United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 102d CONGRESS, SECOND SESSION

HOUSE OF REPRESENTATIVES—*Thursday, July 2, 1992*

The House met at 10:30 a.m.

Rev. Ronald C. Willis, Southern Baptist minister, Washington, DC, offered the following prayer:

Our Father, all of us who serve and work here do so with a deep sense of our need for divine guidance and direction. And so we ask that You keep us from demanding of others that which we ourselves would be unwilling to give. Keep us from the pride that leads to self-deceit. Give us the strength to do that which transcends our own temporal concerns. Help us to understand that none of this exists without Your will as the guiding force. And most of all, O Holy Father, forgive us when we fail to recognize how much we depend on Your spirit to lead us in the direction that brings justice and righteousness to all our Nation's people. We pray these things, this day. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER. The gentleman from New Jersey [Mr. ZIMMER] will please come forward and lead the House in the Pledge of Allegiance.

Mr. ZIMMER led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. McCathran, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed bills and a concurrent resolution of the following titles, in which the concurrence of the House is requested:

S. 1598. An act to continue the authorization of appropriations for the East Court of the National Museum of Natural History;

S. 2566. An act to establish partnerships involving Department of Energy laboratories and educational institutions, industry, and other Federal agencies, for purposes of development and application of technologies critical to national security and scientific and technological competitiveness;

S. 2733. An act to improve the regulation of Government-sponsored enterprises;

S. 2827. An act to amend the John F. Kennedy Center Act (20 U.S.C. 76h et seq.) to provide authorization of appropriations for fiscal years 1993 through 1997 for the John F. Kennedy Center for the Performing Arts, and for other purposes;

S. 2910. An act to authorize appropriations for the American Folklife Center for fiscal years 1993, 1994, 1995, 1996, and 1997;

S. 2938. An act to authorize the Architect of the Capitol to acquire certain property; and

S. Con. Res. 129. Concurrent resolution expressing continued support for the Taif Agreement, which brought a negotiated end to the civil war in Lebanon, and for other purposes.

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair announces that it will limit 1-minute requests to five on each side.

THE REVEREND RONALD C. WILLIS

(Mr. DELLUMS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DELLUMS. Mr. Speaker, since March 1979, Reverend Willis has served on the staff of the District of Columbia Committee and presently holds the position of senior staff associate. During his tenure on the District of Columbia Committee, he has been the principal staff person for legislation transferring St. Elizabeth's Hospital from Federal control to that of the government of the District of Columbia; the 1989 Omnibus Drug Program, which resulted in an increase of 700 additional police officers for the Metropolitan Police Department, as well as eight additional superior court judges; and most recently, legislation which amended the 1973 District of Columbia Home Rule Act to establish a fair and equitable Federal payment formula for determining the annual Federal payment to the District of Columbia.

Prior to his appointment to the District of Columbia Committee staff, Reverend Willis served as adult supervisor for the Southwest Mental Health Care in San Antonio, TX.

Reverend Willis was ordained in 1967 and served as senior pastor of Golden Gate Baptist Church in Oakland, CA; senior pastor of Immanuel Baptist Church, Bangor, ME; and associate pastor of First Baptist Church of San Antonio, TX, which had a membership of 8,900.

A native Californian, Reverend Willis is married and the father of four children.

IN TRIBUTE OF JUDY ORGANAS

(Mrs. ROUKEMA asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. ROUKEMA. Mr. Speaker, the successes of our communities and our country has always relied on the voluntary contributions of individuals who, in times of need, rise above and beyond the call of duty to make a difference in the lives of others. I pause today to pay tribute to one of the true heroes in the northern New Jersey community, Judy Organas of Garfield. She is a shining example to all of us.

Judy serves as a volunteer at St. Joseph's Hospital in Paterson, NJ. Four hours a day, twice a week, Judy donates her time and energy to provide comfort to the children and infants who, for one reason or another, have found themselves in the pediatric wing of the hospital. Many of these infants have been abandoned by their mothers. Many are victims of the scourges of drugs and AIDS.

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Whether it be a newborn or an ailing child, Judy is there when the family cannot be or, in some cases, when there is no family. She feeds, changes, and gives tender loving care to all. The sterile surroundings of a hospital bed can be a frightening experience for a child, and Judy's compassion eases their pain and provides healing comfort.

Perhaps the best illustration of Judy's ability to make a difference for the children is her relationship with a 3-year-old boy who lives in the hospital's O'Neill Center, a hospice for children with AIDS. Judy has become a source of constant support for the boy and, when he goes for treatments in the hospital, he has learned to depend on her words and kindness to help him through the difficult times.

To date, Judy has donated over 400 hours to the children and has proven an invaluable resource for St. Joseph's. In fact, she was recently recognized by the hospital as their Volunteer of the Year.

Mr. Speaker, it has been said that you give but little when you give of your possessions. It is when you give of yourself that you truly give. By providing an island of stability in the turbulent storm of pain and suffering, Judy Organas gives her all. I ask my colleagues to join in grateful salute for her heroic service.

UNEMPLOYMENT

(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, today, the 24-month-long recession continues to take its toll on the American people.

In June, 470,000 more Americans joined the unemployment line that now stretches to nearly 10 million. The jobless rate has jumped to 7.8 percent—a full percentage point above what it was last fall when we were assured that we were in recovery—and the highest point since March 1984.

From manufacturing to services, from construction to finance, American workers are being tossed off the job, and our economy continues to suffer.

Mr. Speaker, we must reform unemployment insurance to ensure that workers thrown off the job by this recession can count on having a platform from which they may bounce back, not subject to the political winds of the moment.

More, we need the leadership only a President with an agenda that puts the American people first can provide, to get America back on track and growing again.

□ 1040

UNITED STATES FOOD EXPORTS RESTRICTED IN TAIWAN

(Mr. BEREUTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BEREUTER. Mr. Speaker, for my export 1-minute today, this Member would like to discuss Taiwan's restricted markets to United States food exports.

A few weeks ago, this Member stood here and spoke of the great potential for United States food exports to Southeast Asia. Unfortunately, to the dismay of our Nation's food processors, this potential has yet to be realized.

Mr. Speaker, there can be no doubt that excessive tariffs and nontariff barriers have limited these markets to U.S. food products. A representative of a Nebraska food processing company returning from a trip to Taiwan describes a market there, where buyers and consumers wish to buy United States food products, but because of an outrageous 40-percent tariff imposed on our products, they cannot afford them. Our U.S. Trade Representatives confirm this firsthand observation in their 1992 "National Trade Estimate Report on Foreign Trade Barriers." They say, and this Member quotes:

[In Taiwan] excessively high tariffs remain on most agricultural products despite repeated U.S. requests for their removal or reduction. * * * Processed agricultural products often face import duties of up to 40 to 50 percent ad valorem.

Mr. Speaker, while numerous attempts are under way to protect U.S. industries declining in their competitiveness, there is far too little attention focused on those U.S. industries—like food processing—which remain the most competitive in the world. Therefore, this Member urges his colleagues to press the office of our United States Trade Representatives to intensify its ongoing efforts in Taiwan and elsewhere and to reduce these tariff and nontariff barriers for United States food products abroad. We should also demand that Taiwan, with its huge trade and balance of payment surpluses with this country reduce or remove those tariffs.

CALL FOR A REAL PROGRAM TO END THE RECESSION

(Mr. WISE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WISE. Mr. Speaker, they said the recession was ending, but today we see the figures that the unemployment figures have not gone down; they have gone up to 7.8 percent.

What does that mean in human beings? That means 10 million at least unemployed. It does not talk about the millions more that have given up and are not able to look anymore.

At some point, Mr. Speaker, there has to be some accountability. Where is the jobs program from the White House, a real jobs program? Where is the education program, where is the infrastructure program, where is the trade package? It is not there, Mr. Speaker. And each day, each month on this roller coaster recession where sometimes you are up and sometimes you are down we see what the facts are, that people are not first, and that the economy is just dragging along and not improving. And it is time for a change, Mr. Speaker.

It is time to put people first and to design those programs that put people first. The figures tell the story, but they do not tell it all. The people tell the story, and the people say it is time for some real policies to put real people to real work.

GREATEST ARMS REDUCTION IN HISTORY

(Mr. STEARNS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STEARNS. Mr. Speaker, last week a historic agreement was signed by President Bush and Russian President Boris Yeltsin. This agreement, eliminating intercontinental ballistic missiles and reducing by 50 percent submarine-launched missiles, represents the greatest arms reduction in the history of this great Nation and the world. This will have a far-reaching impact on all our lives, one being the half-century-old fear of nuclear war. This marks an enormous achievement for the administration and President Bush deserves credit for his strong leadership in bringing about this agreement. The geopolitical revolution that took place in the former Soviet Union presented the United States with an opportunity to set a new course for world peace for centuries to come. President Bush's leadership ensured that this opportunity would not pass us by.

The news media and others in this country appear to have lost perspective of what is really important to Americans and their families. With this agreement, the realization of world peace is finally at hand. There is nothing more important in the world than peace and George Bush should be commended for his tireless efforts and contributions toward this goal. I congratulate him and hope that other opinion-makers in this country take time to appreciate this outstanding achievement by our President.

SUPPORT MOTOR VOTER

(Mr. LEWIS of Georgia asked and was given permission to address the House

for 1 minute and to revise and extend his remarks).

Mr. LEWIS of Georgia. Mr. Speaker, it has been reported that President Bush will veto S. 250, the National Voter Registration Act, during the July 4 break. This is an important bill—a bill that would expand voter participation in the political process.

But like a thief in the night, the President wants to steal our best hope for the expansion of American democracy. Without public debate, the President intends to sneak a pocket veto past the American people.

Mr. Speaker, the President can show leadership. He can expand democracy here at home by signing the National Voter Registration Act and opening up the political process. But he does not want to do that. Instead, the President wants to stuff the bill in his pocket. Say nothing. Do nothing. Pocket-veto the bill.

We should not let this veto happen in the dark. The American people need to know.

RTC RECEIVERSHIP CERTIFICATES BILL

(Mr. WYLIE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WYLIE. Mr. Speaker, today the gentleman from North Carolina, Mr. ALEX MCMILLAN and I are introducing a bill that would permit the Resolution Trust Corporation to give notes to new depositors in lieu of cash in failing savings and loans. The purpose is to call attention to the fact that Congress has failed to provide additional money to the RTC to close failed thrifts. The result is that some brain-dead institutions continue to collect deposits and pay higher than market rates of interest.

We should have learned that this only serves to dig the hole deeper, a hole that taxpayers will ultimately be asked to fill.

The McMillan bill is a fascinating proposal. This bill will ensure that the hole gets no bigger. Under the gentleman's bill, failed thrifts can be closed immediately, even if the Government does not have the money available to pay off the depositors. Depositors of failed thrifts would receive notes guaranteeing payment of their insured deposits when Congress finally gets around to providing the necessary funding.

This bill is something to think about, Mr. Speaker.

U.S. TRADE POLICY

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, Hughes Aircraft laid off 9,000 workers and American steel companies were forced to go to court themselves to stop this dumping of foreign steel below market prices because our Government will do nothing about it.

But now, California, almost bankrupt, is paying out IOU's to their State workers. Mr. Speaker, what is going on?

While Congress gives 13 billion dollars' worth of foreign aid, and is lining up another $12 billion for Russia, Congress is going to give California tax breaks. Give me a break. I think it is time that Congress realizes that our cities are on fire, our country is going bankrupt, and we might pump up our economy by putting some of this cash going to foreign aid to Russia into America.

Think about it.

PRESIDENT'S MORATORIUM ON REGULATION

(Mr. DOOLITTLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DOOLITTLE. Mr. Speaker, overregulation is strangling our economy. I support the President's moratorium on regulation. I think that it has highlighted many of the problems that we face.

But the fact of the matter is we have many regulations in force now that need to be repealed. It has been observed that amendments to the Clean Air and Clean Water Act of 1990 could cost this economy as much as $390 billion.

Let me give an illustration of what we are facing with our small cities and our big cities in California. Under one interpretation of the Clean Water Act amendment, these cities are going to have to build completely redundant drainage systems. Now that we have done such a good job of cleaning up pollution, and I commend that, it so happens that rainwater runoff is the most significant source of water pollution in many of our communities today, and therefore, Rocklin, the city where I reside, is going to have to float a bond issue of several million dollars to build a new drainage system to capture rainwater runoff, and contain it in holding ponds so that the water can evaporate rather than run into the creeks, as is presently the case.

□ 1050

This is a perfect example of regulation gone awry, millions of dollars spent to achieve minuscule improvement in the environment.

We need to revise our regulations and reduce them. I commend the President for instituting the moratorium and giving us a chance to focus on the problems of excessive government regulation.

THE LEGACY OF THE TAILHOOK CONVENTION

(Mr. MAZZOLI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MAZZOLI. Mr. Speaker, it was not just 26 military women who were embarrassed, demeaned, and even assaulted in the Tailhook Convention at Las Vegas last year. All military women were assaulted and demeaned and embarrassed and, Mr. Speaker, even more so by extension, all women, military and nonmilitary, were assaulted as those 26 were last year.

That event has cost Navy Secretary Garrett his job. It will cause the lack of promotion of several persons responsible for that, and it will hurt the Navy in a collective sense by reason of the bill soon to be brought up by the gentleman from Pennsylvania.

But that punishment is not enough, Mr. Speaker. In a positive sense, here should be every effort made by this Congress to be sure American women are not subject to sexual assault in the workplace or outside the workplace. That will be the best legacy of the Tailhook Convention.

APPROPRIATION INCREASES CAUSING FINANCIAL COLLAPSE

(Mr. DUNCAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DUNCAN. Mr. Speaker, yesterday the House passed a Treasury appropriation bill containing an almost $3 billion increase over last year. This is a 14.5-percent increase in a year that the economy has grown at a rate of between 1 and 2 percent.

We passed a mental health/drug abuse law which has a 46-percent increase over last year.

Now, I want to do everything possible to fight mental illness and drug addiction, but the truth is that if we give every department and agency a 46-percent increase, we will crash economically.

If yesterday was an exception, maybe we would not have a problem, but every week and almost every day we are passing bills authorizing or appropriating huge increases over last year just as if we had surplus cash. We are trying to be all things to all people, and it simply cannot be done.

We have a national debt of $4 trillion. It is strangling our economy. Everyone would be better off if we were not so deeply in debt.

Even worse, we are losing over $1 billion a day on top of this already staggering debt. We will continue to suffer terrible losses until we bring Federal spending under control.

We cannot continue to give every Federal program 10- and 12- and 14- and even 46-percent increases without causing this Nation to collapse financially.

At some point we have to say no. I just hope it is not too late.

FINANCIAL ACCOUNTABILITY AND IMPACT REFORM [FAIR] ACT

(Mr. MORAN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MORAN. Mr. Speaker, today marks the beginning of the fiscal year for 46 State and many local governments. These governments have had a grueling year attempting to reconcile declining revenues with new demands on spending that are often imposed by the Federal Government without the corresponding Federal funding. The challenge next year will be no less daunting.

While many of these Federal mandates represent vital public policy objectives, the need for State and local governments to be able to spend local resources on local priorities, however, must also be respected. Only by fully evaluating the economic impact of Federal regulations on State and local governments are policy makers at all levels able to balance priorities for finite resources.

The same is true for the private sector, particularly small businesses. Federal regulation, especially in the areas of worker safety and the environment, is essential. But every dollar spent to comply with additional regulations is a dollar that cannot be spent to produce goods or services or invest in research and development. Clearly there is a need to identify the costs of Federal mandates before they are implemented, so the administration and Congress have the facts they need to make informed decisions.

In response to these concerns, today I am introducing the Financial Accountability and Impact Reform [FAIR] Act of 1992. Like the National Environmental Policy Act, this measure will require Federal agencies to analyze the economic costs of new regulations before they are adopted. And, like the 1974 Budget Reform Act, this measure will require that a bill cannot be considered by the full House or Senate without an analysis of the costs of compliance to State and local governments and to the private sector.

The intent of this legislation is not to impede the legislative or the regulatory process. It is simply to make sure that we as legislators—and the administrators to whom we delegate rulemaking and regulatory responsibility—fully appreciate the financial implications of our decisions before we make them.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. MCNULTY). According to the Chair's prior announcement, other 1-minute statements will be taken later in the legislative day.

COMMENDING NASA LANGLEY RESEARCH CENTER ON CELEBRATION OF ITS 75TH ANNIVERSARY

Mr. BROWN. Mr. Speaker, I ask unanimous consent that the Committee on Science, Space, and Technology be discharged from further consideration of the Senate joint resolution (S.J. Res. 324) to commend the NASA Langley Research Center on the celebration of its 75th anniversary on July 17, 1992, and ask for its immediate consideration.

The Clerk read the title of the Senate joint resolution.

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

Mr. WALKER. Mr. Speaker, reserving the right to object, I shall not object, but I wanted to give the gentleman from California an opportunity to describe the content of the Senate joint resolution.

I yield to the gentleman from California [Mr. BROWN].

Mr. BROWN. Mr. Speaker, the Science Committee rarely brings commemorative resolutions to the floor, but I rise today to recognize the 75th anniversary of the NASA Langley Research Center, which will occur on July 17, 1992.

Mr. Speaker, NASA's Langley Research Center has a long and distinguished history in aeronautics and space research. Indeed, Langley is the country's first civilian aeronautical research laboratory, established in 1917. Since then, Langley has been at the cutting edge of our national aeronautical and aerospace R&D efforts.

For example, Langley was the beginning site of the first U.S. manned space program, Project Mercury. The Nation's original seven astronauts trained there. In more recent years, Langley has managed such major scientific space missions as the Viking Mission to Mars and the lunar orbiter.

I want to commend the men and women of NASA's Langley Research Center and salute them for their many accomplishments to our Nation over the last 75 years.

Mr. WALKER. Mr. Speaker, further reserving the right to object, I would like to commend our colleague, the gentleman from Virginia [Mr. BATEMAN], who was a leader in pushing this particular resolution in the Congress and brought it to the attention of our committee.

I am glad we are able to get the bill on the floor today.

Langley Research Center does celebrate its 75th anniversary on July 17. It is one of the most honored aerospace facilities in the history not only of this country but the world. It has, in fact, proven to be a major national resource which has had a profound impact on our journey into both air and space.

The people at Langley who work for NASA have invented a lot of new technologies, have provided many practical solutions to aerospace problems, and have developed leaders for the aerospace industry.

So this is an event that deserves recognition.

Mr. BATEMAN. Mr. Speaker, in 1917, the country's first civilian aeronautical research laboratory was established in Hampton, VA. Today, that lab, now called the NASA Langley Research Center, is the U.S. Government's oldest, most prolific, and most honored aerospace facility. This national resource has had a profound impact on man's journey into air and space.

NASA Langley helped establish the foundation and infrastructure for aeronautics and space technology in this country. Researchers at the center helped create the tools and train the scientists, engineers, managers, and leaders who have made aerospace history throughout this century.

NASA Langley supports the Nation by studying the basic problems of flight, selecting certain problems for investigation, and developing solutions through long-term research and test programs. As a result, NASA Langley has had a major influence on nearly every aircraft in service.

In addition, NASA Langley supports research in space technology, advanced space transportation systems, and concepts for large space structures. The first U.S. manned space program—Project Mercury—began at Langley, and Langley was the training site for the original seven astronauts. Later, Langley managed such programs as lunar orbiter, which mapped the surface of the Moon for the Apollo landings, and the Viking mission to Mars. NASA Langley is also a major contributor to national atmospheric research.

Occupying almost 800 acres of Government-owned land, the NASA Langley Research Center is comprised of many facilities unique in the world of aerospace research, five of which have been designated national historic landmarks by the Department of the Interior.

