendants of such individuals, and any spouse of such a lineal descendant.

"(I) REGULATIONS.—The Secretary shall prescribe regulations as may be necessary to carry out the purposes of this section, including regulations to prevent the avoidance of such purposes.

"(J) PROHIBITED ALLOCATIONS OF SECURITIES HELD BY AN ESOP.—Section 409 of the Employee Retirement Income Security Act of 1974 is amended by adding at the end thereof the following new paragraph:

"(K) A trust shall be treated as a qualified trust for purposes of section 401(a)(4) for purposes of section 401(a)(9).
which violates the provisions of section 409(p).''.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 14, 1999, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

this section shall apply to plan years ending after July 14, 1999.

SEC. 1318. MODIFICATION OF ANTI-ABUSE RULES RELATED TO ASSUMPTION OF LIABILITY.

(a) IN GENERAL.—Section 357(b)(1) (relating to tax avoidance purpose) is amended—

(1) by striking the "principal purpose" and inserting "a principal purpose"; and

(2) by striking "on the exchange" in subparagraph (A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to assumptions of liability after July 14, 1999.

SEC. 1319. ALLOCATION OF BASIS ON TRANSFERS OF EMPLOYER SECURITIES.

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) TREATMENT OF TRANSFERS OF INTANGIBLE PROPERTY.—

(1) TRANSFERS OF LESS THAN ALL SUBSTANTIAL RIGHTS.—(A) IN GENERAL.—The term 'transferee' has the meaning given such term by section 351(c)(2).

(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 351(a)(1).

(C) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this subsection shall apply to transfers of less than all substantial rights during the taxable year in which the transferor's stock was acquired by the transferee, but such transfers shall not be treated as transfers of property even if the transfer is of less than all of the substantial rights of the transferee in the property.

(2) TREATMENT OF INTANGIBLE PROPERTY—

(1) IN GENERAL.—The term 'intangible property' has the meaning given such term by section 1362(b)(1) of the Internal Revenue Code of 1986.

(2) RULES FOR RECOGNITION OF EXCHANGE.—(A) IN GENERAL.—For purposes of this section, exchange includes the transfer of property in any form if such transfer of property, whether by transfer of a stock or security, or transfer of intangible property, is in the nature of an exchange, or was not a transfer of property for purposes of section 351(a)(7).

(B) TRANSFERS TO CORPORATIONS.—For purposes of paragraph (1), the term 'transferee' includes a corporation which acquires its stock by transfer from an entity that, if it were a person, would be treated as a controlled entity under section 368(b)(2)(B) of the Internal Revenue Code of 1986.

(C) TREATMENT OF INTANGIBLE PROPERTY DEVELOPED FOR TRANSFEREE.—(i) IN GENERAL.—The term 'intangible property developed for transferee' has the meaning given such term by section 351(a)(6)(B).
taxable year but, unless there was a finding under subparagraph (B), no substantial underpayment penalties shall be imposed.

“(III) NOTICE.—The corporation shall, at the same time it files its returns under subclause (I), notify the partnership of any other provisions to ensure collection of tax and the proper administration of this provision.

“(iv) Clauses (ii) and (iii) shall not apply if the corporation allows its incubator REIT status to lapse at the end of the initial 2-year eligibility period without engaging in a going public transaction if the corporation is not a controlled entity as of the beginning of its fourth taxable year. In such a case, the corporation’s directors may still be liable for the penalties described in subparagraph (D) during the eligibility period.

“(V) PROVISIONAL CORPORATION.—If the Secretary determines that an incubator REIT election was filed for a principal purpose other than as part of a reasonable plan to undertake a going public transaction or that stock of $20,000 shall be imposed on each of the corporation’s directors for each taxable year for which an election was in effect.

“(VI) GOING PUBLIC TRANSACTION.—For purposes of this paragraph, a going public transaction means:

“(i) a public offering of shares of the stock of the incubator REIT,

“(ii) a transaction, or series of transactions, that results in the stock of the incubator REIT being regularly traded on an established securities market at all times after such date, at least 50 percent of such stock being held by shareholders who are unrelated to persons who held such stock before it began to be so regularly traded.

“(iii) any transaction resulting in ownership of the REIT by 200 or more persons (excluding the largest single shareholder) who in the aggregate own at least 50 percent of the stock of the REIT.

For the purposes of this subparagraph, the rules of paragraph (3) shall apply in determining the ownership of stock.

“(F) DEFINITIONS.—The term ‘established securities market’ shall have the meaning set forth in the regulations under section 891.”.

