

SENATE—Friday, June 19, 1992

(Legislative day of Tuesday, June 16, 1992)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the Honorable HARRY REID, a Senator from the State of Nevada.

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

“* * * The Senate of the United States, devoutly recognizing the Supreme Authority and Just Government of Almighty God, in all the affairs of men and of nations, has, by a resolution, requested the President to designate and set apart a day for National prayer and humiliation. * * *” (A Proclamation for a Day of Humiliation, Fasting, and Prayer, Abraham Lincoln.)

With those words, President Abraham Lincoln designated April 30, 1863, as a day of national humiliation and prayer and called for “* * * all the People to abstain on that day from their ordinary secular pursuits, and to unite, at their several places of public worship and their respective homes, in keeping the day holy to the Lord. * * *” Obviously, Lincoln took prayer seriously, as did our Founding Fathers when they opened both Senate and House with prayer the first day they met in 1787. To them, prayer was not a formality but sheer necessity upon which they depended all through the critical colonial days. Whether it was George Washington kneeling in prayer at Valley Forge, or Ben Franklin calling for the Constitutional Convention to open with prayer, turning to God in a critical hour was natural for them.

Gracious God our Father, these are critical days in the life of America and the world. May we take prayer as seriously as our heroes of the past did. At a time when massive problems exceed human ability to respond, give us grace to look to God for remedies which only the God of the impossible can provide.

For the glory of the Lord and the renewal of the Nation. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore [Mr. BYRD].

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, June 19, 1992.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable HARRY REID, a Senator from the State of Nevada, to perform the duties of the Chair.

ROBERT C. BYRD,
President pro tempore.

Mr. REID thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

THE JOURNAL—LEADERSHIP TIME

Mr. MITCHELL. Mr. President, am I correct in my understanding that the Journal of proceedings has been approved to date and the time for the two leaders reserved for their use later in the day?

The ACTING PRESIDENT pro tempore. The majority leader is correct.

UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992

Mr. MITCHELL. Mr. President, it is my understanding that, under the previous order, the Senate will now resume consideration of the extension of the Emergency Unemployment Compensation Program.

The ACTING PRESIDENT pro tempore. The Senator is correct.

The clerk will report the bill.

The bill clerk read as follows:

A bill (H.R. 5260) to extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment compensation program, and for other purposes.

The Senate resumed consideration of the bill.

Mr. MITCHELL. Mr. President and Members of the Senate, under the order agreed to by all Senators last evening and governing the disposition of this bill, there will be two amendments in order to the bill, one to be offered by Senator DOLE in the nature of a substitute and one amendment by Senator BOND. Upon the disposition of those amendments, the Senate will complete action on this bill today.

I thank all of my colleagues for their cooperation in making such expeditious action by the Senate possible. This is an important bill. The unem-

ployment benefits for millions of Americans will soon expire, and this extension of those insurance benefits is necessary. Our ability to act on this measure now and then to reconcile the differences between the Senate and House bill and the administration's position, an effort which is ongoing and I hope will soon produce successful results, is important.

So I thank all of my colleagues, and I yield the floor and suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BENTSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BENTSEN. Mr. President, in drafting this legislation, one of the concerns was, as we looked to the benefits, that we wanted to be sure this was accomplished within the jurisdiction of the Finance Committee and that we were not burdening the Appropriations Committee. The chairman of that committee has problems enough on the question of discretionary spending. I am prepared to enter into a colloquy with the chairman of the Appropriations Committee.

Mr. BYRD. Will the Senator yield?

Mr. BENTSEN. Yes.

Mr. BYRD. Mr. President, there is a provision in H.R. 5260, as reported by the Finance Committee, that directs the Secretary of the Treasury to transfer from the general fund of the Treasury to the extended unemployment account such sums as are necessary to enable States to pay emergency unemployment benefits.

I understand that without this language there would be insufficient funds in the unemployment account to make the payments authorized in the bill. However, I would like to make clear that from the perspective of the chairman of the Appropriations Committee, this provision should not be regarded as a precedent for future legislation by the Committee on Finance, or by any other authorizing committee. Does the chairman of the Finance Committee share that view?

Mr. BENTSEN. I certainly agree with the chairman of the Appropriations Committee. I thank him for working with the Finance Committee to make sure that the benefits we are providing in this bill will actually be paid.

As the Senator knows, the Finance Committee bill raises the revenues needed over the next 5 years to pay for the benefits that are authorized. The effect of the language the Senator refers to is to assure that under the Budget Enforcement Act both outlays for benefits, as well as revenues, will be scored against the Finance Committee. The Appropriations Committee will not be affected. By no means does the Finance Committee want to make the work of the Appropriations Committee any more difficult than it already is.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Texas for his comments.

I understand there may be a problem with the scoring of the administrative costs in this bill that would result in the Appropriations Committee's being scored with an additional \$120 million in the fiscal year 1993. As the distinguished manager of the bill knows, this creates an additional burden on domestic discretionary funding, a burden that we cannot meet. Therefore, I would like his assurances that this situation will be taken care of in conference.

Mr. BENTSEN. The chairman of the Appropriations Committee may be assured that I will do everything I can to resolve this issue in conference. In fact, I will not bring the bill back from conference unless the problem raised by Senator BYRD is solved.

Mr. BYRD. I thank my friend. The word of Senator BENTSEN is solid gold, as far as this Senator is concerned. I can go to the bank with his word. I have the utmost faith and confidence in his good intentions. I know he will do what he can. I appreciate the Senator saying he will not bring the conference report back if this matter is not resolved in accordance with what we have said here today.

I deeply appreciate his words, and he is always most cooperative and understanding and thoughtful. He is one of the Senators whom I most honor in this body.

Mr. BENTSEN. Well, Mr. President, I guess we have ourselves a mutual admiration society. I have been seated next to the distinguished Senator, the chairman of the Appropriations Committee, for quite some time, and I value his friendship. He has one of the most distinguished records that I have seen in this body.

Mr. BYRD. I thank the Senator.

Mr. BENTSEN. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. PACKWOOD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. PACKWOOD. Mr. President, I am going to submit an amendment and a statement on behalf of Senator BOND that has been cleared on both sides and is ready, I believe, to be accepted. He is unavoidably in Missouri today. I ask unanimous consent that the floor statement be inserted after I offer the amendment.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

AMENDMENT NO. 2434

(Purpose: To ensure that ex-service members and reservists are not denied trade adjustment assistance because they are fulfilling their active duty requirements)

Mr. PACKWOOD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Oregon [Mr. PACKWOOD], for Mr. BOND, proposes an amendment No. 2434.

Mr. PACKWOOD. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, insert the following section:

SEC. . EFFECT OF CERTAIN MILITARY SERVICE ON TRADE ADJUSTMENT ASSISTANCE.

(a) TRADE ADJUSTMENT ASSISTANCE.—Paragraph (2) of section 231(a) of the Trade Act of 1974 (19 U.S.C. 2291(a)(2)) is amended—

(1) by striking "or" at the end of subparagraph (B),

(2) by inserting "or" at the end of subparagraph (C),

(3) by inserting immediately after subparagraph (C) the following new subparagraph:

"(D) is on call-up for purposes of active duty in a reserve status in the Armed Forces of the United States, provided such active duty is 'Federal service' as defined in 5 U.S.C. 8521(a)(1)," and

(4) by striking "paragraph (A) or (C), or both," and inserting "subparagraph (A) or (C), or both (and not more than 26 weeks, in the case of weeks described in subparagraph (B) or (D))."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to weeks beginning after August 1, 1990.

• Mr. BOND. Mr. President, more than 1,000 Missourians served their country as members of the Missouri Army and Air National Guard in Operation Desert Storm. While these members of the Guard were on active duty status, Brown Shoe Co., a major State employer, shut down many plants in Missouri.

After the plant closings, the Department of Labor certified former employees of Brown Shoe Co. as eligible to apply for trade adjustment assistance. My colleague, JACK DANFORTH, and I urged approval of this application and we are grateful that the Department of Labor made this decision. The trade

adjustment assistance funding will enable workers to search for new jobs, relocate, and retrain if necessary, and provide weekly benefits while they look for new work. Since many of Brown Shoe's workers had made the company a lifetime career, this assistance is essential to help workers find new jobs and to help entire regions remain economically viable.

But there is a problem with the eligibility of Missouri Army and Air National Guard members who served their country in Desert Storm during the first year. The Department of Labor has declared these members of the Guard ineligible for full assistance because their service to their country took them away from the plant during the time considered for eligibility.

As Missouri Senator and national co-chairman of the National Guard caucus, I urgently requested that the Department of Labor reconsider this eligibility determination. My constituents willingly answered their country's call to duty in time of war. They should be honored for their service, not punished for it.

I know the determination affects employees of Brown Shoe in Bernie, MO, because workers have told me so. Seven other Brown Shoe plants have been designated for trade adjustment assistance in Missouri, and there have been several other companies in our own State which have trade adjustment assistance certifications. Since 1,300 Missouri Guard men and women were called to active duty during Desert Storm and since several companies have been granted trade adjustment eligibility, this problem conceivably could affect many Missourians. And this is a nationwide problem because more than 75,000 Guard members were called to active duty across the country.

The problem has arisen as a result of the interpretation of TRA eligibility regulations which require an employee to work for at least 26 weeks during a specified time period for the adversely affected employer. Because my constituents served their country in Operation Desert Storm during the qualifying time period, the Department has determined that they are not eligible for full benefits. In 1981, Congress specifically provided an exception for up to 7 weeks of Guard training. While there may not be a specific exception for service during wartime in excess of 7 weeks, it is clear that Congress had no intention of discriminating against those who serve in the military.

Guard members who served in Desert Storm and Desert Shield should not be penalized by denying them full benefits under trade adjustment assistance. It is happening in Missouri and must be happening in other States across the Nation. And that is just plain wrong.

My amendment is designed to specifically address this narrow problem, and

I want to thank the Department of Labor, as well as my colleagues on the Finance Committee for working with me to handle this problem. Special thanks should also go to the Finance Committee staff for making sure this amendment will work.

Mr. President, we guarantee job protection and prohibit discrimination against our veterans and this amendment insures that trade adjustment assistance eligibility is also protected.

Mr. PACKWOOD. Mr. President, this is a very unique situation. There were about 1,000 Missourians who served their country as members of the Missouri Army and Air National Guard in Operation Desert Storm. While these members of the Guard were on active duty status in Desert Storm, Brown Shoe Co., a major State employer, shut down many plants in Missouri. They do not quite fit into the normal trade adjustment assistance mold, and this amendment will take care of it.

Mr. BENTSEN. Mr. President, I think the amendment offered by the distinguished manager of the bill for the Senator from Missouri is a good amendment. What it does is say that those servicemen called up for active duty will not lose the trade adjustment benefits that they would have otherwise received. Apparently, as my colleague stated, this happened to some of those serving in Desert Storm. Looking at the cost of the amendment, it is less than \$1 million. I support the amendment, and I urge its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 2434) was agreed to.

Mr. BENTSEN. Mr. President, I move to reconsider the vote.

Mr. PACKWOOD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BENTSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DOLE. Mr. President, as I understand, under the order, I am allowed, I guess, an hour and a half, equally divided.

The ACTING PRESIDENT pro tempore. The minority leader is correct. Under the previous order, the time for debate on this amendment is limited to 90 minutes, equally divided between the minority leader and the Senator from Texas.

Mr. DOLE. Let me indicate at the outset that it will not take 90 minutes.

AMENDMENT NO. 2435

(Purpose: To provide a substitute amendment)

Mr. DOLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The ACTING PRESIDENT pro tempore. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kansas [Mr. DOLE] proposes an amendment numbered 2435.

Mr. DOLE. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection it is so ordered.

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. DOLE. Mr. President, I know the fate of this substitute, and I accept that, because of an indication last evening that I would not have the votes to pass the amendment. But I wanted to make the RECORD, because it seems to me there are a number of things we are trying to get done and I am still of the opinion that we ought to do it from one package so we do not have numerous packages.

So what we have tried to do in the substitute amendment is to take care of the unemployment problem—not quite as generous as the chairman's Senator BENTSEN's proposal—the extenders for 12 months, which include education assistance; group legal; mortgage revenue bonds; small issue IDB's; orphan drug credit; low-income housing credit; targeted jobs credit; AMT for charities, we expanded that; 25-percent reduction for the health insurance for self-employed. We were not able to increase that because we could not find additional money.

Other extenders would be the vaccine excise tax for 2 years; retirement transfer, make that permanent.

The cost on the extenders would be about \$3.775 billion. Our unemployment benefit package is about \$2.8 billion, according to CBO. The estimates for extenders were prepared by the Joint Committee on Taxation.

We would also repeal luxury tax on everything effective January 1, 1992, except repeal of the tax on autos, which would be effective on June 19, 1992. The estimate of the luxury tax is \$2.183 billion.

In addition, we include a provision on enterprise zones. The estimate for enterprise zones is \$2.313 billion, from Treasury. The total package is \$11.076 billion.

And I will include in the RECORD where we get the revenue. We do pay for it. It is in fact the total revenues raisers, with the S&L double-dip, is about \$13 billion; without it about \$12.3 billion.

Now, it seems to me if we want to get this done and avoid a lot of legislative

wrangling and move the program forward, there is still an opportunity to put this package together. The administration very much wants enterprise zones. I know there are some disagreements on how we put that package together. I understand the administration is making an effort now to satisfy concerns on both sides of the aisle in both the House and the Senate on the enterprise zone package.

On luxury taxes, I think we are pretty much in agreement, except some of us would like to repeal the tax on everything including automobiles rather than just indexing as it is coming out later in the luxury tax repeal reported by the Senate Finance Committee.

On the extenders, the provisions in the Senate Finance Committee package is 18 months; ours is 12 months. But again, trying to put something together that would cover everything and still be over \$11 billion package, it seems to me we have made an effort. We pay for it.

At first blush, it appears to me that the unemployment package by itself is headed for another veto, the same track that we had on the supplemental. We finally worked out the supplemental. The emergency extension of unemployment benefits is about to expire, and it does seem that we ought to be able to agree that the program should be extended. Everybody wants to extend it. So it makes sense to go ahead and extend the program now and argue over reforms only after we assure people their benefits will continue.

I must say we are prepared to even look at some of the reforms proposed by the chairman of the Senate Finance Committee. They are not included in our package. They could have been included in our package. There are a number of areas where we think we can find agreement.

On the unemployment compensation portion of our amendment, benefits would be extended as set forth in S. 2699, which was the package introduced over a month ago by myself and Senator PACKWOOD, cosponsored by 26 other Republican Senators, and endorsed by President Bush.

The extension represents an extension of current law programs—programs we passed last November and most recently extended in February.

This means that unemployed Americans exhausting their regular 26 weeks of benefits between June 14 and January 2 would get 20 or 13 weeks of benefits making for a total of 46 or 39 weeks. And those exhausting benefits between January 3 and March 6 would receive 10 or 7 weeks of extended benefits making for a total of 36 or 33 weeks depending on their State's unemployment rate.

While I know the benefits are somewhat more generous in the package sponsored by the distinguished chairman of the committee, I repeat that

the benefit levels in this proposal are identical to current law which also provides 20 or 13 weeks of benefits. I would hope that we could avoid a bidding war on this issue.

In addition, the proposal mandates that the report of the first Advisory Council on Unemployment Compensation—which we created last year—be submitted no later than February 1, 1993—or 1 year earlier than current law provides.

So we are looking at dealing with some of the recommendations made by that Council.

I am well aware of the fact that the proposal of the chairman contains a number of reforms to the Permanent Extended Benefits Program—including a new alternative trigger option for States. I agree that these reforms are likely good reforms, but I am concerned about legislating in the dark.

The reason we all agreed to create an Advisory Council was to study these issues so that Congress could act based on their careful study and, hopefully, their objective findings, and not without some indication as to which way we should go.

Now, we are legislating permanent changes in the law before the Council has even had an opportunity to meet. And we know there has been some foot dragging on that, but we are going to mandate they get a report out here by February 1993, and that would take care of that.

So I think my point is that we are not going to have many opportunities to have a tax measure on the floor. It seems to me we ought to do as much as we can to take care of these important issues that might otherwise get left behind in the package. We can avoid a lot of amendments. We can agree there are not going to be amendments offered to every tax bill that comes out here because they are very attractive to a number of members who have legitimate concerns and legitimate amendments. Of course you have to pay for them these days and that makes it difficult. And we ought to have to pay for them. But unemployment is not the only issue on which we can or should be able to reach agreement—there are a number of others which I have mentioned several times—including repeal of the luxury tax, extension of the expiring extenders, and some version of an enterprise zone bill.

Given the limited number of opportunities we are going to have to take a tax measure to the floor, it seems to me we ought to do as much as we can to take care of these important issues that might otherwise get left behind, in a package. This one package should be paid for in full. All of us know we cannot afford to simply add to the deficit or find more phoney revenues.

There are a number of options available to us that are relatively non-

controversial. We are prepared to offer a package that contains provisions which extend—in fact we have offered that package—expiring unemployment benefits, 12 months, provides for the extenders and repeal of the luxury tax, and the administration's enterprise zones—and, importantly, it is paid for—paid for with real revenues, that in large part are acceptable to most of us.

I believe we can pass this kind of a package. And I, most importantly, believe it would be signed by the President. When it has mattered, we have a fairly good track record of working together—the previous unemployment extended benefits compromises attest to that and the extender package is another example of where we have stayed focused and together. Clearly, both parties can work together and Congress and the administration can work together. It has been done before, and frankly, I think this is an opportunity to show ourselves and the American people we can do it again.

I hope, knowing my package is not going to pass today, there is still an opportunity for Democrats, Republicans, and the administration to sit down at the appropriate committees with the appropriate committee chairmen and ranking members to try to hammer out a package and get it done in the next few days before the July break.

So it is clear we do not have the votes today, but we still have a chance to negotiate prior to the bill being sent to the President. I hope the final package will look somewhat like ours. Obviously, there is room for improvement. There has to be compromise. We are certainly prepared to do that.

Mr. President, I ask unanimous consent to have printed in the RECORD additional information which in effect is a summary of the amendment.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SUMMARY OF AMENDMENT REVENUE LOSERS

- Unemployment:**
EUC benefits (continuation of current law):
a. June 14–Jan. 2, 1993—20 or 13 weeks.
b. Jan. 3–Mar. 6, 1993—10 or 7 weeks.
Estimate for unemployment benefits: \$2.805 billion (CBO).
- Extenders:**
a. 12-month extensions:
Educational assistance;
Group legal;
Mortgage revenue bonds;
Small issue IDBs;
Orphan drug credit;
R&E credit;
Low income housing credit;
Targeted jobs credit;
AMT for charities (expanded);
25 percent deduction for health insurance (self employed).
b. Other extensions:
Vaccine excise tax (2 years);
Railroad retirement tier II transfer (permanent).

Estimate for extenders: \$3.775 billion (JCT).

3. **Luxury Tax:** Repeal on everything effective January 1, 1992, except repeal of tax on autos is effective June 19, 1992.

Estimate for luxury taxes: \$2.183 billion (JCT).

4. **Enterprise Zones:** Revised Administration proposal.

Estimate for enterprise zones: \$2.313 billion (Treasury).

Estimate of total package: \$11.076 billion.

REVENUE RAISERS

1. From Finance Committee unemployment and extender bills:

a. Mark to market for security dealers—\$2.460 billion (JCT);

b. Taxable years of partnerships—\$1.59 billion (JCT);

c. Increase corporate estimated tax payments to 96 percent permanently—\$3.730 billion (JCT);

d. Intangible asset simplification and settlement proposal—\$2.413 billion (JCT);

e. Reporting of seller financed mortgage interest—\$588 billion (JCT);

f. Prohibit double dipping by S&Ls—\$695 billion (OMB).

2. From vetoed tax bill (H.R. 4210):

a. Individual estimated tax 115 percent safe harbor (permanent)—\$3.0 billion (JCT).

Total raisers (with S&L double dip)—\$13.044 billion (JCT/OMB).

Total raisers (without S&L double dip)—\$12.349 billion (JCT).

CHART A.—SUMMARY OF REVENUE EFFECT OF AMENDMENT

(In millions of dollars)

	1992	1993	1994	1995	1996	1997	1992-97
Unemployment compromise (CBO est.)	695	2,110	0	0	0	0	2,805
Administration enterprise zones (Treas. est.)	0	32	215	466	722	878	2,313
12-month extension of expiring prov.—see chart B (JCT est.)	394	1,206	840	464	449	422	3,775
Repeal luxury tax, effective Jan. 1, 1992 except autos effective June 19, 1992 (JCT est.)	41	333	423	441	462	483	2,183
Total losers	1,130	3,681	1,478	1,371	1,633	1,783	11,076
Total raisers—see chart C	1,720	4,417	2,060	95	-220	4,972	13,044

CHART B.—12-MONTH EXTENSION OF EXPIRING PROVISIONS

(In millions of dollars)

	1992	1993	1994	1995	1996	1997	1992-97
Educational assistance	62	179	0	0	0	0	241
Group legal	27	85	0	0	0	0	112
25-Percent health insur. dedn. self-employed	58	182	132	0	0	0	372
Mortgage revenue bonds	4	39	71	77	73	69	333
Small-issue IDB's	2	30	52	56	51	47	238
R&E tax credit	184	472	264	75	40	17	1,052
Low income housing credit	11	64	148	210	247	266	946
Targeted jobs	39	110	118	66	30	17	380
Orphan drug	1	5	1	0	0	0	7
AMT-charity (expanded)	6	40	54	+20	8	6	94
Vaccine tax (2-yr. ext.)	0	0	0	0	0	0	0
RR retirement (permanent)	0	0	0	0	0	0	0
Total	394	1,206	840	464	449	422	3,775

Note.—This chart does not include: 1. R&D allocation for multinationals (Treasury has been asked to resolve this by regulations). 2. Two expiring provisions dealt with in the energy bill: a. Business energy credits (solar and geothermal). b. Sec. 29 nonconventional fuels credit.

Source: Joint Committee on Taxation (June 11, 1992).

CHART C.—RAISERS
[In millions of dollars]

	1992	1993	1994	1995	1996	1997	1992-97
Tax years of partnerships	129	310	-92	-192	3	1	159
Incr. corporate est. tax to 96 percent (permanent)	0	799	-173	16	16	3,072	3,730
Mark-to-market secur. dealers	118	354	482	492	502	512	2,460
Indiv. est. tax 115 percent safeharbor (permanent)	400	0	0	0	0	2,600	3,000
Intangible asset proposal approved by Finance Comm.	715	2,483	1,735	-295	-798	-1,428	2,413
Reporting of seller-financed mortgages	23	91	107	114	122	131	588
Subtotal	1,385	4,037	2,059	135	-155	4,888	12,349
S&L double dip (OMB estimate)	335	380	1	-40	-65	84	695
Total raisers	1,720	4,417	2,060	95	-220	4,972	13,044

Source: Joint Committee on Taxation (Items 1-6), June 1992.

The ACTING PRESIDENT pro tempore. The Senator from Texas.

Mr. BENTSEN. Mr. President, the minority leader has offered a very major amendment. There is no question about that. There are many things in that amendment I would support, and other Members of the Senate would support. But I must oppose this amendment at this time.