For 75 years, the people at NASA Langley have built new research tools, invented new technologies, provided practical solutions to aerospace problems, and developed leaders for the aerospace industry. The center has consistently been a source of technology that has made aerospace a major factor in commerce and national defense.

The Congress of the United States salutes the NASA Langley Research Center as it celebrates its 75th anniversary July 17, 1992. May it continue expanding the frontiers of flight.

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the Senate joint resolution, as follows:

S.J. RES. 324

Whereas, in 1917, the first civilian aeronautical research laboratory of the National Advisory Committee for Aeronautics (NACA) was established in Hampton, Virginia;

Whereas such laboratory, now called the NASA Langley Research Center (hereafter referred to in this Resolution as the "Center"), occupies 787 acres of government-owned land;

Whereas the official groundbreaking ceremonies for the Center were held on July 17, 1917;

Whereas the Center is the United States Government's oldest, most prolific and most honored aerospace laboratory;

Whereas the Center supports the Nation by studying the basic problems of flight, selecting certain of those problems for investigation, and following up with practical solutions to such problems through long-term research and test programs;

Whereas the first United States manned space program, Project Mercury, began at the Center in 1958;

Whereas the Center supports investigations and research in space technology and advanced space transportation systems, designs concepts for large space structures, and develops research hardware and conducts experiments in space;

Whereas the Center makes major contributions to national atmospheric research such as developing satellite experiments, modeling the atmosphere and analyzing climate observations;

Whereas from the beginning, people have been the most important resource of the Center with over 3,000 civil servants and over 2,200 contract personnel university researchers and United States Army helicopter research personnel currently working at NASA Langley;

Whereas the Center is comprised of many facilities unique in the world of aerospeace research, five of which have been designated as National Historic Landmarks by the Department of the Interior; and

Whereas the Center is one of the leading aerospace research laboratories in the world and has consistently been a source of technology that has made aerospace a major factor in commerce and national defense; Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress does commend the NASA Langley Research Center as it celebrates its 75th anniversary on July 17, 1992, and as it continues expanding the frontiers of flight.

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BROWN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on Senate Joint Resolution 324, the Senate joint resolution just passed.

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

There was no objection.

WAIVING CERTAIN POINTS OF ORDER AGAINST CONSIDERATION OF H.R. 5504, DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1993

Mr. FROST. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 508 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 508

Resolved, That all points of order against consideration of the bill (H.R. 5504) making appropriations for the Department of Defense for the fiscal year ending September 30, 1993, and for other purposes, for failure to comply with the provisions of clause 7 of rule XXI are waived. During consideration of the bill, all points of order against provisions in the bill for failure to comply with clause 2 or 6 of rule XXI are waived. Points of order under clause 2 of rule XXI against the amendments printed in the report of the Committee on Rules accompanying this resolution are waived. Amendments printed in the report and any amendments thereto shall be debatable for the time specified in the report, equally divided and controlled by the proponent and an opponent.

The SPEAKER pro tempore. The gentleman from Texas [Mr. FROST] is recognized for 1 hour.

Mr. FROST. Mr. Speaker, I yield the customary 30 minutes to the gentleman from New York [Mr. SOLOMON], for the purpose of debate only, pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 508 provides for the consideration of H.R. 5504, the Department of Defense appropriations bill for fiscal year 1993.

The resolution waives all points of order against the bill for failure to comply with clauses 2 and 6 of rule XXI, and waives all points of order for failure to comply with clause 7 of rule XXI. Clause 2 of rule XXI prohibits unauthorized appropriations or legislative provisions in general appropriations bills. These waivers are necessary because authorizing legislation for various programs has not yet been enacted.

In addition, Mr. Speaker, clause 6 of rule XXI prohibits reappropriations in general appropriations bills. The clause 6 waivers are necessary to allow the transfer of unexpended balances from one account to another and the extension of authority to obligate those funds in the new fiscal year.

Clause 7 of rule XXI requires the relevant printed hearings and report to be available for 3 days prior to consideration of a general appropriations bill. The clause 7 waiver is necessary to ensure the expeditious consideration of this appropriations bill.

The resolution also waives points of order under clause 2 of rule XXI against three amendments printed in the report to accompany the resolution. The amendments are two to be offered by Representative DORGAN, and an amendment to be offered by Representative PENNY. Each of the three designated amendments shall be debatable for 20 minutes, with the time equally divided and controlled by the proponent and an opponent.

Mr. Speaker, H.R. 5504 provides appropriations for the Department of Defense for fiscal year 1993. It provides funding for military personnel, operations and maintenance, procurement, and research, development, test and evaluation programs.

We are entering a new era where the United States is the world's only military superpower. Our former adversaries have dismantled their hostile and repressive regimes, and have embarked upon more peaceful pursuits.

At the same time, the world remains a dangerous place. The potential for conflict still exists, as demonstrated by the Iraqi invasion of Kuwait last year, and the United States must remain prepared to protect its vital interests.

Consideration of H.R. 5504 will permit us to debate the appropriate level of funding for our national defense needs, and to determine which programs and activities will best enable us to maintain an adequate level of strength to meet potential threats.

Mr. Speaker, H.R. 5504 addresses two issues that should be of particular interest to this body.

One is funding for the V–22 *Osprey*. This has been, and remains, a contentious issue between the Congress and the Secretary of Defense. We provided funding for the V–22 in fiscal year 1992 totalling $790 million, but the Secretary has refused to spend the money despite the unmistakably clear intent of Congress to proceed with the program. Recently, the General Accounting Office issued an opinion that the Secretary's action constitutes an unreported rescission in violation of the Impoundment Control Act of 1974.

H.R. 5504 establishes a schedule for the release of both the $790 million provided last year, and the $755 million provided this year. It also requires the Department of Defense to provide Congress with a plan and schedule for completing phase II of the V–22 program.

Mr. Speaker, the Congress has approved legislation providing funds for the V–22, legislation that the President has signed into law. It is time that the Secretary end his withholding of duly appropriated funds and proceed forward with the program as directed by Congress.

Another issue of importance addressed by H.R. 5504 is the issue of defense conversion. Because the world and the assessment of the risks to our national security have changed, expenditures for defense will surely decline for the foreseeable future.

Recognizing this, and the resulting impact on military personnel, defense workers, and our economy, H.R. 5504 also provides funding for defense conversion. I am particularly pleased with this initiative, as I joined with House Armed Services Committee Chairman LES ASPIN and House Majority Leader DICK GEPHARDT in crafting the $1 billion defense conversion package that was added to the defense authorization bill and which is now being funded by this appropriations bill.

We have a golden opportunity to stimulate economic growth and help displaced defense workers and military personnel by redirecting money originally planned for defense. It is a time to be creative and a time to be bold. We

have seen an unparalleled defense buildup in the last decade and now, as defense spending is decreased, we must find ways to provide new jobs for the thousands of defense workers who will be out of work and the thousands of active duty military who will no longer be needed by our country.

This resolution will enable us to begin the debate on funding for our national defense, as well as how we can begin addressing the needs of defense workers and our economy as defense spending declines. I urge its adoption.

□ 1100

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia [Mr. BATEMAN], a distinguished member of the Committee on Armed Services.

Mr. BATEMAN. Mr. Speaker, I thank the gentleman for yielding this time to me.

I rise in support of the rule now under consideration on the Defense Appropriation bill and anticipate certainly supporting it with my vote and hopefully the passage of the bill.

Mr. SOLOMON. Mr. Speaker, I yield such time as he may consume to the gentleman from Georgia [Mr. GINGRICH], the distinguished minority whip, since this piece of legislation does impact on the national employment picture.

Mr. GINGRICH. Mr. Speaker, I thank my colleague, the gentleman from New York, for yielding me this time.

I just want to say that I intend to vote for this today. I think it is very important that we move this bill to the conference and that we continue to support national defense.

I commend the gentleman from Pennsylvania [Mr. MURTHA] and the gentleman from Pennsylvania [Mr. MCDADE] for the job they have done in putting together a very good bill; but I do think the continuing decline in defense spending and the number of people that we are going to be laying off from defense industries and laying off from the armed services is a further reminder of why it is important for the House and the Senate to pass a strong economic growth bill and to pass a strong incentive program, such as President Bush has sent up, including the $5,000 first-time homebuyers tax credit and the changes in capital gains which would allow us to encourage investment and encourage jobs.

The unemployment number this morning should be a further reminder that until this Congress passes an economic growth program and gets it signed into law and until we pass stimulus to create jobs, we are going to continue to have Americans unemployed.

We have been saying this now since July of last year on the House Republican side. We have tried on several occasions to pass a signable economic growth and jobs bill. I would just hope that the Democratic leadership, looking at this defense bill, looking at the cuts in defense spending, looking at the layoffs in defense industries, looking at the dismissal of both civilian and military personnel from the Pentagon, will come to realize that we must pass an economic growth and jobs-creating program, and we must help President Bush with that kind of program if, in fact, we are going to put the American people back to work and have the kind of world we want.

So, Mr. Speaker, I thank my colleague very much for yielding this time. I do intend to vote for this, and I do hope that the entire conference will join us in voting; but I do think as a part of this program with a smaller defense system, we must have more economic growth proposals and more stimulus passed into law.

Mr. SOLOMON. Mr. Speaker, the gentleman's points are so well taken.

I know the gentleman from Pennsylvania [Mr. WALKER] has a similar interest, and I yield such time as he may consume to the gentleman from Pennsylvania.

Mr. WALKER. Mr. Speaker, I, too, want to express a concern as the unemployment rate goes up today that the response that we are beginning to hear from the Congress is that this is an excuse for passing the unemployment compensation bill. It is indeed true that we need to provide help for people who are unemployed because of the recession.

On the other hand, it is not a good thing to simply say that keeping people permanently unemployed is the main action this Congress should take. Our real action ought to be to have an economic growth package that puts people back to work, that assures that there are real jobs out there.

This bill today that we have before us that the gentleman brings to the floor with his rule is a bill where we are beginning to cut back on defense. We are cutting back on defense because the world has changed. That is very true, but we had better then figure out how we are going to employ these people in the future. That demands an economic growth package. It demands a commitment to high technology and science and a lot of the kinds of things that stimulate growth for the future.

I do not see that happening in the Congress. The problem is that we are cutting back on our technology. We are cutting back on our science. We are going to protectionism in trade and thereby jeopardizing our exports. We are doing all the wrong things in the Congress right now in order to produce the jobs of the future. I would hope that begins to turn around.

Mr. SOLOMON. Mr. Speaker. I yield myself such time as I may consume.

Mr. Speaker, the gentleman again is right on the mark.

Mr. Speaker, that brings me to the point I wanted to make.

Mr. Speaker, I must give my highest commendation to both Chairman MURTHA and ranking member, Mr. MCDADE, of the Appropriations Committee's Subcommittee on Defense for their efforts to bring to the floor a bill that manages—in a responsible manner—the cuts in defense that we will be making as the cold war ends and as we enter a world of new challenges, as the gentleman from Pennsylvania [Mr. WALKER] was speaking about before.

Mr. Speaker, I say "responsible" because, although it cuts the Defense Department appropriation a full 17½ billion—not million, but billion dollars from the funding level now in effect—this bill does it in a way that serves to maintain the strength and vitality of our Armed Forces, while largely working with the President toward the goal of reducing those forces by almost 25 percent by the middle of this decade.

Mr. Speaker, let us be clear about something. With the exception of the spending associated with Operation Desert Shield/Desert Storm, which, incidentally, was defrayed to a large degree with contributions from our allies—1993 will mark the eighth consecutive year, in spite of all we hear out there in the press, of decline in defense spending in real terms. A lot of members on this floor realize that.

Let us not forget, also, that most of the rescissions we approved earlier this year came out of previously appropriated defense funds, $7.1 billion out of a total of $8.2 billion, to be precise.

Now we have before us a rule that allows the Members to offer amendments to strike funding even further. That concerns me a little bit, but as much as I may believe that we need to be cautious in considering such further cuts—for the sake of our men and women in uniform who will be separated from their careers in the service, and for the sake of the men and women in our economy who work in our defense industrial base—I support this rule for giving Members that right. That is fair.

Mr. Speaker, let me take a moment to state my concerns—not about this rule, but about the process by which we are granting rules for debate and amendment, not just on appropriations bills, but on authorizing bills as well.

Lately, we seem to have forgotten that we are here not just to enact legislation on the floor of this House, but to give the Members adequate time to educate themselves on the contents of the legislation being reported by various committees prior to floor debate. That is terribly important.

Quite frankly, the Rules Committee has gotten into the disturbing habit of holding hearings on bills and then reporting rules for their consideration before the Members—and that is 99 percent of the Members of this House—at

large have had a chance to study the committee reports, in fact, in some cases, well before such reports are even printed for the use of the Members. Members cannot even see the report. They do not know what is in the bill.

This is not good, Mr. Speaker, and can only lead to the kind of confusion that we saw so recently in the Rules Committee on the Interior appropriations bill, when so many Members appeared before the committee on short notice to express their concerns about its provisions—after which the initial rule reported by the committee was quickly withdrawn once other Members were able to focus their attention on it and the provisions of the bill it covered. That is why the bill was pulled from the floor and does not even appear on the Calendar for next week again.

Mr. Speaker, although this procedure by the Rules Committee is not a violation of the standing rule that calls for a bill and committee report to be available for at least 3 days before debate on the floor, it certainly violates that rule's spirit, in my estimation. And I can only hope that the majority will not continue to engage in such fast-track procedures, which often leave the membership confused—and perhaps even resentful.

Having said all this, Mr. Speaker, I want to return to my main point, which is that I support this rule and expect that its adoption will help us pass this important bill that Chairman MURTHA and ranking member, Mr. MCDADE, have brought to this floor, so that the other body can proceed to its consideration. It is a good piece of legislation and I hope every Member votes for this rule.

□ 1110

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

Mr. FROST. Mr. Speaker, if I may direct a brief question to the chairman of the subcommittee, the gentleman from Pennsylvania [Mr. MURTHA].

Mr. Chairman, the defense authorization bill passed by the House several weeks ago included $1 billion of defense conversion. That authorization bill, of course, must now go to conference with the other body. It is my understanding that once the House and Senate reach agreement on the authorization bill in conference, and specify exactly how that $1 billion will be spent—that it is the intention of the gentleman from Pennsylvania—it would be his intention in the conference version of his appropriations bill, to track those provisions that would be agreed upon by the Senate and the House in the authorization bill.

Mr. MURTHA. Mr. Speaker, will the gentleman yield?

Mr. FROST. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. I thank the gentleman for yielding.

Mr. Speaker, the gentleman is exactly right. Because we did not know all the details about it when it was originally introduced, we will fund whatever the Committee on Armed Services authorizes.

Mr. FROST. I appreciate that because that is a very important provision that Chairman ASPIN, majority leader GEPHARDT, and I, and a number of other Members worked on, and it is very important that it actually be funded once it is agreed upon by the conferees on the authorization side.

Mr. SOLOMON. Mr. Speaker, this is a good rule and I would ask the Members to vote for it.

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

Mr. FROST. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. MCNULTY). The question is on the resolution.

The resolution was agreed to.

The motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. MURTHA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill (H.R. 5504) making appropriations for the Department of Defense for the fiscal year ending September 30, 1993, and for other purposes, and that I may be permitted to include tables and other extraneous material.

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

There was no objection.

DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1993

Mr. MURTHA. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5504) making appropriations for the Department of Defense for the fiscal year ending September 30, 1993, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to not to exceed 1 hour, the time to be equally divided and controlled by the gentleman from Pennsylvania [Mr. MCDADE] and myself.

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

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Pennsylvania [Mr. MURTHA].

The motion was agreed to.

□ 1115

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 5504, with Mr. OBERSTAR in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Without objection, the bill is considered as having been read the first time.

There was no objection.

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from Pennsylvania [Mr. MURTHA] will be recognized for 30 minutes, and the gentleman from Pennsylvania [Mr. MCDADE] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Pennsylvania [Mr. MURTHA].

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

Mr. Chairman, I bring to the House of Representatives the fiscal year 1993 Defense appropriations bill. I'd like to thank all the members of the Defense Subcommittee for the hard work they have performed all year. I'd like to give special thanks to the ranking minority member of the subcommittee, my friend from Pennsylvania [Mr. MCDADE]. I am sad to mention that this is the last time the Defense appropriations bill will be on the floor with the assistance of Congressman DWYER and Congressman AUCOIN. They are both leaving the House and their counsel will be greatly missed.

The Appropriations Committee is recommending to the House a total of $252.7 billion in the new budget authority for fiscal year 1993 for the Defense Department. This figure is $8.6 billion below the budget request and $17.4 billion below the current year funding level. These spending levels do not include funds for the Nuclear Weapons Program of the Department of Energy or for military construction. Those activities are funded in separate appropriations bills.

At this point in the RECORD I will insert a table outlining the committee's recommendations by account:

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1992 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1993

Agency and item	Appropriated, 1992 (enacted to date)	Budget estimates, 1993	Recommended in bill	Bill compared with appropriated, 1992	Bill compared with budget estimates, 1993
[1]	[2]	[3]	[4]	[5]	[6]
RECAPITULATION					
Title I—Military Personnel	78,266,327,000	77,080,200,000	76,896,200,000	−1,370,127,000	−184,000,000
Title II—Operation and Maintenance	83,358,581,000	74,832,176,000	71,710,202,000	−11,648,379,000	−3,121,974,000
Title III—Procurement	64,377,809,000	55,764,498,000	53,743,289,000	−10,634,520,000	−2,021,209,000
(By transfer			(1,900,000,000)	(+1,900,000,000)	(+1,900,000,000)
Title IV—Research, Development, Test and Evaluation	39,401,923,000	38,921,203,000	38,795,148,000	−606,775,000	−126,055,000
Title V—Revolving and Management Fund	3,424,200,000	1,123,800,000	16,600,000	−3,407,600,000	−1,107,200,000
Title VI—Other Department of Defense Programs	1,679,198,000	12,716,908,000	11,278,375,000	+9,599,177,000	−1,438,533,000
Title VII—Related agencies	192,919,000	199,551,000	178,900,000	−14,019,000	−20,651,000
Title VIII—Economic Conversion			(1,000,000,000)	(+1,000,000,000)	(+1,000,000,000
Title IX—General provisions	−486,617,000			+486,617,000	
(By transfer)	(195,000,000)			(−195,000,000)	
(Additional transfer authority, sec. 9006)	(1,500,000,000)	(1,500,000,000)	(2,500,000,000)	(+1,000,000,000)	(1,000,000,000)
Total, Department of Defense	270,214,340,000	260,638,336,000	252,618,714,000	−17,595,626,000	−8,019,622,000
Scorekeeping adjustments	−115,000,000	612,000,000	35,000,000	+150,000,000	−577,000,000
Grand total	270,099,340,000	261,250,336,000	252,653,714,000	−17,445,626,000	−8,596,622,000

This bill is: Below the budget request; below the budget resolution; and below the 602(b) allocation.

DEFICIT REDUCTION

In this bill, and in the recently passed rescission bill, the committee has made an important contribution to deficit reduction. The rescission bill included a total of $7.1 billion of previously appropriated defense funds which were rescinded. The committee has reduced this bill $8.6 billion below the budget request. Thus the recently passed rescission bill and the fiscal year 1993 Defense appropriations bill have made an important contribution to current and outyear deficit reduction.

DEMISE OF THE COLD WAR

The steadfastness and rightness of America's foreign policy and defense posture since the end of World War II have paid dramatic and stunning results in recent years:

The collapse of the Berlin Wall;

The dissolution of the former Soviet Union and its empire.

The emergency of democracy in eastern Europe and in the former Soviet Union.

The stunning defeat of Iraq in its attempt to annex Kuwait.

The dramatic decline in the actual and projected number of nuclear warheads in the strategic arsenals of the United States and the former Soviet Union.