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 856(h) is amended by striking “and (6)” each place it appears and inserting “(6),” and (7).

(6) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after July 14, 1999.

(2) EXCEPTION FOR EXISTING CONTROLLED ENTITIES.—The amendments made by this section shall not apply to any entity which is a controlled entity (as defined in section 856(f) of the Internal Revenue Code of 1986, as added by this section) as of July 14, 1999, which is a real estate investment trust for the taxable year which includes such date, and which has significant business purposes other than as a whole or in part by reference to subsection (a)(2) or (b), the corporation shall be treated as receiving a distribution of such stock from a partnership.

(7) BEHIND OWNERSHIP OF THE DISTRIBUTED ENTITY.—If the property held by a distributed corporation is stock in a corporation which it controls, this subsection shall be applied to any property of such distributed corporation.

(8) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Tax and Trade Relief Extension Act of 1998 to which they relate.

SEC. 1402. AMENDMENTS RELATED TO INTERNATIONAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998.

(a) AMENDMENT RELATED TO SECTION 1103 OF THE ACT.—Paragraph (6) of section 6103(h) is amended—

(1) by inserting “and an officer or employee of the Office of Treasury Inspector General for Tax Administration” after “internal revenue officer or employee”, and

(2) by striking “INTERNAL REVENUE” in the heading and inserting “CERTAIN”.

(b) AMENDMENT RELATED TO SECTION 3509 OF THE ACT.—Subparagraph (A) of section 6103(h)(5) is amended by inserting “Chief Counsel advice, after “technical advice memorandum”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Internal Revenue Service Restructuring and Reform Act of 1998 to which they relate.

SEC. 1403. AMENDMENTS RELATED TO TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 302 OF THE ACT.—The last sentence of section 3405(c)(1)(B) is amended by inserting “other than a Roth IRA” after “individual retirement plan”.

(b) AMENDMENT RELATED TO SECTION 1072 OF THE ACT.—

(1) Clause (ii) of section 415(c)(3)(D) and subparagraph (B) of section 402(b)(3) are each amended by striking “25 or” and inserting “125, 132(1)(4), or”.

(2) Paragraph (2) of section 414(e) is amended by striking “section 125, 402(e)(3)” and inserting “section 125, 132(1)(4), 402(e)(3)”.

(c) AMENDMENT RELATED TO SECTION 1454 OF THE ACT.—Subsection (a) of section 7436 is amended by striking “section 7436, 402(e)(3)” and inserting “section 125, 132(1)(4), 402(e)(3)”.

(d) AMENDMENT RELATED TO SECTION 1454 OF THE ACT.—Subsection (a) of section 7436 is amended by striking “section 125, 402(e)(3)” and inserting “section 125, 132(1)(4), 402(e)(3)”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Taxpayer Relief Act of 1997 to which they relate.

SEC. 1404. OTHER TECHNICAL CORRECTIONS.

(a) AFFILIATED CORPORATIONS IN CONTEXT OF WORTHLESS SECURITIES.
(1) Subparagraph (A) of section 165(g)(3) is amended—

“(v) if the corporation was an S corporation, or an S shareholder of such corporation owning any part of the period covered by such return during any part of the period covered by such return during which an election under section 1362(a) was in effect,”.

(2) Paragraph (3) of section 165(g) is amended by striking the last sentence.

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

(b) REFERENCE TO CERTAIN STATE PLANS.—

(1) Subparagraph (B) of section 51(d)(2) is amended—

(A) by striking “plan approved” and inserting “program funded”; and

(B) by striking “(relating to assistance for needy families with minor children)”.

(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 1201 of the Small Business Job Protection Act of 1996.

(c) AMOUNT OF IRA CONTRIBUTION OF LESSER EARNING SPouse.—

(1) Clause (ii) of section 219(c)(1)(B) is amended—

by striking “subsection (a)” and inserting “subsection (a)(1)”; and

by redesignating clauses (i) as (ii), (ii) as (iii), and (iii) as (iv) the following new clause:

“(III) an annuity plan described in section 403(b)(7); and

(2) The amendment made by paragraph (1) shall take effect as if included in section 1207 of the Small Business Job Protection Act of 1996.

(d) MODIFIED ENDOWMENT CONTRACTS.—

(1) Paragraph (2) of section 7702A(a) is amended by inserting “or this paragraph” before the period.

(2) Clause (i) of section 7702A(c)(3)(A) is amended—

by striking “under the contract” and inserting “under the old contract”; and

(3) The amendments made by this subsection shall take effect as if included in the amendments made by section 5012 of the Technical and Miscellaneous Revenue Act of 1990.