I find it interesting that these amendments would be put together in a package. In all candor, it would make the job of the chairman of the Finance Committee a lot easier if we could do them in a package. But the problem is trying to legislate without having an opportunity to further evaluate some of the major proposals that are being made. The unemployment compensation benefits begin running out this month, and the benefits expire entirely on July 4. It is imperative that we take care of this problem.

It is interesting to look at an op-ed piece done by the Secretary of Labor on June 9 in the Washington Post. Talking about the unemployment compensation proposal, it says the President and the congressional leadership "have up front stated they want to extend the emergency benefits. Indeed, we have offered a solid proposal." It goes on to make this point, that: "It meets several critical requirements in addition to providing needed assistance. First, it maintains the fiscal discipline of the bipartisan budget agreement that is essential to long-term economic growth."

Certainly, I want to see that. But then it goes on to say: "Finally, it does not contain other amendments related to or extraneous to the Emergency Unemployment Compensation Program, which would simply delay a quick extension of these important benefits."

I must say, I certainly agree with the Secretary of Labor on that point. Therefore, I think it is important that we keep this bill clean.

I might make the point, too, that the extension of the expiring provisions, and the luxury tax items, were included in a bill that passed the Congress in March. Unfortunately, the President chose to veto that bill.

Now, as the Senator knows, the Finance Committee has once again acted to correct this problem. Earlier this week we reported out a bill that would

provide for 18 months' extension of expiring provisions, and for repeal of the luxury tax on airplanes, boats, and other items.

We are also going to be considering enterprise zones. I think there is general support for enterprise zones. But the problem is in trying to define them and see how far we go. We have other important tax matters in the coming weeks. And we will be bringing a bill to the floor as soon as possible.

This proposal contains the President's enterprise zones. I do not want to get into an extended debate on that particular issue, but I would point out a couple of problems that I think we face with the President's proposal.

First, we just received the statutory language yesterday. We are still in the process of reviewing it.

Second, as I look at it, this is essentially an entitlement program. I do not want to pass something in haste and repent in leisure. The President's proposal, originally, as I looked at it, proposed some 50 zones; 2 weeks ago they proposed 100 to 150 zones. Now I am informed that the proposal would allow nearly 300 zones.

Despite the rhetoric surrounding this issue, the economic literature regarding the potential effectiveness of this program warns us to proceed carefully and not just put the pedal to the metal. Let us be sure we have something that works.

We have been through model cities and Job Corps and all the rest of it. Let us see that we truly address the problems of these inner cities and these areas of extraordinarily high unemployment. I think Republicans and Democrats alike are concerned about these problems.

So we cannot throw caution to the wind as we try to decide how the proposal for enterprise zones should work, as we consider what I look on as a nationwide entitlement program. I think my colleagues on both sides of the aisle might have some problems with that.

Third, I have serious concerns about the incentives provided in the administration's zone proposal. They are calling for a 100 percent capital gains exclusion, a \$50,000 deduction for stock purchases, a \$10,000 exception to the passive loss rules, industrial development bonds for zone business—all capital incentives. What concerns me is

they have cut back on the one labor incentive that was contained in their proposal—their wage credit now applies only to single individuals with no children. Since this credit goes to the employee, not the employer, the business does not have any real incentive to hire these individuals.

The thing I want to be sure of, as we talk about some of these tax benefits, is that they are not just siphoned off to the outside of the zone, but a substantial amount of them accrues to the individuals within that zone. I am concerned that the proposal, as it is presented now, would bring back a real growth in the tax shelter industry.

The goal of this proposal should be to create jobs for residents, not jobs for tax attorneys, accountants, and syndicators.

Fourth, we do not have an estimate from the Joint Tax Committee. It looks to me like a blank check here. The Treasury estimates that the proposal, when they are assuming 100 to 150 zones, would cost \$2.3 billion, only \$500 million more than the original proposal calling for 50 zones. I do not see how you get that kind of an increase, from 50 to 100-150, by just increasing the cost by 28 percent, when you double or triple the number of zones, and make the incentives more generous.

I think, maybe, I recognize part of it. I assume they are pushing some of the cost attributable to capital gains out beyond the 5-year budget window.

We are dealing here with issues of enormous importance to the American people, involving billions of the taxpayers' dollars. These issues deserve the full consideration by all Senators and certainly by the committee of jurisdiction. And I just do not believe they should be voted on today as part of the urgent unemployment bill.

Unless we take action on this bill within the next 2 weeks, there are going to be no emergency benefits for hundreds of thousands of long-term unemployed workers across this Nation.

I do not think we can risk holding up this bill while we debate issues that may not be—in fact, probably will not be—resolved before the current emergency benefit program expires on July 4.

And I recall, when the Secretary of Labor, Lynn Martin, was testifying be-

fore the committee, she was insisting then that we push an unemployment bill, as clean as possible, as quickly as possible, citing the deadline set by the expiration of the current program. But I think the substitute moves in the opposite direction. It adds on legislative items, whose language we have not seen, that have not been acted on by the House, and which will probably require additional work to refine.

All these things are important. As I stated, I support many things that the minority leader has talked about and proposed. But others we have really not studied. I think they will delay this bill, and they are in direct contrast to the plea of the Secretary of Labor such a short while ago, who at that time, I thought, was speaking on behalf of the administration. The victims of delay will be the unemployed whose benefits will expire in 2 short weeks.

In my view, the provisions of the substitute that extend emergency unemployment benefits are inadequate. Last February, when the Senate approved the current benefit levels, providing 33 weeks of emergency benefits in high unemployment States and 26 weeks in all others, the unemployment rate stood at 7.1 percent. I heard my colleague state that what they were doing in the way of benefits, was present law. He is technically correct because the other benefits expired on June 13, and the old provisions went into effect.

But when you had 7.1 percent unemployment, we had 33 weeks and 26 weeks of benefits, and now you have 7.5 percent unemployment. With higher unemployment now than last winter, how can you justify cutting back in the number of weeks for extended benefits? If you recall, that unemployment bill passed the Senate by a vote of 94 to 2 and had the full support of the President. I do not know how you can justify reducing that number of weeks as the unemployment rate goes up.

I think we should phase down the number of weeks of benefits as quickly as we reasonably can, and the committee bill will do just that. As soon as the national unemployment rate falls below 7 percent for 2 consecutive months, the number of weeks of benefits will drop to 15 and 10, and when it falls below 6.8 percent, then the weeks of benefits will drop to 13 and 7.

So this proposal is carefully crafted to reflect actual, not someone's projected, not someone's subjective estimate as to what unemployment rates are going to be. And if it turns out that the unemployment rate drops faster than CBO's estimates, of course the bill's cost is going to be correspondingly reduced.

So, Mr. President, we do have a serious problem on our hands with the expiration of these benefits, with thousands and thousands who are losing their unemployment benefits. Time is

very much of the essence. We will be addressing the additional concerns that have been discussed by the minority leader, and we will be coming with a composite piece of legislation.

So I strongly urge that we not accept the amendment proposed by my friend, the minority leader, and that we get on with this piece of legislation to see that these benefits to the unemployed are taken care of.

I retain the remainder of my time and yield time to the Republican leader since I heard my colleague yield back his time.

Mr. DOLE. Mr. President, I wanted to underscore what the chairman said in reference to enterprise zones and entitlements. We do not want to make it an entitlement program. If anybody else does, they are going to have difficulty on both sides of the aisle.

Mr. BENTSEN. I was listening to one member of the administration—and I am sure you can guess who—who really looked on it as an entitlement. I hope that is not the feeling of the administration.

Mr. DOLE. It seems to me, with all the uncertainties about enterprise zones, there ought to be some capping of the number, too, at some reasonable level. So I think we are going to find agreement on this side in many of the things the chairman has just stated.

But I think the point is we did say on April 29, after the Los Angeles riots, we would move quickly. This may not be the answer. It is certainly not the only answer to some of the problems. That is why I included enterprise zones in the package, knowing it would need a great deal of refinement and discussion and, hopefully, some negotiation, but still hoping that it might be done before we leave here on July 2 or 3.

I thank the chairman for yielding. The PRESIDING OFFICER (Mr. WOFFORD). All time is yielded back?

Mr. BENTSEN. I yield back the remainder of my time.

The PRESIDING OFFICER. If there is no further debate, the question is on agreeing to the Dole substitute amendment.

The amendment (No. 2435) was rejected.

Mr. BENTSEN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LEVIN. Mr. President, we may be less than a week away from the beginning of summer, but the economic recovery in America is still glacial. The national unemployment rate appears to be frozen above 7 percent, and the unemployment rate in my home State of Michigan has hovered around 9 percent for months. So the recession has not receded in Michigan. It is tragically real for 400,000 people who are

unemployed, and that figure does not include 16,000 people who are exhausting their State benefits each month.

The bill we are passing today keeps in place the additional 33 weeks of benefits that were provided during this recession for States like Michigan with high unemployment. The bill also extends those additional 33 weeks to some people who were not previously covered. The result is that about 180,000 people in my State of Michigan will get some degree of assistance from this bill.

Ironically, the current program ends on July 4, unless we act to renew it. That should remind us just how much our people need freedom from fear of the loss of their jobs, and it also should give our unemployed some hope and some sustenance. But July 4 has great meaning for everybody in this country, and July 4 is the deadline we now face to get a bill passed, into the hands of the President and signed, so that we can keep some hope alive in the hearts of our unemployed people.

I am pleased that the Senate today is considering H.R. 5260, which will provide up to 33 weeks of additional unemployment benefits for those individuals who are exhausting the 26 weeks of regular State benefits. Individuals who have already received extra weeks of benefits under previous extensions will be eligible for additional weeks so that they, too, can receive up to a total of 33 weeks additional unemployment benefits. In Michigan, this bill means some degree of assistance for 178,000 people and a total of \$500 million coming into the State. It will help provide a bridge of hope over troubled times as people continue their earnest, but still too often fruitless, search for a new job.

But as important as this legislation is, we cannot stop here. In particular, we must bring to the Senate floor legislation that will allow us to open foreign markets by making clear that we will treat them no better than they treat us. The jump in the trade deficit that was reported yesterday only highlights this need for action. We must make clear that shutting the door in the face of our products will mean, with a greater degree of certainty, that their products will face equivalent restrictions when they try to enter our market. Month after month and year after year of unfulfilled promises of progress have coincided with millions and millions of lost American jobs.

The legislation that we are considering today will temporarily help the victims of our all-too-weak trade policy. But we must go beyond it if we are to save jobs and our manufacturing base in this country. That is our next order of business.

(At the request of Mr. MITCHELL, the following statement appears in the RECORD.)

• Mr. DECONCINI. I rise in support of this measure to extend emergency un-

employment insurance benefits for the thousands of American workers who are still in search of a job. While the latest unemployment figures are down slightly, there is still a significant number of Americans who are unable to find work.

In Arizona, the economic picture remains uncertain. With an unemployment rate of 7.2 percent in May, that translates to nearly 120,000 Arizonans without jobs. Nationally there are 9.2 million unemployed workers who need assistance due to fewer available job opportunities. New claims for unemployment insurance are also rising. In April 1992, there were an estimated 1,648,000 new claims filed nationally, with 12,844 of those filed in Arizona. These figures demonstrate that the need for unemployment assistance still exists and needs to be dealt with in this legislation.

While unemployment insurance is not a solution to unemployment, it does provide a safety net for workers who cannot find a job. This legislation allows States greater flexibility in determining the eligibility criteria for emergency benefits. One important modification allows the Governor of a State with areas of exceptionally high unemployment rates to waive the job search requirement. Workers affected by mass layoffs or plant closings, particularly in rural areas, find it difficult to comply with job search requirements when there are no jobs available. They should not be penalized because the bottom has fallen out of the job market.

This bill also provides automatic assistance to those workers who are hardest hit by the recession—the long-term unemployed. Beginning in March 1993, States would have the option of providing up to 13 weeks of benefits if the State's total unemployment rate for the most recent 3 months is at least 6.5 percent. They wouldn't have to wait for Congress to struggle through another emergency extension, and could immediately provide additional benefits if they are needed.

Should we see a miraculous recovery in the economy and should unemployment figures drop consistently, this bill provides for the phaseout of the Emergency Unemployment Compensation Program. The phaseout provisions require that if the national unemployment rate falls below 7 percent for 2 consecutive months, the level of benefits would be reduced to 15 or 10 weeks, depending on the State's unemployment rate. If the unemployment rate falls below 6.8 percent for 2 months, those weeks would be reduced to 13 and 7, respectively.

I am hopeful that as this bill goes to conference, the differences in how we provide a system of emergency benefits to the States can be resolved quickly. It is important that we send a bill to the President before the provisions of

the last emergency extension bill expire on July 4.

I would also encourage President Bush to reconsider his threat of a veto of this bill. Last year, it took two bills and several months before the President signed an emergency extension bill. Thousands of unemployed workers were left without benefits while Congress and the administration haggled over what to do to provide an extension of benefits. Let's not make that mistake again this year. Too many Americans are depending on us to put political differences aside and do what's best for the working people of this country.

Mr. RIEGLE. Mr. President, 2 weeks ago, we learned that the national unemployment rate jumped from 7.2 percent in April to 7.5 percent in May 1992. These statistics are evidence of the continuing seriousness of unemployment problem in our country and urgent need to revitalize our economy and create new jobs.

Last week the Finance Committee responded to this crisis by passing an unemployment compensation extension and reform package which is important to the 16 million Americans who are out of work. I appreciate Chairman BENTSEN'S willingness to work with me to include provisions from legislation that I introduced in early 1992 and in 1991 in the chairman's bill.

In January 1992, I introduced S. 2143, one of the first bills to extend the Emergency Compensation Act of 1991 and provide emergency benefits for millions of unemployed Americans through March 1993. In 1991, I authored S. 1296, the Unemployment Insurance Reform Act, which was designed to help cure the problems in our Nation's unemployment insurance systems and assist unemployed workers in Michigan.

The chairman included a provision similar to one in S. 1296 to make permanent repairs to the Extended Benefit [EB] Program in his bill. This provision would change the EB Program's trigger so that the payment of extended benefits would be based upon a State's total unemployment rate. Under U.S. law, the EB trigger is based on the insured unemployment rate, which corresponds to the number of unemployed workers who are currently collecting basis unemployment benefits, not the true unemployment rate many of our States face. This innovative EB trigger reform and its flexibility will help people who live in States with high unemployment.

Up until now, our unemployment insurance system has looked at too small a segment of the work force to determine whether extended benefits are necessary. As a result, many Americans have been denied benefits they desperately need. The system must be redesigned to prevent workers from being abandoned by the Federal Government in a time of economic crisis.

The unemployment insurance package we are considering today is an important step toward this end.

I encourage my colleagues to support this reasonable package. Some 16 million unemployed Americans are counting on the Congress to approve and the President to sign this measure before the current extension expires on July 4.

Mr. SYMMS. Mr. President, I oppose this unemployment compensation package. I voted against the unemployment compensation extension in February because I believe the American people deserve better than what they are getting out of their Federal Government.

Part of the reason this unemployment package is being considered today is that Congress enacted a luxury tax in 1990, purportedly in an effort to make the rich pay. Guess what. The basic laws of free market economics won out over Congress. The rich didn't pay. They simply bought their higher priced goods in other countries or made do with what they already had, and the people who paid were the workers whose jobs depended on having a market of buyers for the products they made.

According to a Joint Economic Committee study prepared for Senator MACK, the luxury tax on boats has cost Rhode Island alone 7,600 jobs. Which makes better fiscal sense—repeal a tax that is costing thousands of jobs or put an even heavier load on taxpayers with a bill that will cost them \$5.4 billion over 5 years? You make the call. I am pleased that the Finance Committee has reported a bill to repeal the luxury tax. That's the right way to go; this extension of unemployment benefits is precisely the wrong way.

I recognize a genuine need for unemployment compensation. There are those who need temporary assistance when they're laid off work. The question is, how many months can the taxpayers provide assistance and still call it temporary? This bill could potentially extend emergency unemployment compensation until March 6, 1993. That's an additional 38 weeks, or 9½ months on top of the 23 to 30 weeks of regular State unemployment that people receive before they even tap into the Federal Government. This bill is completely undesirable.

The problem is we're taxing and regulating business out of business and workers into unemployment lines. I have said before and I'll say again that what Congress should do is freeze all spending across the board. We then could reduce the payroll tax and give middle-income Americans and businesses additional cashflow.

Mr. President, I oppose this bill not because I lack compassion for Americans in need. I oppose it because America cannot afford it, and it seems to me that the numbers say this for them-

selves; 38 weeks is too long to qualify as temporary assistance, and \$5.4 billion is too much money when we're debating how to balance a budget that currently stands at a \$400 billion deficit. I urge my colleagues to vote "no" on final passage of this bill.

Mr. HATFIELD. Mr. President, today we are considering yet another extension of emergency unemployment compensation and I would like to lend my support to this effort.

As my colleagues know, last month the national unemployment rate rose 0.3 percent to a total of 7.5 percent. In Oregon, our seasonally adjusted unemployment rate dropped 0.5 percent for the second consecutive month to a seasonally adjusted rate of 7 percent. This significant drop has brought Oregon's unemployment rate below the national average for the first time since last December.

Despite this drop, there were still approximately 106,500 Oregonians who were looking for work last May in my home State. This is nearly 19,000 more people seeking employment than in May 1991, when our unemployment rate stood at 5.9 percent.

Although I am encouraged that Oregon's unemployment rate has dropped a full 1 percent in the last 2 months, I am still very concerned about the thousands of people in Oregon, and the literally millions of people across this country, who are desperately looking for work.

I would like to thank Senators BENTSEN and PACKWOOD for bringing this important legislation to the floor so promptly. I believe that enactment of this bill is vitally important to those people who's unemployment benefits are due to expire in the next few weeks.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute, as amended.

The committee amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and third reading of the bill.

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

The bill was read a third time.

The PRESIDING OFFICER. The bill, having been read the third time, the question is, shall the bill pass?

So the bill (H.R. 5260), as amended, was passed.

Mr. BENTSEN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. PACKWOOD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BENTSEN. Mr. President, I ask unanimous consent that the Senate insist on its amendment, request a conference with the House on the disagree-

ing votes of the two Houses, and that the Chair be authorized to appoint conferees.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. BENTSEN. Mr. President, I now ask unanimous consent that there be a period for morning business, with Senators permitted to speak therein for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

CELEBRATING WEST VIRGINIA'S 129TH BIRTHDAY

Mr. ROCKEFELLER. Mr. President, today I rise to speak to you in honor of the people of the great State of West Virginia in recognition of our State's 129th birthday.

On the 20th of June in 1863, the State of West Virginia was born. The product of a crisis between the States, West Virginia earned its place as the 35th State to join the Union, through incredible bravery and initiative.

This spirit of initiative has remained with our fair State since its inception. The proud people of West Virginia have consistently served this country through the good times and the bad. We have fought valiantly for our country, we have provided for our families through hardship and prosperity, and we have worked to establish the greatest community, State, and country that we possibly could.

Mountaineer pride is evident still today, throughout the State. This pride has attracted hundreds of thousands of vacationers to our fair State. They have fallen in love with our majestic mountains ideal for skiing, our raging white water rivers, and our beautiful national parks. One only needs to open any local West Virginia newspaper to see the numerous letters written from vacationers commending the State on both its attractions and its people.

This feeling has led many people to continue to visit the Mountain State, and has brought many more to relocate permanently in our fair State for good. Thanks to the hospitality and kindness of West Virginia's native residents, our Mountain State quickly becomes home for her new citizens, and remains a place where pride and hard work thrive.

So, on this, the 129th birthday of our State, I ask you, Mr. President, and my other colleagues, to join me in recognizing this important day for West Virginia, and for all her citizens who have made West Virginia a State that I am proud to represent and call home.

TRIBUTE TO DARWIN SCHENDEL

Mr. KOHL. Mr. President, I rise today to pay tribute to Darwin

Schendel of Oakdale, WI. Mr. Schendel is retiring this Friday as the general manager of the Oakdale Electric Cooperative, a member-owned organization which he has served over the past 33 years. Mr. Schendel is in Washington this week representing the Wisconsin Electrical Cooperative Association, and at this time I would like to take a moment to highlight the rich contributions the Mr. Schendel has made to his cooperative and to his community.

Mr. Schendel was born and raised in Monroe County, WI. After graduating from high school in 1948 he farmed for a year, then worked for 3 years as a mechanic for the Ford Motor Co.

In 1959, Mr. Schendel went to work for the Oakdale Electric Cooperative, where he has been employed ever since. He started as an appliance repairman, but over the years he has risen considerably within the cooperative. He served as appliance foreman, staff assistant, and assistant manager, and in 1980, he became general manager of the cooperative.

Mr. Schendel has served his community in many capacities. He is vice president and secretary of the Monroe County Agricultural Society, a board member of the Wisconsin Association of Fairs, a member of the Farmers and Merchants Bank board of directors, and chairman of the Monroe County Housing Authority Board. He has also served as fire chief of the Oakdale Fire Department, on the advisory board for the area vocational schools, and as a board member of St. Michael's Catholic Church.

Mr. Schendel and his wife Rosella have three daughters, Dianna, Sandra, and Sue, and three grandchildren. I join his family, his friends, and his colleagues in the Wisconsin Electrical Cooperative Association in wishing Mr. Schendel the happy retirement that he so richly deserves.

TODAY'S "BOXSCORE" OF THE NATIONAL DEBT

Mr. CRAIG. Mr. President, Senator HELMS is in North Carolina recuperating following heart surgery, and he has asked me to submit for the RECORD each day the Senate is in session what the Senator calls the "Congressional Irresponsibility Boxscore."

The information is provided to me by the staff of Senator HELMS. The Senator from North Carolina instituted this daily report on February 26.

The Federal debt run up by the U.S. Congress stood at \$3,946,500,252,226.04, as of the close of business on Wednesday, July 17, 1992.

On a per capita basis, every man, woman, and child owes \$15,364.46—thanks to the big spenders in Congress for the past half century. Paying the interest on this massive debt, averaged out, amounts to \$1,127.85 per year for each man, woman, and child in Amer-

ica—or, to look at it another way, for each family of four, the tab—to pay the interest alone—comes to \$4,511.40 per year.

TRIBUTE TO BERNICE KIZER

Mr. PRYOR. Mr. President, I rise today to pay tribute to one of the most dedicated public officials in recent Arkansas history. Bernice Kizer of Fort Smith is my former colleague in the Arkansas House of Representatives, a 33-year public servant, and lifetime friend to the State of Arkansas. Later this year, Bernice retires from what she says will be her last public office—the city council of Fort Smith.

In 1947, Bernice was one of the five first women to obtain a law degree from the University of Arkansas. She began her illustrious career in 1957 when she began to litigate in Fort Smith and surrounding areas. In 1959, her private practice turned into public service as she and I were simultaneously elected to our first term in the Arkansas House of Representatives.

Once a member of the House, Bernice set many precedents. She became the first woman chairman of any legislative committee when she began to chair the labor committee. She was also the vice chairman of the joint budget committee and served on the rules committee, savings and loan committee, and the banking committee. While serving her 14 years in the House, Bernice also became the first woman appointed to the legislative council.

In 1974, Bernice returned to Fort Smith and was elected in the 12th Judicial Circuit as a chancery/probate judge, adding to her precedent setting accomplishments as the first woman elected to a judgeship in Arkansas. Bernice served two 6-year terms as a judge while also serving on the Arkansas Judicial Council Executive Board from 1982–86.