The Congress should be proud of its steadfast support for a strong U.S. military over the decades of the historical struggle between the forces of democracy and its adversaries. Clearly, as America enters victorious into the post cold war era, it is appropriate to significantly downsize the Defense budget and DOD's force structure. What is not appreciated by many, is the significant degree to which that downsizing has either already taken place or is projected to take the place in the outyears.

DECLINE IN DEFENSE SPENDING

Not including the one-time spike upward for Desert Shield/Desert Storm related expenditures, the fiscal year 1993 budget authority for defense represents the eighth consecutive year of decline in defense spending when measured in constant dollars. Also, additional reductions assumed in the outyear projections in defense are quite large:

U.S. military operations will be ended, reduced or placed on standby at 559 overseas installations.

The projected contraction in the force structure, when implemented over the next few years, will result in a force structure at lease 25 percent below the force structure that existed in 1990.

A reduction in the U.S. base structure roughly commensurate with the 25-percent reduction in the force structure either has been announced or will soon be recommended.

The dramatic decline in the procurement budget is shown in the following table:

Budget authority in constant fiscal year 1993 dollars

[In billions of dollars]

Fiscal year:	*Procurement*
	Procurement
1985	127.2
1986	117.7
1987	98.6
1988	94.7
1989	90.5
1990	89.7
1991	76.5
1992	62.5
1993	53.7

The procurement account has declined by almost 60 percent in the past 8 years.

In a few years, the DOD's budget will be a smaller percent of the Federal budget and of the gross domestic product, than it has been since before World War II.

Thus in historical perspective and in perspective of the Nations total wealth, the level of defense spending recommended in this bill is indeed modest.

STRATEGIC NUCLEAR ARSENALS

Based on the recent talks between Presidents Bush and Yeltsin, the combined strategic nuclear warhead arsenal of the United States and Russia are projected to decline to a level of approximately 7,000. This is a reduction of about two-thirds from the current level. The latest proposal for reducing the U.S. arsenal will be embodied in a future treaty proposal which will be submitted to the Senate for ratifications.

In terms of procurement funds in this bill for strategic weapon systems, there basically is $3.5 billion which consists of $2.7 billion for the B–2 bomber and $787 million for procurement of D–5 missile for the Trident submarine. Thus, just over 1 percent of this budget is for procurement of strategic weapon systems. Additionally, it should be noted that the B–2 Stealth bomber is also a weapon system designed for conventional warfare.

Additional funds are included in the military personnel and operation and maintenance accounts for maintaining various strategic systems. As ratified treaties are implemented, these funds are sealed back.

PRIORITIES IN THIS BILL

As the nature of the threat to America's national security changes, we must be perceptive enough and wise enough to invest our resources in the right mix of defense systems and force structure to meet the evolving global situation in an era of greatly reduced defense budgets.

The broad trends in defense budgets of the past few years, and the probable trends of the next few budgets are threefold.

A dramatic reduction in strategic and tactical nuclear warheads;

A significant pullback of the U.S. troops deployed abroad; and

A significant downsizing of the continental U.S. base structure and force structure.

While the world in general is much safer as a result of the past few years, history takes many strange twists and turns. The committee believes that in this era of a downsized military, with a significantly lower presence overseas, the central aspects of readiness include deployability, mobility, sustainability, and lethality. The committee has made funding adjustments to numerous programs to enhance these important aspects of readiness.

HIGHLIGHTS OF COMMITTEE RECOMMENDATIONS

Mr. Chairman, I would like to briefly highlight the committee's recommendation in the major accounts.

ACTIVE MILITARY PERSONNEL

The committee recommends a total of $76,896,200,000 for military personnel, a decrease of $184,000,000 from the budget request.

The committee agrees with the authorized end strength as in the President's budget request but took an additional decrease of 10,000 end strength in both Army and Navy appropriations for a total reduction of 20,000 to be applied to administrative and management positions at departmental and major command headquarters, and not from troops in the field.

Reductions should come from positions in the national capital region, wherever possible.

GUARD AND RESERVE

The committee recommends a total of $9,436,500,000, an increase of $240,000,000 above the budget request for personnel. In addition, the committee recommends a total of $8,284,519,000 which includes funding in the real property maintenance appropriation. This is an increase of $309,400,000 above the budget request for operation and maintenance.

The committee agrees with the authorized end strength for the Marine Corps Reserve, Air Force Reserve, Army National Guard, and added an additional 10,000 end strength above the budget request for both the Army Reserve and Navy Reserve.

OPERATION AND MAINTENANCE

The operation and maintenance appropriation provides the resources necessary to maintain high readiness of our Armed Forces and to enhance the quality of life of our military personnel, their families, and civilian personnel. The committee recommends a total O&M funding level of $71,710,202,000, a decrease of $3,121,974,000 from the budget request.

Although the recommended funding level is significantly lower than the budget request, the committee's actions shall not affect the readiness of our Armed Forces. The reductions are from administrative and management accounts and funds that pay for foreign national employees and repairs and maintenance of overseas facilities.

The committee denied the Department's budget request to transfer $2,000,000,000 of excess cash from the Defense business operations fund [DBOF] to the services' O&M appropriations. Instead, the committee directed the Department to free issue supply items from DBOF to the services in order to reduce DOD's multibillion-dollar excess inventories, and to force the Department to provide the necessary controls and accountability of the cash balances in the Defense business operations fund.

The committee provided an additional $250 million to repair and modernize troop billets, armories, and training facilities.

PROCUREMENT

The committee recommends $53,743,289,000 in new obligational authority and $1,900,000,000 in transfers for procurement items. Major programs funded in the bill include the following:

$406,729,000 for 60 Black Hawk helicopters,

$225,000,000 for 36 AHIP helicopter modifications,

$148,163,000 for 144 Avenger systems,

$449,500,000 for 115 MLRS launchers and 30,000 missiles for the Army and the Marine Corps,

$192,415,000 for 351 ATACMS missiles,

$338,380,000 for Bradley Fighting Vehicle production sustainment and modifications,

$148,532,000 for M109 Paladin howitzer modifications,

$1,175,433,000 for Army ammunition,

$229,548,000 for 6,437 HMMWV vehicles for the Army,

$270,101,000 for 2,212 medium tactical vehicles for the Army, and

$315,370,000 for 961 palletized loading system vehicles for the Army;

$1,720,000,000 for 48 F/A–18 aircraft,

$501,451,000 for 20 CH/MH–53E helicopters,

$123,931,000 for 12 AH–1W Cobra attack helicopters,

$492,264,000 for 24 SH–60B/F ASW helicopters,

$303,474,000 for 12 T–45 TS Goshawk trainer aircraft,

$117,398,000 for seven HH–60H combat search and rescue helicopters,

$786,802,000 for 17 Trident II—D5—missiles,

$404,144,000 for 200 Tomahawk missiles,

$256,783,000 for 330 Standard missiles,

$188,580,000 for 108 MK–48 ADCAP torpedoes,

$2,605,262,000 for three DDG–51 destroyers,

$1,205,000,000 for one LHD–1 amphibious assault ships, and

$801,400,000 for sealift ships for the Navy and Marine Corps;

$2,686,572,000 for four B–2 aircraft,

$683,230,000 for 24 F–16 aircraft,

$2,061,540,000 for six C–17 aircraft,

$310,572,000 for one E–8B—JSTARS—aircraft,

$868,874,000 for 1,115 AMRAAM missiles,

$218,400,000 for 846 HARM missiles, and

$382,169,000 for space boosters for the Air Force.

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

The committee recommends $38,795,148,000 for the RDT&E title, a reduction of $126,055,000 from the budget request. Specific recommendations of selected programs are as follows:

The committee provided $443,007,000, the budget request, for the Comanche light armed scout helicopter. In addition, the committee added $25,000,000 for Apache upgrades and $8,100,000 for OH–58D upgrades.

The committee provided $408,444,000 for armored systems modernization, a reduction of $35,000,000. In addition, the committee added $31,800,000 for Bradley upgrades and $26,800,000 for M1 live fire testing/fielding. These actions reflect the amount approved by the House of Representatives during consideration of H.R. 5006, the National Defense Authorization Act, 1993.

The committee provided $1,136,589,000, the budget request, for the new model F–18E/F, and $165,583,000, the budget request, for the AX, with no legislative requirements on prototyping as was suggested by the House Armed Services Committee. Also, the committee provided an increase of $50,000,000 to give the Navy the option of developing the F–14 Quickstrike air-to-ground attack version of the aircraft.

The committee provided $150,000,000 in the submarine and combat system development programs to continue development and testing of the SSN–21 *Seawolf*.

The committee provided $193,408,000, an increase of $33,000,000, to ship self-defense, in order to continue and augment the committee initiative to provide advanced protection to Navy surface ships from sea-skimming, antiship cruise missile attacks.

The committee provided $162,473,000, an increase of $127,000,000, to the P–3 modernization program—$90,000,000 for the development of an advanced propulsion system which will be needed for the next model of the aircraft, and $37,000,000 for the further development and testing of the Update IV avionics system.

The committee provided $775,000,000 for the V–22 program to continue construction of production-representative aircraft for testing purposes. This reflects the amount approved by the House of Representatives during consideration of H.R. 5006, the National Defense Authorization Act, 1993.

The committee provided $1,261,384,000, the budget request, for the B–2 advanced technology bomber.

The committee provided $2,024,268,000 for the F–22 advanced tactical fighter, a reduction of $200,000,000. This action reflects the amount approved by the House of Representatives during consideration of H.R. 5006, the National Defense Authorization Act, 1993.

The committee provided $175,489,000, the budget request, for the National Aerospace Plane Technology Program.

The committee provided $210,000,000, the budget request, for the C–17 program.

The committee provided $4,237,500,000 for the strategic defense initiative and theater missile defense programs, and encouraged the Navy to accelerate theater defense applications.

The committee provided $362,957,000 for the Defense Nuclear Agency, a reduction of $47,000,000.

The committee provided $100,000,000 for the high definition military displays technology program, which has potential dual-use spinoffs.

The committee provided an additional $180,000,000 for advanced materials research.

The committee provided an additional $20,000,000 for Sematech.

NAVAL AVIATION

Mr. Chairman, the future of naval aviation has been and continues to be one of the most difficult funding and policy issues we face. Because of the importance of this issue, I would like to take a few minutes to explain this issue to the House.

With the demise of A–12 and the cancellation of F–14 upgrades by DOD, the state of naval aviation is a real problem that we must fix. The House Armed Services Committee made a number of very thoughtful proposals on the A–X and new model F–18E aircraft development programs, which our committee strongly considered. But in the end, we could not agree with them. The committee essentially approved the administration's plan, but with a few strings attached.

Concerning the F–18E/F, the committee approved $1.1 billion as requested. The HASC would have required an extensive prototyping phase, and delayed entry of the program into the engineering/manufacturing development phase until 1996. This would have delayed introduction of the aircraft into the fleet by at least 3 years. Since 90 percent of the avionics and software are unchanged in the new model F–18E/F, and the program requires that the first seven preproduction aircraft fly 55 months of testing time, we agree with the Office of the Secretary of Defense that the program is low to moderate risk. In addition, the Congress did not require such prototyping when the Air Force developed its new model F–15E, which was very successfully used in Iraq. However, the committee cautioned the Navy that our support will remain only as long as technical risks remain low to moderate, and that the cost and schedule commitments made to Congress are kept. Concerning A–X, the HASC suggested accelerating the program and requiring two industry teams to perform the 4-year demonstration/validation phase. Our committee would also like to accelerate A–X, but the Navy's program is already shorter than the Air Force's ATF; we don't want to cause another A–12. We also share the HASC's concern about down-selecting to a single contractor, based only on paper analysis. But, it is not clear whether legislatively requiring two industry teams makes sense: It clearly does if the Navy chooses to build a new aircraft; it clearly does not if the Navy chooses an advanced tactical fighter variant. This is important because the Navy says carrying an extra industry team costs an additional $2 billion. We believe that DOD needs time to conduct its normal acquisition process, because the final strategy and decisions will be made at the Secretary of Defense level. Our committee approved the Navy's budget request of $165 million, but requires OSD to report its A–X decision to Congress 30 days in advance of signing any contracts. This gives Congress time to review DOD's decision next spring, and to introduce legislation next year should that be necessary.

Concerning the F–14, the committee provided $50 million for the Quickstrike package to provide air-to-ground capabilities to the F–14 aircraft. We view this as a low-cost option that the Navy could pursue if it chooses, for retrofit into the existing fleet.

INTELLIGENCE

Mr. Chairman, during the course of the last decade, budgetary resources devoted to the intelligence community have grown in real terms by over 100 percent. Over the same time period, the overall defense budget—excluding the intelligence budget which is contained within the defense budget—grew by only 5 percent in real terms. In addition, the level of intelligence personnel in the National Capital region has grown 70 percent over the same time period.

Accordingly, the committee has recommended reductions to the intelligence budget and has included section 9128 in the general provisions of this act, mandating a reduction of 2 percent to the National Foreign Intelligence Program [NFIP] personnel levels when compared to fiscal year 1992 levels. The committee also directed that the Director of Central Intelligence [DCI] submit a plan to the Committee on Appropriations which details how NFIP personnel levels, including those in the National Capital region, will be reduced by 2 percent a year over the following 5 fiscal years.

The committee believes that reductions to the intelligence budget can be accomplished in a manner which retains a robust capability to address the most crucial security issues which affect the country. The committee is also prepared to work closely with the Defense Department and the intelligence community in this endeavor.

LTV ACQUISITION

The committee bill includes a general provision which prohibits the acquisition of the LTV Aerospace and Defense Co. by the French company Thompson CSF. The provision also prohibits use of funds in the act to further this sale. The committee believes that such an acquisition would not be in the national security interests of the United States. This belief is based in part on the aggressive international marketing of defense hardware and technology by Thompson CSF and by the French Government, generally. For example, Thompson CSF is said to be responsible for selling the sophisticated air defense system to Iraq which our pilots had to counter in Desert Storm.

The committee's concern about the LTV acquisition is supported by a recent study by the Defense Intelligence Agency which concluded that the sale would represent a significant risk to the U.S. technology base. Furthermore, in a recent article, the former head of the French intelligence service is quoted as saying that, "In technological competition, we are competitors, we are not allied." In this time of defense drawdown, it is not prudent to sell our leading edge technological capabilities to foreign countries.

TAILHOOK INCIDENT

As many of you may know, I served over three decades in the Marine Corps including active duty and Reserves. I am very proud of those years of service and I'm proud of the magnificent job the men and women of our Armed Forces have performed in the service of this country over the years. For many years, the Defense Department has been in the forefront in implementing progressive social policies. The Armed Forces are the most thoroughly integrated institution in our society. An aggressive policy of racial equality for members of the armed services was first implemented under President Truman. Also, over the past few decades, the role of women in the armed services has increased dramatically.

Thus it was with particular anger and disgust that I learned of the Tailhook incident last year. I have been equally dismayed by the snail pace of the investigation. The unconscionable behavior of the officers at the Tailhook convention is a severe blight on the reputation of the Navy. An investigation must be aggressively pursued to determine who participated in this illegal and immoral behavior, and all guilty parties appropriately punished.

I have communicated to the Secretary of the Navy and top naval officers in the past on my concerns about sexual harassment in the Navy. This behavior by Navy personnel will simply not be tolerated.

OTHER PROGRAMS

I would like to briefly address some other initiatives we have taken in this bill:

The committee has included $1 billion for economic conversion to assist communities adversely impacted by the significant slowdown in military spending.

We have added funds to the Army Guard and the Air National Guard for the funding of 12 pilot youth programs—6 for urban programs and 6 for the Youth Conservation Corps. The Guard personnel will provide instruction, counseling, and mentoring at these camps.

We have funded a pilot program in the Army Junior ROTC program to enhance the opportunities for minority participants to enter higher education.

The committee has added $109 million above the budget request for medical R&D including:

AIDS research: +$33,000,000.

Breast cancer research: +$25,000,0000.

Bone marrow research: +$31,000,000.

CONCLUSION

In conclusion, this bill is:

Below the budget request;

Below the level for defense in the budget resolution;

Below the level in the 602(b) allocation; and

Makes an important contribution to deficit reduction.

This bill:

Basically funds all major programs requested;

Adds significant funds for the Guard and Reserve;

Continues the steady contraction of the overall force structure and base structure as noted by a funding level $17.4 billion below the current fiscal year;

Reorders priorities somewhat and emphasizes: deployability; mobility; and sustainability.

I urge support for this bill and passage by the House.

I understand Mr. PENNY will offer an amendment later to delete procurement funds for the Trident II—D–5—missile. I will oppose this amendment but, as the threat changes and declines, this issue will have to be reviewed and further evaluated as other programs will have to be reviewed.

Also I understand Mr. UPTON has a concern about the Meals Ready To Eat Program.

It is the intent of the committee to support the budget request to purchase 2.8 million cases of Meals Ready To Eat [MRE]. It is my understanding that the Department could require an annual purchase of 3.1 million cases for future contingencies and humanitarian assistance for worldwide emergencies. I shall certainly support additional purchases of MRE's for these purposes, if required, but the Department is not mandated to make these purchases.

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

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

Mr. Chairman, I am very pleased to rise in support of this bill. It has the usual problems. There are areas of disagreement with the administration, there are areas of disagreement among ourselves, but it is generally a good bill. There is one very major problem, and that is the abortion language that is in it. It would result in a veto. I hope, as we move along to conference, we can remove that and get the bill signed into law.

I have a statement from the administration that supports that approach and says they would like to see it proceed to conference and try to rework some of the numbers. I do not know whether we can get every piece of objectionable language out, but, I certainly want to try.

Mr. Chairman, I want to express my deep gratitude to the gentleman from Pennsylvania [Mr. MURTHA], the chairman of this subcommittee. It has been my privilege to be a Member of this body for 30 years, and I know of no Member in my 30 years' experience who does a more outstanding job to shepherd the welfare of the men and women of the armed services as does my friend from Pennsylvania.

I congratulate him for his work on this bill, and for his work as a Member of the House. He is a credit to all of us. I thank him for his leadership.

I want to say the same about the members of the subcommittee. We have wonderful people who work together. We have a superb staff and they have spent countless hours on this bill.

Let me just say as a Member on this side of the aisle who is charged with this enormous responsibility, that if I were to have my finest wishes come true, I could not ask to have better people to serve with me than the gentleman from Florida [Mr. YOUNG], the gentleman from Ohio [Mr. MILLER], the gentleman from Louisiana [Mr. LIVINGSTON], and the gentleman from California [Mr. LEWIS]. They are true patriots, and they are wonderful people.

Mr. Chairman, this bill reflects a bipartisan effort by the committee, to take yet one more step in the Nation's effort to reshape and downsize our defenses in this time of great change.

In so doing, we have also been able to make a major contribution toward what is clearly our most pressing domestic need—reducing the deficit.

For example, compared to the fiscal 1992 bill, this bill represents a reduction of over $17 billion. Adjusted for inflation this is a 1-year cut of about 10 percent.

We have scrubbed the budget request thoroughly, and as a result we recommended a reduction of more than $8½ billion from the request. And we've come in substantially lower than our 602 allocation in both budget authority and outlays.

In terms of specific issues, I want to stress that we have followed the lead of the House, as expressed last month on the Defense authorization, on major policy questions. This includes the SDI program, the B–2 bomber, and others.

Now, we are hearing that Members may try to revisit some of these issues today. I can only say that these areas have already been debated at length and voted by the House. I see no reason why the membership should have to go through this all over again on this bill and so I would urge restraint here.

Mr. Chairman, I am not completely pleased with all the recommendations we bring forth today, nor is the administration. In some areas we have gone too far in terms of the cuts in this bill.

And I am personally distressed regarding a cleverly crafted amendment, adopted without prior notice in the fill committee, concerning abortion at overseas military facilities. That provision was adopted last month on the authorization; now, here it appears on an appropriations bill, where it does not belong in terms of jurisdiction, let alone substance.