(e) LUMP-SUM DISTRIBUTIONS.—

(1) Clause (i) of section 401(k)(10)(B) is amended by adding at the end the following new sentence: “Such term includes a distribution of an annuity contract from an individual retirement annuity (as defined in section 7702B), and a distribution of an annuity contract from an individual annuity contract (as defined in section 7702B) in which the annuitant is a surviving spouse.”

(2) The amendment made by paragraph (1) shall take effect as if included in section 1204 of the Small Business Job Protection Act of 1996.

(f) TENTATIVE CARRYBACK ADJUSTMENTS OF LOSSES FROM SECTION 1256 CONTRACTS.—

(1) Subsection (a) of section 6411 is amended by striking “section 1212(a)(1)” and inserting subsection “section 1212(a) (I) or (c) of section 1212”.

(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 294 of the Economic Recovery Tax Act of 1981.

SEC. 1405. CLERICAL CHANGES.

(1) Subsection (j) of section 67 is amended by striking “the last sentence” and inserting “the second sentence.”

(2) The heading for paragraph (5) of section 468(d) is amended as required to follow:—

“(5) EXCESS CONTRIBUTIONS AFTER DUE DATE FOR TAXABLE YEAR AND CERTAIN EXCESS ROLLOVER CONTRIBUTIONS.—

(3) The heading for subparagraph (B) of section 522(a) is amended by striking “UNDER GUARANTEED PLANS”.

(A) Subsection (e) of section 67B is amended by striking “an electing small business corporation” and inserting “an S corporation”.

(B) Clause (v) of section 6104(e)(1)(D) is amended to read as follows:—

“(iii) The President, in consultation with the elected leaders of Congress referred to in sub-section (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector business and industry leaders and representatives of government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate shall not be Federal, State, or local government employees.”;

(5) in subsection (e)(3)(B), by striking “January 31, 1998” in subparagraph (B) and inserting “May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively;”;

(6) in subsection (f)(1)(C), by inserting “no later than 90 days prior to the date of the commencement of the National Summit,” after “comment” in paragraph (1)(C);

(7) in subsection (g), by inserting “in consultation with the committee on health, education, labor, and retirement security”, in place of subsection (e)(2), after “report”;

(8) in subsection (i)—

(A) by striking “beginning on or after October 1, 2000” in paragraph (1) and inserting “2001, 2005, and 2009”; and

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

“(1) The Chairman and Ranking Member of the Committee on Health, Education, Labor, and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;”;

(C) by redesigning subparagraph (G) of subparagraph (J) and inserting—

“(G) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;”;

“(H) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives;”;

and

(4) in subsection (e)(3)(A)—

(A) by striking “There shall be no more than 200 additional participants,” and inserting “The participants in the National Summit shall also include additional participants appointed under this paragraph.”;

(B) by striking “one-half shall be appointed by the President,” in clause (i) and inserting “not more than 100 participants shall be appointed under this clause by the President,” and by striking “and” at the end of clause (i);

(C) by striking “one-half shall be selected by the elected leaders of Congress” in clause (ii) and inserting “not more than 100 participants shall be appointed under this clause by the elected leaders of Congress”;

and

(D) by adding at the end the following new clauses:

“(ii) The President, in consultation with the elected leaders of Congress referred to in sub-section (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector business and industry leaders and representatives of government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate shall not be Federal, State, or local government employees;”;

and

“TITLE XV—COMPLIANCE WITH CONGRESSIONAL BUDGET ACT

SEC. 1502. SENSE OF CONGRESS.

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.

CHEMICAL SAFETY INFORMATION, SITE SECURITY AND FUELS REGULATORY RELIEF ACT

Mr. LUGAR. Mr. President, I ask the Chair lay before the Senate a message from the House of Representatives on the bill (S. 880) to amend the Clean Air Act to remove flammable fuels from the list of substances with respect to which reporting and other activities are required under the risk management plan program.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 880) entitled “An Act to amend the Clean Air Act to remove flammable fuels from the list of substances with respect to which reporting and other activities are required under the risk management plan program”, do pass with the following amendments:

Strike out all after the enacting clause and insert:

"(A) by striking ‘‘shall enter into a contract on a sole-source basis’’ and inserting ‘‘may enter into a contract on a sole-source basis’’; and

(B) by striking ‘‘fiscal year 1998’’ and inserting ‘‘fiscal years 2001, 2005, and 2009’’."

Title XV—Compliance with Congressional Budget Act