All the while fulfilling the duties of these various elected roles, Bernice volunteered countless hours to both charitable and educational organizations. She was the president of the PEO, president of the Girls' Club, and president of the Business and Professional Womens' Club. Bernice also has given time as a board member of Cotter College, City National Bank, Sparks Regional Hospital, St. Edwards Hospital, and Western Arkansas Planning and Developing, just to name a few.

Along the way, Bernice has been the recipient of many special tributes. She received the University of Arkansas Law School Outstanding Alumnae Award, the First Outstanding Woman of Achievement award by the Southwest Times Record, chosen 1 of 100 outstanding women in Arkansas, and Employer of the Year by the Legal Secretaries Association.

Bernice's latest achievement was being elected to serve on the Fort Smith Board of Directors in 1988. That office has a term of 4 years. I am sad to say that the term has almost reached its end, and Bernice will retire from public service. Her accomplishments are so numerous.

The appreciation that Arkansans feel toward all her efforts in public service is immeasurable. The sadness we will feel when she leaves is only natural because she blazed so many trails for women in public service.

Mr. President, I wish Bernice all the best in this new phase of her retirement. She is an inspiration to all of us.

PLACIDINO "DINO" ZAGAMI: 1914-92

Mr. DOLE. Mr. President, I would like to inform the Senate of the passing of Dino Zagami on Monday of this week.

Placidino "Dino" Zagami, 78, a native Washingtonian and retired staff member of the U.S. Senate, died on June 15 of congestive heart failure at his home in Hyattsville, MD.

Born the first of January 1914, in the southeast part of the city, Mr. Zagami resided in Washington, DC, and the metropolitan area his entire life. His only absence occurred from 1942–46, when he left to become a member of the 4th Armored Division, 3d Army, during the Second World War. He participated in the D-day invasion landing at Utah Beach and then fought with his division through Europe into Germany under the command of the late Gen. George S. Patton. He earned five battle stars while serving in the European-African-Middle Eastern Theatre. Among the major campaigns he fought in were the Battle of the Bulge, the Battle of Bastogne, and the battle to free the city of Aanches, during which time he and three other soldiers captured more than 600 enemy prisoners. For his wartime efforts and gallantry, Mr. Zagami was awarded numerous medals and commendations, including the Bronze and Silver Stars, the Purple Heart, the French Fourragere with cluster, and the World War II Victory Cross.

Upon the conclusion of World War II, Mr. Zagami returned to the Nations Capital where he was admitted to the old Mount Olivet Veterans Hospital for the treatment of wartime injuries from which he had not yet fully recovered. After his military discharge and hospital release, Mr. Zagami married his wartime sweetheart, the former Rosemary Anastasi, also a native Washingtonian. He then returned to Government service, this time working for the U.S. Senate, where he remained for the duration of his career. He worked in the Senate Chamber as a Special Assistant to the Secretary of the Senate assigned to the Official Reporters of Debates until his retirement in June of

1972. After his retirement, he continued to reside with his family in the Washington, DC, area.

Mr. Zagami is survived by his wife, Rose, of their Hyattsville home, two brothers Joseph and Adam both of Annapolis, MD, a sister Josephine Comisso of Gaithersburg, MD, two sons Michael D. and Anthony J. also of Hyattsville, a daughter Mary Nata Mix of Thousand Oaks, CA, a second daughter Dena Marie Cicoria of Olney, MD, six grandchildren, and four great-grandchildren.

I am sure all my colleagues join me in deep sympathy for his wife and family.

HONORING SELFRIDGE AIR NATIONAL GUARD BASE

Mr. LEVIN. Mr. President, I rise today to commemorate the 75th diamond jubilee celebration of the Selfridge Air National Guard Base located in Mount Clemens, MI.

The first flight by Wilbur and Orville Wright in 1903 swept a wave of aviation enthusiasm through the Nation that had a profound impact on a local realtor in Mount Clemens.

In 1914, Mr. Henry Joy set out to transform 600 acres of marsh, located north of the city, into Joy Aviation Field. On July 1, 1917, the field was officially activated as a military installation and renamed Selfridge Field in honor of 1st Lt. Thomas E. Selfridge, the first military officer to pilot a motor-driven aircraft while flying with aviation pioneer Orville Wright at Fort Meyer, VA.

The Federal Government eventually bought the field and renamed it Selfridge Air Force Base. By the end of World War II, Selfridge Air Force Base was home to many important general officers and noted aviation heroes, including: Charles Lindbergh, Capt. Eddie Rickenbacker; generals, Curtis LeMay, Emmett "Rosie" O'Donnell, Carl "Tooyey" Spaatz, Earl Partridge, Jimmy Doolittle, and Joseph Cannon.

Many units had trained at Selfridge, including the 332d Fighter Group, an all-black unit commanded by Col. Benjamin O. Davis, Jr. One of Davis' trainee pilots was Daniel "Chappie" James, who later attained the rank of four-star general and commanded the Air Defense Command.

As times changed, so did Selfridge. The Air Force Base was changed into a National Guard Base that now houses branches of all five armed services, Reserve units of the Army, Navy, Marines, and Air Force and the State National Guard. Selfridge units again distinguished themselves in service to our country during the recent conflict in the Middle East.

Over the past 75 years, the face of Selfridge has continually changed to meet the defense needs of our Nation. It is a familiar and secure face. It is a

well-worn face that has served Michigan and the Nation well and will continue to serve as it looks to the future.

The PRESIDING OFFICER. In my capacity as a Senator from the State of Pennsylvania, I suggest the absence of a quorum. The clerk will call the roll. The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. McCathran, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

ADDITIONAL COSPONSORS

S. 781

At the request of Mr. SARBANES, the name of the Senator from Louisiana [Mr. JOHNSTON] was added as a cosponsor of S. 781, a bill to authorize the Indian American Forum for Political Education to establish a memorial to Mahatma Gandhi in the District of Columbia.

S. 1988

At the request of Mr. COHEN, the name of the Senator from Alaska [Mr. STEVENS] was added as a cosponsor of S. 1988, a bill to amend title XVIII of the Social Security Act to provide for improved standards to prevent fraud and abuse in the purchasing and rental of durable medical equipment and supplies, and prosthetics and orthotics, and prosthetic devices under the Medicare program, and for other purposes.

SENATE JOINT RESOLUTION 238

At the request of Mr. RIEGLE, the names of the Senator from Kansas [Mr. DOLE], and the Senator from Arizona [Mr. DECONCINI] were added as cosponsors of Senate Joint Resolution 238, a joint resolution designating the week beginning September 21, 1992, as "National Senior Softball Week."

SENATE JOINT RESOLUTION 307

At the request of Mr. MCCAIN, the name of the Senator from Delaware [Mr. BIDEN] was added as a cosponsor of Senate Joint Resolution 307, a joint resolution designating the month of July 1992 as "National Muscular Dystrophy Awareness Month."

SENATE JOINT RESOLUTION 319

At the request of Mrs. KASSEBAUM, the name of the Senator from Maryland [Mr. SARBANES] was added as a cosponsor of Senate Joint Resolution 319, a joint resolution to designate the second Sunday in October of 1992 as "National Children's Day."

SENATE RESOLUTION 303

At the request of Mr. MITCHELL, the name of the Senator from Wisconsin [Mr. KOHL] was added as a cosponsor of Senate Resolution 303, a resolution to express the sense of the Senate that the Secretary of Agriculture should conduct a study of options for implementing universal-type school lunch and breakfast programs.

AMENDMENTS SUBMITTED

UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992

BOND AMENDMENT NO. 2434

Mr. PACKWOOD (for Mr. BOND) proposed an amendment to the bill (H.R. 5260) to extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment compensation program, and for other purposes, as follows:

At the end of title I, insert the following section:

SEC. . EFFECT OF CERTAIN MILITARY SERVICE ON TRADE ADJUSTMENT ASSISTANCE.

(a) TRADE ADJUSTMENT ASSISTANCE.—Paragraph (2) of section 231(a) of the Trade Act of 1974 (19 U.S.C. 2291(a)(2)) is amended—

(1) by striking "or" at the end of subparagraph (B),

(2) by inserting "or" at the end of subparagraph (C),

(3) by inserting immediately after subparagraph (C) the following new subparagraph:

"(D) is on call-up for purposes of active duty in a reserve status in the Armed Forces of the United States, provided such active duty is 'Federal service' as defined in 5 U.S.C. 8521(a)(1)," and

(4) by striking "paragraph (A) or (C), or both," and inserting "subparagraph (A) or (C), or both (and not more than 26 weeks, in the case of weeks described in subparagraph (B) or (D))."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to weeks beginning after August 1, 1990.

DOLE AMENDMENT NO. 2435

Mr. DOLE proposed an amendment to the bill H.R. 5260, supra, as follows:

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

SECTION 1. 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.

TITLE I—EXTENSION AND MODIFICATION OF UNEMPLOYMENT BENEFITS

Subtitle A—Extension of Unemployment Benefits

SEC. 101. EXTENSION OF PERIOD FOR PAYMENT OF EMERGENCY UNEMPLOYMENT BENEFITS.

(a) EXTENDED PERIODS.—

(1) IN GENERAL.—Clause (ii) of section 102(b)(2)(A) of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) is amended by inserting "and ending on or before January 2, 1993" after "June 13, 1992".

(2) REDUCTION FOR WEEKS AFTER JANUARY 2, 1993.—Section 102(b)(2)(A) of such Act is amended by striking the flush paragraph at the end thereof and adding the following new clauses:

"(iii) REDUCTION FOR WEEKS AFTER JANUARY 2, 1993.—In the case of weeks beginning after January 2, 1993, and ending on or before March 6, 1993—

"(I) clause (1) of this subparagraph shall be applied by substituting '10' for '33', and by substituting '7' for '26', and

"(II) subparagraph (A) of paragraph (1) shall be applied by substituting '40 percent' for '130 percent'.

"(iv) LIMITATION ON REDUCTIONS.—In the case of an individual who is receiving emergency unemployment compensation for the week which immediately precedes the first week for which a reduction applies under clause (i) or (iii) of this subparagraph, such reduction shall not apply to such individual for the first week of such reduction or any week thereafter in a period of consecutive weeks for each of which the individual meets the eligibility requirements of this Act."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 102(b)(2) of such Act is amended by striking "subparagraph (A)(ii)" and inserting "subparagraph (A)(iv)".

(2) The heading for clause (ii) of section 102(b)(2)(A) of such Act is amended by inserting "AND BEFORE JANUARY 3, 1993" after "JUNE 13, 1992".

(3) Sections 102(f)(1)(B), 102(f)(2), and 106(a)(2) of the such Act are each amended by striking "July 4, 1992" and inserting "March 6, 1993".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to weeks of unemployment beginning after June 13, 1992.

SEC. 102. AUTHORIZATION OF ADVANCES TO THE EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.

(a) IN GENERAL.—Section 905(d) of the Social Security Act is amended—

(1) by striking "There are hereby authorized" and inserting "(1) There are hereby authorized", and

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

"(2)(A) In the absence of sufficient advances under paragraph (1) of this subsection (as determined by the Secretary of the Treasury in consultation with the Secretary of Labor), the Secretary of the Treasury is directed to advance from time to time from the Federal unemployment account to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary—

"(i) to make payments of emergency unemployment compensation under title I of the Emergency Unemployment Compensation Act of 1991, and

"(ii) to carry out the purposes of the Federal-State Extended Unemployment Compensation Act of 1970.

"(B) The aggregate sum of all repayable advances made under subparagraph (A) shall

be repaid by transfers from the extended unemployment compensation account to the Federal unemployment account, at such times as the amount in the extended unemployment compensation account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Repayments under the preceding sentence shall be made whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount in the extended unemployment compensation account exceeds the amount necessary to meet the anticipated payments from such account during the next 3 months. Any amount transferred as a repayment under this subparagraph shall be credited against, and shall operate to reduce, any balance of advances repayable under this paragraph."

(b) EFFECTIVE DATE AND SUNSET.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) SUNSET DATE.—The authority to make repayable advances to the extended unemployment compensation account under section 905(d)(2)(A) of the Social Security Act (as added by subsection (a)) shall terminate, and the provisions for making such repayable advances shall not apply, after the end of the calendar month in which the last compensable week under title I of the Emergency Unemployment Compensation Act of 1991 ends. If, at the end of such calendar month, there is an outstanding balance of repayable advances, such balance shall be repaid in accordance with subparagraph (B) of section 905(d)(2) of the Social Security Act (as so added) as soon thereafter as is possible.

SEC. 103. ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION.

(a) STUDY TOPICS.—Subsection (b) of section 908 of the Social Security Act is amended—

(1) by striking "FUNCTION" in the heading and inserting "FUNCTIONS";

(2) by striking "It shall be" and inserting "(1) IN GENERAL.—It shall be", and

(3) by adding at the end thereof the following new paragraph:

"(2) FIRST COUNCIL.—In addition to the functions specified in paragraph (1), the first Council established under subsection (a) of this section shall study and evaluate, and make recommendations to the President and the Congress concerning the following:

"(A) The change or retention of the point at which State 'on' and 'off' indicators under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 are activated.

"(B) The relative desirability and feasibility of using total unemployment rates and adjusted insured unemployment rates (which include exhaustees) as alternative measures for triggering extended benefit periods 'on' and 'off'.

"(C) The introduction of a multi-tiered extended benefit program, with different trigger rates for each tier and different periods of duration for each tier.

"(D) The elimination or material modification of the special eligibility requirements in paragraphs (3), (4), and (5) of section 202(a) of the Federal-State Extended Unemployment Compensation Act of 1970.

"(E) The desirability and feasibility of determining eligibility for extended benefits on the basis of unemployment statistics for regions, States, or subdivisions of States."

(b) REPORT OF FIRST COUNCIL.—Paragraph (2) of section 908(f) of the Social Security Act, is amended to read as follows:

"(2) REPORT OF FIRST COUNCIL.—The report of the first Council established under subsection (a) shall be submitted not later than February 1, 1993, and shall include the items described in subsection (b)(2)."

TITLE II—EXTENSION OF EXPIRING TAX PROVISIONS AND REPEAL OF LUXURY TAX

Subtitle A—Extension of Certain Expiring Tax Provisions

SEC. 201. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) IN GENERAL.—Subsection (d) of section 127 (relating to educational assistance programs) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 103(a) of the Tax Extension Act of 1991 is amended by striking "1992" each place it appears and inserting "1993".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 202. EMPLOYER-PROVIDED GROUP LEGAL SERVICES PLANS.

(a) IN GENERAL.—Subsection (e) of section 120 (relating to amounts received under qualified group legal services plans) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 104(a) of the Tax Extension Act of 1991 is amended by striking "1992" each place it appears and inserting "1993".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 203. QUALIFIED MORTGAGE BONDS.

(a) IN GENERAL.—Subparagraph (B) of section 143(a)(1) (defining qualified mortgage bond) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) MORTGAGE CREDIT CERTIFICATES.—Subsection (h) of section 25 is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(c) EFFECTIVE DATES.—

(1) BONDS.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

(2) CERTIFICATES.—The amendment made by subsection (b) shall apply to elections for periods after June 30, 1992.

SEC. 204. QUALIFIED SMALL ISSUE BONDS.

(a) IN GENERAL.—Subparagraph (B) of section 144(a)(12) (relating to termination dates) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to bonds issued after June 30, 1992.

SEC. 205. EXTENSION OF TAX CREDIT FOR ORPHAN DRUG CLINICAL TESTING EXPENSES.

(a) IN GENERAL.—Subsection (e) of section 28 (relating to clinical testing expenses for certain drugs for rare diseases or conditions) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 206. RESEARCH CREDIT.

(a) IN GENERAL.—Subsection (h) of section 41 (relating to credit for increasing research activities) is amended—

(1) by striking "June 30, 1992" each place it appears and inserting "June 30, 1993"; and

(2) by striking "July 1, 1992" each place it appears and inserting "July 1, 1993".

(b) CONFORMING AMENDMENT.—Subparagraph (D) of section 28(b)(1) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after June 30, 1992.

SEC. 207. LOW-INCOME HOUSING CREDIT.

(a) EXTENSION.—

(1) Paragraph (1) of section 42(o) (relating to termination of low-income housing credit) is amended by striking "June 30, 1992" each place it appears and inserting "June 30, 1993".

(2) Paragraph (2) of section 42(o) is amended—

(A) by striking "July 1, 1992" each place it appears and inserting "July 1, 1993";

(B) by striking "June 30, 1992" in subparagraph (B) and inserting "June 30, 1993";

(C) by striking "June 30, 1994" in subparagraph (B) and inserting "June 30, 1995"; and

(D) by striking "July 1, 1994" in subparagraph (C) and inserting "July 1, 1995".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to periods ending after June 30, 1992.

SEC. 208. TARGETED JOBS CREDIT.

(a) IN GENERAL.—Paragraph (4) of section 51(c) (relating to termination) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals who begin work for the employer after June 30, 1992.

SEC. 209. TEMPORARY REPEAL OF PREFERENCE FOR CHARITABLE CONTRIBUTIONS OF APPRECIATED PROPERTY.

(a) TEMPORARY REPEAL.—

(1) IN GENERAL.—Paragraph (6) of section 57(a) is amended by adding at the end thereof the following new subparagraph:

"(C) APPLICATION OF PARAGRAPH.—This paragraph shall not apply to any contribution made after December 31, 1991, and before July 1, 1993."

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 57(a)(6) is amended by striking the last sentence.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 1991.

(b) REPORT ON ADVANCE DETERMINATION OF VALUE OF CHARITABLE GIFTS.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on the development of a procedure under which taxpayers may elect to seek an agreement with the Secretary as to the value of tangible personal property prior to the donation of such property to a qualifying charitable organization if the time limits for the donation and other conditions contained in the agreement are satisfied. Such report shall address the setting of possible threshold amounts for claimed value (and the payment of fees) by a taxpayer in order to seek agreement under the procedure, possible limitations on applying the procedure only to items with significant artistic or cultural value, recommendations for legislative action needed to implement the proposed procedure.

SEC. 210. HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (6) of section 162(l) (relating to special rules for health insurance costs of self-employed individuals) is amended by striking "June 30, 1992" and inserting "June 30, 1993".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 110(a) of the Tax Extension Act of 1991 is amended by striking "1992" each place it appears and inserting "1993".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending after June 30, 1992.

SEC. 211. EXCISE TAX ON CERTAIN VACCINES.

(a) **TAX.**—Paragraphs (2) and (3) of section 4131(c) (relating to tax on certain vaccines) are each amended by striking "1992" each place it appears and inserting "1994".

(b) **TRUST FUND.**—Paragraph (1) of section 9510(c) (relating to expenditures from Vaccine Injury Compensation Trust Fund) is amended by striking "1992" and inserting "1994".

(c) **STUDY.**—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall conduct a study of—

(1) the estimated amount that will be paid from the Vaccine Injury Compensation Trust Fund with respect to vaccines administered after September 30, 1988, and before October 1, 1994,

(2) the rates of vaccine-related injury or death with respect to the various types of such vaccines,

(3) new vaccines and immunization practices being developed or used for which amounts may be paid from such Trust Fund,

(4) whether additional vaccines should be included in the vaccine injury compensation program, and

(5) the appropriate treatment of vaccines produced by State governmental entities.

The report of such study shall be submitted not later than January 1, 1994, to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

SEC. 212. CERTAIN TRANSFERS TO RAILROAD RETIREMENT ACCOUNT.

Subsection (c)(1)(A) of section 224 of the Railroad Retirement Solvency Act of 1983 (relating to section 72(r) revenue increase transferred to certain railroad accounts) is amended by striking "with respect to benefits received before October 1, 1992".

Subtitle B—Repeal of Luxury Excise Tax

SEC. 221. REPEAL OF LUXURY EXCISE TAX.

(a) **IN GENERAL.**—Chapter 31 (relating to retail excise taxes) is amended by striking subchapter A and by redesignating subchapters B and C as subchapters A and B, respectively.

(b) CONFORMING AMENDMENTS.—

(1) The material preceding paragraph (1) of section 4221(a) is amended by striking "subchapter A or C of chapter 31" and inserting "section 4051".

(2) Subsection (a) of section 4221 is amended by striking the last sentence.

(3) Subsection (c) of section 4221 is amended by striking "section 4001(c), 4002(b), 4003(c), 4004(a), or 4053(a)(6)" and inserting "section 4053(a)(6)".

(4) Paragraph (1) of section 4221(d) is amended by striking "taxes imposed by subchapter A or C of chapter 31" and inserting "the tax imposed by section 4051".

(5) Subsection (d) of section 4222 is amended by striking "sections 4001(c), 4002(b), 4003(c), 4004(a), 4053(a)(6)" and inserting "sections 4053(a)(6)".

(6) Section 4293 is amended by striking "subchapter A of chapter 31".

(7) The table of subchapters for chapter 31 is amended to read as follows:

"SUBCHAPTER A. Special fuels.

"SUBCHAPTER B. Heavy trucks and trailers."

(c) EFFECTIVE DATES.—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the amendments made by this section shall take effect on January 1, 1992.

(2) **PASSENGER VEHICLES.**—With respect to passenger vehicles (as defined in section 4001(b) of the Internal Revenue Code of 1986, as in effect on December 31, 1991), the amendments made by this section shall take effect on June 19, 1992.

TITLE III—ENTERPRISE ZONES

Subtitle A—Overview

SEC. 301. SHORT TITLE.

This title may be cited as the "Enterprise Zone-Jobs Creation Act of 1992".

SEC. 302. PURPOSE.

It is the purpose of this Act to provide for the designation of economically distressed urban and rural areas, including Indian reservations, as enterprise zones in order to stimulate the creation of new jobs in the enterprise zones, particularly for disadvantaged workers and long-term unemployed individuals, to enhance the availability and delivery of local goods and services to residents and businesses in the enterprise zones, and to promote revitalization of the enterprise zones through meaningful entrepreneurial activity primarily by providing or encouraging—

(1) tax relief at the Federal, State, and local levels;

(2) regulatory relief at the Federal, State, and local levels; and

(3) improved availability and delivery of local services and an increase in the economic stake of enterprise zone residents in their own community and its development, particularly through the increased involvement of private, local, and neighborhood organizations.

SEC. 303. EFFECTIVE DATE.

The amendments made by this Act shall apply as of the date of the enactment of this Act.

Subtitle B—Designation of Enterprise Zones

SEC. 311. DESIGNATION OF ZONES.

(a) **GENERAL RULE.**—Chapter 80 of subtitle F (relating to general rules) is amended by adding at the end thereof the following new subchapter:

"Subchapter D—Designation of Enterprise Zones

"Sec. 7880. Designation.

"SEC. 7880. DESIGNATION.

"(a) **DESIGNATION OF ZONES.**—

"(1) **DEFINITION.**—For purposes of this title, the term 'enterprise zone' means any area—

"(A) which is nominated by one or more local governments or the State or States in which it is located for designation as an enterprise zone (hereafter in this section referred to as a 'nominated area'), and

"(B) which the Secretary of Housing and Urban Development designates as an enterprise zone.

"(2) **AUTHORITY TO DESIGNATE.**—The Secretary of Housing and Urban Development is authorized to designate enterprise zones in accordance with the provisions of this section.