This provision is opposed by many Members, on both sides. But I am a realist, Mr. Chairman, and I realize there is nothing we can do today to change the position of the House on this.

But one thing is certain: if this provision comes back from conference I will oppose the bill, and if it is in a bill sent to the President we will see a veto. No question.

In the end, for this bill to ultimately become law, this provision, along with other areas of concern to the President will have to be corrected.

That is nothing new for us, with the Defense appropriations bill. That has been the case each of the 8 years I've been privileged to manage this bill as it has come to the House.

We need to fix these problems, both on the authorization and here as well, but that will have to wait until conference.

So, Mr. Chairman, with that caveat, I would urge Members, on both sides, to support this bill. Keep the process moving forward, and give your support to a measure which does many, many good things with respect to the Nation's security, and for our young people who serve so resolutely each and every day on the front lines of freedom.

Mr. Chairman, I urge the adoption of the bill, and I yield back the balance of my time.

Mr. MURTHA. Mr. Chairman, I yield such time as he may consume to the gentleman from Washington [Mr. DICKS].

Mr. DICKS. Mr. Chairman, I rise in very strong support of H.R. 5504 and want to commend the chairman, the gentleman from Pennsylvania [Mr. MURTHA] and the ranking member, the gentleman from Pennsylvania [Mr. MCDADE].

Mr. Chairman, I rise in strong support of H.R. 5504, the Defense appropriations bill for fiscal year 1993. I congratulate Chairman MURTHA for his unequivocal leadership and cooperative approach to a very important issue that we face today. I commend the ranking member, Mr. MCDADE, as well as all of my colleagues on the Defense Appropriations Subcommittee for bringing to this House, a bill that addresses our national security requirements despite the fiscal constraints and emerging world developments. I also want to thank the staff of the subcommittee for their professional support and the long hours they labored to make this bill possible.

In H.R. 5504, the committee has recommended $252.7 billion in new budget au-

thority, a reduction of $8.6 billion below that of the fiscal year 1993 budget. This is a reduction of $17 billion below that which was appropriated in fiscal year 1992. This represents the eighth consecutive year of decline in Defense spending when measured in constant dollars. The procurement account alone, for defense weapons systems has declined by nearly 60 percent over this period of time. Considering the new world realities and our own budgetary constraints, this is a significant reduction in defense spending, Mr. Chairman, and a significant contribution towards deficit reduction.

Mr. President, 1 year ago this weekend, America celebrated our Independence Day, reaffirming our pride in the military success of Operation Desert Storm. Now, just 1 year later, we have witnessed even more dramatic events in the world. While we are no longer worried about a surprise attack by the former Soviet Union, the world is still a very uncertain place and we are faced with challenges and events that will continue to shape our national security policy for the years to come. While world events almost certainly justify overall reductions in spending, we must continue to maintain our responsibilities and interests around the world. The committee has supported the proposed reductions in defense spending as consistent with our legitimate security requirements. The Department of Defense budget plans to reduce its spending 25 percent after inflation adjustments over the next 5 years, trimming the Nation's defense budget outlays to nearly 3.4 percent of the GNP—the lowest level since before World War II. These moves must be carefully executed so that we maintain a credible military force and not place our security in jeopardy.

And still, more and more people cry for larger defense cuts. There may be some additional cuts that could be taken, as suggested by Congressman ASPIN, and Senator NUNN. This will be particularly true as we strive to achieve a balanced budget and meet pressing domestic needs. But those who call for more rapid draconian cuts are, in my judgment, asking us to retreat from active participation in world events that ultimately could adversely impact our vital security interests. The bill this committee offers today, is a real reduction in defense spending, with the crucial goal to support a smaller overall military; ready, well trained, and equipped, to meet future threats and missions. The transition to a smaller Armed Forces will not be a painless task. The defense industrial base, which for years has produced the kinds of specialized weapons systems that gave us the superior military technology and capability unmatched any where in the world, are being terminated, and shutdown. Domestic and overseas bases continue to close. By the end of this year fiscal year 1992, 300,000 men and women will have left the military service of their country, and over 100,000 civilians will leave military employment. As a result of these reductions, large numbers of employees are being involuntarily separated. Combined with the mandated reductions in military personnel levels, I am very concerned with the amount of people that are being forced into the current economy that is unable to accept them. The committee has supported the need for better requirements to ease these hardships, and that Federal civilian employees be given the same level of attention that is being given to uniformed personnel and private sector contractor employees. In response to these concerns, this bill includes $1 billion for a comprehensive economic conversion program to provide retraining and placement assistance to workers dislocated as a result of defense cuts along with funding innovative technology programs with potential commercial applications that can utilize the skilled personnel no longer needed by the military.

In the past, our Nation has not demobilized as sensibly as needed. We continue to face uncertain threats, that will require new and different strategies and military structures. This past December, we marked the 50th anniversary of Pearl Harbor, Mr. Speaker; Americans still remember the horrible cost of being unprepared. As we reflect back on Desert Storm, time and time again has the observation been made that only because we had nearly 56 months to deploy and supply our forces, were we able to defeat Saddam Hussein. The committee has focused its priorities on maintaining the quality of our troops, their training, readiness, and flexibility. Reaction response time becomes even more important as the world's adversaries become more difficult to detect. We are reducing our forward deployed troops, closing more than 500 overseas bases. Relieving that forward logistics disadvantage is addressed in the committee's support for the vital sealift and airlift assets for necessary for quick response, including the V–22, as well as the prepositioning of equipment and supplies. Combined with quick lift, light and heavy divisions, equipment, and supplies will be transferred to all parts of the world.

Future threats, as well as the budgetary constraints we face, will influence what weapon system capabilities will be required. As we restructure our defensive capabilities, the first priority would be the ability to deliver significant ordnance over long distances with little warning or advanced basing. I remain convinced that 20 B–2's offer revolutionary conventional capabilities for this requirement. As we reexamine our positions in light of the need for smaller contingency forces, the B–2, with smart weapons and worldwide reach, is exactly the kind of weapon we need for the future. Since the beginning of the cold war, we have relied upon the use of nuclear weapons as the deterrence. We learned very early on that nuclear weapons could provide deterrence more effectively than conventional means. Now the world has changed, and containment of the nuclear weapons is becoming a cooperative effort, worldwide. The focus is shifting to one of nonproliferation, arms control, and the deterrence role now becomes one of conventional means. The B–2, in its conventional role, is our greatest source of deterrence.

Efforts for arms control nonproliferation continue to grow. Unrestricted arms sales of weapons and parts can no longer be tolerated. Actions are necessary to prevent unauthorized sales and enact restraints preventing rogue countries from gaining and using the nuclear technological capabilities against others. Dismantlement of such an arsenal is imperative. Funds were previously authorized in support of the Nuclear Threat Reduction Act of 1992, for nonproliferation projects. The committee shares my deep concern with the lack of operational safety of the civilian nuclear reactor facilities in the Republics. We have earmarked $50 million of these funds to implement the Multilateral Nuclear Safety Initiative, which establishes two regional training centers to serve as focal points for operational safety, risk reduction measures for the unsafe nuclear reactors, as well as assists in developing effective safety standards and procedures.

In the health care arena, it has been the goal of this committee to fund health care programs that will improve access to military medical facilities for the military beneficiaries and retirees, while concurrently controlling the high costs for both the beneficiaries and the Government. The members of this committee have vocalized their support of better, more thorough health care for the military, their families, and the uniformed retirees. These people deserve better care, and it has become the consensus that the Department of Defense has not and is not taking care of its own. This committee encourages the expansion of programs such as the CHAMPUS reform initiative, which has shown great promise for delivering quality care nationwide.

The committee recognized the need to identify weapons systems programs that are no longer needed, or can be reviewed and consolidated. The committee has terminated funding for the antisatellite program; there is a reduction of $1.1 billion from the funds requested for the strategic defense initiative; there are reductions to a great number of servicewide classified programs; procurement in general, was reduced 60 percent, and there were also reductions to research and development. As the committee reports, these reductions totaled $8.6 billion, without sacrificing the quality of life for our service men and women, and without sacrificing our superior military readiness and capability.

Finally, the committee recognizes that the environmental cleanup of our defense bases is a growing problem. Serious problems have been documented in the implementation of the defense environmental restoration program that have consistently delayed completion of remedial action and have resulted in wasted expenditures. This committee has reiterated this problem in this bill, and provided $900 million for environmental cleanup activities at our military installations, along with direction to curtail the study activities and accelerate actual remediation. The committee has conveyed its desire to work with the Department to improve this situation, and has endorsed the pilot program for an expedited environmental restoration recently authorized in H.R. 5006.

Mr. WHITTEN. Mr. Chairman, I rise in support of H.R. 5504, the Defense appropriations bill for fiscal year 1993.

I want to congratulate the gentleman from Pennsylvania [Mr. MURTHA], the gentleman from Pennsylvania [Mr. MCDADE], and all my other Appropriations Committee colleagues on the Defense Subcommittee for the great job in putting this bill together. Along with the military construction appropriations bill, this bill provides a large measure of support to our National Guard and Reserve components. These

components place a vital role in our national security.

As I have stated before, all of the National Guard and the Reserve components have a tremendous peacetime mission and because they are local, they play a big part in adding to the support of the regular services.

This is not understood by many. Every time the Guard is called up, local areas see their military dollars being spent on something important to the areas—and that feeling carries on to the whole military. We need to continue to provide support to the Guard and Reserve for all of these reasons.

As we continue our unprecedented reductions in our voluntary military, a program is needed to ensure that the transition for our military personnel into the civilian sector be as smooth as possible so that troop reductions do not produce undue hardships on either the personnel being displaced or on those areas of our country where facilities are located.

The Defense Reinvestment for Economic Growth Program could be very important in this regard. We should use this program to give attention to using existing defense resources to restore the condition of our roads, our bridges, our highways, harbors, waterway locks and dams, schools, hospitals, and other public facilities. The need for these facilities has been well documented. Programs developed to provide for this asset investment not only provide employment opportunities which help the economy, but the facilities themselves provide benefits and growth for the Nation as they are put to their intended use. The Defense Reinvestment for Economic Growth Program needs to be developed to phase in with the military build-down and to create productive employment for those crowded out of military production and those who are forced to retire from the military or contractors after devoting their time to the defense of our country.

Mr. Chairman, this bill faces up to the important challenges we face because of the declining level of effort needed to assure our national security. I urge its adoption.

Mr. LOWERY of California. Mr. Chairman, I want to express my support for H.R. 5504, the Department of Defense appropriations bill for fiscal year 1993. This is a fiscally responsible bill that is below the President's request and under the budget allocation.

As produced by the Defense Subcommittee, this legislation provides a good balance in funding for our active duty and reserve personnel; procurement of needed weapons systems for the services; and, investment in new technologies to keep our Armed Forces the best in the world.

While I support the bill, I must express my opposition to a provision that was added in the full Appropriations Committee. This provision would allow military medical facilities overseas to offer abortion services to service personnel and their dependents. I oppose this provision and urge its deletion before passage of the bill.

In conclusion, I want to express my personal thanks to Chairman MURTHA, the ranking minority member, Mr. MCDADE, and Mr. LEWIS, a member of the subcommittee. The chairman, JOE MCDADE and JERRY LEWIS and their staffs worked with me on a number of programs in the bill and I want to thank them for their professionalism and fairness.

This is an excellent bill which will help protect our national security in a cost-effective manner. I support its approval by the House.

Mr. MILLER of Ohio. Mr. Chairman, today we are considering H.R. 5504, the fiscal year 1993 Department of Defense appropriations bill. This bill provides a total of $252.7 billion for the Department of Defense—$17.5 billion less than appropriated for the current fiscal year.

Any time you cut $17,500,000, as this bill does, difficult decisions must be made. I want to express my appreciation to Chairman MURTHA and to JOE MCDADE for their outstanding leadership in guiding the defense appropriations subcommittee through a difficult markup of this bill.

This bill recognizes the fact that the world has changed dramatically—though the threat our Nation faced from the Soviet Union has essentially disappeared, we still live in a world of uncertainty and danger. Yet, the threats we face today differ in significant respects and the reductions being made in defense are, for the most, both proper and necessary.

We are reducing the size of our Armed Forces and reorienting that force to one that will rely less on forward deployments and will instead be based more in the continental United States. I feel strongly that as we draw down our force levels, the amount we expend to bring in new recruits should also be reduced. Over the last 3 years, I have worked to reduce the military recruiting and advertising budgets from $645 million to $505 million—including a $36.8 million cut this year.

There are, however, parts of the bill I do not fully agree with. Funding for the strategic defense initiative has been reduced by over $1 billion below the President's request. I continue to believe that an active ballistic missile defense is needed. Despite agreements to reduce United States and Russian strategic weapons, the threat posed by intercontinental ballistic missiles has not disappeared; and, as the Persian Gulf conflict demonstrated, there is a growing ballistic missile capability in developing nations. For these reasons, I support the administration's request for funding SDI and theater ballistic missile defenses.

I also regret that, during the meeting of the full Appropriations Committee, language was added requiring U.S. military treatment facilities located overseas to provide abortions. The problems with this provision are many—foremost, I feel it is wrong, it is also unnecessary since it has already been added to the defense authorization bill, and it will certainly lead to a veto by the President.

Mr. Chairman, it is my hope that the bill will be improved by the time we have completed a conference with the Senate.

Mr. SMITH of New Jersey. Mr. Chairman, I want to thank the gentleman from Pennsylvania for so skillfully crafting a responsible piece of legislation for consideration by the House today.

I take this moment at this juncture in the debate simply to advise Members that language was added in Committee—over the objections of the chairman and ranking members—to force overseas military hospitals to provide abortion on demand.

It is our deep hope that this harmful, antichild provision be excised in conference. Obviously if that doesn't occur, pro-life Members will be compelled in conscience to vigorously oppose the conference report. Moreover, I am pleased to note that if this bill is presented to the President with any pro-abortion language in it, the President will veto the legislation.

I look forward to supporting a reasonable DOD appropriations bill that reflects today's challenges to the peace and security of Americans and other freedom loving peoples.

Ms. SNOWE. Mr. Chairman, as a Member of Congress and as a woman, I am appalled at the conduct of the Navy in conjunction with the 1991 Tailhook event. Because of the seriousness of this matter I want to express my strong support for the Appropriations Committee's decision to cut 10,000 personnel jobs from the Navy. I commend the committee for its bipartisan recognition of the abominable Tailhook incident that inflicted humiliation and suffering on 26 women—half of whom are Navy officers.

The behavior exhibited at the Tailhook convention was absolutely horrifying. Just as appalling, however, was the failure of the Navy to treat the women's complaints seriously and to respond in a timely fashion. Due to uncooperativeness and stonewalling by the Navy, it has already taken 9 months to conduct a wholly inadequate investigation.

The Federal Government has a responsibility to the Nation to set an example of professionalism and respect between men and women in the workplace. However, the number of U.S. servicemen participating in vulgar behavior and the pervasiveness of its acceptance from the bottom ranks to the upper echelons of the Navy created an atmosphere that allowed such conduct to take place entirely unquestioned.

Let me quote for just a moment from the Naval Inspector General's report on Tailhook:

The inappropriate sexual behavior in the Navy and Marine Corps squadron and unit sponsored suites at Tailhook '91 had been accepted, tolerated, and condoned over the years, making it now the norm for Tailhook gatherings.

And—

A common thread running through the overwhelming majority of interviews concerning Tailhook '91 was—"What's the big deal?" Those interviewed had no understanding that the activities in the suites fostered an atmosphere of sexual harassment, and that the actions which occurred in the corridor constituted at a minimum sexual harassment and in many cases criminal sexual assault. That atmosphere condoned, if not encouraged, the gang mentality which eventually led to the sexual assaults * * * There is every indication that nearly all participants made conscious decisions and were aware of their actions.

Members of Congress should know that the Tailhook convention has been similarly prob-

lematic in past years, yet as is clearly apparent, the inappropriate behavior was never corrected. Instead, implicit authorization of the behavior allowed for its repetition. But I assure you, this will no longer be the case.

The Appropriations Committee's bipartisan decision to cut 10,000 personnel out of disdain for the Tailhook incident puts teeth into its efforts to ensure that any potential for a repeat of this kind of incident will be stopped dead in its tracks. Whether in the public or private sector, perpetrators of harassment or discrimination must know that they will receive severe repercussions for their actions.

My colleagues, it is not enough that Navy Secretary Garrett resigns. There needs to be a full and complete investigation of this incident which is why Congresswoman PAT SCHROEDER and I, as co-chairs of the congressional caucus for women's issues, wrote a letter to Attorney General Barr to urge an investigation of the Tailhook convention by the Department of Justice. The women involved in this incident must receive justice.

Again, I commend the bipartisan efforts of the committee for sending a strong signal to the Navy that business as usual is unacceptable. From now on, we must assure anyone who participates in the armed services of the United States that they will be treated with dignity and respect regardless of their gender.

Mr. WEISS. Mr. Chairman, I rise in opposition to H.R. 5504, the fiscal year 1993 Defense appropriations bill.

While the nearly $253 billion appropriated by this legislation represents a reduction from the spending of previous years, the Department of Defense continues to be funded at cold war levels that bear little relation to our present international security needs.

There will be much talk about how much is being cut from this year's DOD budget and how much we have cut in recent years but that talk is irrelevant. Spending on the Defense Budget must not be based on what was spent last year, or how much was cut from 2 years ago. It must be based on a determination of the real security needs of our Nation.

If we look at the world in which we now live, we see that our cold war foe of the past five decades is no longer our enemy and is virtually disintegrating before our eyes. If we look inward at our own country we see a crumbling infrastructure, a failing educational system, and a languishing economy. It is clear to me where our threats lie. We must invest in the critical needs here at home and not in a military that faces nonexistent threats abroad.

A look at some of the programs receiving funding illustrates the misplaced priorities of this bill. The B–2 program which was killed by two separate Congresses, which continues to be bedeviled by a search for a mission, and which continues to suffer from disturbing questions about its capabilities, has been revived by this legislation we consider today. Surely, the Congress can find better uses for $4 billion than purchasing four new B–2 bombers.

This bill also appropriates $3.2 billion for the strategic defense initiative. Along with the nearly $1 billion spent on theater missile defense systems this legislation appropriates $4.3 billion for missile defense systems.

The reality that spawned SDI passed. There is no Soviet Union any longer. Furthermore, we are in serious discussions with Russia and the other successor States to reduce existing nuclear arsenals. The results of these efforts can be seen in the arms reduction treaty that emerged from the recent United States-Russian summit.

There also still remains a great many questions about the technical feasibility of SDI. There are serious doubts that the technology required to make this system function are beyond our ability to produce. Yet, even if these technical problems can be solved, the cost of deploying a functioning system would be astronomical. This country simply cannot afford the tens of billions of dollars that would be needed to put into place the strategic defense initiative.

There is one part of this bill, however, that I would like to call attention to, and to commend. The $1 billion appropriated for economic adjustment and conversion represents a significant development. For decades, this country has invested in the development of a powerful military while neglecting critical infrastructure and economic needs. The results of this neglect surround us. Now, however, we are presented with the opportunity to reorient our spending priorities and reinvest in America.

There is much more that we must do to create rational spending priorities and to assist in the conversion of the American economy from a defense to a civilian orientation, but I applaud the Congress for taking this important first step.

When the Congress meets to consider a defense budget it must look at the national security needs of the Nation. Sadly, this budget does not do this. It ignores the real threats and needs of the country while continuing to fund the military at a level comparable to that at the height of the cold war. Mr. Chairman, I must vote no on H.R. 5504.

Mr. ALEXANDER, Mr. Chairman, I rise in support of this bill which provides for the national security needs of our Nation.

This is a sound bill. It responds to current security needs and to anticipated future requirements.

I very much appreciate the work and leadership of the Defense Subcommittee chairman, the gentleman from Pennsylvania [Mr. MURTHA] and the subcommittee ranking minority member, the gentleman from Pennsylvania [Mr. MCDADE]. With the cooperation of the subcommittee members and the support of their able staff they have brought to the House a bill which should be adopted.

As with past defense bills, this one has a broad impact on the Nation's future. First and foremost, it provides for the defense of our Nation and our national interests. Second, through its investments in people, technology, procurement, and operations and maintenance in this country it helps stimulate our national economy.

Historically, we know that technology developed for security purposes commonly has spillover effects on nonmilitary private sector progress. The bottom line is that defense investments regularly benefit Americans working in both defense and nondefense industries.

There is one item in this bill that I particularly want to mention. The provision is section 9108. It prohibits the use of funds provided in the bill from being used to award a contract for purchase of 4-ton dolley jacks if that equipment would be manufactured outside the United States.

At the request of Arkansans working in a manufacturing plant in Jonesboro, I got involved in this issue last year. These are outstanding workers. They make an excellent product. The 4-ton dolley jacks are sold in the private sector and had been sold to military departments.

Suddenly they found their jobs threatened by a decision of the Department of Defense to manipulate U.S. laws in a way to deny the 4-ton dolley jack defense sales to American manufacturers and their workers.

A contract was awarded to an organization in Israel.

The decision did not make sense to Arkansas workers, and it did not make sense to me. Last year, with the help of this subcommittee, the Congress prohibited future such decisions relating to 4-ton dolley jacks.

With the passage of time, concerns of the Congress and the Arkansas workers proved resoundingly responsible. Despite repeated deadline extensions of provisions of the Israeli organizations contract, that group failed to achieve compliance with the first article testing requirements.

In a June 26 letter response to a Freedom of Information Act request, the Department of Army has advised that "The contract has been terminated for default without the first article test report ever having been completed."

The Arkansas workers and I very much appreciate the help that the Congress, and particularly the leadership that the House Appropriations Subcommittee on Defense and its staff have provided on this past contract. And, we thank you for recommending action which would prohibit a repeat of the kind of action that lead to this problem.

I would explain to my constituents that it takes more time to right a wrong in Washington than it does to make a cotton crop in Arkansas.

Again, I urge that the House promptly pass this bill.

Ms. SNOWE. Mr. Chairman, I would like to discuss the fiscal year 1993 funding level for the DDG–51 Aegis Destroyer program. I support funding for four destroyers rather than the three destroyers provided in the committee bill for two fundamental reasons: first, the DDG–51 program is vital to our Nation's security; and second, it is a very successful and cost-effective program.

In our eagerness to cut defense spending, we must not neglect our fundamental security needs. We must recognize that as our naval forces are reduced, the roles and missions assigned to Aegis ships are likely to expand. The technology in these ships will help maintain U.S. maritime superiority around the globe for the next 40 years. And let us not forget how convincingly and dramatically the value of state-of-the-art forces was demonstrated during the Persian Gulf war.

Surface combatants comprise the largest segment of our current and projected naval fleet—150 of the 450 ships in the Defense Department's base force. The *Arleigh Burke* class destroyer will replace several obsolete surface combatant classes in the fleet. In addi-

tion, it will do that with greatly expanded capabilities, including the ability to simultaneously perform anti-air, anti-surface, anti-submarine, and strike missions. The efficiency of the Burke class is exactly the kind of direction we need to be going in as we downsize our fleet.

With respect to cost-effectiveness, the lead ship in the DDG–51 program, the USS *Arleigh Burke*, which was manufactured by Bath Iron Works in the State of Maine, was delivered below the Navy's lead ship cost goal.

And just what did the Navy get for that below cost ship? Assistant Navy Secretary Gerald Cann commented that: "The *Arleigh Burke*'s performance during post-delivery tests and trials was spectacular. She completed the most rigorous testing yet undertaken in the Aegis shipbuilding program."

Mr. Chairman, last year Congress and the President supported procurement of five Aegis destroyers. The same number was procured in fiscal year 1990 and in fiscal year 1989. The Navy requested only four ships this year. That is a significant reduction in the program, but a practical one given our budget constraints.

The Appropriations Committee however, chose to fund only three ships. There is no question that dropping from a five-ship procurement in 1 year to a three-ship procurement in the very next year represents an abrupt change. The unavoidable fiscal impact of that abrupt change will be to significantly increase the end costs of this ship program which had heretofore been so cost-effective.

The impact of this abrupt reduction in the destroyer program is likely to be cost increases of at least 10 percent per ship. That unit cost increase on a three-ship procurement would total more than $250 million. If it is the will of this body to reduce the destroyer program, and I hope that it is not, then the sensible and cost-effective way to do it would be to go to a four-ship procurement this year, and to smaller quantities if appropriate in future years.

I wish that the Appropriations Committee had supported the DDG–51 request of the President, supported what our top naval strategists say that we need, and supported the view taken by the Armed Services Committee and the full House when it approved the Defense authorization bill less than 1 month ago. The President, the Navy, and the House all supported funding of four destroyers in fiscal year 1993. It is my strong hope that the final product coming out of conference will include that funding level.

Mr. LEWIS of Florida. Mr. Chairman, I rise in strong support of the full funding of $175 million contained in this bill for the National Aerospace Plane, or NASP Program.

First, I would like to congratulate the chairman of the subcommittee, Mr. MURTHA, and the ranking member, Mr. MCDADE, for their strong support of this program.

Last year, despite defense cutbacks, the United States had a $30 billion trade surplus in aerospace, the largest of any industry. This trade surplus resulted in total economic output of $70 billion and well over 1 million jobs, and is a direct result in investment in aerospace and aviation research in decades past.

NASP is absolutely crucial to maintaining our leadership in this vital area. It has already led to important breakthroughs in materials, propulsion, aerodynamics, and computer fluid dynamics, to mention but a few. These would not have occurred without the NASP, and the likelihood of future breakthroughs will be severely limited if this program is canceled.

There is no doubt the technology for a single-stage-to-orbit, air-breathing vehicle is within reach, as evidenced by the fact that the Japanese, French, British, Germans, and former Soviet Union all have programs. In fact, the Russians recently successfully tested a hypersonic scramjet engine, which is the same type being planned for NASP.

Although the Russian effort brings the exciting possibility of the United States having the opportunity to buy this technology from the Russians, it also raises the disturbing scenario of another nation, such as Japan, acquiring this technology, and overtaking a suddenly dormant U.S. technological effort.

Many of us have supported this program for a significant amount of time, and strongly believe cancellation would deal a severe blow to America's competitiveness, and cause the loss of hundreds of thousands of jobs.

Again, I congratulate the committee, and I urge my colleagues to support the full funding for the National Aerospace Plane which this bill contains.

Mr. FAZIO. Mr. Chairman, I rise in support of H.R. 5504, and I want to commend Chairman MURTHA, our colleague from Pennsylvania Mr. MCDADE, all the subcommittee members, as well as the staff for the outstanding job they have done in putting this bill together.

Mr. Chairman, the Defense Subcommittee has once again brought to this floor a bill that is good to our military personnel, good to our national security, and good to our country. It maintains a strong national defense while also doing its part to address the serious fiscal problems facing our country. H.R. 5504 is $8.5 billion below the President's request. It is $17.5 billion below the current year spending level. And the bill is nearly $4 billion below the level authorized by the budget resolution.

There are particular provisions of the bill which I think are very important to continuing our commitment to improving the quality of life for military families. Chairman MURTHA has been at the forefront in ensuring that military personnel and their families receive the services and support they need. The fiscal year 1993 Defense appropriations bill takes important steps in improving health care services for military families.

First, the committee has insisted that the level of services under CHAMPUS not be reduced. Chairman MURTHA, in particular, has been very adamant in ensuring that CHAMPUS deductibles are not increased, and that negative incentives for CHAMPUS enrollment are not used. Second, the committee has taken steps to expand dental coverage for military dependents. With the cooperation of the Defense Department, this expanded coverage could be in place by as early as April 1993.

I commend highly the gentlemen from Pennsylvania, Chairman MURTHA, for his stalwart support of our military personnel. If for no other reason, this bill deserves our support for the emphasis it has placed on quality of life issues for military personnel.

On a more local level, H.R. 5504 also provides $10 million to purchase the initial outfitting equipment needed to furnish a modern state-of-the-industry plating shop that will be constructed at McClellan Air Force Base in the coming year. The plating shop has received authorization and appropriation in the House-passed versions of the fiscal year 1993 military construction budget. It is important that the outfitting equipment also be funded in the fiscal year 1993 timeframe to ensure that McClellan can fully utilize the new facility as soon as possible.

H.R. 5504 also takes care of the California National Guard by providing $1.2 million in real property maintenance funds for various armory maintenance projects in California. This funding is important to improving Guard facilities throughout the State, such as fixing leaking roofs and repairing electrical damage. The California National Guard continues to play an important role in our national defense as well as in providing critical emergency services most recently demonstrated in the Los Angeles riots and southern California earthquakes.

Mr. Chairman, I also want to discuss briefly a very important issue addressed by this bill, and that issue deals with providing military personnel access to safe abortion services overseas. Since mid-1988, the Department of Defense has prohibited military personnel and their dependents from privately paying for abortions in overseas DOD facilities, even if there are no clinically safe private facilities available in the country in which they are stationed. This policy places in grave danger the life, health, and welfare of millions of American women who are dependent on the military health care system, which was expressly established for the purposes of meeting all the health care needs of DOD personnel overseas. Consequently, the gentleman from Oregon, Mr. AUCOIN, the gentleman from Rhode Island, Mr. MACHTLEY, and I have introduced a provision in the bill which will ensure that women in the military, or female dependents of service personnel stationed overseas, have access to complete reproductive health services.

This provision gives our women in the armed services, as well as female dependents of those serving in the military, access to the quality medical care that they deserve. It does not, however, in any way require the Federal Government to pay for abortions and in no way affects the so-called Hyde amendment, which prohibits the use of DOD funds to pay for abortions except where the life of the mother would be endangered. The AuCoin-Machtley-Fazio provision gives those women who serve our country overseas and rely on the Federal Government for their health care the same rights that the rest of us have, so long as they are willing to pay for them.

In closing, Mr. Chairman, I would just like to express again my strong support for H.R. 5504. I congratulate the committee and its staff for a job well done, and urge my colleagues to support the bill.

Mrs. LLOYD. Mr. Chairman, I rise in support of H.R. 5504, the Department of Defense Appropriations for fiscal year 1993. I also wish to commend the efforts of both the gentlemen from Pennsylvania, Chairman MURTHA and ranking minority member MCDADE. Once again, they have done an outstanding job with an always difficult bill.

I am pleased to see that, for the most part, H.R. 5504 complements the recently passed Department of Defense authorization bill produced by the Armed Services Committee. Both bills take into account the dramatic changes that have taken place over the past few years as well as tightening fiscal restraints.

Mr. Speaker, it is not an easy task sorting through all the important projects in the Department of Defense. Each one has its merits. It becomes an issue of prioritizing according to need and cost, while at the same time enhancing our national security posture. In the new era, we need to get more for less. H.R. 5504 does just that. It falls below both the Budget Committee allocations and the administrations request but never sacrifices our defense readiness or personnel.

There are a host of amendments to H.R. 5504 which would weaken the bill. I urge my colleagues to think carefully about each one before casting your vote. While peace is at hand, unrest does exist in many places throughout the world. Let us not cut haphazardly or foolishly.

I urge adoption of H.R. 5504 in its present form.

Ms. SNOWE. Mr. Chairman, I would like to express my sincere appreciation for the work done by the Subcommittee on Defense Appropriations on a matter of great importance to northern Maine.

Since 1980, the Federal Aviation Administration has identified the need to provide substantially improved radar coverage for the northern Maine region. This vast region—almost as large as the State of Massachusetts—includes five aviation centers, including the Northern Maine Regional Airport in Presque Isle. Fortunately, Loring Air Force Base in Limestone, ME, has been able to offset the radar shortfall, and the region has enjoyed adequate coverage. But Loring will close in 1994, and this closure has serious implications for the future of radar coverage in northern Maine.

To ensure that northern Maine does not lose any coverage when Loring closes, the Maine congressional delegation has requested that the FAA construct a new long-range radar facility for northern Maine. We expect that the FAA will include this item in its fiscal year 1994 budget request, and we have been in contact with the Transportation Appropriations Subcommittee to inform the members of this important project.

Unfortunately, this long-range installation will not be operational for 2 years, leaving at least a 2-year gap in radar coverage between the new installation's operation and Loring's closure. Something must be done in the interim, and this is where the Defense Appropriations Subcommittee and the members of the full committee have been of such great assistance to me and to the people of Maine.

Earlier this year, I contacted the subcommittee with a proposal to keep the radar equipment at Loring in place and operating until the new FAA facility becomes operational. The chairman, the ranking minority member, and their staffs cooperated fully, offering to include report language which directs the Air Force, in association with the FAA, to maintain its radar facilities at Loring so that adequate coverage can be provided to northern Maine during the interim period. The language was subsequently approved by the subcommittee and the full Appropriations Committee.

Inclusion of this report language is the first step toward resolving a very serious problem. Without adequate radar, commercial air service might decline, further hampering economic development in a region that will find the going tough in the wake of Loring's closure. But the Defense Subcommittee and the full committee have acted on a reasonable request to prevent this from happening. And the people of northern Maine are very grateful.

Ms. PELOSI. Mr. Chairman, I strongly support the provision in the Department of Defense [DOD] appropriations bill overturning the 1988 administrative policy prohibiting overseas military medical facilities from offering abortion services to service personnel and their dependents. Women who are overseas in service to their country must be allowed the same rights and health options available to them in the United States.

Mr. Chairman, this week the Supreme Court ruled on Planned Parenthood of Southeastern Pennsylvania versus Casey permitting States to restrict access to abortion services. They held that women are still guaranteed reproductive choice and right to privacy under the Constitution. Yet the Department of Defense, through an administrative policy, not a law, has been able to deny women their right since 1988. Overturning this administrative policy does not, in any way, expand the laws regulating women's reproductive rights; it merely provides women who are overseas with the U.S. Government their constitutional right.

The Supreme Court held that restrictions on abortion services are permitted and lawful unless the restriction places an "undue burden" on the woman. I do not know how anyone can deny that having to travel to another country or even back to the United States to have access to an abortion service is not an undue burden.

I urge my colleagues to support the overturning of this provision and allow all American women their guaranteed right.

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

The CHAIRMAN. All time for general debate has expired.

Pursuant to the rule, the amendments printed in House Report 102-647 and any amendments thereto shall be debatable for the time specified in the report, equally divided and controlled by the proponent and an opponent of the amendment.

□ 1120

The Clerk will read.

The Clerk read as follows:

H.R. 5504

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 1993, for military functions administered by the Department of Defense, and for other purposes, namely:

TITLE I

MILITARY PERSONNEL

MILITARY PERSONNEL, ARMY

For pay, allowances, individual clothing, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Army on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; $23,153,900,000.

MILITARY PERSONNEL, NAVY

For pay, allowances, individual clothing, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Navy on active duty (except members of the Reserve provided for elsewhere), midshipmen, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; $19,529,200,000.

MILITARY PERSONNEL, MARINE CORPS

For pay, allowances, individual clothing, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Marine Corps on active duty (except members of the Reserve provided for elsewhere); and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; $6,113,200,000.

MILITARY PERSONNEL, AIR FORCE

For pay, allowances, individual clothing, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for oganizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Air Force on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; $18,663,400,000.

RESERVE PERSONNEL, ARMY

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Army Reserve on active duty under sections 265, 3021, and 3038 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty or other duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $2,187,700,000.

RESERVE PERSONNEL, NAVY

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Navy Reserve on active duty under section 265 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $1,679,000,000.

RESERVE PERSONNEL, MARINE CORPS

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Marine Corps Reserve on active duty under section 265 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Marine Corps platoon leaders class, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $349,900,000.

RESERVE PERSONNEL, AIR FORCE

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Air Force Reserve on active duty under sections 265, 8021, and 8038 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty or other duty, and for members of the Air Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $735,200,000.

NATIONAL GUARD PERSONNEL, ARMY

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Army National Guard while on duty under section 265, 3021, or 3496 of title 10 or section 708 of title 32, United States Code, or while serving on duty under section 672(d) of title 10 or section 502(f) of title 32, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing training, or while performing drills or equivalent duty or other duty, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $3,293,400,000.

NATIONAL GUARD PERSONNEL, AIR FORCE

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Air National Guard on duty under section 265, 8021, or 8496 of title 10 or section 708 of title 32, United States Code, or while serving on duty under section 672(d) of title 10 or section 502(f) of title 32, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing training, or while performing drills or equivalent duty or other duty, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; and for payments to the Department of Defense Military Retirement Fund; $1,191,300,000.

TITLE II

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Army, as authorized by law; and not to exceed $14,437,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Army, and payments may be made on his certificate of necessity for confidential military purposes; $12,909,166,000: *Provided*, That $450,000 shall be made available only for the 1993 Memorial Day Celebration and $450,000 shall be made available only for the 1993 Capitol Fourth Project.

OPERATION AND MAINTENANCE, NAVY

(INCLUDING TRANSFER OF FUNDS)

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, as authorized by law; and not to exceed $5,005,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Navy, and payments may be made on his certificate of necessity for confidential military purposes; $19,272,649,000 of which $206,600,000 shall be available only for transfer to the United States Coast Guard, of which $142,100,000 shall be available for "Operating Expenses", $18,000,000 shall be available for "Acquisition, Construction, and Improvements", and $46,500,000 shall be available for "Reserve Training": *Provided*, That from the amounts of this appropriation for the alteration, overhaul and repair of naval vessels and aircraft, funds shall be available to acquire the alteration, overhaul and repair by competition between public and private shipyards, Naval Aviation Depots and private companies. The Navy shall certify that successful bids include comparable estimates of all direct and indirect costs for both public and private shipyards, Naval Aviation Depots, and private companies. Competitions shall not be subject to section 2461 or 2464 of title 10, United States Code, or to Office of Management and Budget Circular A–76. Naval Aviation Depots may perform manufacturing in order to compete for production contracts: *Provided further*, That funds appropriated or made available in this Act shall be obligated and expended to restore and maintain the facilities, activities and personnel levels, including specifically the medical facilities, activities and personnel levels, at the Memphis Naval Complex, Millington, Tennessee, to the fiscal year 1984 levels: *Provided further*, That of the funds appropriated in this paragraph, $1,001,155,000 shall not be obligated or expended until authorized by law.

OPERATION AND MAINTENANCE, MARINE CORPS

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Marine Corps, as authorized by law; $1,431,700,000: *Provided*, That none of the funds appropriated in this paragraph may be used for the conversion of facilities maintenance, utilities, and motor transport functions at Cherry Point Marine Corps Air Station, North Carolina, to performance by private contractor under the procedures and requirements of OMB Circular A–76 until the General Accounting Office completes their audit and validates the decision.

OPERATION AND MAINTENANCE, AIR FORCE

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Air Force, as authorized by law; and not to exceed $8,912,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes; $16,141,190,000: *Provided*, That $15,500,000 shall be used only to operate, maintain and enhance the Tactical Interim CAMS and REMIS Reporting System (TICARRS): *Provided further*, That TICARRS be maintained, with direct maintenance data input, as the supporting system for the F–117A aircraft: *Provided further*, That TICARRS be reestablished, with direct maintenance data input, as the supporting system for all F–15 and F–16 aircraft by no later than 45 days after enactment of this Act: *Provided further*, That of the funds appropriated in this paragraph, $704,056,000 shall not be obligated or expended until authorized by law.