"(3) **LIMITATION ON DESIGNATIONS.**—

"(A) **PUBLICATION OF NOTICE.**—Before designating any area as an enterprise zone, but not later than 4 months following the date of the enactment of this section, the Secretary of Housing and Urban Development shall prescribe a notice in the Federal Register setting forth—

"(i) the procedures for nominating an area, and

"(ii) the procedures for designation of an area as an enterprise zone.

"(B) **TIME LIMITATIONS.**—The Secretary of Housing and Urban Development shall designate nominated areas as enterprise zones

only during the 48-month period beginning on the first day of the first month following the month in which the notice described in subparagraph (A) is published in the Federal Register.

"(C) **PROCEDURAL RULES.**—The Secretary of Housing and Urban Development shall not make any designations under this section unless—

"(i) the State or local governments in which the nominated area is located have the authority to—

"(I) nominate the area for designation as an enterprise zone,

"(II) make the State or local commitments under subsection (d), and

"(III) provide reasonable assurances to the Secretary of Housing and Urban Development that such commitments will be fulfilled, and

"(ii) a nomination therefor is submitted by the State or local governments in such a manner and in such form, and containing such information, as the Secretary of Housing and Urban Development shall prescribe by the notice described in subparagraph A.

"(b) **TIME PERIOD FOR WHICH DESIGNATION IS IN EFFECT.**—

"(1) **IN GENERAL.**—Any designation of an area as an enterprise zone shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

"(A) December 31 of the 24th calendar year following the calendar year in which such date occurs,

"(B) the termination date specified by the State or local governments as provided in the nomination submitted in accordance with subsection (a)(3)(C)(ii),

"(C) such other date as the Secretary of Housing and Urban Development shall specify as a condition of designation, or

"(D) the date upon which the Secretary of Housing and Urban Development revokes such designation.

"(2) **REVOCACTION OF DESIGNATION.**—The Secretary of Housing and Urban Development, may revoke the designation of an area if the Secretary of Housing and Urban Development determines that—

"(A) a State or local government in which the area is located is not complying substantially with the agreed course of action for the area, or

"(B) changed circumstances have resulted in the failure of the designation to further the purposes of the Enterprise Zone-Jobs Creation Act of 1992.

"(c) **AREA AND ELIGIBILITY REQUIREMENTS.**—

"(1) **IN GENERAL.**—The Secretary of Housing and Urban Development may designate a nominated area as an enterprise zone if it meets the requirements of paragraphs (2) and (3).

"(2) **AREA REQUIREMENTS.**—A nominated area meets the requirements of this paragraph if the area—

"(A) is within the jurisdiction of the State or local governments nominating the area;

"(B) has a continuous boundary; and

"(C) does not include a central business district (as described by the most recent census of retail trade defining such term).

"(3) **ELIGIBILITY REQUIREMENTS.**—A nominated area meets the requirements of this paragraph if the area is a base area, an adjoining area, a connecting area, or a high public assistance area as defined in paragraphs (4), (5), (6), or (7), respectively. For purposes of this subsection, the terms 'unemployment rate', 'poverty rate', and 'public assistance rate' shall have the meanings assigned to them in the 1990 Census.

"(4) **BASE AREA.**—A base area or an area which, based on the 1990 census—

"(A) has a population of not less than—
 "(i) 3,000, if any portion of such area is located within a metropolitan statistical area (as designated by the Director of the Office of Management and Budget) with a population of 50,000 or more; or

"(ii) 1,000 in any other case, and
 "(B) consists of one or more contiguous census tracts, each of which has

"(i) an unemployment rate of at least 10 percent;

"(ii) a poverty rate of at least 50 percent; and

"(iii) a welfare rate of at least 10 percent.

"(5) **ADJOINING AREA.**—An adjoining area is an area which includes a base area as described in paragraph (4) and one or more additional census tracts, each of which adjoins the base area ('adjoining tracts') if—

"(A) each of the adjoining tracts meets the requirements of paragraph (4), substituting '40 percent' for '50 percent' in subparagraph (B)(i) thereof, and

"(B) the area would qualify as a base area within the meaning of paragraph (4) if it were treated as a single census tract, substituting '45 percent' for '50 percent' in subparagraph (B)(ii) thereof.

"(6) **CONNECTING AREA.**—A connecting area is an area which includes—

"(A) two or more areas, each of which is described in paragraph (4) or (5), and

"(B) one or more census tracts connecting such areas ('connecting tracts') if—

"(i) each connecting tract meets the requirements of paragraph (4), substituting '20 percent' for '50 percent' in subparagraph (B)(ii) thereof,

"(ii) each connecting tract is geographically situated on a straight line between the portion of such areas described in paragraph (4) and which, when taken together, connects such areas, and

"(iii) the area would qualify as a base area within the meaning of paragraph (4) if it were treated as a single census tract, substituting '45 percent' for '50 percent' in subparagraph (B)(ii) thereof.

"(7) **HIGH PUBLIC ASSISTANCE AREA.**—A high public assistance area in an area which, based on the 1990 census data—

"(A) has a population of not less than—
 "(i) 3,000, if any portion of such area is located within a metropolitan statistical area (as designated by the Director of the Office of Management and Budget) with a population of 50,000 or more; or

"(ii) 1,000 in any other case, and
 "(B) consists of one or more contiguous census tracts, each of which has—

"(i) an unemployment rate of at least 10 percent,

"(ii) a poverty rate of at least 35 percent, and

"(iii) a public assistance rate of at least 30 percent.

Notwithstanding the foregoing, an area may qualify as a high public assistance area only if it is located within the jurisdiction of a local government which does not include any areas that would qualify under paragraph (4), (5), or (6) and which has not nominated any other area under paragraph (7) unless such other area has been denied designation by the Secretary of Housing and Urban Development.

"(8) **AUTHORITY TO DEPART FROM 1990 CENSUS DATA.**—The Secretary of Housing and Urban Development may apply the eligibility requirements of subsection (c) on the basis of data other than the 1990 census data if, as a result of materially changed circumstances,

such data fail to appropriately reflect population and unemployment, poverty and welfare rates for the area. The Secretary may use this authority to qualify an area that would otherwise not be eligible or to disqualify an area that would otherwise be eligible.

"(d) **REQUIRED STATE AND LOCAL COMMITMENTS.**—

"(1) **IN GENERAL.**—No nominated area shall be designated as an enterprise zone unless the State or local governments nominating the area agree in writing that, during any period during which the nominated area is an enterprise zone, such governments will follow a specified course of action, approved by the Secretary of Housing and Urban Development, designed to reduce the various burdens borne by employers or employees in such area.

"(2) **COURSE OF ACTION.**—The course of action under paragraph (1) may include, but is not limited to—

"(A) the reduction or elimination of tax rates or fees applying within the enterprise zone,

"(B) actions to reduce, remove, simplify, or streamline governmental requirements applying within the enterprise zone, including requirements which apply to the construction or rehabilitation of housing,

"(C) an increase in the level or efficiency of local services within the enterprise zone, for example, crime prevention, and drug use prevention and treatment,

"(D) involvement in the program by private entities, organizations, neighborhood associations, and community groups, particularly those within the enterprise zone, including a commitment from such private entities to provide jobs and job training for, and technical, financial or other assistance to, employers, employees, and residents of the enterprise zone,

"(E) mechanisms to increase equity ownership by residents and employees within the enterprise zone,

"(F) donation (or sale below market value) of land and buildings to benefit low and moderate income people,

"(G) linkages to—

"(i) job training,

"(ii) transportation,

"(iii) education,

"(iv) day care, and

"(v) other social service support,

"(H) provision of supporting public facilities, and infrastructure improvements,

"(I) encouragement of local entrepreneurship, and

"(J) other factors determined essential to support enterprise zone activities and encourage livability or quality of life.

"(3) **LATER MODIFICATION OF A COURSE OF ACTION.**—The Secretary of Housing and Urban Development may by regulation prescribe procedures to permit or require a course of action to be updated or modified during the time that a designation is in effect.

"(e) **DEFINITIONS.**—For the purposes of this title—

"(1) **GOVERNMENTS.**—If more than one government seeks to nominate an area as an enterprise zone, any reference to, or requirement of, this section shall apply to all such governments.

"(2) **LOCAL GOVERNMENTS.**—The term 'local government' means—

"(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State,

"(B) any combination of political subdivisions described in subparagraph (A) recog-

nized by the Secretary of Housing and Urban Development, and

"(C) the District of Columbia.

"(3) **INDIAN RESERVATIONS.**—In the case of an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be deemed to be both the State and local governments with respect to such area.

"(f) **CROSS REFERENCES.**—For—

"(1) definitions, see section 1391,

"(2) treatment of employees in enterprise zones, see section 32,

"(3) treatment of investments in enterprise zones, see sections 1392, 1393 and 1394, and

"(4) exclusion of gain from disposition of principal residence located in enterprise zone, see section 1395."

(b) **CONFORMING AMENDMENTS.**—

(1) The table of subchapters for chapter 80 of subtitle F is amended by adding at the end thereof the following new item:

"Subchapter D—Designation of Enterprise Zones"

(2) The table of subchapters and sections for subtitle F is amended by adding after the item relating to subchapter C the following new item at the end of chapter 80:

"Subchapter D—Designation of Enterprise Zones"

"Sec. 7880. Designation".

SEC. 312. REPORTING REQUIREMENTS.

Not later than the close of the second calendar year after the calendar year in which the Secretary of Housing and Urban Development first designates areas as enterprise zones, and at the close of each second calendar year thereafter, the Secretary of Housing and Urban Development shall submit to the Congress a report on the effects of such designation in accomplishing the purposes of this title.

SEC. 313. INTERACTION WITH OTHER FEDERAL PROGRAMS.

(a) **COORDINATION WITH RELOCATION ASSISTANCE.**—The designation of an enterprise zone under section 7880 of the Internal Revenue Code of 1986 shall not—

(1) constitute approval of a Federal or federally assisted program or project (within the meaning of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601)); or

(2) entitle any person displaced from real property located in such zone to any rights or any benefits under such Act.

(b) **COORDINATE WITH ENVIRONMENTAL POLICY.**—Designation of an enterprise zone under section 7880 of such Code shall not constitute a Federal action for purposes of applying the procedural requirements of the National Environmental Policy Act of 1969 (42 U.S.C. 4341) or other provisions of Federal law relating to the protection of the environment.

Subtitle C—Federal Income Tax Incentives

SEC. 321. DEFINITIONS, DISCLOSURE, AND REGULATORY AUTHORITY; ENTERPRISE ZONE STOCK EXPENSING; ENTERPRISE ZONE INVESTOR GAIN AND LOSS; ENTERPRISE ZONE BUSINESS GAIN AND LOSS; ENTERPRISE ZONE GAIN FROM SALE OF A PRINCIPAL RESIDENCE.

(a) **GENERAL RULE.**—Chapter 1 of subtitle A (relating to normal tax and surtax rules) is amended by adding the following new subchapter after subchapter T and before subchapter V:

"Subchapter U—Enterprise Zones"

"Sec. 1391. Definitions, disclosure, and regulatory authority.

"Sec. 1392. Expensing of enterprise zone stock.

"Sec. 1393. Enterprise zone investor gain and loss.

"Sec. 1394. Enterprise zone business gain and loss.

"Sec. 1395. Enterprise zone gain from sale of principal residence.

"SEC. 1391. DEFINITIONS, DISCLOSURE, AND REGULATORY AUTHORITY.

"(a) ENTERPRISE ZONE.—

"(1) IN GENERAL.—For purposes of this subchapter, the term 'enterprise zone' means any area which the Secretary of Housing and Urban Development designates pursuant to section 7880(a) as a Federal enterprise zone for purposes of this title.

"(2) TERMINATION OF ENTERPRISE ZONE.—An area will cease to constitute an enterprise zone once its designation as such terminates (or is revoked) under section 7880(b).

"(b) ENTERPRISE ZONE BUSINESS.—

"(1) IN GENERAL.—For purposes of this subchapter, the term 'enterprise zone business' means a corporation, partnership, or proprietorship engaged in the active conduct of a trade or business that the taxpayer establishes to the satisfaction of the Secretary as having a significant business presence in an enterprise zone. A trade or business has a significant business presence only if—

"(A) at least 80 percent of its gross income (without taking the exclusions under this subchapter into account) in each calendar year is derived from the active conduct of the trade or business within an enterprise zone,

"(B) substantially all of its intangible assets are—

"(i) used in, and exclusively related to, the active conduct of the trade or business within an enterprise zone, or

"(ii) held for use by a transferee in, and directly related to, the transferee's conduct of, the transferee's enterprise zone business,

"(C) substantially all of its tangible property (whether owned or leased) is—

"(i) located within an enterprise zone, and

"(ii) used in, and directly related to, the active conduct of a trade or business within an enterprise zone,

"(D) no more than 5 percent of its property (as measured by unadjusted basis) constitutes—

"(i) collectibles (as defined in section 408(m)(2)), unless the collectibles constitute property held primarily for sale to customers in the ordinary course of the trade or business, and

"(ii) nonqualified financial property, and

"(E) with respect to its employees—

"(i) except as otherwise provided in regulations, at least one-third are enterprise zone residents, and

"(ii) substantially all services are performed within an enterprise zone, and compensation paid directly relates to work performed within an enterprise zone.

In order to constitute an enterprise zone business, the trade or business must be the sole activity conducted by the proprietorship, partnership, or corporation conducting the trade or business.

"(2) LIMITATIONS.—

"(A) RENTAL REAL PROPERTY.—For purposes of subsection (b), real property held for use by customers shall be treated as the active conduct of a trade or business if—

"(i) the use is directly related to the conduct of the customer's enterprise zone business, or

"(ii) the real property is residential rental property that has been substantially improved by the enterprise zone business.

"(B) RENTAL OF PERSONAL PROPERTY.—Any trade or business of holding of personal prop-

erty for use by customers shall not be treated as an enterprise zone business unless substantially all the customers are enterprise zone businesses or residents.

"(C) LEASING OR CREATING INTANGIBLES.—Any trade or business of holding or creating intangibles for use by customers shall not be treated as an enterprise zone business unless substantially all the customers are enterprise zone businesses or residents.

"(D) GOVERNMENT-RELATED ACTIVITIES.—Any trade or business conducted by, or principally for the benefit of, the Federal Government, any State government or subdivision thereof, or any local government (as defined in section 7880(e)) shall not be treated as an enterprise zone business.

"(E) CONTRIBUTION TO THE ZONE.—A trade or business shall not be treated as having a significant business presence in an enterprise zone unless the potential Federal tax benefits resulting from treatment as an enterprise zone business are commensurate with the contribution of the trade or business to achieving the purposes of the Enterprise Zone-Jobs Creation Act of 1992. In determining the contribution of the trade or business, the following are among the factors taken into account—

"(i) the extent to which the equity interests in the trade or business are owned by residents of an enterprise zone,

"(ii) the extent to which the trade or business derives its income from the provision of goods and services in an enterprise zone,

"(iii) the extent to which the trade or business employs disadvantaged workers and long-term unemployed individuals,

"(iv) the extent to which the trade or business enhances the availability and delivery of local goods and services (including housing) to residents and businesses in the enterprise zone,

"(v) the extent to which the trade or business contributes to the revitalization of economic activity in an enterprise zone through meaningful entrepreneurial activity, and

"(vi) the extent to which the trade or business is conducted in a manner that is consistent with the manner conducting such a trade or business outside of an enterprise zone.

"(3) TERMINATION OF ENTERPRISE ZONE BUSINESS.—

"(A) IN GENERAL.—Once a trade or business ceases to constitute an enterprise zone business for any reason, it shall not subsequently be treated as an enterprise zone business without the consent of the Secretary.

"(B) INADVERTENT TERMINATIONS.—If—

"(i) within a reasonable time after discovery of the event resulting in such termination steps were taken so that the business was once more an enterprise zone business,

"(ii) the Secretary determines that the termination was inadvertent, and

"(iii) the business, or owner in the case of a sole proprietorship, agrees to make such adjustments as may be required by the Secretary with respect to such period,

then, notwithstanding the terminating event, such business shall be treated as continuing to be an enterprise zone business during the period specified by the Secretary.

"(c) RELATED PERSONS.—For purposes of this subchapter, a person shall be treated as related to another person if—

"(1) the relationship of such persons is described in section 267(b) or 707(b)(1),

"(2) such persons are engaged in trades or businesses under common control (within the meaning of subsections (a) and (b) of section 52), or

"(3) such persons are acting pursuant to a plan or arrangement.

For purposes of paragraph (1), section 267(b) and 707(b)(1) shall be applied by substituting '10 percent' for '50 percent.'

"(d) ENTERPRISE ZONE PROPERTY.—For purposes of this subchapter, the term 'enterprise zone property' means any asset that, for the period of at least 24 full calendar months (60 full calendar months in the case of real property) immediately preceding the determination as to the status of the asset, is used in, and directly related to (or, in the case of intangible property, exclusively related to), the active conduct of a trade or business while the business is an enterprise zone business.

"(e) ENTERPRISE ZONE EMPLOYEE.—The term 'enterprise zone employee' means an individual if—

"(1) the individual renders services during the taxable year that are directly related to the conduct of an enterprise zone business,

"(2) substantially all the services described in paragraph (1) directly relate to work performed within an enterprise zone, and

"(3) the employer for whom the services described in paragraph (1) are performed is not the Federal Government, any State government or subdivision thereof, or any local government.

"(f) WAGES.—The term 'wages' has the meaning given by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such subsection).

"(g) QUALIFIED WAGES.—The term 'qualified wages' means all wages of the taxpayer, to the extent attributable to services described in subsection (e).

"(h) NONQUALIFIED FINANCIAL PROPERTY.—The term 'nonqualified financial property' means all debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities and other similar property as provided by regulations, except—

"(1) reasonable amounts of working capital held in cash, cash equivalents or debt instruments having a term of 18 months or less, or

"(2) debt instruments described in section 1221(4).

"(i) ENTERPRISE ZONE RESIDENT.—The term enterprise zone resident means an individual whose sole residence is in an enterprise zone and who has spent at least 183 nights at his or her residence in the enterprise zone during the calendar year.

"(j) DISCLOSURE REQUIREMENT.—A taxpayer claiming benefits provided under section 1392, 1393, 1394, or 1395, or under section 305 of the Enterprise Zone-Jobs Creation Act of 1992 must make appropriate disclosure to the Internal Revenue Service of the benefits so claimed. The Secretary shall prescribe regulations as to the time and manner of the required disclosure.

"(k) REGULATORY AUTHORITY.—The rules of this subchapter must be applied in a manner that is consistent with and reasonably carries out the purposes of the Enterprise Zone Jobs-Creation Act of 1992. The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out these purposes, including (but not limited to) regulations—

"(1) providing that Federal tax benefits are available only to persons that contribute to the purposes of the Enterprise Zone Jobs-Creation Act of 1992,

"(2) providing guidance for determining the Federal tax benefits that are commensurate with the contribution to the zone for purposes of section 1391(b)(2)(E),

"(3) providing rules for determining when—

"(A) gross income is derived within an enterprise zone,

"(B) property or employees are located in an enterprise zone,

"(C) property is used in, and directly related to, an enterprise zone business,

"(D) services are performed, and compensation relates to the performance of services performed, within an enterprise zone,

"(E) employees are enterprise zone residents, and

"(F) substantially all of the customers of a trade or business are residents of an enterprise zone,

"(4) limiting the amount of Federal tax benefits to ensure that the benefits are commensurate with the contribution,

"(5) preventing circumvention of the purposes of the Enterprise Zone Jobs-Creation Act of 1992, including regulations to address—

"(A) combining assets that contribute to the purposes with unrelated assets that do not contribute,

"(B) separating, directly or indirectly, the ownership or disposition of interests in related assets that constitute enterprise zone property, and

"(C) related persons, pass-thru entities, and other intermediaries or similar arrangements.

"(6) providing for limitation of tax benefits or other appropriate coordination where other Federal programs might, in combination with the enterprise zone program, enable activity within enterprise zones to be more than 100 percent subsidized by the Federal Government,

"(7) attributing gain or loss to property for the period that the property was directly related to, and used in, the enterprise zone business, including transitional rules with respect to the designation of an area as an enterprise zone,

"(8) treating references to a trade or business or to a person as including a reference to a predecessor or successor, and

"(9) identifying employee activities that are sufficiently connected with an enterprise zone business and an enterprise zone to qualify the employee as an enterprise zone employee.

"SEC. 1392. EXPENSING OF ENTERPRISE ZONE STOCK.

"(a) GENERAL RULE.—At the election of any individual, the aggregate amount paid by such individual during the individual's taxable year for the purchase of enterprise zone stock on the original issue of such stock by a qualified issuer shall be allowed as a deduction.

"(b) TREATMENT OF ENTERPRISE ZONE INVESTOR GAIN AND LOSS.—

"(1) IN GENERAL.—If a taxpayer makes an election under subsection (a) with respect to stock acquired by the taxpayer, such stock shall not be treated as stock in an enterprise zone business for purposes of section 1393.

"(2) CERTAIN RESIDENTS AND OWNERS.—Paragraph (1) shall not apply in the case of a taxpayer who was—

"(A) an enterprise zone employee with respect to the corporation issuing the stock and rendered at least 1,500 hours of service to the corporation during the calendar year the stock was acquired, or

"(B) an enterprise zone resident for the calendar year that the stock was acquired.

"(c) LIMITATIONS.—

"(1) CEILING.—The maximum amount allowed as a deduction under subsection (a) to a taxpayer shall not exceed \$50,000 for any taxable year, nor \$250,000 during the taxpayer's lifetime. If the amount otherwise de-

ductible by any person under subsection (a) exceeds the limitation under this paragraph—

"(A) the amount of such excess shall be treated as an amount paid in the next taxable year, and

"(B) the deduction allowed for any taxable year shall be allocated among the enterprise zone stock purchased by such person in accordance with the purchase price per share.

"(2) RELATED PERSONS.—The taxpayer and all individuals related to the taxpayer shall be treated as one person for purposes of the limitations described in paragraph (1).

"(3) ALLOCATION OF EXCESS AMOUNTS.—The limitations described in paragraph (1) shall be allocated among the taxpayer and related persons in accordance with the amount of their respective purchases of enterprise zone stock.

"(4) PARTIAL TAXABLE YEAR.—If designation of an area as an enterprise zone occurs, expires, or is revoked pursuant to section 7880 on a date other than the first or last day of the taxable year of the taxpayer, or in the case of a short taxable year, the limitations specified in paragraph (1) shall be adjusted on a pro rata basis (based upon the number of days).

"(d) DISPOSITION OF STOCK.—

"(1) GAIN TREATED AS ORDINARY INCOME.—

"(A) GENERAL RULE.—Except as otherwise provided in regulations, if a taxpayer disposes of any enterprise zone stock with respect to which a deduction was allowed under subsection (a), the amount realized upon such disposition shall be treated as ordinary income and recognized notwithstanding any other provision of this subtitle.

"(B) SPECIAL RULE FOR TAXPAYERS TO WHICH PARAGRAPH (b)(2) APPLIES.—In the case of a taxpayer to which subsection (b)(2) applies, the amount treated as ordinary income under subparagraph (A) shall not exceed the amount of the deduction that was allowed to the taxpayer under subsection (a).

"(2) INTEREST CHARGED IF DISPOSITION WITHIN 5 YEARS OF PURCHASE.—

"(A) IN GENERAL.—If an enterprise zone stock of a taxpayer is redeemed or repurchased by the issuer of such stock before the end of the 5-year period beginning on the date such stock was purchased by the taxpayer, the tax imposed by this chapter for the taxable year in which such disposition occurs shall be increased by the amount determined in subparagraph (B).

"(B) ADDITIONAL AMOUNT.—For purposes of subparagraph (A), the additional amount shall be equal to the amount of interest (determined at the rate applicable under section 6621(a)(2)) that would accrue—

"(i) during the period beginning on the date the stock was purchased by the taxpayer and ending on the date such stock was disposed of by the taxpayer, and

"(ii) on an amount equal to the aggregate decrease in tax of the taxpayer resulting from the deduction allowed under subsection (a) with respect to the stock so disposed of.

"(e) DISQUALIFICATION.—

"(1) ISSUER OF STOCK CEASES TO QUALIFY.—If a taxpayer elects the deduction under subsection (a) with respect to enterprise zone stock, and the issuer fails or ceases to satisfy the requirement of subsection (f)(2)(A) (i) and (ii), then, notwithstanding any provision of this subtitle (other than paragraph (2)) to the contrary, the taxpayer shall recognize as ordinary income the amount of the deduction allowed under subsection (a) with respect to the issuer's enterprise zone stock.

"(2) SPECIAL RULES.—

"(A) LIQUIDATION.—Where property acquired with proceeds from the issuance of en-

terprise zone stock is sold or exchanged pursuant to a plan of complete liquidation, the treatment described in paragraph (1) shall be inapplicable.

"(B) TERMINATION OF ENTERPRISE ZONE.—The treatment of an activity as an enterprise zone business shall not cease for purposes of paragraph (1) solely by reason of the termination or revocation of the designation of the enterprise zone with respect to the activity.

"(3) ADDITIONAL AMOUNT.—If income is recognized pursuant to paragraph (1) at any time before the close of the 5th calendar year ending after the date the enterprise zone stock was purchased, the tax imposed by this chapter with respect to such income shall be increased by an amount equal to the amount of interest (determined at the rate applicable under section 6621(a)(2)) that would accrue—

"(A) during the period beginning on the date the stock was purchased by the taxpayer and ending on the date of the disqualification event described in paragraph (1),

"(B) on an amount equal to the aggregate decrease in tax of the taxpayer resulting from the deduction allowed under subsection (a) with respect to the stock so disqualified.

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

"(1) ENTERPRISE ZONE STOCK.—The term 'enterprise zone stock' means common stock issued by a qualified issuer, but only to the extent that the amount of proceeds of such issuance is used by such issuer no later than 12 months following issuance to acquire and maintain an equal amount of newly tangible property described in section 1391(b)(1)(C).

"(2) QUALIFIED ISSUER.—

"(A) IN GENERAL.—The term 'qualified issuer' means any subchapter C corporation—

"(i) which has only one class of stock,

"(ii) which is an enterprise zone business, and

"(iii) which does not own or lease more than \$5,000,000 of total property (including money), as measured by the unadjusted basis of the property.

"(B) LIMITATION ON TOTAL ISSUANCES.—A qualified issuer may issue no more than an aggregate of \$5,000,000 of enterprise zone stock.

"(C) AGGREGATION.—For purposes of applying the limitations under this paragraph, the issuer and all related persons shall be treated as one person.

"(3) AMOUNT PAID.—For purposes of subsection (a), the amount paid by a taxpayer for any taxable year shall not include the issuance of evidences of indebtedness of the taxpayer (whether or not such indebtedness is guaranteed by another person), nor amounts paid by the taxpayer after the close of the taxable year.

"(g) ISSUANCES IN EXCHANGE FOR PROPERTY.—If enterprise zone stock is issued in exchange for property, then notwithstanding any provision of subchapter C of chapter 1 of subtitle A to the contrary—

"(1) the issuance shall be treated for purposes of this subtitle as the sale of the property at its then fair market value to the corporation, and a contribution to the corporation of the proceeds immediately thereafter in exchange for the enterprise zone stock, and

"(2) the issuer's basis for the property shall be equal to the fair market value of such property at the time of issuance.

"(h) BASIS ADJUSTMENT.—For purposes of this subtitle, if a taxpayer elects the deduction under subsection (a), the taxpayer's basis (without regard to this subsection) for the enterprise zone stock with respect to

such election shall be reduced by the deduction allowed or allowable.

"(i) LIMITATIONS ON ASSESSMENT AND COLLECTION.—If a taxpayer elects the deduction under subsection (a) for any taxable year—

"(1) the period for assessment and collection of any deficiency attributable to any part of the deduction shall not expire before 1 year following expiration of such period of the qualified issuer that includes the circumstances giving rise to the deficiency, and

"(2) such deficiency may be assessed before expiration of the period described in paragraph (1) notwithstanding any provisions of this subtitle to the contrary.

"SEC. 1393. ENTERPRISE ZONE INVESTOR GAIN AND LOSS.

"(a) GENERAL RULE.—Gross income does not include any amount of gain constituting enterprise zone investor gain. Any enterprise zone investor loss is treated as ordinary loss.

"(b) ENTERPRISE ZONE INVESTOR GAIN OR LOSS.—

"(1) IN GENERAL.—The term 'enterprise zone investor gain' means long-term capital gain, and the term 'enterprise zone investor loss' means any loss recognized with respect to the disposition of stock or a partnership interest in an enterprise zone business held by the taxpayer for at least 24 full calendar months immediately preceding the disposition, to the extent the taxpayer establishes that the amount is attributable to enterprise zone property for the period that the property was directly related to, and used in, the enterprise zone business. For this purpose, a 'disposition' means any event in which gain or loss is recognized, in whole or in part.

"(2) SPECIAL RULES.—

"(A) RELATED PARTY TRANSACTIONS.—Gain or loss is not treated as enterprise zone investor gain or loss if attributable, directly or indirectly, in whole or in part, to a transaction with a related person.

"(B) TERMINATION OF ENTERPRISE ZONE BUSINESS.—For purposes of this section, notwithstanding termination of the treatment of a trade or business as an enterprise zone business, the gain or loss recognized with respect to stock or a partnership interest following the termination shall be treated as enterprise zone investor gain or loss to the extent the taxpayer establishes that the amount of gain or loss is the amount that would have been so treated if the interest had been disposed of immediately before the termination for its fair market value immediately before the termination. In no event may the cumulative amount treated as enterprise zone investor gain or loss exceed the net amount that would have been so treated if all of the taxpayer's interests in the enterprise zone business had been disposed of immediately before the termination for their fair market value immediately before the termination.

"(C) RECAPTURE OF GAIN OR LOSS.—Gain (or loss) for any year shall not be treated as enterprise zone investor gain (or loss) to the extent such gain (or loss) does not exceed the cumulative excess (if any) of loss (or gain) previously recognized over gain (or loss) previously recognized with respect to the disposition of stock or a partnership interest in an enterprise zone business. For this purpose, except as otherwise provided in regulations, all related persons are treated as one person.

"(c) BASIS.—Amounts excluded from gross income pursuant to subsection (a) shall not be applied in reduction to the basis of any property held by the taxpayer.

"SEC. 1394. ENTERPRISE ZONE BUSINESS GAIN AND LOSS.

"(a) GENERAL RULE.—Gross income does not include any amount of gain constituting enterprise zone business gain. Any enterprise zone business loss is treated as ordinary loss.

"(b) ENTERPRISE ZONE BUSINESS GAIN OR LOSS.—

"(1) IN GENERAL.—The term 'enterprise zone business gain' means long-term capital gain, and the term 'enterprise zone business loss' means any loss, recognized with respect to the disposition by an enterprise zone business of enterprise zone property, to the extent the enterprise zone business establishes that the amount is attributable to the period that the property was directly related to, and used in, the enterprise zone business. For this purpose, a 'disposition' means any event in which gain or loss is recognized, in whole or in part.

"(2) SPECIAL RULES.—

"(A) RELATED PARTY TRANSACTIONS.—Gain or loss is not treated as enterprise zone business gain or loss if attributable, directly or indirectly, in whole or in part, to a transaction with a related person.

"(B) TERMINATION OF ENTERPRISE ZONE BUSINESS.—For purposes of this section, notwithstanding termination of the treatment of a trade or business as an enterprise zone business, the gain or loss recognized by the trade or business with respect to an asset following the termination shall be treated as enterprise zone business gain or loss to the extent the taxpayer establishes that the amount of gain or loss with respect to that asset is the amount that would have been so treated if all of the enterprise zone property had been disposed of immediately before the termination for its fair market value immediately before the termination. In no event may the cumulative amount treated as enterprise zone business gain or loss exceed the net amount that would have been so treated if all of the enterprise zone property had been disposed of immediately before the termination for its fair market value immediately before the termination.

"(C) RECAPTURE OF GAIN OR LOSS.—Gain (or loss) for any year shall not be treated as enterprise zone business gain (or loss) to the extent such gain (or loss) does not exceed the cumulative excess (if any) of enterprise zone business loss (or gain) previously recognized over enterprise zone business gain (or loss) previously recognized with respect to enterprise zone property. For this purpose, except as otherwise provided in regulations, all related persons are treated as one person.

"(c) BASIS.—Amounts excluded from gross income pursuant to subsection (a) shall not be applied in reduction to the basis of any property held by the enterprise zone business.

"SEC. 1395. ENTERPRISE ZONE GAIN FROM SALE OF PRINCIPAL RESIDENCE.

"(a) GENERAL RULE.—At the election of the taxpayer, gross income does not include any amount of gain constituting enterprise zone gain from a principal residence.

"(b) ENTERPRISE ZONE GAIN FROM A PRINCIPAL RESIDENCE.—

"(1) IN GENERAL.—The term 'enterprise zone gain from a principal residence' means gain recognized by a taxpayer from the sale or exchange of real property that—

"(A) is located in an enterprise zone, and

"(B) during the period of the designation as an enterprise zone, the property has been owned and used by the taxpayer as his principal residence for the 5-year period ending on the date of the sale or exchange.

"(2) DOLLAR LIMITATIONS.—

"(A) LIFETIME LIMITATION.—Subsection (a) shall not apply to any sale or exchange by the taxpayer to the extent that such application, when combined with other elections by the taxpayer and his spouse under subsection (a), exceeds \$200,000 (\$100,000 in the case of a separate return by a married individual). Such amounts shall be adjusted annually as provided in regulations to reflect the increase in the consumer price index.

"(B) ATTRIBUTION TO PERIOD FOLLOWING ZONE DESIGNATION.—Gain shall be treated as enterprise zone gain from a principal residence only to the extent that the taxpayer establishes that it is attributable to the period that the area in which the property is located is designated as an enterprise zone.

"(c) ELECTION.—An election under subsection (a) may be made or revoked at any time before the expiration of the period for making a claim for credit or refund of the tax imposed by this chapter for the taxable year in which the sale or exchange occurred, and shall be made or revoked in such manner as the Secretary shall by regulations prescribe. In the case of a taxpayer who is married, an election under subsection (a) or revocation thereof may be made only if his spouse joins in such election or revocation.

"(d) SPECIAL RULES.—For purposes of this section—

"(1) PROPERTY HELD JOINTLY BY HUSBAND AND WIFE.—If property is held by a husband and wife as joint tenants, tenants by the entirety, or community property, only one spouse must satisfy the requirements of subsection (b)(1).

"(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—If the taxpayer holds stock as a tenant stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), then—

"(A) the ownership requirements of subsection (b)(1) shall be applied to the holding of the stock, and

"(B) the remaining requirements of subsection (b) shall be applied to the unit which the taxpayer was entitled to occupy as the stockholder.

"(3) INVOLUNTARY CONVERSIONS.—The destruction, theft, seizure, requisition, or condemnation of property shall be treated as the sale of the property.

"(4) PROPERTY USED IN PART AS PRINCIPAL RESIDENCE.—If the ownership and use requirements of subsection (b) are satisfied with respect to only a portion of the property, this section shall only apply with respect to so much of the gain from the sale or exchange of the property as is attributable to the portion of the property so owned and used.

"(5) DETERMINATION OF MARITAL STATUS.—The determination of whether an individual is married shall be made as of the date of the sale or exchange, and an individual legally separated from his spouse under a decree of divorce or separate maintenance is not considered as married.

"(6) APPLICATION OF SECTIONS 121, 1033, AND 1034.—This section shall apply before the application of sections 121 (relating to one-time exclusion of gain from sale or exchange of residence), 1033 (relating to involuntary conversions), and 1034 (relating to rollover of gain from sale or exchange of residence). For purposes of applying those sections, the amount realized from the sale or exchange of property shall be treated as being the amount determined without regard to this section, reduced by the amount of gain not included in gross income pursuant to this section.

"(7) PROPERTY ACQUIRED AFTER INVOLUNTARY CONVERSION.—If the basis of the prop-

erty sold or exchanged is determined, in whole or in part, under subsection (b) of section 1033 (relating to basis of property acquired through involuntary conversion) then the ownership and use by the taxpayer of the converted property shall be treated as ownership and use by the taxpayer of the property sold or exchanged.

"(8) BASIS.—Amounts excluded from gross income pursuant to subsection (a) shall not be applied in reduction to the basis of any property held by the taxpayer."

(b) TECHNICAL AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended by striking "and" at the end of paragraph (23), by striking the period at the end of paragraph (24) and inserting "; and", and by adding at the end thereof the following new paragraph:

"(25) to the extent provided in section 1392(h), in the case of stock with respect to which a deduction was allowed or allowable under section 1392(a)."

(c) CLERICAL AMENDMENTS.—

(1) The table of subchapters and sections for subtitle A is amended by adding the following new subchapter after subchapter T and before subchapter V of chapter 1:

"SUBCHAPTER U—ENTERPRISE ZONES

"Sec. 1391. Definitions and regulatory authority.

"Sec. 1392. Expensing of enterprise zone stock.

"Sec. 1393. Enterprise zone investor gain and loss.

"Sec. 1394. Enterprise zone business gain and loss.

"Sec. 1395. Enterprise zone gain from sale of principal residence."

(2) The table of subchapters for chapter 1 is amended by adding the following new subchapter after subchapter T and before subchapter V:

"SUBCHAPTER U—ENTERPRISE ZONES."

(3) Section 121 (relating to one-time exclusion from gross income of gain from sale of a principal residence) is amended by adding the following cross reference at the end thereof:

"(e) CROSS REFERENCE.—For exclusion from gross income of gain from sale of a principal residence located in an enterprise zone, see section 1395."

(4) Section 1034(1) (relating to cross reference for purposes of rollover of gain from sale of principal residence) is amended to read as follows:

"(1) CROSS REFERENCE.—For other rules excluding from gross income gain with respect to sale of principal residence—

"(1) see section 121, with respect to a one-time election for individuals who have attained age 55, and

"(2) see section 1395, with respect to principal residences located in enterprise zones."

SEC. 322. QUALIFIED ENTERPRISE ZONE BONDS.

(a) GENERAL RULE.—Parts IV and IX of subchapter B (relating to computation of taxable income) of chapter 1 of subtitle A (relating to normal tax and surtax rules) are amended as follows:

(1) AMENDMENT OF SECTION 142(a).—Section 142(a) (relating to exempt facility bonds) is amended by adding the following new paragraph at the end thereof:

"(12) Qualified enterprise zone facilities."

(2) ADDITION OF NEW SECTION 142(j).—Section 142 is amended by adding the following new subsection at the end thereof:

"(j) QUALIFIED ENTERPRISE ZONE FACILITIES.—

"(1) IN GENERAL.—For purposes of subsection (a)(12), except as otherwise provided

in this paragraph (1), the term 'qualified enterprise zone facilities' means tangible property (within the meaning of section 1391(b)(1)(C)) located within an enterprise zone (as defined in section 1391(a)(1)) that is or will be used with respect to an enterprise zone business within the meaning of section 1391(b). Facilities used for the provision of housing (rental or otherwise) are not qualified enterprise zone facilities. Facilities that are qualified enterprise zone facilities are deemed to be used for a public use.

"(2) LIMITATION ON AMOUNT OF BONDS.—This subsection (j) shall not apply if, at any time, the aggregate amount of any outstanding bonds used or to be used with respect to any single enterprise zone business exceeds \$5,000,000. For purposes of this \$5,000,000 limitation, with respect to an issue that refunds another issue the proceeds of which were used to finance qualified enterprise zone facilities, only that portion of the refunding issue that exceeds the portion of the issue being refunded is taken into account.

"(3) REASONABLE EXPECTATION REQUIREMENT.—This subsection (j) shall not apply to any issue unless, as of the date of issue of the bonds, the persons or entities operating the trade or business reasonably expect the business to qualify as an enterprise zone business all times during the 5-year period immediately succeeding the later of the date of issue of the bonds or the date of commencement of business operations. In the event the business ceases to qualify as an enterprise zone business within the 5-year period, any expectation of compliance for the requisite 5-year period is presumed not to be reasonable unless it is shown to the satisfaction of the Secretary that noncompliance occurred for bona fide reasons unrelated to tax-exemption of the bonds."

(b) ADDITION OF NEW SECTION 147(h)(3).—Section 147(h) is amended by adding the following new paragraph at the end thereof:

"(3) BONDS FOR QUALIFIED ENTERPRISE ZONE FACILITIES.—Subsections (c) and (d) shall not apply to any bonds the proceeds of which are used to finance qualified enterprise zone facilities."

(e) AMENDMENT TO SECTION 265(b)(3)(B)(ii)(I).—Section 265(b)(3)(B)(ii)(I) is amended to read as follows:

"(I) Any qualified 501(c)(3) bond (as defined in section 145) and any bonds elected not to be treated as private activity under subsection (b)(3)(B)(iii) of this section, or"

(f) ADDITION OF NEW SECTION 265(b)(3)(B)(iii).—Section 265(b)(3)(B) is amended by adding the following new clause at the end thereof:

"(iii) ELECTION NOT TO TREAT QUALIFIED ENTERPRISE ZONE FACILITY BONDS AS PRIVATE ACTIVITY BONDS.—An issue the proceeds of which are used to finance qualified enterprise zone facilities (as defined in section 142(j)) is not treated as a private activity bond if, on or prior to the date of issue of the bonds, the issuer irrevocably elects not to treat the bonds as private activity bonds for purposes of subsection (b)(3)(B)(ii)(I) of this section."

SEC. 323. ENTERPRISE ZONE EMPLOYEE TAX CREDIT.

(a) Section 32(b) (relating to the computation of the earned income tax credit) is amended by adding the following new paragraph at the end thereof:

"(3) ENTERPRISE ZONE EMPLOYEE CREDIT.—An enterprise zone employee (as defined in section 1391(e)) who, but for this paragraph, would not be an eligible individual within the meaning of subsection (c)(1) is deemed to be an eligible individual with one qualifying

child solely for purposes of the basic earned income credit computed under subsection (b)(1)."

(b) Section 32(c)(2) (relating to the definition of earned income) is amended by adding the following subparagraph at the end thereof:

"(C) In the case of a person made eligible for the basic credit under section 32(b)(3), earned income shall not exceed the person's qualified wages (as defined in section 1391(g))."

SEC. 324. ENTERPRISE ZONE BUSINESS EXPENSING ALLOWANCE.

Section 179(b)(1) (relating to limitations on the amount of investment in depreciable business property that may be expensed) is amended by adding at the end the following: "In the case of an enterprise zone business (as defined in section 1391(b)), the limitation applied under this paragraph shall be \$20,000."

SEC. 325. ENTERPRISE ZONE ACTIVITY PASSIVE LOSS.

(a) Paragraphs (1) and (2) of section 469(1) (relating to offset against limitations on losses and credits from passive activities) are amended to read as follows:

"(1) OFFSET FOR RENTAL REAL ESTATE ACTIVITIES AND ENTERPRISE ZONE ACTIVITIES.—

"(1) IN GENERAL.—In the case of any natural person, subsection (a) shall not apply to that portion of the passive activity loss or the deduction equivalent (within the meaning of subsection (j)(5)) of the passive activity credit for any taxable year which is attributable to—

"(A) all rental real estate activities with respect to which such individual actively participated in such taxable year (and if any portion of such loss or credit arose in another taxable year, in such other taxable year), and

"(B) all enterprise zone passive activities, but only to the extent that such loss or credit arose in the taxable year.

"(2) DOLLAR LIMITATION.—The aggregate amount to which paragraph (1)(A) applies shall not exceed \$25,000. The aggregate amount to which paragraph (1)(B) applies shall not exceed \$10,000."

(b) Subparagraph (A) of section 469(i)(3) is amended by inserting before the comma "to which paragraph (1)(A) applies".

(c) Subparagraph (A) of section 469(i)(5) is amended by striking the word "and" at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ", and" and by adding at the end thereof the following new clause:

"(iv) '\$5,000' for '\$10,000' in paragraph (2)."

(d) Subparagraph (B) of section 469(i)(5) is amended by striking "This" and by inserting "Except in the case of a taxpayer to which subsection 469(i)(1)(B) applies, this".

(e) Subsection (j) of section 469 is amended by adding at the end thereof the following new paragraph:

"(13) ENTERPRISE ZONE ACTIVITY.—The term 'enterprise zone activity' means a rental activity or a trade or business activity that consists exclusively of one or more interests in an enterprise zone business (as defined in section 1391(b))."

(f) Paragraph (4) of section 469(j) is amended by striking "amount" and inserting "and \$10,000 amounts".

SEC. 326. ALTERNATIVE MINIMUM TAX.

Section 56(g)(4)(B) (relating to adjustments based on adjusted current earnings of corporations) is amended by adding the following new clause at the end thereof:

"(iii) EXCLUSION OF ENTERPRISE ZONE CAPITAL GAIN.—Clause (i) shall not apply to any

amount treated as enterprise zone investor gain (as defined in section 1393) or enterprise zone business gain (as defined in section 1394), and such gain shall not be included in income for purposes of computing alternative minimum taxable income."

SEC. 327. ADJUSTED GROSS INCOME DEFINED.

Subsection (a) of section 62 (relating to the definition of adjusted gross income) is amended by adding at the end thereof the following new paragraph:

"(14) ENTERPRISE ZONE STOCK.—The deduction allowed by section 1392."

Subtitle D—Regulatory Flexibility

SEC. 331. DEFINITION OF SMALL ENTITIES IN ENTERPRISE ZONE FOR PURPOSES OF ANALYSIS OF REGULATORY FUNCTIONS.

Section 601 of title 5, United States Code, is amended by—

(1) striking out "and" at the end of paragraph (5); and

(2) striking out paragraph (6) and inserting in lieu thereof the following:

"(6) the term 'small entity' means—

"(A) a small business, small organization, or small governmental jurisdiction defined in paragraphs (3), (4), and (5) of this section, respectively; and

"(B) any qualified enterprise zone business; any unit of government that nominated an area which the Secretary of Housing and Urban Development designates as an enterprise zone (within the meaning of section 7880 of the Internal Revenue Code of 1986) that has a rule pertaining to the carrying out of any project, activity, or undertaking within such zone; and any not-for-profit enterprise carrying out a significant portion of its activities within such a zone; and

"(7) the term 'qualified enterprise zone business' means any person, corporation, or other entity—

"(A) which is engaged in the active conduct of a trade or business within an enterprise zone (within the meaning of section 7880 of the Internal Revenue Code of 1986); and

"(B) for whom at least 50 percent of its employees are qualified employees (within the meaning of section 1392(b)(1) of such Code)."