OPERATION AND MAINTENANCE, DEFENSE AGENCIES

For expenses, not otherwise provided for, necessary for the operation and maintenance of activities and agencies of the Department of Defense (other than the military departments), as authorized by law; $9,473,310,000, of which not to exceed $25,000,000 may be available for the CINC initiative fund account; and of which not to exceed $16,560,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of Defense, and payments may be made on his certificate of necessity for confidential military purposes: *Provided*, That of the funds appropriated by this paragraph, $845,110,000 shall be made available only for the Special Operations Command.

OPERATION AND MAINTENANCE, ARMY RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Army Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $1,033,842,000: *Provided*, That of the funds appropriated in this paragraph, $42,623,000 shall not be obligated or expended until authorized by law.

OPERATION AND MAINTENANCE, NAVY RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $844,049,000.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Marine Corps Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $76,592,000: *Provided*, That of the funds appropriated in this paragraph, $642,000 shall not be obligated or expended until authorized by law.

OPERATION AND MAINTENANCE, AIR FORCE RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Air Force Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; $1,209,312,000.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For expenses of training, organizing, and administering the Army National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, and repairs to structures and facilities; hire of passenger motor vehicles; personnel services in the National Guard Bureau; travel expenses (other than mileage), as authorized by law for Army personnel on active duty, for Army National Guard division, regimental, and battalion commanders while inspecting units in compliance with National Guard Bureau regulations when specifically authorized by the Chief, National Guard Bureau; supplying and equipping the Army National Guard as authorized by law; and expenses of repair, modification, maintenance, and issue of supplies and equipment (including aircraft); $2,218,580,000: *Provided*, That of the funds appropriated in this paragraph, $1,880,000 shall not be obligated or expended until authorized by law.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For operation and maintenance of the Air National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, repair, and other necessary expenses of facilities for the training and administration of the Air National Guard, including repair of facilities, maintenance, operation, and modification of aircraft; transportation of things; hire of passenger motor vehicles; supplies, materials, and equipment, as authorized by law for the Air National Guard; and expenses incident to the maintenance and use of supplies, materials, and equipment, including such as may be furnished from stocks under the control of agencies of the Department of Defense; travel expenses (other than mileage) on the same basis as authorized by law for Air National Guard personnel on active Federal duty, for Air National Guard commanders while inspecting units in compliance with National Guard Bureau regulations when specifically authorized by the Chief, National Guard Bureau; $2,535,250,000.

NATIONAL BOARD FOR THE PROMOTION OF RIFLE PRACTICE, ARMY

For the necessary expenses and personnel services (other than pay and non-travel-related allowances of members of the Armed Forces of the United States, except for members of the reserve components thereof called or ordered to active duty to provide support for the national matches) in accordance with law, for operation and maintenance of rifle ranges; the instruction of citizens in marksmanship; the promotion of rifle practice; the conduct of the national matches; the sale of ammunition under the authority of title 10, United States Code, sections 4308 and 4311; the travel of rifle teams, military personnel, and individuals attending regional, national, and international competitions; and the payment to competitors at national matches under section 4312 of title 10, United States Code, of subsistence and travel allowances under section 4313 of title 10, United States Code; not to exceed $2,700,000.

COURT OF MILITARY APPEALS, DEFENSE

For salaries and expenses necessary for the United States Court of Military Appeals; $5,900,000, of which not to exceed $2,500 can be used for official representation purposes.

ENVIRONMENTAL RESTORATION, DEFENSE

(INCLUDING TRANSFER OF FUNDS)

For the Department of Defense; $901,200,000, to remain available until transferred: *Provided*, That the Secretary of Defense shall, upon determining that such funds are required for environmental restoration, reduction and recycling of hazardous waste, research and development associated with hazardous wastes and removal of unsafe buildings and debris of the Department of Defense, or for similar purposes (including programs and operations at sites formerly used by the Department of Defense), transfer the funds made available by this appropriation to other appropriations made available to the Department of Defense as the Secretary may designate, to be merged with and to be available for the same purposes and for the same time period as the appropriations of funds to which transferred: *Provided further*, That upon a determination that all or part of the funds transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation: *Provided further*, That if an entity to which property is transferred is a State or political subdivision of a State, the United States shall hold harmless, defend and indemnify such entity from and against all claims, demands, losses, damages, liens, liabilities, injuries, deaths, penalties, fines, lawsuits and other proceedings, judgments, awards and costs and expenses arising out of, or in any manner predicated upon, the presence, release or threatened release of any hazardous substance, pollutant or contaminant resulting from the activities of the Department of Defense: *Provided further*, That this provision shall not apply to the presence, release, or threatened release of any hazardous substance, pollutant, or contaminant brought onto the property by or on behalf of any parties other than the United States Government: *Provided further*, That the terms "hazardous substance" shall include petroleum, including crude oil; natural gas, liquified natural gas; and asbestos.

HUMANITARIAN ASSISTANCE

For transportation for humanitarian relief for refugees of Afghanistan, acquisition and shipment of transportation assets to assist in the distribution of such relief, and for transportation and distribution of humanitarian and excess nonlethal supplies for worldwide humanitarian relief, as authorized by law; $15,000,000, to remain available for obligation until September 30, 1994: *Provided*, That the Department of Defense shall notify the Committees on Appropriations and Armed Services of the Senate and House of Representatives 15 days prior to the shipment of humanitarian relief which is intended to be transported and distributed to countries not previously authorized by Congress: *Provided further*, That of the funds appropriated in this paragraph, $2,000,000 shall not be obligated or expended until authorized by law.

WORLD UNIVERSITY GAMES

For logistical support and personnel services including initial planning for security needs (other than pay and nontravel related allowances of members of the Armed Forces of the United States, except for members of the reserve components thereof called or ordered to active duty to provide support for the World University Games) provided by any component of the Department of Defense to the World University Games; $6,000,000.

SUMMER OLYMPICS

For logistical support and personnel services (other than pay and nontravel related allowances of members of the Armed Forces of the United States, except for members of the reserve components thereof called or ordered to active duty to provide support for the 1996 Games of the XXVI Olympiad to be held in Atlanta, Georgia) provided by any component of the Department of Defense to the 1996 Games of the XXVI Olympiad; $2,000,000.

WORLD CUP USA 1994

For logistical support and personnel services (other than pay and nontravel related allowances of members of the Armed Forces of the United States, except for members of the reserve components thereof called or ordered to active duty to provide support for the World Cup USA 1994 Organizing Committee) provided by any component of the Department of Defense to the World Cup USA 1994 Organizing Committee; $9,000,000: *Provided*, That funds appropriated in this paragraph shall not be obligated or expended until authorized by law.

REAL PROPERTY MAINTENANCE, DEFENSE

For the maintenance of real property of the Department of Defense under this title of this Act, as follows:

Army, $1,056,798,000;
Navy, $878,556,000;
Marine Corps, $237,300,000;
Air Force, $958,176,000;
Defense Agencies, $125,038,000;
Army Reserve, $63,358,000;
Navy Reserve, $63,523,000;
Marine Corps Reserve, $3,408,000;
Air Force Reserve, $38,011,000;
Army National Guard, $105,320,000;
Air National Guard, $93,274,000;

In all: $3,622,762,000, of which $1,965,229,000 shall remain available for obligation until September 30, 1994.

TITLE III

PROCUREMENT

AIRCRAFT PROCUREMENT, ARMY

For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, ground handling equipment, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; $1,414,659,000, to remain available for obligation until September 30, 1995.

MISSILE PROCUREMENT, ARMY

For construction, procurement, production, modification, and modernization of missiles, equipment, including ordnance, ground handling equipment, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and

such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; $1,139,004,000, to remain available for obligation until September 30, 1995: *Provided*, That of the funds appropriated in this paragraph, $55,894,000 shall not be obligated or expended until authorized by law.

PROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES, ARMY

For construction, procurement, production, and modification of weapons and tracked combat vehicles, equipment, including ordnance, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; $807,989,000, to remain available for obligation until September 30, 1995: *Provided*, That of the funds appropriated in this paragraph, $71,348,000 shall not be obligated or expended until authorized by law.

PROCUREMENT OF AMMUNITION, ARMY

For construction, procurement, production, and modification of ammunition, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including ammunition facilities authorized by section 2854, title 10, United States Code, and the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; $1,175,433,000, to remain available for obligation until September 30, 1995: *Provided*, That of the funds appropriated in this paragraph, $235,426,000 shall not be obligated or expended until authorized by law.

OTHER PROCUREMENT, ARMY

For construction, procurement, production, and modification of vehicles, including tactical, support, and nontracked combat vehicles; the purchase of not to exceed 38 passenger motor vehicles for replacement only; communications and electronic equipment; other support equipment; spare parts, ordnance, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; $3,022,667,000, to remain available for obligation until September 30, 1995.

AIRCRAFT PROCUREMENT, NAVY

For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, spare parts, and accessories therefor; specialized equipment; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; $6,638,127,000, to remain available for obligation until September 30, 1995: *Provided*, That of the funds appropriated in this paragraph, $285,960,000 shall not be obligated or expended until authorized by law.

WEAPONS PROCUREMENT, NAVY

For construction, procurement, production, modification, and modernization of missiles, torpedoes, other weapons, other ordnance and ammunition, and related support equipment including spare parts, and accessories therefor; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; $3,337,482,000, to remain available for obligation until September 30, 1995.

SHIPBUILDING AND CONVERSION, NAVY

(INCLUDING TRANSFER OF FUNDS)

For expenses necessary for the construction, acquisition, or conversion of vessels as authorized by law, including armor and armament thereof, plant equipment, appliances, and machine tools and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; procurement of critical, long leadtime components and designs for vessels to be constructed or converted in the future; and expansion of public and private plants, including land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title, as follows:

Carrier replacement program, $832,200,000;

Refueling overhauls, $37,239,000;

DDG–51 destroyer program, $705,262,000: and an additional amount of $1,900,000,000 to be derived by transfer from the Defense Business Operations Fund;

LHD–1 amphibious assault ship program, $1,205,000,000;

LSD–41 cargo variant ship program, $300,000,000;

MHC coastal mine hunter program, $246,205,000;

AOE combat support ship program, $300,000,000;

Oceanographic ship program, $109,500,000;

Sealift ship program, $801,400,000;

For cost growth on prior years programs, $195,000,000: *Provided*, That notwithstanding any other provision of law or regulation, the Secretary of the Navy is authorized and directed to increase the price of the T–AGS 39 and 40 contract and shall pay to the contractor which built and delivered T–AGS 39 and 40 the amount of $50,000,000. Such payment shall be made upon the contractor's execution of a release discharging the Government, its officers, agents and employees from any additional liability arising under or relating to the contract for T–AGS 39 and 40, and upon the contractor's agreement to dismiss with prejudice the pending action in the United States Claims Court: *Provided further*, That $15,000,000 is available for settlement of claims associated with conversion of T–ACS 7 and T–ACS 8: *Provided further*, That $130,000,000 is available for transfer to the following programs in the amounts specified: 1987/1991 T–AO fleet oiler program, $23,000,000; 1988/1992 T–AO fleet oiler program, $19,000,000; 1988/1992 LSD–41 cargo variant program, $27,000,000; 1990/1994 LSD–41 cargo variant program, $31,000,000; 1991/1995 LSD–41 cargo variant program, $30,000,000;

For craft, outfitting, post delivery, and first destination transportation, $781,425,000;

In all: $5,513,231,000, and $1,900,000,000 to be derived by transfer, to remain available for obligation until September 30, 1997: *Provided*, That additional obligations may be incurred after September 30, 1997, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction: *Provided further*, That none of the funds herein provided for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel: *Provided further*, That none of the funds herein provided shall be used for the construction of any naval vessel in foreign shipyards: *Provided further*, That the transfer authority provided in this paragraph is in addition to any transfer authority contained elsewhere in this Act.

OTHER PROCUREMENT, NAVY

For procurement, production, and modernization of support equipment and materials not otherwise provided for, Navy ordnance (except ordnance for new aircraft, new ships, and ships authorized for conversion); the purchase of not to exceed 602 passenger motor vehicles of which 574 shall be for replacement only; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; $5,774,446,000, to remain available for obligation until September 30, 1995, of which $61,546,000 shall be available only for the procurement of the AN/SSQ–77B sonobuoy and $9,678,000 shall be available only for sonobuoy support: *Provided*, That of the funds appropriated in this paragraph, $15,570,000 shall not be obligated or expended until authorized by law: *Provided further*, That funds appropriated in this paragraph for procurement of the Enhanced Modular Signal Processor may be obligated for such procurement under a multiyear contract, in accordance with the requirements of section 9013 of this Act.

PROCUREMENT, MARINE CORPS

For expenses necessary for the procurement, manufacture, and modification of missiles, armament, ammunition, military equipment, spare parts, and accessories therefor; plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; vehicles for the Marine Corps, including the purchase of not to exceed 46 passenger motor vehicles for replacement only; and expansion of public and private plants, including land necessary therefor, and such lands and interests therein, may be acquired and construction prosecuted thereon prior to approval of title; $792,128,000, to remain available for obligation until September 30, 1995.

AIRCRAFT PROCUREMENT, AIR FORCE

For construction, procurement, and modification of aircraft and equipment, including armor and armament, specialized ground handling equipment, and training devices, spare parts, and accessories therefor; specialized equipment; expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes including rents and transportation of things; $9,427,005,000, to remain available for obligation until September 30, 1995.

MISSILE PROCUREMENT, AIR FORCE

For construction, procurement, and modification of missiles, spacecraft, rockets, and related equipment, including spare parts and accessories therefor, ground handling equipment, and training devices; expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes including rents and transportation of things; $4,327,902,000, to remain available for obligation until September 30, 1995: *Provided*, That not less than $120,000,000 of the funds appropriated in this paragraph shall be made available only for reimbursement of development costs associated with the Solid Rocket Motor Upgrade.

OTHER PROCUREMENT, AIR FORCE

For procurement and modification of equipment (including ground guidance and electronic control equipment, and ground electronic and communication equipment), and supplies, materials, and spare parts therefor, not otherwise provided for; the purchase of not to exceed 611 passenger motor vehicles of which 425 shall be for replacement only; and expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon, prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; $7,640,888,000, to remain available for obligation until September 30, 1995.

NATIONAL GUARD AND RESERVE EQUIPMENT

For procurement of aircraft, missiles, tracked combat vehicles, ammunition, other weapons, and other procurement for the reserve components of the Armed Forces; $1,132,150,000, to remain available for obligation until September 30, 1995: *Provided*, That of the funds appropriated in this paragraph, $496,350,000 shall not be obligated or expended until authorized by law.

PROCUREMENT, DEFENSE AGENCIES

For expenses of activities and agencies of the Department of Defense (other than the military departments) necessary for procurement, production, and modification of equipment, supplies, materials, and spare parts therefor, not otherwise provided for; the purchase of not to exceed 565 passenger motor vehicles, of which 554 shall be for replacement only; expansion of public and private plants, equipment, and installation thereof in such plants, erection of structures, and acquisition of land for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; $1,575,178,000, of which $709,959,000 shall be available only for the Special Operations Command, to remain available for obligation until September 30, 1995.

DEFENSE PRODUCTION ACT PURCHASES

For purchases or commitments to purchase metals, minerals, or other materials by the Department of Defense pursuant to section 303 of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2093); $25,000,000, to remain available until expended: *Provided*, That none of these funds shall be obligated for any metal, mineral, or material, unless a Presidential determination has been made in accordance with the Defense Production Act: *Provided further*, That the Department of Defense shall notify the Committees on Appropriations of the House of Representatives and the Senate thirty days prior to the release of funds for any metal, mineral, or material not previously approved by Congress: *Provided further*, That funds appropriated in this paragraph shall not be obligated or expended until authorized by law.

TITLE IV

RESEARCH, DEVELOPMENT, TEST AND EVALUATION

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, ARMY

For expenses necessary for basic and applied scientific research, development, test and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; $5,962,532,000, to remain available for obligation until September 30, 1994: *Provided*, That $2,000,000 shall be made available only for the Center for Prostate Disease Research at the Walter Reed Army Institute of Research: *Provided further*, That $3,000,000 shall be made available only for synaptic transmission research: *Provided further*, That of the funds appropriated in this paragraph, $481,399,000 shall not be obligated or expended until authorized by law.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

For expenses necessary for basic and applied scientific research, development, test and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; $9,315,969,000, to remain available for obligation until September 30, 1994: *Provided*, That for continued research and development programs at the National Center for Physical Acoustics, centering on ocean acoustics as it applies to advanced antisubmarine warfare acoustics issues with focus on ocean bottom acoustics, seismic coupling, sea-surface and bottom scattering, oceanic ambient noise, underwater sound propagation, bubble related ambient noise, acoustically active surfaces, machinery noise, propagation physics, solid state acoustics, electrorheological fluids, transducer development, ultrasonic sensors, and other such projects as may be agreed upon, $1,000,000 shall be made available, as a grant, to the Mississippi Resource Development Corporation, of which not to exceed $250,000 of such sum may be used to provide such special equipment as may be required for particular projects: *Provided further*, That of the funds appropriated in this paragraph, $193,408,000 is available only for the Ship Self-Defense program which may be obligated only if it (a) has a single program manager who is fully responsible and accountable for its execution as his or her sole duty on a full time basis, (b) finances an at-sea test which includes one or more amphibious assault ships, (c) is certified by the Secretary of Defense to the Armed Services and Appropriations Committees of Congress as being fully funded to meet a fiscal year 1997 initial operational capability date with the goal of providing ship self-defense capability rather than area air defense capability, to include a fully functioning, cooperating, and contributing air link on E–2C and AWACS aircraft, (d) is further certified by the Secretary of Defense that it will be deployed first to those ships which in 1997 will have the least capability to defend themselves from sea-skimming anti-ship cruise missile attack and which have the highest likelihood of being deployed in high threat environments, particularly amphibious ships, (e) is further certified by the Secretary to be under the active formal oversight of one or more officials within the Office of the Secretary of Defense on at least a quarterly basis, (f) includes funding to conduct a rigorous engineering systems analysis leading to a technical architecture which is fully compatible with Army and Air Force theater systems, and (g) incorporates a Quick Reaction Combat Capability which includes ruggedized commercial color Naval Tactical Data System consoles which are competitively procured: *Provided further*, That none of the funds appropriated in this paragraph or in Title IV of Public Law 102–172 may be obligated or expended to develop or purchase equipment for an Aegis destroyer variant (commonly known as "DDV") whose initial operating capability is budgeted to be achieved prior to the initial operating capability of the Ship Self-Defense program, nor to develop sensor or processor capabilities which duplicate in any way those being developed in the Ship Self-Defense program: *Provided further*, That of the funds appropriated in this paragraph, $513,673,000 shall not be obligated or expended until authorized by law.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, AIR FORCE

For expenses necessary for basic and applied scientific research, development, test and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; $13,731,603,000, to remain available for obligation until September 30, 1994: *Provided*, That not less than $2,000,000 of the funds appropriated in this paragraph shall be made available only for continuing the research program on development of coal-based, high thermal stability and endothermic jet fuels, including exploratory studies on direct conversion of coal to thermally stable jet fuels: *Provided further*, That not less than $6,500,000 of the funds appropriated in this paragraph shall be made available only for the Joint Seismic Program administered by the Incorporated Research Institutions for Seismology: *Provided further*, That not less than $45,000,000 of the funds appropriated in this paragraph shall be made available only for the National Center for Manufacturing Sciences (NCMS), of which not less than $5,000,000 is available only for the National Center for Tooling and Precision Components (NCTPC): *Provided further*, That none of the funds appropriated in this paragraph may be used to procure or develop Air Force-

unique automatic test equipment other than to adapt the Army's Integrated Family of Test Equipment (IFTE) or Navy's Consolidated Automated Support System (CASS) to meet Air Force requirements: *Provided further*, That of the funds appropriated in this paragraph, $160,300,000 is available only for the Cheyenne Mountain Upgrade program which may be obligated only if the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence has directed the Air Force to conduct a comprehensive overall system architecture for use in the Defense Acquisition Board oversight process and for implementation in contracts for the program: *Provided further*, That not less than $123,852,000 of the funds appropriated in this paragraph shall be made available only for the Space Nuclear Thermal Propulsion Program.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, DEFENSE AGENCIES

For expenses of activities and agencies of the Department of Defense (other than the military departments), necessary for basic and applied scientific research, development, test and evaluation; advanced research projects as may be designated and determined by the Secretary of Defense, pursuant to law; maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; $9,510,354,000, to remain available for obligation until September 30, 1994, of which $274,459,000 shall be available only for the Special Operations Command: *Provided*, That not less than $135,000,000 of the funds appropriated in this paragraph are available only for the Extended Range Interceptor (ERINT) missile: *Provided further*, That not less than $12,000,000 of the funds appropriated in this paragraph shall be available only for an Experimental Program to Stimulate Competitive Research (EPSCOR) in the Department of Defense which shall include all States eligible as of the date of enactment of this Act for the National Science Foundation Experimental Program to Stimulate Competitive Research: *Provided further*, That none of the funds in this paragraph may be obligated for the development of the Superconductive Magnetic Energy Storage system unless its processes, materials, and components are substantially manufactured in the United States.