SEC. 332. WAIVER OR MODIFICATION OF AGENCY RULES IN ENTERPRISE ZONES.

(a) Chapter 6 of title 5, United States Code, is amended by redesignating sections 611 and 612 as sections 612 and 613, respectively, and inserting the following new section immediately after section 610:

§ 611. Waiver or modification of agency rules in enterprise zones

"(a) Upon the written request of any government which nominated an area that the Secretary of Housing and Urban Development has designated as an enterprise zone under section 7880 of the Internal Revenue Code of 1986, an agency is authorized, in order to further the job creation, community development, or economic revitalization objectives with respect to such zone, to waive or modify all or part of any rule which it has authority to promulgate, as such rule pertains to the carrying out of projects, activities, or undertakings within such zone.

"(b) Nothing in this section shall authorize an agency to waive or modify any rule adopted to carry out a statute or Executive order which prohibits, or the purpose of which is to protect persons against, discrimination on the basis of race, color, religion, sex, familial status, national origin, age, or handicap.

"(c) A request under subsection (a) shall specify the rule or rules to be waived or modified and the change proposed, and shall

briefly describe why the change would promote the achievement of the job creation, community development, or economic revitalization objectives of the enterprise zone. If such a request is made to any agency other than the Department of Housing and Urban Development, the requesting government shall send a copy of the request to the Secretary of Housing and Urban Development at the time the request is made.

"(d) In considering a request, the agency shall weigh the extent to which the proposed change is likely to further job creation, community development, or economic revitalization within the enterprise zone against the effect the change is likely to have on the underlying purposes of applicable statutes in the geographic area which would be affected by the change. The agency shall approve the request whenever it finds, in its discretion, that the public interest which the proposed change would serve in furthering such job creation, community development, or economic revitalization outweighs the public interest which continuation of the rule unchanged would serve. The agency shall not approve any request to waive or modify a rule if that waiver or modification would—

"(1) violate a statutory requirement (including any requirements of the Fair Labor Standards Act of 1938 (52 Stat. 1060; 29 U.S.C. 201 et seq.); or

"(2) be likely to present a significant risk to the public health, including environmental or occupational health or safety, or of environmental pollution.

"(e) If a request is disapproved, the agency shall inform all the requesting governments, and the Department of Housing and Urban Development, in writing of the reasons therefor and shall, to the maximum extent possible, work with such governments to develop an alternative, consistent with the standards contained in subsection (d).

"(f) Agencies shall discharge their responsibilities under this section in an expeditious manner, and shall make a determination on requests not later than 90 days after their receipt.

"(g) A waiver or modification of a rule under subsection (a) shall not be considered to be a rule, rulemaking, or regulation under chapter 5 of this title. To facilitate reaching its decision on any requested waiver or modification, the agency may seek the views of interested parties and, if the views are to be sought, determine how they should be obtained and to what extent, if any, they should be taken into account in considering the request. The agency shall publish a notice in the Federal Register stating any waiver or modification of a rule under this section, the time such waiver or modification takes effect and its duration, and the scope of applicability of such waiver or modification.

"(h) In the event that an agency proposes to amend a rule for which a waiver or modification under this section is in effect, the agency shall not change the waiver or modification to impose additional requirements unless it determines, consistent with standards contained in subsection (d), that such action is necessary. Such determinations shall be published with the proposal to amend such rule.

"(i) No waiver or modification of a rule under this section shall remain in effect with respect to an enterprise zone after the enterprise zone designation has expired or has been revoked.

"(j) For purposes of this section, the term 'rule' means (1) any rule as defined in section 551(4) of this title or (2) any rulemaking con-

ducted on the record after opportunity for an agency hearing pursuant to sections 556 and 557 of this title."

(b) The analysis for chapter 6 of title 5, United States Code, is amended by redesignating the items relating to sections 611 and 612 as items relating to sections 612 and 613, respectively, and by inserting after the item relating to section 610 the following new item:

"611. Waiver or modification of agency rules in enterprise zones."

(c) Section 601(2) of such title 5 is amended by inserting "(except for purposes of section 611)" immediately before "means".

(d) Section 613 of such title 5, as redesignated by subsection (a), is amended—

(1) in subsection (a) by inserting "(except section 611)" immediately after "chapter"; and

(2) in subsection (b) by inserting "as defined in section 601(2)" immediately before the period at the end of the first sentence.

SEC. 333. FEDERAL AGENCY SUPPORT OF ENTERPRISE ZONES.

In order to maximize all agencies' support of enterprise zones, the Secretary of Housing and Urban Development is authorized to convene regional and local coordinating councils of any appropriate agencies to assist State and local governments to achieve the objectives agreed to in the course of action under section 7880 of the Internal Revenue Code of 1986.

Subtitle E—Establishment of Foreign-Trade Zones in Enterprise Zones

SEC. 341. FOREIGN-TRADE ZONE PREFERENCES.

(a) PREFERENCE IN ESTABLISHMENT OF FOREIGN-TRADE ZONES IN REVITALIZATION AREAS.—In processing applications for the establishment of foreign-trade zones pursuant to an Act "To provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes", approved June 18, 1934 (48 Stat. 998), the Foreign-Trade Zone Board shall consider on a priority basis and expedite, to the maximum extent possible, the processing of any application involving the establishment of a foreign-trade zone within an enterprise zone designated pursuant to section 7880 of the Internal Revenue Code of 1986.

(b) APPLICATION PROCEDURE.—In processing applications for the establishment of ports of entry pursuant to "An Act making appropriations for sundry civil expenses of the Government for the fiscal year ending June thirtieth, nineteen hundred and fifteen, and for other purposes", approved August 1, 1914 (38 Stat. 609), the Secretary of the Treasury shall consider on a priority basis and expedite, to the maximum extent possible, the processing of any application involving the establishment of a port of entry which is necessary to permit the establishment of a foreign-trade zone within an enterprise zone so designated.

(c) APPLICATION EVALUATION.—In evaluating applications for the establishment of foreign-trade zones and ports of entry in connection with enterprise zones so designated, the Foreign-Trade Zone Board and the Secretary of the Treasury shall approve the applications, to the maximum extent practicable, consistent with their respective statutory responsibilities.

Subtitle F—Repeal of Title VII of the Housing and Community Development Act of 1987

SEC. 351. REPEAL.

Title VII of the Housing and Community Development Act of 1987 is hereby repealed.

TITLE IV—OTHER PROVISIONS

Subtitle A—General Provisions

SEC. 401. MARK TO MARKET ACCOUNTING METHOD FOR SECURITIES DEALERS.

(a) GENERAL RULE.—Subpart D of part II of subchapter E of chapter 1 (relating to inventories) is amended by adding at the end thereof the following new section:

"SEC. 475. MARK TO MARKET ACCOUNTING METHOD FOR DEALERS IN SECURITIES.

"(a) GENERAL RULE.—Notwithstanding any other provision of this subpart, the following rules shall apply to securities held by a dealer in securities:

"(1) Any security which is inventory in the hands of the dealer shall be included in inventory at its fair market value.

"(2) In the case of any security which is not inventory in the hands of the dealer and which is held at the close of any taxable year—

"(A) the dealer shall recognize gain or loss as if such security were sold for its fair market value on the last business day of such taxable year, and

"(B) any gain or loss shall be taken into account for such taxable year.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence. The Secretary may provide by regulations for the application of this paragraph at times other than the times provided in this paragraph.

"(b) EXCEPTIONS.—

"(1) IN GENERAL.—Subsection (a) shall not apply to—

"(A) any security held for investment,

"(B) any security described in subsection (c)(2)(C) which is acquired (including originated) by the taxpayer in the ordinary course of a trade or business of the taxpayer and which is not held for sale,

"(C) any security acquired by a floor specialist (as defined in section 1236(d)(2)) in connection with the specialist's duties as a specialist on an exchange, but only if the security is one in which the specialist is registered with the exchange, and

"(D) any security which is a hedge with respect to—

"(i) a security to which subsection (a) does not apply, or

"(ii) a position, right to income, or a liability which is not a security in the hands of the taxpayer.

Except as provided in regulations, subparagraph (D) shall not apply to any security held by a person in its capacity as a dealer in securities.

"(2) IDENTIFICATION REQUIRED.—A security shall not be treated as described in subparagraph (A), (B), (C), or (D) of paragraph (1), as the case may be, unless such security is clearly identified in the dealer's records as being described in such subparagraph 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).

"(3) SECURITIES SUBSEQUENTLY NOT EXEMPT.—If a security ceases to be described in paragraph (1) at any time after it was identified as such under paragraph (2), subsection (a) shall apply to any changes in value of the security occurring after the cessation.

"(4) SPECIAL RULE FOR PROPERTY HELD FOR INVESTMENT.—To the extent provided in regulations, subparagraph (A) of paragraph (1) shall not apply to any security described in subparagraph (D) or (E) of subsection (c)(2) which is held by a dealer in such securities.

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

"(1) DEALER IN SECURITIES DEFINED.—The term 'dealer in securities' means a taxpayer who—

"(A) regularly purchases securities from or sells securities to customers in the ordinary course of a trade or business; or

"(B) regularly offers to enter into, assume, offset, assign or otherwise terminate positions in securities with customers in the ordinary course of a trade or business.

"(2) SECURITY DEFINED.—The term 'security' means any—

"(A) share of stock in a corporation;

"(B) partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust;

"(C) note, bond, debenture, or other evidence of indebtedness;

"(D) interest rate, currency, or equity notional principal contract;

"(E) evidence of an interest in, or a derivative financial instrument in, any security described in subparagraph (A), (B), (C), or (D), or any currency, including any option, forward contract, short position, and any similar financial instrument in such a security or currency; and

"(F) position which—

"(i) is not a security described in subparagraph (A), (B), (C), (D), or (E),

"(ii) is a hedge with respect to such a security, and

"(iii) is clearly identified in the dealer's records as being described in this subparagraph before the close of the day on which it was acquired or entered into (or such other time as the Secretary may by regulations prescribe).

Such term shall not include any contract to which section 1256(a) applies.

"(3) HEDGE.—The term 'hedge' means any position which reduces the dealer's risk of interest rate or price changes or currency fluctuations, including any position which is reasonably expected to become a hedge within 60 days after the acquisition of the position.

"(d) SPECIAL RULES.—For purposes of this section—

"(1) CERTAIN RULES NOT TO APPLY.—The rules of sections 263(g) and 263A shall not apply to securities to which subsection (a) applies.

"(2) IMPROPER IDENTIFICATION.—If a taxpayer—

"(A) identifies any security under subsection (b)(2) as being described in subsection (b)(1) and such security is not so described, or

"(B) fails under subsection (c)(2)(F)(iii) to identify any position which is described in such subsection at the time such identification is required,

the provisions of subsection (a) shall apply to such security or position, except that any loss under this section prior to the disposition of the security or position shall be recognized only to the extent of gain previously recognized under this section (and not previously taken into account under this paragraph) with respect to such security or position.

"(e) REGULATORY AUTHORITY.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including rules—

"(1) to prevent the use of year-end transfers, related parties, or other arrangements to avoid the provisions of this section, and

"(2) to provide for the application of this section to any security which is a hedge

which cannot be identified with a specific security, position, right to income, or liability."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 988(d) is amended—

(A) by striking "section 1256" and inserting "section 475 or 1256", and

(B) by striking "1092 and 1256" and inserting "475, 1092, and 1256".

(2) The table of sections for subpart D of part II of subchapter E of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 475. Mark to market accounting method for dealers in securities."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to all taxable years ending on or after December 31, 1992.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

(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, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 10-taxable year period beginning with the first taxable year ending on or after December 31, 1992.

If the net amount determined under subparagraph (C) exceeds the net amount which would have been determined under subparagraph (C) if the taxpayer had been required by this section to change its method of accounting for its last taxable year beginning before March 20, 1992, subparagraph (C) shall be applied with respect to such excess by substituting "4-taxable year" for "10-taxable year".

(3) UNDERPAYMENT OF ESTIMATED TAX.—In the case of any required installment the due date for which occurs before the date of the enactment of this Act, no addition to tax shall be made under section 6654 or 6655 of the Internal Revenue Code of 1986 with respect to any underpayment to the extent such underpayment was created or increased by any amendment made by, or provision of, this section. All reductions in installments by reason of the preceding sentence shall be recaptured by increasing the amount of the 1st required installment occurring on or after the date of the enactment of this Act by the amount of such reductions.

SEC. 402. CLARIFICATION OF TREATMENT OF CERTAIN FSLIC FINANCIAL ASSISTANCE.

(a) GENERAL RULE.—For purposes of chapter 1 of the Internal Revenue Code of 1986—

(1) any FSLIC assistance with respect to any loss of principal, capital, or similar amount upon the disposition of any asset shall be taken into account as compensation for such loss for purposes of section 165 of such Code, and

(2) any FSLIC assistance with respect to any debt shall be taken into account for purposes of section 166, 585, or 593 of such Code in determining whether such debt is worthless (or the extent to which such debt is worthless) and in determining the amount of any addition to a reserve for bad debts arising from the worthlessness or partial worthlessness of such debts.

(b) FSLIC ASSISTANCE.—For purposes of this section, the term "FSLIC assistance" means any assistance (or right to assistance)

with respect to a domestic building and loan association (as defined in section 7701(a)(19) of such Code without regard to subparagraph (C) thereof) under section 406(f) of the National Housing Act or section 21A of the Federal Home Loan Bank Act (or under any similar provision of law).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection—

(A) The provisions of this section shall apply to taxable years ending after March 4, 1991, but only with respect to FSLIC assistance not credited before March 4, 1991.

(B) If any FSLIC assistance not credited before March 4, 1991, is with respect to a loss sustained or charge-off in a taxable year ending before March 4, 1991, for purposes of determining the amount of any net operating loss carryover to a taxable year ending after on or after March 4, 1991, the provisions of this section shall apply to such assistance for purposes of determining the amount of the net operating loss for the taxable year in which such loss was sustained or debt written off. Except as provided in the preceding sentence, this section shall not apply to any FSLIC assistance with respect to a loss sustained or charge-off in a taxable year ending before March 4, 1991.

(2) EXCEPTIONS.—The provisions of this section shall not apply to any assistance to which the amendments made by section 1401(a)(3) of the Financial Institution Reform, Recovery, and Enforcement Act of 1989 apply.

SEC. 403. INDIVIDUAL ESTIMATED TAX PROVISIONS.

(a) GENERAL RULE.—Paragraph (1) of section 6654(d) (relating to amount of required installment) is amended—

(1) in subparagraph (B)(i), by striking "100 percent" and inserting "115 percent", and

(2) by striking subparagraphs (C), (D), (E), and (F).

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1991.

(2) SPECIAL RULE FOR 1ST INSTALLMENT IN 1992.—The amendment made by subsection (a) shall not apply for purposes of determining the amount of the 1st or 2nd required installment for any taxable year beginning in 1992. Any reduction in an installment by reason of the preceding sentence shall be recaptured by increasing the amount of the 3rd required installment by the amount of such reduction.

SEC. 404. CORPORATE ESTIMATED TAX PROVISIONS.

(a) GENERAL RULE.—Subsection (d) of section 6655 (relating to amount of required installments) is amended—

(1) by striking "90 percent" each place it appears in paragraph (1)(B)(i) and inserting "96 percent",

(2) by striking "90 PERCENT" in the heading of paragraph (2) and inserting "96 PERCENT", and

(3) by striking paragraph (3).

(b) CONFORMING AMENDMENTS.—

(1) Clause (ii) of section 6655(e)(2)(B) is amended by striking the table contained therein and inserting the following new table:

In the case of the following required installments:	The applicable percentage is:
1st	24
2nd	48
3rd	72
4th	96."

(2) Clause (i) of section 6655(e)(3)(A) is amended by striking "90 percent" and inserting "96 percent".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after June 30, 1992.

SEC. 405. INFORMATION REPORTING WITH RESPECT TO CERTAIN SELLER-PROVIDED FINANCING.

(a) GENERAL RULE.—Section 6109 (relating to identifying numbers) is amended by adding at the end thereof the following new subsection:

"(h) IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO CERTAIN SELLER-PROVIDED FINANCING.—

"(1) PAYOR.—If any taxpayer claims a deduction under section 163 for qualified residence interest on any seller-provided financing, such taxpayer shall include on the return claiming such deduction the name, address, and TIN of the person to whom such interest is paid or accrued.

"(2) RECIPIENT.—If any person receives or accrues interest referred to in paragraph (1), such person shall include on the return for the taxable year in which such interest is so received or accrued the name, address, and TIN of the person liable for such interest.

"(3) FURNISHING OF INFORMATION BETWEEN PAYOR AND RECIPIENT.—If any person is required to include the TIN of another person on a return under paragraph (1) or (2), such other person shall furnish his TIN to such person.

"(4) SELLER-PROVIDED FINANCING.—For purposes of this subsection, the term 'seller-provided financing' means any indebtedness incurred in acquiring any residence if the person to whom such indebtedness is owed is the person from whom such residence was acquired."

(b) PENALTY.—Paragraph (3) of section 6724(d) (relating to specified information reporting requirement) is amended by striking "and" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", and", and by adding at the end thereof the following new subparagraph:

"(E) any requirement under section 6109(f) that—

"(i) a person include on his return the name, address, and TIN of another person, or

"(ii) a person furnish his TIN to another person."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

Subtitle B—Alternative Taxable Years

SEC. 411. ELECTION OF TAXABLE YEAR OTHER THAN REQUIRED TAXABLE YEAR.

(a) LIMITATIONS ON TAXABLE YEARS WHICH MAY BE ELECTED.—Subsection (b) of section 444 (relating to limitations on taxable years which may be elected) is amended to read as follows:

"(b) TAXABLE YEAR MUST BE SAME AS REPORTING PERIOD.—If an entity has annual reports or statements—

"(1) which ascertain income, profit, or loss of the entity, and

"(2) which are—

"(A) provided to shareholders, partners, or other proprietors, or

"(B) used for credit purposes,

the entity may make an election under subsection (a) only if the taxable year elected covers the same period as such reports or statements."

(b) PERIOD OF ELECTION.—Section 444(d)(2) (relating to period of election) is amended to read as follows:

"(2) PERIOD OF ELECTION.—

"(A) IN GENERAL.—An election under subsection (a) shall remain in effect until the partnership, S corporation, or personal service corporation terminates the election and adopts the required taxable year.

"(B) CHANGE NOT TREATED AS TERMINATION.—For purposes of subparagraph (A), a change from a taxable year which is not a required taxable year to another such taxable year shall not be treated as a termination."

(c) EXCEPTION FOR TRUSTS.—Section 444(d)(3) (relating to tiered structures) is amended by adding at the end thereof the following new subparagraph:

"(C) EXCEPTION FOR CERTAIN STRUCTURES THAT INCLUDE TRUSTS.—An entity shall not be considered to be part of a tiered structure to which subparagraph (A) applies solely because a trust owning an interest in such entity is a trust all of the beneficiaries of which use a calendar year for their taxable year."

(d) REGULATIONS.—Subsection (g) of section 444 (relating to regulations) is amended to read as follows:

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section, including regulations—

"(1) to prevent the avoidance of the provisions of this section through a change in entity or form of an entity,

"(2) to prevent the carryback to any preceding taxable year of a net operating loss (or similar item) arising in any short taxable year created pursuant to an election or termination of an election under this section, and

"(3) to provide for the termination of an election under subsection (a) if an entity does not continue to meet the requirements of subsection (b)."

SEC. 412. REQUIRED PAYMENTS FOR ENTITIES ELECTING NOT TO HAVE REQUIRED TAXABLE YEAR.

(a) ADDITIONAL REQUIRED PAYMENT.—

(1) IN GENERAL.—Section 7519(b) (defining required payment) is amended to read as follows:

"(b) REQUIRED PAYMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'required payment' means, with respect to any applicable election year of a partnership or S corporation, an amount equal to the excess (if any) of—

"(A) the adjusted highest section 1 rate, multiplied by the net base year income of the entity, over

"(B) the net required payment balance.

For purposes of paragraph (1)(A), the term 'adjusted highest section 1 rate' means the highest rate of tax in effect under section 1 as of the close of the first required taxable year ending within such year, plus 2 percentage points.

"(2) ADDITIONAL PAYMENT FOR NEW APPLICABLE ELECTION YEARS.—

"(A) IN GENERAL.—In the case of a new applicable election year, the required payment shall include, in addition to any amount determined under paragraph (1), the amount determined under subparagraph (C).

"(B) NEW APPLICABLE ELECTION YEAR.—For purposes of this section, the term 'new applicable election year' means any applicable election year—

"(i) with respect to which the preceding taxable year was not an applicable election year, or

"(ii) which covers a different period than the preceding taxable year by reason of a change described in section 444(d)(2)(B).

If any year described in the preceding sentence is a short taxable year which does not

include the last day of the required taxable year, the new applicable election year shall be the taxable year following the short taxable year.

“(C) ADDITIONAL AMOUNT.—For purposes of subparagraph (A), the amount determined under this subparagraph shall be—

“(i) in the case of a year described in subparagraph (B)(i), 75 percent of the required payment for the year, and

“(ii) in the case of a year described in subparagraph (B)(ii), 75 percent of the excess (if any) of—

“(I) the required payment for the year, over

“(II) the required payment for the year which would have been computed if the change described in subparagraph (B)(ii) had not occurred.

“(D) REQUIRED PAYMENT.—For purposes of this paragraph, the term ‘required payment’ means the payment required by this section (determined without regard to this paragraph).”

(2) DUE DATE.—Paragraph (2) of section 7519(f) (defining due date) is amended to read as follows:

“(A) DUE DATE.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the amount of any required payment for any applicable election year shall be paid on or before May 15 of the calendar year following the calendar year in which the applicable election year begins.

“(B) SPECIAL RULE WHERE NEW APPLICABLE ELECTION YEAR ADOPTED.—In the case of a new applicable election year, the portion of any required payment determined under subsection (b)(2) shall be paid on or before September 15 of the calendar year in which the applicable election year begins.”

(3) PENALTIES.—

(A) IN GENERAL.—Section 7519(f)(4) (relating to penalties) is amended by adding at the end thereof the following new subparagraph:

“(D) FAILURE TO PAY ADDITIONAL AMOUNT.—In the case of any failure by any entity to pay on the date prescribed therefore the portion of any required payment described in subsection (b)(2) for any applicable election year—

“(i) subparagraph (A) shall not apply, but

“(ii) the entity shall, for purposes of this title, be treated as having terminated the election under section 444 for such year and changed to the required taxable year.”

(B) CONFORMING AMENDMENT.—Section 7519(f)(4)(A) is amended by striking “In” and inserting “Except as provided in subparagraph (D), in”.

(4) REFUNDS.—Section 7519(c)(2)(A) (relating to refund of payments) is amended to read as follows:

“(A) an election under section 444 is not in effect for any year but was in effect for the preceding year, or”.

(5) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 7519(c) is amended—

(i) by striking “subsection (b)(2)” and inserting “subsection (b)(1)(B)”, and

(ii) by striking “subsection (b)(1)” and inserting “subsection (b)(1)(A)”.

(B) Subsection (d) of section 7519 is amended by striking paragraph (4) and redesignating paragraph (5) as paragraph (4).

(b) OTHER DEFINITIONS AND SPECIAL RULES.—

(1) REFUND.—Paragraph (3) of section 7519(c) (relating to date on which refund payable) is amended in the matter preceding subparagraph (A) by striking “on the later of” and inserting “by the later of”.

(2) DEFERRAL RATIO.—The last sentence of paragraph (1) of section 7519(d) is amended to

read as follows: “Except as provided in regulations, the term ‘deferral ratio’ means the ratio which the number of months in the deferral period of the applicable election year bears to the number of months in the applicable election year.”

(3) NET INCOME.—Paragraph (2) of section 7519(d) is amended by adding at the end the following new subparagraph:

“(D) EXCESS APPLICABLE PAYMENTS FOR BASE YEAR.—In the case of any new applicable election year, the net income for the base year shall be increased by the excess (if any) of—

“(i) the applicable payments taken into account in determining net income for the base year, over

“(ii) 120 percent of the average amount of applicable payments made during the first 3 taxable years preceding the base year.”

(4) DEFERRAL PERIOD.—Paragraph (1) of section 7519(e) (defining deferral period) is amended to read as follows:

“(1) DEFERRAL PERIOD.—Except as provided in regulations, the term ‘deferral period’ means, with respect to any taxable year of the entity, the months between—

“(A) the beginning of such year, and

“(B) the close of the first required taxable year (as defined in section 444(e)) ending within such year.”

(5) BASE YEAR.—

(A) IN GENERAL.—Paragraph (2)(A) of section 7519(e) (defining base year) is amended to read as follows:

“(A) BASE YEAR.—The term ‘base year’ means, with respect to any applicable election year, the first taxable year of 12 months (or 52-53 weeks) of the partnership or S corporation preceding such applicable election year.”

(B) CONFORMING AMENDMENT.—Paragraph (2) of subsection (g) of section 7519 is amended to read as follows:

“(2) there is no base year described in subsection (e)(2)(A) or no preceding taxable year described in section 280H(c)(1)(A)(i).”

(c) INTEREST.—Section 7519(f)(3) (relating to interest) is amended to read as follows:

“(3) INTEREST.—For purposes of determining interest, any payment required by this section shall be treated as a tax, except that interest shall be allowed with respect to any refund of a payment under this section only for the period from the latest date specified in subsection (c)(3) for such refund to the actual date of payment of such refund.”

SEC. 413. LIMITATION ON CERTAIN AMOUNTS PAID TO EMPLOYEE-OWNERS OF PERSONAL SERVICE CORPORATIONS.

(a) CARRYOVER OF NONDEDUCTIBLE AMOUNTS.—Subsection (b) of section 280H (relating to carryover of nondeductible amounts) is amended to read as follows:

“(b) CARRYOVER OF NONDEDUCTIBLE AMOUNTS.—Any amount not allowed as a deduction for a taxable year pursuant to subsection (a) shall be allowed as a deduction in the succeeding taxable year.”

(b) MINIMUM DISTRIBUTION REQUIREMENT.—Paragraph (1) of section 280H(c) is amended to read as follows:

“(1) IN GENERAL.—A personal service corporation meets the minimum distribution requirements of this subsection if the applicable amounts paid during the deferral period of the taxable year equal or exceed the lesser of—

“(A) 110 percent of the product of—

“(i) the applicable amounts paid during the first preceding taxable year of 12 months (or 52-53 weeks), divided by 12, and

“(ii) the number of months in the deferral period of the taxable year, or

“(B) 110 percent of the amount equal to the applicable percentage of the adjusted taxable income for the deferral period of the taxable year.”

(c) DISALLOWANCE OF NOL CARRYBACKS.—Subsection (e) of section 280H (relating to disallowance of net operating loss carrybacks) is amended by striking “to (or from)” and inserting “from”.

(d) CONFORMING AMENDMENT.—Subparagraph (A) of section 280H(f)(3) (relating to deferral period) is amended by striking “section 444(b)(4)” and inserting “section 7519(e)(1)”.

SEC. 414. EFFECTIVE DATE.

The amendments made by this subtitle shall apply to taxable years beginning after December 31, 1992.

Subtitle C—Provisions Relating to Intangibles

SEC. 421. AMORTIZATION OF GOODWILL AND CERTAIN OTHER INTANGIBLES.

(a) GENERAL RULE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

“SEC. 197. AMORTIZATION OF GOODWILL AND CERTAIN OTHER INTANGIBLES.

“(a) GENERAL RULE.—A taxpayer shall be entitled to an amortization deduction with respect to any amortizable section 197 intangible. The amount of such deduction shall be determined by amortizing the adjusted basis (for purposes of determining gain) of such intangible ratably over the 16-year period beginning with the month in which such intangible was acquired.

“(b) NO OTHER DEPRECIATION OR AMORTIZATION DEDUCTION ALLOWABLE.—Except as provided in subsection (a), no depreciation or amortization deduction shall be allowable with respect to any amortizable section 197 intangible.

“(c) AMORTIZABLE SECTION 197 INTANGIBLE.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this section, the term ‘amortizable section 197 intangible’ means any section 197 intangible—

“(A) which is acquired by the taxpayer after the date of the enactment of this section, and

“(B) which is held in connection with the conduct of a trade or business or an activity described in section 212.

“(2) EXCLUSION OF SELF-CREATED INTANGIBLES, ETC.—The term ‘amortizable section 197 intangible’ shall not include any section 197 intangible—

“(A) which is not described in subparagraph (D), (E), or (F) of subsection (d)(1), and

“(B) which is created by the taxpayer. This paragraph shall not apply if the intangible is created in connection with a transaction (or series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof.

“(3) ANTI-CHURNING RULES.—

“**For exclusion of intangibles acquired in certain transactions, see subsection (f)(9).**

“(d) SECTION 197 INTANGIBLE.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this section, the term ‘section 197 intangible’ means—

“(A) goodwill,

“(B) going concern value,

“(C) any of the following intangible items:

“(i) workforce in place including its composition and terms and conditions (contractual or otherwise) of its employment,

"(ii) business books and records, operating systems, or any other information base (including lists or other information with respect to current or prospective customers),

"(iii) any patent, copyright, formula, process, design, pattern, knowhow, format, or other similar item,

"(iv) any customer-based intangible,

"(v) any supplier-based intangible, and

"(vi) any other similar item,

"(D) any license, permit, or other right granted by a governmental unit or an agency or instrumentality thereof,

"(E) any covenant not to compete (or other arrangement to the extent such arrangement has substantially the same effect as a covenant not to compete) entered into in connection with an acquisition (directly or indirectly) of an interest in a trade or business or substantial portion thereof, and

"(F) any franchise, trademark, or trade name.

"(2) CUSTOMER-BASED INTANGIBLE.—

"(A) IN GENERAL.—The term 'customer-based intangible' means—

"(i) composition of market,

"(ii) market share, and

"(iii) any other value resulting from future provision of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with customers.

"(B) SPECIAL RULE FOR FINANCIAL INSTITUTIONS.—In the case of a financial institution, the term 'customer-based intangible' includes deposit base and similar items.

"(3) SUPPLIER-BASED INTANGIBLE.—The term 'supplier-based intangible' means any value resulting from future acquisitions of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with suppliers of goods or services to be used or sold by the taxpayer.

"(e) EXCEPTIONS.—For purposes of this section, the term 'section 197 intangible' shall not include any of the following:

"(1) FINANCIAL INTERESTS.—Any interest—

"(A) in a corporation, partnership, trust, or estate, or

"(B) under an existing futures contract, foreign currency contract, notional principal contract, interest rate swap, or other similar financial contract.

"(2) LAND.—Any interest in land.

"(3) COMPUTER SOFTWARE.—

"(A) IN GENERAL.—Any—

"(i) computer software which is readily available for purchase by the general public, is subject to a nonexclusive license, and has not been substantially modified, and

"(ii) other computer software which is not acquired in a transaction (or series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof.

"(B) COMPUTER SOFTWARE.—For purposes of subparagraph (A), the term 'computer software' means any program designed to cause a computer to perform a desired function. Such term shall not include any data base or similar item unless the data base or item is in the public domain and is incidental to the otherwise qualifying computer software.

"(4) CERTAIN INTERESTS OR RIGHTS ACQUIRED SEPARATELY.—Any of the following not acquired in a transaction (or series of related transactions) referred to in paragraph (3)(A)(ii):

"(A) Any interest in a film, sound recording, video tape, book, or similar property.

"(B) Any right to receive tangible property or services under a contract or granted by a governmental unit or agency or instrumentality thereof.

"(C) Any interest in a patent or copyright.

"(D) To the extent provided in regulations, any right under a contract (or granted by a governmental unit or an agency or instrumentality thereof) if such right—

"(i) has a fixed duration of less than 16 years, or

"(ii) is fixed as to amount and, without regard to this section, would be amortizable under a unit of production or similar method.

"(5) INTERESTS UNDER LEASES AND DEBT INSTRUMENTS.—Any interest under—

"(A) an existing lease of tangible property, or

"(B) except as provided in subsection (d)(2)(B), any existing indebtedness.

"(6) TREATMENT OF SPORTS FRANCHISES.—A franchise to engage in professional football, basketball, baseball, or other professional sport, and any item acquired in connection with such a franchise.

"(7) MORTGAGE SERVICES.—Any right to service indebtedness which is secured by residential real property unless such right is acquired in a transaction (or series of related transactions) involving the acquisition of assets (other than such right or similar rights) constituting a trade or business or substantial portion thereof.

"(8) PROPERTY ACQUIRED FROM A QUALIFIED RESEARCH ENTITY.—At the election of the taxpayer, any property acquired by the taxpayer from a qualified research entity (as defined in subsection (g)), but only if substantially all of the assets acquired in the transaction (or series of related transactions) in which the property was acquired—

"(A) were created by the qualified research entity, or

"(B) were acquired by the qualified research entity in a transaction (or series of related transactions) to which this paragraph would have applied (without regard to subsection (c)(1)(A)) if an election had been made.

"(f) SPECIAL RULES.—

"(1) TREATMENT OF CERTAIN DISPOSITIONS, ETC.—If there is a disposition of any amortizable section 197 intangible acquired in a transaction or series of related transactions (or any such intangible becomes worthless) and one or more other amortizable section 197 intangibles acquired in such transaction or series of related transactions are retained—

"(A) no loss shall be recognized by reason of such disposition (or such worthlessness), and

"(B) appropriate adjustments to the adjusted bases of such retained intangibles shall be made for any loss not recognized under subparagraph (A).

All persons treated as a single taxpayer under section 41(f)(1) shall be so treated for purposes of the preceding sentence.

"(2) TREATMENT OF CERTAIN TRANSFERS.—

"(A) IN GENERAL.—In the case of any section 197 intangible transferred in a transaction described in subparagraph (B), the transferee shall be treated as the transferor for purposes of applying this section with respect to so much of the adjusted basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor.

"(B) TRANSACTIONS COVERED.—The transactions described in this subparagraph are—

"(i) any transaction described in section 332, 351, 361, 721, 731, 1031, or 1033, and

"(ii) any transaction between members of the same affiliated group during any taxable year for which a consolidated return is made by such group.

"(3) TREATMENT OF AMOUNTS PAID PURSUANT TO COVENANTS NOT TO COMPETE, ETC.—Any amount paid or incurred pursuant to a covenant or arrangement referred to in subsection (d)(1)(E) shall be treated as an amount chargeable to capital account.

"(4) TREATMENT OF FRANCHISES, ETC.—

"(A) FRANCHISE.—The term 'franchise' has the meaning given to such term by section 1253(b)(1).

"(B) TREATMENT OF RENEWALS.—Any renewal of a franchise, trademark, or trade name (or of a license, a permit, or other right referred to in subsection (d)(1)(D)) shall be treated as an acquisition. The preceding sentence shall only apply with respect to costs incurred in connection with such renewal.

"(C) CERTAIN AMOUNTS NOT TAKEN INTO ACCOUNT.—Any amount to which section 1253(d)(1) applies shall not be taken into account under this section.

"(5) TREATMENT OF CERTAIN REINSURANCE TRANSACTIONS.—In the case of any amortizable section 197 intangible resulting from an assumption reinsurance transaction, the amount taken into account as the adjusted basis of such intangible under this section shall be the excess of—

"(A) the amount paid or incurred by the acquirer under the assumption reinsurance transaction, over

"(B) the amount required to be capitalized under section 848 in connection with such transaction.

Subsection (b) shall not apply to any amount required to be capitalized under section 848.

"(6) TREATMENT OF CERTAIN SUBLEASES.—For purposes of this section, a sublease shall be treated in the same manner as a lease of the underlying property involved.

"(7) TREATMENT AS DEPRECIABLE.—For purposes of this chapter, any amortizable section 197 intangible shall be treated as property which is of a character subject to the allowance for depreciation provided in section 167.

"(8) TREATMENT OF CERTAIN INCREMENTS IN VALUE.—This section shall not apply to any increment in value if, without regard to this section, such increment is properly taken into account in determining the cost of property which is not a section 197 intangible.

"(9) ANTI-CHURNING RULES.—For purposes of this section—

"(A) IN GENERAL.—The term 'amortizable section 197 intangible' shall not include any section 197 intangible which is described in subparagraph (A) or (B) of subsection (d)(1) (or for which depreciation or amortization would not have been allowable but for this section) and which is acquired by the taxpayer after the date of the enactment of this section, if—

"(i) the intangible was held or used at any time on or after July 25, 1991, and on or before such date of enactment by the taxpayer or a related person,

"(ii) the intangible was acquired from a person who held such intangible at any time on or after July 25, 1991, and on or before such date of enactment, and, as part of the transaction, the user of such intangible does not change, or

"(iii) the taxpayer grants the right to use such intangible to a person (or a person related to such person) who held or used such intangible at any time on or after July 25, 1991, and on or before such date of enactment.

For purposes of this subparagraph, the determination of whether the user of property changes as part of a transaction shall be de-

terminated in accordance with regulations prescribed by the Secretary.

"(B) EXCEPTION WHERE GAIN RECOGNIZED.—If—

"(i) subparagraph (A) would not apply to an intangible acquired by the taxpayer but for the last sentence of subparagraph (C)(i), and

"(ii) the person from whom the taxpayer acquired the intangible elects, notwithstanding any other provision of this title—

"(I) to recognize gain on the disposition of the intangible, and

"(II) to pay a tax on such gain which, when added to any other income tax on such gain under this title, equals such gain multiplied by the highest rate of income tax applicable to such person under this title,

then subparagraph (A) shall apply to the intangible only to the extent that the taxpayer's adjusted basis in the intangible exceeds the gain recognized under clause (ii)(I).

"(C) RELATED PERSON DEFINED.—For purposes of this paragraph—

"(i) RELATED PERSON.—A person (hereinafter in this paragraph referred to as the 'related person') is related to any person if—

"(I) the related person bears a relationship to such person specified in section 267(b) or section 707(b)(1), or

"(II) the related person and such person are engaged in trades or businesses under common control (within the meaning of subparagraphs (A) and (B) of section 41(f)(1)).

For purposes of subclause (I), in applying section 267(b) or 707(b)(1), '20 percent' shall be substituted for '50 percent'.

"(ii) TIME FOR MAKING DETERMINATION.—A person shall be treated as related to another person if such relationship exists immediately before or immediately after the acquisition of the intangible involved.

"(D) ACQUISITIONS BY REASON OF DEATH.—Subparagraph (A) shall not apply to the acquisition of any property by the taxpayer if the basis of the property in the hands of the taxpayer is determined under section 1014(a).

"(E) SPECIAL RULE FOR PARTNERSHIPS.—With respect to any increase in the basis of partnership property under section 732, 734, or 743, determinations under this paragraph shall be made at the partner level and each partner shall be treated as having owned and used such partner's proportionate share of the partnership assets.

"(F) ANTI-ABUSE RULES.—The term 'amortizable section 197 intangible' does not include any section 197 intangible acquired in a transaction, one of the principal purposes of which is to avoid the requirement of subsection (c)(1) that the intangible be acquired after the date of the enactment of this section or to avoid the provisions of subparagraph (A).

"(G) QUALIFIED RESEARCH ENTITY.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified research entity' means any person which meets—

"(A) the value requirement of paragraph (2),

"(B) the receipts and research expenditures requirements of paragraph (3), and

"(C) the ownership requirements of paragraph (4).

"(2) VALUE REQUIREMENT.—

"(A) IN GENERAL.—The requirement of this paragraph is met with respect to any person if the excess of—

"(i) the fair market value of the assets of such person, over

"(ii) the aggregate of the adjusted issue prices (as determined under section 1272) of

indebtedness of the person with a maturity of one year or less at the time of issuance, does not exceed \$50,000,000.

"(B) SPECIAL RULE FOR SOLE PROPRIETORS.—In the case of a sole proprietor, only assets and indebtedness allocable to trades or businesses of the proprietor shall be taken into account under subparagraph (A).

"(3) RECEIPTS AND RESEARCH EXPENDITURES.—

"(A) IN GENERAL.—The requirements of this paragraph are met with respect to any person if—

"(i) the person did not have any gross receipts during any period preceding the 5-year period ending on the acquisition date, and

"(ii) during the person's entire period of existence on or before the acquisition date, the aggregate amount of expenditures for research or experimentation (within the meaning of section 174) which are technological in nature is greater than—

"(I) \$500,000, and

"(II) 30 percent of the person's aggregate gross receipts during such period.

"(B) EARNINGS ON SHORT-TERM INVESTMENTS.—For purposes of subparagraph (A)(i), gross receipts shall not include earnings on any short-term investment of amounts held to meet the reasonable business needs of the person for working capital.

"(C) SPECIAL RULE FOR SOLE PROPRIETORSHIPS.—In the case of a sole proprietorship, this paragraph shall be applied only with respect to receipts and expenditures in connection with one or more trades or businesses of the sole proprietor from which the property to which the election under subsection (e)(8) applies was acquired.

"(D) GROSS RECEIPTS; PREDECESSOR.—For purposes of this paragraph, rules similar to the rules of subparagraphs (C) and (D) of section 448(c)(3) shall apply.

"(4) OWNERSHIP REQUIREMENTS.—

"(A) IN GENERAL.—The requirements of this paragraph are met with respect to any person if, at all times during the period of existence of the person on or before the acquisition date—

"(i) at least 50 percent of its fair market value is held directly by 5 or fewer persons other than corporations, and

"(ii) at least 50 percent of its fair market value is held by individuals.

"(B) CONTRIBUTION RULES.—For purposes of subparagraph (A)(i), the constructive ownership rules of subparagraphs (A) and (B) of section 318(a)(2) shall apply.

"(C) EXCEPTION.—This paragraph shall not apply to any sole proprietor.

"(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

"(A) ACQUISITION DATE.—The term 'acquisition date' means the date of the acquisition to which the election under subsection (e)(8) applies.

"(B) AGGREGATION RULES.—All persons treated as a single taxpayer under section 41(f) shall be treated as 1 person for purposes of this paragraph. This subparagraph shall not apply to a sole proprietor for purposes of paragraph (3).

"(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including such regulations as may be appropriate to—

"(1) prevent avoidance of the purposes of this section through related persons or otherwise, and

"(2) prevent the avoidance of the \$50,000,000 limitation under subsection (g)(2) through the sale, spin-off, or other disposition of assets prior to a sale, through covenants not to

compete or employment contracts, or through the manipulation of short-term indebtedness."

(b) MODIFICATIONS TO DEPRECIATION RULES.—

(1) TREATMENT OF CERTAIN PROPERTY EXCLUDED FROM SECTION 197.—Section 167 (relating to depreciation deduction) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"(f) TREATMENT OF CERTAIN PROPERTY EXCLUDED FROM SECTION 197.—

"(1) COMPUTER SOFTWARE.—

"(A) IN GENERAL.—If a depreciation deduction is allowable under subsection (a) with respect to any computer software, such deduction shall be computed by using the straight line method and a useful life of 36 months.

"(B) COMPUTER SOFTWARE.—For purposes of this section, the term 'computer software' has the meaning given to such term by the last sentence of section 197(e)(3); except that such term shall not include any such software which is an amortizable section 197 intangible or any such software acquired in a transaction to which subsection (e)(8) applies.

"(2) CERTAIN INTERESTS OR RIGHTS ACQUIRED SEPARATELY.—If a depreciation deduction is allowable under subsection (a) with respect to any property described in subparagraph (B), (C), or (D) of section 197(e)(4), such deduction shall be computed in accordance with regulations prescribed by the Secretary."

(2) ALLOCATION OF BASIS IN CASE OF LEASED PROPERTY.—Subsection (c) of section 167 is amended to read as follows:

"(c) BASIS FOR DEPRECIATION.—

"(1) IN GENERAL.—The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 1011, for the purpose of determining the gain on the sale or other disposition of such property.

"(2) SPECIAL RULE FOR PROPERTY SUBJECT TO LEASE.—If any property is acquired subject to a lease—

"(A) no portion of the adjusted basis shall be allocated to the leasehold interest, and

"(B) the entire adjusted basis shall be taken into account in determining the depreciation deduction (if any) with respect to the property subject to the lease."

(c) AMENDMENTS TO SECTION 1253.—Subsection (d) of section 1253 is amended by striking paragraphs (2), (3), (4), and (5) and inserting the following:

"(2) OTHER PAYMENTS.—Any amount paid or incurred on account of a transfer, sale, or other disposition of a franchise, trademark, or trade name to which paragraph (1) does not apply shall be treated as an amount chargeable to capital account.

"(3) RENEWALS, ETC.—For purposes of determining the term of a transfer agreement under this section, there shall be taken into account all renewal options (and any other period for which the parties reasonably expect the agreement to be renewed)."

(d) AMENDMENT TO SECTION 848.—Subsection (g) of section 848 is amended by striking "this section" and inserting "this section or section 197".

(e) AMENDMENTS TO SECTION 1060.—

(1) Paragraph (1) of section 1060(b) is amended by striking "goodwill or going concern value" and inserting "section 197 intangibles".

(2) Paragraph (1) of section 1060(d) is amended by striking "goodwill or going con-

cern value (or similar items)" and inserting "section 197 intangibles".

(f) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (g) of section 167 (as redesignated by subsection (b)) is amended to read as follows:

“(g) CROSS REFERENCE.—

“(1) For additional rule applicable to depreciation of improvements in the case of mines, oil and gas wells, other natural deposits, and timber, see section 611.

“(2) For amortization of goodwill and certain other intangibles, see section 197.”

(2) Subsection (f) of section 642 is amended by striking “section 169” and inserting “sections 169 and 197”.

(3) Subsection (a) of section 1016 is amended by striking paragraph (19) and by redesignating the following paragraphs accordingly.

(4) Subparagraph (C) of section 1245(a)(2) is amended by striking “193, or 1253(d) (2) or (3)” and inserting “or 193”.

(5) Paragraph (3) of section 1245(a) is amended by striking “section 185 or 1253(d) (2) or (3)”.

(6) The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

“Sec. 197. Amortization of goodwill and certain other intangibles.”

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply with respect to property acquired after the date of the enactment of this Act.