DEVELOPMENTAL TEST AND EVALUATION, DEFENSE

For expenses, not otherwise provided for, of independent activities of the Deputy Director of Defense Research and Engineering (Test and Evaluation) in the direction and supervision of developmental test and evaluation, including performance and joint developmental testing and evaluation; and administrative expenses in connection therewith; $261,707,000, to remain available for obligation until September 30, 1994.

OPERATIONAL TEST AND EVALUATION, DEFENSE

For expenses, not otherwise provided for, necessary for the independent activities of the Director, Operational Test and Evaluation in the direction and supervision of operational test and evaluation, including initial operational test and evaluation which is conducted prior to, and in support of, production decisions; joint operational testing and evaluation; and administrative expenses in connection therewith; $12,983,000, to remain available for obligation until September 30, 1994.

TITLE V

REVOLVING AND MANAGEMENT FUNDS

DEFENSE BUSINESS OPERATIONS FUND

For the Defense Business Operations Fund; $16,600,000.

TITLE VI

OTHER DEPARTMENT OF DEFENSE PROGRAMS

DEFENSE HEALTH PROGRAM

For expenses, not otherwise provided for, for medical and health care programs of the Department of Defense, as authorized by law; $9,302,675,000, of which $9,003,026,000 shall be for Operation and maintenance, of which $92,251,000 shall be for real property maintenance; and $299,649,000, to remain available for obligation until September 30, 1995, shall be for Procurement: *Provided*, That not to exceed $40,000,000 of available funds shall be provided to the Uniformed Services Treatment Facilities program to be used only to fulfill any recoupment action of the Health Care Financing Administration for health care provided to eligible retired Department of Defense beneficiaries over age 65 between October 1, 1986, and December 31, 1989: *Provided further*, That none of the funds available to the Department of Defense shall be obligated or expended to operate, maintain and pay the salaries or expenses of those eight individuals in the immediate Office of the Assistant Secretary of Defense for Health Affairs or the merit pay attorney advisor in the Office of the General Counsel, Personnel and Health Policy, who currently provides advice to the Office of the Assistant Secretary of Defense for Health Affairs: *Provided further*, That the Department shall competitively contract for and begin to test implementation of a mail service pharmacy benefit in fiscal year 1993 in two regions of the United States: *Provided further*, That of the funds appropriated in this Act, $150,000 shall be used only for the implementation of a cooperative program model at Madigan Medical Center for severely behavior disordered students: *Provided further*, That notwithstanding any other provision of law or regulation, there will be no requirement for the Secretary of Defense or any other government official to certify that the CHAMPUS Reform Initiative is the most cost effective method of providing health care in any specific location before it can be implemented: *Provided further*, That notwithstanding any other provision of law, the Department shall competitively award an at-risk contract for managed health care for the National Capital Region with a benefit structure similar to the CHAMPUS Reform Initiative, without infringing upon the Baltimore Uniformed Services Treatment Facility catchment service area: *Provided further*, That not less than $7,500,000 of the funds appropriated in this paragraph shall be made available as a grant only to the Northeast Regional Cancer Institute for programs of major importance to the Department of Defense: *Provided further*, That of the funds appropriated in this paragraph, $213,251,000 shall not be obligated or expended until authorized by law.

CHEMICAL AGENTS AND MUNITIONS DESTRUCTION, DEFENSE

For expenses, not otherwise provided for, necessary for the destruction of the United States stockpile of lethal chemical agents and munitions in accordance with the provisions of section 1412 of the Department of Defense Authorization Act, 1986; $494,100,000, of which $246,400,000 shall be for Operation and maintenance, $241,200,000, to remain available until September 30, 1995, shall be for Procurement, and $6,500,000, to remain available until September 30, 1994, shall be for Research, development, test and evaluation.

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

(INCLUDING TRANSFER OF FUNDS)

For drug interdiction and counter-drug activities of the Department of Defense, for transfer to appropriations available to the Department of Defense for military personnel of the reserve components serving under the provisions of title 10 and title 32, United States Code; for Operation and maintenance; for Procurement; and for Research, development, test and evaluation; $1,261,900,000: *Provided*, That the funds appropriated by this paragraph shall be available for obligation for the same time period and for the same purpose as the appropriation to which transferred: *Provided further*, That the transfer authority provided in this paragraph is in addition to any transfer authority contained elsewhere in this Act: *Provided further*, That $25,500,000 shall be available only for operation and maintenance expenses for five seabased aerostat systems to provide detection and monitoring support for the United States Coast Guard anti-narcotics operations: *Provided further*, That of the funds appropriated in this paragraph, not less than $7,500,000 shall be available only for the Gulf States Counter-Narcotics Initiative.

OFFICE OF THE INSPECTOR GENERAL

For expenses and activities of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended; $219,700,000, of which $218,900,000 shall be for Operation and maintenance, of which not to exceed $300,000 is available for emergencies and extraordinary expenses to be expended on the approval or authority of the Inspector General, and payments may be made on his certificate of necessity for confidential military purposes; and of which $800,000, to remain available until September 30, 1995, shall be for Procurement.

TITLE VII

RELATED AGENCIES

CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM FUND

For payment to the Central Intelligence Agency Retirement and Disability System Fund, to maintain proper funding level for continuing the operation of the Central Intelligence Agency Retirement and Disability System; $168,900,000.

THE EDWARD R. ROYBAL FOUNDATION

(INCLUDING TRANSFER OF FUNDS)

For payment to the Edward R. Roybal Foundation, a direct and unrestricted grant, including any interest or earnings therefrom, to support educational and public service programs for caregivers, practitioners and educators specializing in applied gerontology; $10,000,000: *Provided*, That, notwithstanding any other provision of law or of this Act, the Secretary of Defense is hereby authorized and directed to make the grant authorized by this section to the Edward R. Roybal Foundation, and such grant shall be transferred to the Foundation by January 1, 1993.

TITLE VIII

DEFENSE REINVESTMENT FOR ECONOMIC GROWTH

Of the funds appropriated in this Act for the Department of Defense for fiscal year 1993, $1,000,000,000 shall remain available

until expended only for defense reinvestment programs as authorized by the National Defense Authorization Act for Fiscal Year 1993.

TITLE IX

GENERAL PROVISIONS

SEC. 9001. No part of any appropriation contained in this Act shall be used for publicity or propaganda purposes not authorized by the Congress.

SEC. 9002. During the current fiscal year, provisions of law prohibiting the payment of compensation to, or employment of, any person not a citizen of the United States shall not apply to personnel of the Department of Defense: *Provided*, That salary increases granted to direct and indirect hire foreign national employees of the Department of Defense funded by this Act shall not be at a rate in excess of the percentage increase authorized by law for civilian employees of the Department of Defense whose pay is computed under the provisions of section 5332 of title 5, United States Code, or at a rate in excess of the percentage increase provided by the appropriate host nation to its own employees, whichever is higher: *Provided further*, That this section shall not apply to Department of Defense foreign service national employees serving at United States diplomatic missions whose pay is set by the Department of State under the Foreign Service Act of 1980.

SEC. 9003. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year, unless expressly so provided herein.

SEC. 9004. No more than 20 per centum of the appropriations in this Act which are limited for obligation during the current fiscal year shall be obligated during the last two months of the fiscal year: *Provided*, That this section shall not apply to obligations for support of active duty training of reserve components or summer camp training of the Reserve Officers' Training Corps, or the National Board for the Promotion of Rifle Practice, Army.

SEC. 9005. During the current fiscal year and hereafter, no part of any appropriation contained in this Act, except for small purchases covered by section 2304(g) of title 10, United States Code, shall be available for the procurement of any article or item of food, clothing, tents, tarpaulins, covers, cotton and other natural fiber products, woven silk or woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, canvas products, or wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles), or any item of individual equipment manufactured from or containing such fibers, yarns, fabrics, or materials, or specialty metals including stainless steel flatware, or hand or measuring tools, not grown, reprocessed, reused, or produced in the United States or its possessions, except to the extent that the Secretary of the Department concerned shall determine that satisfactory quality and sufficient quantity of any articles or items of food, individual equipment, tents, tarpaulins, covers, or clothing or any form of cotton or other natural fiber products, woven silk and woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, canvas products, wool, or specialty metals including stainless steel flatware, grown, reprocessed, reused, or produced in the United States or its possessions cannot be procured as and when needed at United States market prices and except procurements outside the United States in support of combat operations, procurements by vessels in foreign waters, and emergency procurements or procurements of perishable foods by establishments located outside the United States for the personnel attached thereto: *Provided*, That nothing herein shall preclude the procurement of specialty metals or chemical warfare protective clothing produced outside the United States or its possessions when such procurement is necessary to comply with agreements with foreign governments requiring the United States to purchase supplies from foreign sources for the purposes of offsetting sales made by the United States Government or United States firms under approved programs serving defense requirements or where such procurement is necessary in furtherance of agreements with foreign governments in which both governments agree to remove barriers to purchases of supplies produced in the other country or services performed by sources of the other country, so long as such agreements with foreign governments comply, where applicable, with the requirements of section 36 of the Arms Export Control Act and with section 2457 of title 10, United States Code: *Provided further*, That nothing herein shall preclude the procurement of foods manufactured or processed in the United States or its possessions.

(TRANSFER OF FUNDS)

SEC. 9006. Upon determination by the Secretary of Defense that such action is necessary in the national interest, he may, with the approval of the Office of Management and Budget, transfer not to exceed $2,500,000,000 of working capital funds of the Department of Defense or funds made available in this Act to the Department of Defense for military functions (except military construction) between such appropriations or funds or any subdivision thereof, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which transferred: *Provided*, That such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by Congress: *Provided further*, That the Secretary of Defense shall notify the Congress promptly of all transfers made pursuant to this authority or any other authority in this Act.

(TRANSFER OF FUNDS)

SEC. 9007. During the current fiscal year, cash balances in working capital funds of the Department of Defense established pursuant to section 2208 of title 10, United States Code, may be maintained in only such amounts as are necessary at any time for cash disbursements to be made from such funds: *Provided*, That transfers may be made between such funds and the "Foreign Currency Fluctuations, Defense" and "Operation and Maintenance" appropriation accounts in such amounts as may be determined by the Secretary of Defense, with the approval of the Office of Management and Budget, except that such transfers may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure or increase the value of war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

SEC. 9008. Using funds available by this Act or any other Act, the Secretary of the Air Force, pursuant to a determination under section 2690 of title 10, United States Code, may implement cost-effective agreements for required heating facility modernization in the Kaiserslautern Military Community in the Federal Republic of Germany: *Provided*, That in the City of Kaiserslautern such agreements will include the use of United States anthracite as the base load energy for municipal district heat to the United States Defense installations: *Provided further*, That at Landstuhl Army Regional Medical Center and Ramstein Air Base, furnished heat may be obtained from private or municipal services, if provisions are included for the consideration of United States coal as an energy source.

SEC. 9009. Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 calendar days in session in advance to the Committees on Appropriations and Armed Services of the Senate and House of Representatives.

SEC. 9010. No part of the funds in this Act shall be available to prepare or present a request to the Committees on Appropriations for reprogramming of funds, unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress.

SEC. 9011. None of the funds contained in this Act available for the Civilian Health and Medical Program of the Uniformed Services shall be available for payments to physicians and other authorized individual health care providers in excess of the amounts allowed in fiscal year 1992 for similar services, except that: (a) for services for which the Secretary of Defense determines an increase is justified by economic circumstances, the allowable amounts may be increased in accordance with appropriate economic index data similar to that used pursuant to title XVIII of the Social Security Act; and (b) for services the Secretary determines are overpriced based on an analysis similar to that used pursuant to title XVIII of the Social Security Act, the allowable amounts shall be reduced by not more than 15 percent. The Secretary shall solicit public comment prior to promulgating regulations to implement this section.

SEC. 9012. None of the funds appropriated by this Act for programs of the Central Intelligence Agency shall remain available for obligation beyond the current fiscal year, except for funds appropriated for the Reserve for Contingencies, which shall remain available until September 30, 1995.

SEC. 9013. None of the funds provided in this Act shall be available to initiate (1) a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year of the contract or that includes an unfunded contingent liability in excess of $20,000,000, or (2) a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year, unless the Committees on Appropriations and Armed Services of the Senate and House of Representatives have been notified at least thirty days in advance of the proposed contract award: *Provided*, That no part of any appropriation contained in this Act shall be available to initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability: *Provided further*, That no part of any appropriation contained in this Act shall be available to initiate

multiyear procurement contracts for any systems or component thereof if the value of the multiyear contract would exceed $500,000,000 unless specifically provided in this Act: *Provided further*, That no multiyear procurement contract can be terminated without 10-day prior notification to the Committees on Appropriations and Armed Services of the House of Representatives and the Senate: *Provided further*, That the execution of multiyear authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement.

(TRANSFER OF FUNDS)

SEC. 9014. None of the funds appropriated in this Act may be made available through transfer, reprogramming, or other means between the Central Intelligence Agency and the Department of Defense for any intelligence or special activity different from that previously justified to the Congress unless the Director of Central Intelligence or the Secretary of Defense has notified the House and Senate Appropriations Committees of the intent to make such funds available for such activity.

SEC. 9015. (a) None of the funds appropriated by this Act shall be available to convert a position in support of the Army Reserve, Air Force Reserve, Army National Guard, and Air National Guard occupied by, or programmed to be occupied by, a (civilian) military technician to a position to be held by a person in an active duty status or active Guard or Reserve status if that conversion would reduce the total number of positions occupied by, or programmed to be occupied by, (civilian) military technicians of the component concerned, below 69,929: *Provided*, That none of the funds appropriated by this Act shall be available to support more than 46,306 positions in support of the Army Reserve, Army National Guard, or Air National Guard occupied by, or programmed to be occupied by, persons in an active Guard or Reserve status: *Provided further*, That none of the funds appropriated by this Act may be used to include (civilian) military technicians in computing civilian personnel ceilings, including statutory or administratively imposed ceilings, on activities in support of the Army Reserve, Air Force Reserve, Army National Guard, or Air National Guard.

(b) None of the funds appropriated by this Act shall be used to include (civilian) military technicians in any administratively imposed freeze on civilian positions.

SEC. 9016. Notwithstanding any other provision of law, governments of Indian tribes shall be treated as State and local governments for the purposes of disposition of real property recommended for closure in the report of the Defense Secretary's Commission on Base Realignments and Closures, December 1988, the report to the President from the Defense Base Closure and Realignment Commission, July 1991, and Public Law 100-526.

SEC. 9017. (a) The provisions of section 115(a)(4) of title 10, United States Code, shall not apply with respect to fiscal year 1993 or with respect to the appropriation of funds for that year.

(b) During fiscal year 1993, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength) on the number of such personnel who may be employed on the last day of such fiscal year.

(c) The fiscal year 1994 budget request for the Department of Defense as well as all justification material and other documentation supporting the fiscal year 1994 Department of Defense budget request shall be prepared and submitted to the Congress as if subsections (a) and (b) of this provision were effective with regard to fiscal year 1994.

SEC. 9018. None of the funds made available by this Act shall be used in any way, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before the Congress.

SEC. 9019. None of the funds appropriated by this Act shall be obligated for the pay of any individual who is initially employed after the date of enactment of this Act as a technician in the administration and training of the Army Reserve and the maintenance and repair of supplies issued to the Army Reserve unless such individual is also a military member of the Army Reserve troop program unit that he or she is employed to support. Those technicians employed by the Army Reserve in areas other than Army Reserve troop program units need only be members of the Selected Reserve.

SEC. 9020. None of the funds available to the Department of Defense may be used for the floating storage of petroleum or petroleum products except in vessels of or belonging to the United States.

SEC. 9021. Within the funds appropriated for the operation and maintenance of the Armed Forces, funds are hereby appropriated pursuant to section 401 of title 10, United States Code, for humanitarian and civic assistance costs under chapter 20 of title 10, United States Code. Such funds may also be obligated for humanitarian and civic assistance costs incidental to authorized operations and pursuant to authority granted in section 401 of chapter 20 of title 10, United States Code, and these obligations shall be reported to Congress on September 30 of each year: *Provided*, That funds available for operation and maintenance shall be available for providing humanitarian and similar assistance by using Civic Action Teams in the Trust Territories of the Pacific Islands and freely associated states of Micronesia, pursuant to the Compact of Free Association as authorized by Public Law 99-239: *Provided further*, That upon a determination by the Secretary of the Army that such action is beneficial for graduate medical education programs conducted at Army medical facilities located in Hawaii, the Secretary of the Army may authorize the provision of medical services at such facilities and transportation to such facilities, on a nonreimbursable basis, for civilian patients from American Samoa, the Commonwealth of the Northern Mariana Islands, the Marshall Islands, the Federated States of Micronesia, Palau, and Guam.

SEC. 9022. Notwithstanding any other provision of law, the Secretaries of the Army and Air Force may authorize the retention in an active status until age sixty of any officer who would otherwise be removed from an active status and who is employed as a National Guard or Reserve technician in a position in which active status in a reserve component of the Army or Air Force is required as a condition of that employment.

SEC. 9023. Funds available for operation and maintenance under this Act may be used in connection with demonstration projects and other activities authorized by section 1092 of title 10, United States Code.

SEC. 9024. (a) None of the funds appropriated by this Act shall be used to make contributions to the Department of Defense Education Benefits Fund pursuant to section 2006(g) of title 10, United States Code, representing the normal cost for future benefits under section 1415(c) of title 38, United States Code, for any member of the armed services who, on or after the date of enactment of this Act—

(1) enlists in the armed services for a period of active duty of less than three years; or

(2) receives an enlistment bonus under section 308a or 308f of title 37, United States Code,

nor shall any amounts representing the normal cost of such future benefits be transferred from the Fund by the Secretary of the Treasury to the Secretary of Veterans Affairs pursuant to section 2006(d) of title 10, United States Code; nor shall the Secretary of Veterans Affairs pay such benefits to any such member: *Provided*, That, in the case of a member covered by clause (1), these limitations shall not apply to members in combat arms skills or to members who enlist in the armed services on or after July 1, 1989, under a program continued or established by the Secretary of Defense in fiscal year 1991 to test the cost-effective use of special recruiting incentives involving not more than nineteen noncombat arms skills approved in advance by the Secretary of Defense: *Provided further*, That this subsection applies only to active components of the Army.