(2) ELECTION TO HAVE AMENDMENTS APPLY TO PROPERTY ACQUIRED AFTER JULY 25, 1991.—

(A) IN GENERAL.—If an election under this paragraph applies to the taxpayer—

(i) the amendments made by this section shall apply to property acquired by the taxpayer after July 25, 1991,

(ii) subsection (c)(1)(A) of section 197 of the Internal Revenue Code of 1986 (as added by this section) (and so much of subsection (f)(9)(A) of such section 197 as precedes clause (i) thereof) shall be applied with respect to the taxpayer by treating July 25, 1991, as the date of the enactment of such section, and

(iii) in applying subsection (f)(9) of such section, with respect to any property acquired by the taxpayer on or before the date of the enactment of this Act, only holding or use on July 25, 1991, shall be taken into account.

(B) ELECTION.—An election under this paragraph shall be made at such time and in such manner as the Secretary of the Treasury or his delegate may prescribe. Such an election by any taxpayer, once made—

(i) may be revoked only with the consent of the Secretary, and

(ii) shall apply to the taxpayer making such election and any other taxpayer under common control with the taxpayer (within the meaning of subparagraphs (A) and (B) of section 41(f)(1) of such Code) at any time after November 22, 1991, and on or before the date on which such election is made.

(3) ELECTION TO CLARIFY TREATMENT OF PROPERTY ACQUIRED IN ALL OPEN YEARS.—

(A) IN GENERAL.—If an election under this paragraph applies to any taxpayer—

(i) in the case of—

(I) any open-year intangible acquired during a return year, 75 percent of the applicable adjusted basis of the intangible shall be treated for purposes of the Internal Revenue Code of 1986 in the same manner as on the taxpayer's Federal income tax return for such year, and

(II) any open-year intangible acquired during an open year which is not a return year, the amendments made by this section shall apply to 75 percent of the applicable adjusted basis of the intangible, and

(ii) 25 percent of the applicable adjusted basis of the intangible shall be treated for

purposes of the Internal Revenue Code of 1986 as goodwill with respect to which a deduction for depreciation or amortization is not allowable.

(B) OPEN-YEAR INTANGIBLE.—For purposes of this paragraph—

(i) IN GENERAL.—The term “open-year intangible” means any property—

(I) which is acquired by the taxpayer during the period beginning on the first day of the first taxable year in a series of consecutive taxable years all of which are open years and ending on the date of the enactment of this section,

(II) which is an amortizable section 197 intangible under section 197(c) of the Internal Revenue Code of 1986 (without regard to paragraph (1)(A) thereof), and

(III) in the case of property acquired during a return year, which the taxpayer treated on its Federal income tax return for such year as property with respect to which a deduction for amortization was allowable.

(ii) OPEN YEARS.—A taxable year is an open year if—

(I) the period prescribed by section 6501 of such Code for the assessment of any tax for such taxable year has not expired before June 16, 1992 (determined without regard to subparagraph (D)(iii)) and no closing or settlement agreement has been entered into before June 16, 1992, with respect to the Federal income tax treatment for such year of property described in clause (i)(II), or

(II) as of June 16, 1992, a claim for refund is pending with the Internal Revenue Service (or a refund suit is pending in a Federal district court or the Court of Claims), but only if such claim or suit involves the proper Federal income tax treatment for such year of property described in clause (i)(II).

(C) APPLICABLE ADJUSTED BASIS.—For purposes of this paragraph, the term “applicable adjusted basis” means—

(i) in the case of property acquired during a return year, the adjusted basis (for purposes of determining gain) allocated to such property as reflected on the Federal income tax return for such year, and

(ii) in the case of property not acquired during a return year, its adjusted basis (for purposes of determining gain) as determined under the Internal Revenue Code of 1986.

(D) OTHER DEFINITIONS AND RULES.—For purposes of this paragraph—

(i) RETURN YEARS.—A return year is a taxable year for which a Federal income tax return has been filed before June 16, 1992.

(ii) AMENDED RETURNS.—In the case of a return year, any determination under subparagraph (A)(i)(I), (B)(i)(III), or (C)(i) as to the treatment of an item on a Federal income tax return shall be made on the basis of the return, taking into account only amendments to such return filed on or before July 25, 1991.

(iii) EXTENSION OF STATUTE.—If the assessment of any deficiency of tax attributable to an election under this paragraph is barred on the date of the enactment of this Act, or at any time within the 2-year period beginning on the date the election is made, by any law or rule of law, such deficiency may, nevertheless, be assessed within the 2-year period.

(iv) UNDERPAYMENTS.—If an election under this paragraph results in any underpayment of tax for a return year, such election shall not be treated as valid unless the taxpayer pays such tax (and any interest thereon) before January 1, 1993.

(v) ANTI-CHURNING RULES.—In the case of property to which subparagraph (A)(i) applies which was acquired in an open year other than a return year—

(I) subsection (f)(9) of section 197 of the Internal Revenue Code of 1986 (as added by this section) shall not apply with respect to any property acquired by the taxpayer on or before July 25, 1991, and

(II) in applying such subsection to property acquired after July 25, 1991, and before the date of the enactment of this Act, the modifications to such subsection contained in

clauses (ii) and (iii) of paragraph (2)(A) shall apply.

(E) ELECTION.—

(i) IN GENERAL.—An election under this paragraph shall be made before January 1, 1993, and in such manner as the Secretary of the Treasury or his delegate may prescribe. Such an election, once made, may be revoked only with the consent of the Secretary.

(ii) CONTROLLED GROUPS.—In the case of 2 or more persons under common control (within the meaning of subparagraphs (A) and (B) of section 41(f)(1) of the Internal Revenue Code of 1986), an election under this paragraph shall be made by the common parent corporation (or equivalent person) and shall apply to all such persons. The Secretary of the Treasury or his delegate shall prescribe rules for the application of the election to persons which were not under common control for all open years, including rules allowing persons to make an election under this paragraph for open years in which such persons were not under common control.

(4) ELECTIVE BINDING CONTRACT EXCEPTION.—

(A) IN GENERAL.—The amendments made by this section shall not apply to any acquisition of property by the taxpayer if—

(i) such acquisition is pursuant to a written binding contract in effect on the date of the enactment of this Act, and at all times thereafter before such acquisition,

(ii) an election under paragraph (2) or (3) does not apply to the taxpayer, and

(iii) the taxpayer makes an election under this paragraph with respect to such contract.

(B) ELECTION.—An election under this paragraph shall be made at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe. Such an election, once made—

(i) may be revoked only with the consent of the Secretary, and

(ii) shall apply to all property acquired pursuant to the contract with respect to which such election was made.

SEC. 422. TREATMENT OF CERTAIN PAYMENTS TO RETIRED OR DECEASED PARTNER.

(a) SECTION 736(b) NOT TO APPLY IN CERTAIN CASES.—Subsection (b) of section 736 (relating to payments for interest in partnership) is amended by adding at the end thereof the following new paragraph:

“(3) LIMITATION ON APPLICATION OF PARAGRAPH (2).—Paragraph (2) shall apply only if—

“(A) capital is not a material income-producing factor for the partnership, and

“(B) the retiring or deceased partner was a general partner in the partnership.”

(b) LIMITATION ON DEFINITION OF UNREALIZED RECEIVABLES.—

(1) IN GENERAL.—Subsection (c) of section 751 (defining unrealized receivables) is amended—

(A) by striking “sections 731, 736, and 741” each place they appear and inserting “, sections 731 and 741 (but not for purposes of section 736)”, and

(B) by striking “section 731, 736, or 741” each place it appears and inserting “section 731 or 741”.

(2) TECHNICAL AMENDMENTS.—

(A) Subsection (e) of section 751 is amended by striking “sections 731, 736, and 741” and inserting “sections 731 and 741”.

(B) Section 736 is amended by striking subsection (c).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply in the case of partners retiring or dying after February 14, 1992.

(2) BINDING CONTRACT EXCEPTION.—The amendments made by this section shall not apply to any partner retiring after February 14, 1992, if a written contract to purchase such partner's interest in the partnership was binding on February 14, 1992, and at all times thereafter before such purchase.

AUTHORITY FOR COMMITTEES TO MEET

SUBCOMMITTEE ON ENVIRONMENTAL PROTECTION

Mr. DOLE. Mr. President, I ask unanimous consent that the Subcommittee on Environmental Protection, Committee on Environment and Public Works, be authorized to meet during the session of the Senate on Friday, June 19, beginning at 10 a.m., to conduct a hearing to examine the U.S. Fish and Wildlife Service's administration of the National Wildlife Refuge System, and S. 1862, the National Wildlife Refuge System Management and Policy Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

DESALINIZATION

• Mr. SIMON. Mr. President, for the past several years, I have promoted the Federal Government's involvement in funding basic research and development of low-cost desalination technology. Legislation I introduced last year has been marked up by the Environment and Public Works Committee and should be ready for full Senate consideration shortly.

My commitment to this technology is rooted in the belief that widespread application at home and abroad could play a critical role in reducing the possibility of conflict over scarce water resources. Water scarcity already exists, as the article entitled "Just Deserts" articulately explains. As the tag line following the title states: We didn't plan beyond the cold war; now we find that our next battleground may not be our hearts, minds, land, or air superiority, but for water.

The United States shortsightedness is catching up with us: steps need to be taken now to avert a crisis. Breakthroughs in this technology could provide hope to water-poor areas that may otherwise be forced to take drastic measures.

When this legislation comes to the floor, I hope my colleagues will take a minute to consider the tremendous benefits to be obtained and approve it quickly.

I ask that the attached article be inserted in the RECORD.

The article follows:

JUST DESERTS

(By Avigdor Haselkorn)

The recent Gulf War confirmed that free access to relatively cheap oil supplies continues to be a source of potential conflict in the international system. However, this reality can soon be overshadowed by the growing competition for water resources in many places around the world. Moreover, while oil has been traded for years, there is hardly an international market for water (except perhaps for the Perrier variety). Thus, the 1990s could well be marked by increasing international tensions regarding this precious commodity.

The combined influence of the world's population growth, global, climatic changes and the effect of man-made pollutants are contributing to making water supplies more scarce and expensive. However, access to adequate supplies of clean water affects not only the health and general development of the population, but has far-reaching consequences for human productivity, food pro-

duction (both crop cultivation and livestock) and small-scale industry. Consequently, the depletion of water resources and the decline in the quality of available water supplies is already influencing political calculations around the world.

In fact, before the collapse of communism, the world water situation has even become part of the East-West intelligence competition. For example, Maj. Gen. E.N. Yakovlev, at the time chief of the KGB intelligence analysis subdivision, told Pravda on December 20, 1990:

"In 1985, the analysis service obtained data that Western intelligence services were showing interest in the problem of sources of fresh water and its utilization. In this connection we prepared an analytical document which showed that, in the view of Western experts, clean fresh water was becoming an important strategic material and would soon be in short supply in many parts of the world."

There are two processes which threaten the water-supply picture in South Africa. One is urbanization; the other is the growth of the shantytowns. The continuing migration from rural areas to the cities in South Africa will increasingly test the country's water distribution plans. For example, in 1989 alone, some 320,000 new squatters settled in Cape Town. Although there was only a slight increase in the water demand immediately thereafter, the picture soon changed as squatters upgraded their homes and began using more water for domestic purposes.

While government officials are reluctant to discuss just how many people South Africa's water resources could support (some have put the figure at 80 million, but many disagree), critical areas could feel the crunch long before this quota is reached.

For example, with nearly half the urban population living in the PVW (Pretoria, Witwatersrand, Vereeniging) complex, the area supplied by the Vaal River is the most important in South Africa. According to the publication "Management of the Water Resources of the Republic of South Africa," the population of the Vaal River supply area will increase at 2.6 percent a year—from 5.8 million in 1980 to 12.8 million in 2010—with water demand increasing 294 percent.

Moreover, in some parts of South Africa, whites drink ten times as much water as blacks. The whites' facilities were provided long ago when money was "cheap." Providing facilities for blacks in new squatter townships is becoming too expensive. Whites feel threatened that "their" water is being used by blacks, and blacks are resentful that the whites have taken all the "cheap" water and used all the best sites for their dams. This could become a political hot potato.

As in other parts of the world with increasing industrialization, urbanization and irrigation, as well as greater use of fertilizers and pesticides, rivers and waterways are becoming increasingly polluted. But a special problem in South Africa is the population explosion in the shantytowns. In Natal, pollution by giant riverside shantytowns along the Umgeni and Umzinduzi rivers, which supply water to Durban and Maritzburg, is so serious that the water may become "unusable," according to an Umgeni Water report.

Warnings about inadequate water supplies have also been heard in Zimbabwe and Angola. The Harare paper Financial Gazette on September 8, 1989, warned that the country's sugar production faces "an extremely serious outlook" due to a water shortage. Already there has been a reduction in the cane hectareage, and the area cut will not be replanted until water supplies are "secure."

Elsewhere, the use of the Nile waters is a potential irritant in the relationship between Egypt, Sudan and Ethiopia. The Nile runs through seven African countries, and its two main users, Egypt (where desert covers 96 percent of the territory) and Sudan, have jealously guarded the way its waters are shared. In 1959, the two countries signed an agreement, including arrangements for set-

ting disputes, designed to oversee the use of the Nile's waters.

The agreement is facing new strains. Although the Egyptians deny it, their present irrigation plans will, by the mid-1990s, require more than their agreed share of Nile water. Ethiopia, where the Blue Nile headwaters supply 85 percent of the river flow, has announced plans to dam and cut its flow northwards. In 1990 Egypt reacted swiftly with protests when reports reached Cairo that Ethiopia had begun surveying possible dam sites. Simultaneously, the Sudanese government was seeking to complete a channel through the immense swamp called the Sudd, to increase the White Nile's flow by cutting evaporation. Since water that goes up must come down, that will reduce somebody's rainfall, but nobody knows whose.

ASIA

Jordan's King Hussein reportedly stated recently that he could foresee only one possible scenario for another war with Israel—a clash over the waters of the Jordan River Basin. Dire forecasts have predicted that the Middle East, which averages 3 percent population growth a year, will face an annual water shortfall of some 100,000 million cubic meters by the end of the 20th century. Yet, none of the Middle East's major rivers is governed by a negotiated accord accepted by all parties who claim rights.

Last July it became known that the Arab Affairs Committee of the Egyptian People's Assembly had completed a study on the "water crisis in the Arab region." The study said that the problem facing the Arab countries is that they only have 44 percent of the water they need, and the eight non-Arab countries control over 85 percent of these countries' water resources.

In addition to Israel, which the committee blamed for wanting to "steal" more water to supply "the huge number of emigrants entering the country," the study singled out Turkey as engaging in a "nascent water struggle [which] directly threatens Syrian and Iraqi interests and [constitutes] a new threat to pan-Arab security." Ankara often complains that Syria is sponsoring Kurdish terrorism inside Turkey to maintain leverage in water talks. The Syrians say Turkey is using water as a weapon to expand its influence in the region.

At issue are the ambitious projects that would change the geography of Mesopotamia undertaken by Turkey. At present the Euphrates carries about 7,000 billion gallons of water across the border into Syria every year—60 percent of the country's water supply. However, Turkey's planned Ataturk dam project is expected to divert as much as half of that into Turkish dams and irrigation canals. Much of the water will get back into the Euphrates; but after irrigating Turkish fields, it will be saltier when it reaches the Iraqi and Syrian farmland downstream.

Syria's water emergency is also due to mismanagement, pollution and population growth. Syria's growing water needs could thus reinforce its claim for the province of Alexandretta (Hatay in Turkish), where the Orontes river runs. The province was annexed by Turkey in 1938 on the eve of WWII, and Damascus is concerned that any comprehensive agreement on water sharing would be taken in Ankara as recognition that the Orontes is Turkish. In addition, the water emergency is likely to strengthen Syria's resolve to regain the relatively water-rich Golan Heights held by Israel.

Moreover, Syria's own ambitious irrigation plans would take about 3,500 billion gallons or so of water a year out of the Euphrates at Iraqi expense. In 1975, after Syria built its Thawrah dam, the Iraqis claimed that the loss of water put the livelihood of 3 million Iraqi farmers at risk. The argument brought the two countries to the verge of war.

Syria's water plans also include the Yarmuk river. The completion of the Maqarin Dam in the Al-Yarmuk gorge might enable the Syrians to dry out, with the help of the Al-Ghawr Canal, that part of the

Yarmuk which falls into the Jordan River, shared by Israel and the Jordanian Kingdom. It might be recalled that in 1965 Syria tried to divert the headway of the Jordan river. The result was the "war over the water" with months of tank and artillery duels with Israel.

The Israeli water economy is constantly worsening and the expected shortfall toward the end of the century may be as much as one-fourth of annual consumption. Already the quotas for agriculture have been cut by 200 million cubic meters in 1985. Significantly, nearly a third of the water supply consumed by Israel originates in the West Bank. Simply put, he who controls the water sources in the West Bank can literally dry up Israel's coastal strip. Under these circumstances, Israel's reluctance to withdraw from the West Bank, aside from the weighty security considerations, is not surprising. (From the perspective of water resources the opposite is true regarding the Gaza Strip.)

Elsewhere in Asia, the water situation in China is increasingly precarious. According to an August 1991 report in the China Water Resources News, a paper sponsored by the Ministry of Water Resources in Beijing, some 300 Chinese cities are faced with a shortage of water supplies as a result of the rapid economic growth and population boom of some 10 million per year in recent years. One hundred cities were described as suffering "severe" water shortages and 30 "did not even have any water resources worth exploiting."

EUROPE

The political ramifications of water poverty are also beginning to be felt in Eastern Europe. Here the problem is not lack of water resources but mostly their diminished quality due to mismanagement and man-made pollution. The most serious situation apparently exists in Poland where unofficial estimates maintain that due to the pollution of 95 percent of the rivers, the country will be left without drinking water by the year 2000 unless drastic preservation measures are taken forthwith. However, the situation in Czechoslovakia is not much better. Jan Mikolas, deputy minister in charge of the Czech Federal Environment Committee, was quoted in the Bratislava paper Pravda on June 7, 1991, as revealing that only 18 percent of his country's inhabitants are supplied with microbically pure water. According to Prague Radio on February 12, 1990, "the negative consequences" of the industrial program of the former communist regime on the health of the population, "have in fact been concealed and distorted."

In southern Hungary much of the available drinking water is seriously contaminated with arsenic. Similarly, according to the Ministry of Public Health in Sofia, the drinking water does not meet the Bulgarian state standard in at least 296 centers of population due to "inefficient treatment centers." As a result of deforestation during the past 30 years, river water levels in Bulgaria have shown an absolute fall with many springs and rivers drying up for increasingly longer periods.

Significant water-supply problems exist also in the new federal Lander of Germany—formerly the GDR. In particular, these areas are prone to a much higher incidence of pollution of surface water due to the introduction of inadequately purified waste water, soil decontamination from the abandoned toxic waste dumps, from the low connection level to the sewerage system, and from the over-use of fertilizers in agriculture. According to some estimates, only 3 percent of the lakes in the former GDR now have drinkable water and one third of the country's rivers are biologically dead because of toxic waste from chemical plants. As a result, there is 1,470 cubic meters of water available per inhabitant per year in the east—around 45

percent less than in western Germany. The disparity could add to the social tensions which have already brought charges by citizens of the ex-GDR of being "second-class citizens" in Germany.

Interestingly, it has become known that the KGB has used the conclusion of Western intelligence services regarding water use and misuse to influence policy in the former U.S.S.R. Gen. Yakovlev revealed that the KGB adopted the Western assessment that gigantic projects to irrigate waterless areas and particularly to divert rivers are not cost-effective. "We had to survive several unpleasant moments after we submitted this memorandum to the Council of Ministers," recalled Yakovlev. However, the KGB's warnings were not heeded in time to save the Aral Sea in the former Soviet republics of Kazakhstan and Uzbekistan, which some environmentalists have recently dubbed the single worst ecological disaster on the planet.

The growing competition for water resources around the world will add to the political instabilities of the 1990s. Unlike oil, exports of water are rare and little has been done anywhere in the world so far to establish the infrastructure (pipelines, tankers, etc.) to facilitate international trade in this crucial commodity. While Western aid to Asian, African and now East European countries is normally discussed in terms of credit lines and access to hi-tech knowhow, much needs to be done to face the growing water emergencies there. Without a doubt, helping restore, conserve, and expand (for instance through desalination) the water resources of these countries could enhance political stability in key world areas.

(Avigdor Haselkorn is a strategic analyst and defense consultant specializing in Soviet and Middle Eastern affairs.)

ORDER OF BUSINESS

Mr. DOLE. Mr. President, I have been asked by the distinguished majority leader to take care of routine business.

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. DOLE. Mr. President, I ask unanimous consent that the Senate proceed to executive session to consider the following nomination:

Calendar 639. Karl A. Erb, to be an Associate Director of the Office of Science and Technology Policy.

I further ask unanimous consent that the Senate proceed to immediate consideration, and that the nominee be confirmed, that any statements appear in the RECORD as if read, that the motion to reconsider be laid upon the table, that the President be immediately notified of the Senate's action, and that the Senate return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

The nomination considered and confirmed is as follows:

EXECUTIVE OFFICE OF THE PRESIDENT

Karl A. Erb, of Virginia, to be an Associate Director of the Office of Science and Technology Policy.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will resume legislative session.

AUTHORITY FOR COMMITTEES TO REPORT

Mr. DOLE. Mr. President, I ask unanimous consent that on Friday, June 19, 1992, Senate committees may file reported Legislative and Executive Calendar business until 4 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

YELTSIN'S VISIT TO KANSAS

Mr. DOLE. Mr. President, June 18, 1992, is a day that has earned a special place in Kansas history following yesterday's extraordinary visit of President Boris Yeltsin to Wichita.

To say that President Yeltsin was a hit would be the understatement of the year: he took Kansas by storm, from the moment he touched down at McConnell Air Force Base to his last handshake at a family farm.

From his dramatic speech at Wichita State University, to his turn behind the wheel of a combine, Boris Yeltsin was the man of the hour. Even more importantly, given his powerful message of peace and partnership for our two countries, Boris Yeltsin can truly be the man of the century if he can pull off his democratic revolution in the former Soviet Union.

I was moved by the hospitality and genuine friendship the people of Kansas extended to President Yeltsin, Mrs. Yeltsin, and the entire Russian delegation.

It was a day of handshakes and smiles, of cheers and applause, and of crowds straining to catch a glimpse of the man whose moment on the world stage has come.

It was also a day of hope for every American and Russian citizen who prays that the days of the cold war are really over.

No doubt about it, bringing a world leader to Wichita was no small logistical challenge. Hundreds of people worked long and hard to make the trip the success that it was and I would like to take just a moment to say thank you to all of them. I cannot list everyone, but I want the people of Wichita to know how much I appreciated their generosity and support.

Certainly, Wichita Mayor Bob Knight has earned a salute for his leadership, heading up the areawide effort to make President Yeltsin's trip as smooth and productive as possible.

I also want to make special note of two very symbolic gestures that perhaps as much as anything else demonstrate this new era of Russian-American friendship.

Wichita State University and its president, Warren Armstrong, presented President Yeltsin yesterday with two \$10,000 scholarships to be given to deserving Russian students so that they can come to Wichita State to study business at the Frank Barton School of Entrepreneurship, the kind of education the Russian President says his country needs to catch up with the United States.

Also, Kansas State University President Jon Wefald announced that his school was offering four graduate scholarships for Russian students to