(b) None of the funds appropriated by this Act shall be available for the basic pay and allowances of any member of the Army participating as a full-time student and receiving benefits paid by the Secretary of Veterans Affairs from the Department of Defense Education Benefits Fund when time spent as a full-time student is credited toward completion of a service commitment: *Provided*, That this subsection shall not apply to those members who have reenlisted with this option prior to October 1, 1987: *Provided further*, That this subsection applies only to active components of the Army.

SEC. 9025. Funds appropriated in this Act shall be available for the payment of not more than 75 percent of the charges of a postsecondary educational institution for the tuition or expenses of an officer in the Ready Reserve of the Army National Guard or Army Reserve for education or training during his off-duty periods, except that no part of the charges may be paid unless the officer agrees to remain a member of the Ready Reserve for at least four years after completion of such training or education.

SEC. 9026. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than ten Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That this section shall not apply to a commercial or industrial type function of the Department of Defense that: (1) is included on the procurement list established pursuant to section 2 of the Act of June 25, 1938 (41 U.S.C. 47), popularly referred to as the Javits-Wagner-O'Day Act; (2) is planned to be converted to performance by a qualified nonprofit agency for the blind or by a qualified nonprofit agency for other severely handicapped individuals in accordance with that Act; or (3) is planned to be converted to performance by a qualified firm under 51 percent Native American ownership.

SEC. 9027. None of the funds available to the Department of Defense shall be available

to award a competitive procurement contract for any round of 120mm mortar ammunition unless such round has successfully passed first article acceptance testing and has a validated level III technical data package which supports such competitive procurement: *Provided*, That none of the funds appropriated in this Act to the Department of the Army may be obligated for procurement of 120mm mortars or 120mm mortar ammunition manufactured outside of the United States.

SEC. 9028. None of the funds appropriated or made available by this Act may be obligated for acquisition of major automated information systems which have not successfully completed oversight reviews required by Defense Department regulations: *Provided*, That none of the funds appropriated or made available by this Act may be obligated on Composite Health Care System acquisition contracts if such contracts would cause the total life cycle cost estimate of $1,600,000,000 expressed in fiscal year 1986 constant dollars to be exceeded.

SEC. 9029. None of the funds provided by this Act may be used to pay the salaries of any person or persons who authorize the transfer of unobligated and deobligated appropriations into the Reserve for Contingencies of the Central Intelligence Agency.

SEC. 9030. Funds appropriated by this Act for construction projects of the Central Intelligence Agency, which are transferred to another Agency for execution, shall remain available until expended.

SEC. 9031. Notwithstanding any other provision of law, the Secretary of the Navy may use funds appropriated to charter ships to be used as auxiliary minesweepers providing that the owner agrees that these ships may be activated as Navy Reserve ships with Navy Reserve crews used in training exercises conducted in accordance with law and policies governing Naval Reserve forces.

SEC. 9032. Notwithstanding any other provision of law, the Department shall competitively award contracts for the geographical expansion of the CHAMPUS Reform Initiative in Florida (which may include Department of Veterans Affairs medical facilities with the concurrence of the Secretary of Veterans Affairs), Washington, Oregon, and the Alexandria, Louisiana (England Air Force Base) region: *Provided*, That none of the funds appropriated, or otherwise made available to the Department of Defense, by this or any other Act of Congress, shall be used to implement or administer a health care delivery management program for Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) eligible beneficiaries in California, Florida, Hawaii, Oregon, Washington, New Orleans and Alexandria, Louisiana (England Air Force Base) region, unless the scope of benefits and program management structure are identical to that provided on October 1, 1991, under the California and Hawaii CHAMPUS Reform Initiative Demonstration Program: *Provided further*, That no funds may be used to implement or otherwise administer a health care delivery management program that restricts access to military treatment facilities or otherwise reduces the health care benefits of eligible beneficiaries who choose not to enroll in that program: *Provided further*, That no provision of this or any other Act shall be interpreted as granting authority under title 41, United States Code, section 253(a)(5) to modify, without soliciting competitive at-risk proposals, contracts with CHAMPUS fiscal intermediaries (FI) for the purpose of giving them more responsibility for implementing or otherwise administering a health care delivery management program: *Provided further*, That Solicitation Number MDA 906–91–R–0002 be amended to conform with this provision of law and shall provide for no less than a six-month transition period: *Provided further*, That the preemption provisions of section 1103(a) of title 10, United States Code, shall apply to contracts entered into pursuant to Solicitation Number MDA 906–91–R–0002 and shall preempt State and local laws and regulations which relate to health insurance or prepaid health care plans.

SEC. 9033. Funds appropriated or made available in this Act shall be obligated and expended to continue to fully utilize the facilities at the United States Army Engineer's Waterways Experiment Station, including the continued availability of the supercomputer capability: *Provided*, That none of the funds in this Act may be used to purchase any supercomputer which is not manufactured in the United States, unless the Secretary of Defense certifies to the Armed Services and Appropriations Committees of Congress that such an acquisition must be made in order to acquire capability for national security purposes that is not available from United States manufacturers.

SEC. 9034. None of the funds provided in this Act shall be available for use by a Military Department to modify an aircraft, weapon, ship or other item of equipment, that the Military Department concerned plans to retire or otherwise dispose of within five years after completion of the modification: *Provided*, That this prohibition shall not apply to safety modifications: *Provided further*, That this prohibition may be waived by the Secretary of a Military Department if the Secretary determines it is in the best national security interest of the country to provide such waiver and so notifies the congressional defense committees in writing.

SEC. 9035. For the purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100–119) and by the Budget Enforcement Act of 1990 (Public Law 101–508), the term program, project, and activity for appropriations contained in this Act shall be defined as the most specific level of budget items identified in the Department of Defense Appropriations Act, 1993, the accompanying House and Senate Committee reports, the conference report and accompanying joint explanatory statement of the managers of the Committee of Conference, the related classified annexes, and the P–1 and R–1 budget justification documents as subsequently modified by Congressional action: *Provided*, That the following exception to the above definition shall apply:

For the Military Personnel and the Operation and Maintenance accounts, the term "program, project, and activity" is defined as the appropriations accounts contained in the Department of Defense Appropriations Act: *Provided further*, That at the time the President submits his budget for fiscal year 1994, the Department of Defense shall transmit to the Committees on Appropriations and the Committees on Armed Services of the Senate and the House of Representatives a budget justification document to be known as the "O–1" which shall identify, at the budget activity, activity group, and subactivity group level, the amounts requested by the President to be appropriated to the Department of Defense for operation and maintenance in any budget request, or amended budget request, for fiscal year 1994.

SEC. 9036. Of the funds appropriated to the Army, $230,700,000 shall be available only for the Reserve Component Automation System (RCAS): *Provided*, That none of these funds can be expended—

(1) except as approved by the Chief of the National Guard Bureau;

(2) unless RCAS resource management functions are performed by the National Guard Bureau;

(3) to pay the salary of an RCAS program manager who has not been selected and approved by the Chief of the National Guard Bureau and chartered by the Chief of the National Guard Bureau and the Secretary of the Army;

(4) unless the Program Manager (PM) charter makes the PM accountable to the Chief of the National Guard Bureau and fully defines his authority, responsibility, reporting channels and organizational structure;

(5) to pay the salaries of individuals assigned to the RCAS program management office unless such organization is comprised of personnel chosen jointly by the Chiefs of the National Guard Bureau and the Army Reserve;

(6) to pay contracted costs for the acquisition of RCAS unless RCAS is an integrated system consisting of software, hardware, and communications equipment and unless such contract continues to preclude the use of Government furnished equipment, operating systems, and executive and applications software; and

(7) unless RCAS performs its own classified information processing.

SEC. 9037. None of the funds provided for the Department of Defense in this Act may be obligated or expended for fixed price-type contracts in excess of $10,000,000 for the development of a major system or subsystem unless the Under Secretary of Defense for Acquisition determines, in writing, that program risk has been reduced to the extent that realistic pricing can occur, and that the contract type permits an equitable and sensible allocation of program risk between the contracting parties: *Provided*, That the Under Secretary may not delegate this authority to any persons who hold a position in the Office of the Secretary of Defense below the level of Assistant Secretary of Defense: *Provided further*, That at least thirty days before making a determination under this section the Secretary of Defense will notify the Committees on Appropriations of the Senate and House of Representatives in writing of his intention to authorize such a fixed price-type developmental contract and shall include in the notice an explanation of the reasons for the determination.

SEC. 9038. Monetary limitations on the purchase price of a passenger motor vehicle shall not apply to vehicles purchased for intelligence activities conducted pursuant to Executive Order 12333 or successor orders.

SEC. 9039. Not to exceed $20,000,000 of the funds available to the Department of the Army during the current fiscal year may be used to fund the construction of classified military projects within the Continental United States, including design, architecture, and engineering services.

SEC. 9040. None of the funds in this Act may be available for the purchase by the Department of Defense (and its departments and agencies) of welded shipboard anchor and mooring chain 4 inches in diameter and under unless the anchor and mooring chain are manufactured in the United States from components which are substantially manufactured in the United States: *Provided*, That for the purpose of this section manufactured

will include cutting, heat treating, quality control, testing of chain and welding (including the forging and shot blasting process): *Provided further*, That for the purpose of this section substantially all of the components of anchor and mooring chain shall be considered to be produced or manufactured in the United States if the aggregate cost of the components produced or manufactured in the United States exceeds the aggregate cost of the components produced or manufactured outside the United States: *Provided further*, That when adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis, the Secretary of the service responsible for the procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations that such an acquisition must be made in order to acquire capability for national security purposes.

(TRANSFER OF FUNDS)

SEC. 9041. Notwithstanding any other provision of law, the Department of Defense may transfer prior year unobligated balances and funds appropriated in this Act to the operation and maintenance appropriations for the purpose of providing military technician and Department of Defense medical personnel pay and medical programs (including CHAMPUS) the same exemption from sequestration set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100–119) and by the Budget Enforcement Act of 1990 (Public Law 101–508) as that granted the other military personnel accounts: *Provided*, That any transfer made pursuant to any use of the authority provided by this provision shall be limited so that the amounts reprogrammed to the operation and maintenance appropriations do not exceed the amounts sequestered under the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100–119) and by the Budget Enforcement Act of 1990 (Public Law 101–508): *Provided further*, That the authority to make transfers pursuant to this section is in addition to the authority to make transfers under other provisions of this Act: *Provided further*, That the Secretary of Defense may proceed with such transfer after notifying the Appropriations Committees of the House of Representatives and the Senate twenty calendar days in session before any such transfer of funds under this provision.

SEC. 9042. None of the funds available to the Department of the Navy may be used to enter into any contract for the overhaul, repair, or maintenance of any naval vessel homeported on the West Coast of the United States which includes charges for interport differential as an evaluation factor for award.

SEC. 9043. None of the funds appropriated by this Act available for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) shall be available for the reimbursement of any health care provider for inpatient mental health service in excess of thirty days in any year, in the case of a patient nineteen years of age or older, forty-five days in any year in the case of a patient under nineteen years of age, or one hundred and fifty days in any year in the case of inpatient mental health services provided as residential treatment care, or for care received when a patient is referred to a provider of inpatient mental health care or residential treatment care by a medical or health care professional having an economic interest in the facility to which the patient is referred: *Provided*, That these limitations do not apply in the case of inpatient mental health services provided under the program for the handicapped under subsection (d) of section 1079 of title 10, United States Code, provided as partial hospital care, or provided pursuant to a waiver authorized by the Secretary of Defense because of medical or psychological circumstances of the patient that are confirmed by a health professional who is not a Federal employee after a review, pursuant to rules prescribed by the Secretary, which takes into account the appropriate level of care for the patient, the intensity of services required by the patient, and the availability of that care: *Provided further*, That the Secretary of Defense (after consulting with the other administering Secretaries) may prescribe separate payment requirements (including deductibles, copayments, and catastrophic limits) for the provision of mental health services to persons covered by this provision or section 1086 of title 10, United States Code. The payment requirements may vary for different categories of covered beneficiaries, by type of mental health service provided, and based on the location of the covered beneficiaries: *Provided further*, That except in the case of an emergency, the Secretary of Defense shall require preadmission authorization before inpatient mental health services may be provided to persons covered by this provision or section 1086 of title 10, United States Code. In the case of the provision of emergency inpatient mental health services, approval for the continuation of such services shall be required within 72 hours after admission.

SEC. 9044. The designs of the Army Comanche Helicopter, the Navy A–X Aircraft, the Air Force Advanced Tactical Fighter, and any variants of these aircraft, must incorporate Joint Integrated Avionics Working Group standard avionics specifications and must fully comply with all DOD regulations requiring the use of the Ada computer programming language no later than 1998: *Provided*, That all new Department of Defense procurements shall separately identify software costs in the work breakdown structure defined by MIL–STD–881 in those instances where software is considered to be a major category of cost.

SEC. 9045. Of the funds appropriated, reimbursable expenses incurred by the Department of Defense on behalf of the Soviet Union or its successor entities in monitoring United States implementation of the Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Elimination of Their Intermediate-Range or Shorter-Range Missiles ("INF Treaty"), concluded December 8, 1987, may be treated as orders received and obligation authority for the applicable appropriation, account, or fund increased accordingly. Likewise, any reimbursements received for such costs may be credited to the same appropriation, account, or fund to which the expenses were charged: *Provided*, That reimbursements which are not received within one hundred and eighty days after submission of an appropriate request for payment shall be subject to interest at the current rate established pursuant to section 2(b)(1)(B) of the Export-Import Bank Act of 1945 (59 Stat. 526). Interest shall begin to accrue on the one hundred and eighty-first day following submission of an appropriate request for payment: *Provided further*, That funds appropriated in this Act may be used to reimburse United States military personnel for reasonable costs of subsistence, at rates to be determined by the Secretary of Defense, incurred while accompanying Soviet Inspection Team members or inspection team members of the successor entities of the Soviet Union engaged in activities related to the INF Treaty: *Provided further*, That this provision includes only the in-country period (referred to in the INF Treaty) and is effective whether such duty is performed at, near, or away from an individual's permanent duty station.

SEC. 9046. Funds available in this Act may be used to provide transportation for the next-of-kin of individuals who have been prisoners of war or missing in action from the Vietnam era to an annual meeting in the United States, under such regulations as the Secretary of Defense may prescribe.

SEC. 9047. None of the funds available to the Department of Defense or Navy shall be obligated or expended to (1) implement Automatic Data Processing, Data Processing Installation, Central Design Activity, or Information Technology Facility consolidation plans, or (2) make reductions in force or transfers in personnel, end strengths, billets or missions that affect the Naval Regional Data Automation Center, the Enlisted Personnel Management Center, the Naval Reserve Personnel Center and related missions, functions and commands until sixty legislative days after the Secretary of Defense submits a report, including complete review comments and a certification by the General Accounting Office, to the Committees on Appropriations of the House and Senate justifying any transfer, reductions, or consolidations in terms of (1) addressing the overall mission and operations staffing of all Naval Automatic Data Processing, Information Technology Facility, and Naval personnel functions and all Naval Regional Data Automation Centers, Data Processing Installations, and Central Design Activities for all active and reserve personnel commands and field activities, Data Processing Installations, Central Design Activities, and Automatic Data Processing commands and field activities; and (2) certifying that such reductions, transfers, consolidation plans or new operations: (a) do not duplicate functions presently conducted, do not consolidate or transfer Naval Regional Data Automation Center personnel, workload or functions that are planned for consolidation or transfer in other defense management report plans, do not impact Naval Regional Data Automation Centers that had a positive net operating result, without prior year adjustments, for each of the last three fiscal years, and do not result in the transfer of Naval automatic data processing functions which are inherent to operations of a colocated command; (b) are cost effective from a budgetary standpoint; (c) will not adversely affect the mission, readiness and strategic considerations of the Navy and the Naval Reserve, will not adversely impact on the quality of life and economic benefits of the individual serviceman and dependents, and will not result in the consolidation of Naval Regional Data Automation Centers, Data Processing Installations, Central Design Activities or automatic data processing functions from areas, except the National Capital Region, that are economically depressed and have at least 15 percent of its population with annual incomes at or below the current annual Federal poverty level.

SEC. 9048. No funds appropriated by this Act may be obligated or expended to prepare, or to assist any contractor of the Depart-

ment of Defense in preparing, any material, report, list, or analysis with respect to the actual or projected economic or employment impact in a particular State or congressional district of an acquisition program for which all research, development, testing and evaluation has not been completed.

SEC. 9049. All obligations incurred in anticipation of the appropriations and authority provided in this Act are hereby ratified and confirmed if otherwise in accordance with the provisions of this Act.

SEC. 9050. None of the funds appropriated by this Act shall be available for a contract for studies, analyses, or consulting services entered into without competition on the basis of an unsolicited proposal unless the head of the activity responsible for the procurement determines:

(1) as a result of thorough technical evaluation, only one source is found fully qualified to perform the proposed work, or

(2) the purpose of the contract is to explore an unsolicited proposal which offers significant scientific or technological promise, represents the product of original thinking, and was submitted in confidence by one source, or

(3) the purpose of the contract is to take advantage of unique and significant industrial accomplishment by a specific concern, or to insure that a new product or idea of a specific concern is given financial support:

Provided, That this limitation shall not apply to contracts in an amount of less than $25,000, contracts related to improvements of equipment that is in development or production, or contracts as to which a civilian official of the Department of Defense, who has been confirmed by the Senate, determines that the award of such contract is in the interest of the national defense.

SEC. 9051. None of the funds available to the Department of Defense in this Act shall be used to demilitarize or dispose of more than 310,784 unserviceable M1 Garand rifles and M1 Carbines.

SEC. 9052. Notwithstanding any other provision of law, none of the funds appropriated by this Act shall be available to pay more than 50 percent of an amount paid to any person under section 308 of title 37, United States Code, in a lump sum.

SEC. 9053. None of the funds appropriated by this Act may be used by the Department of Defense to assign a supervisor's title or grade when the number of people he or she supervises is considered as a basis for this determination: *Provided*, That savings that result from this provision are represented as such in future budget proposals.

SEC. 9054. None of the funds appropriated by this or any other Act with respect to any fiscal year for the Navy may be used to carry out an electromagnetic pulse program in the Chesapeake Bay area in connection with the Electromagnetic Pulse Radiation Environment Simulator for Ships (EMPRESS II) program unless or until the Secretary of Defense certifies to the Congress that conduct of the EMPRESS II program is essential to the national security of the United States and to achieving requisite military capability for United States naval vessels, and that the economic, environmental, and social costs to the United States of conducting the EMPRESS II program in the Chesapeake Bay area are far less than the economic, environmental, and social costs caused by conducting the EMPRESS II program elsewhere.

SEC. 9055. Of the funds appropriated by this Act, no more than $4,000,000 shall be available for the health care demonstration project regarding chiropractic care required by section 632(b) of the Department of Defense Authorization Act, 1985, Public Law 98–525.

SEC. 9056. None of the funds appropriated by this Act may be used to pay health care providers under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for services determined under the CHAMPUS Peer Review Organization (PRO) Program to be not medically or psychologically necessary. The Secretary of Defense may by regulation adopt any quality and utilization review requirements and procedures in effect for the Peer Review Organization Program under title XVIII of the Social Security Act (Medicare) that the Secretary determines necessary, and may adapt the Medicare requirements and procedures to the circumstances of the CHAMPUS PRO Program as the Secretary determines appropriate.

SEC. 9057. Such sums as may be necessary for fiscal year 1993 pay raises for programs funded by this Act shall be absorbed within the levels appropriated in this Act.

SEC. 9058. None of the funds appropriated by this Act shall be available for payments under the Department of Defense contract with the Louisiana State University Medical Center involving the use of cats for Brain Missile Wound Research, and the Department of Defense shall not make payments under such contract from funds obligated prior to the date of the enactment of this Act, except as necessary for costs incurred by the contractor prior to the enactment of this Act, and until thirty legislative days after the final General Accounting Office report on the aforesaid contract is submitted for review to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That funds necessary for the care of animals covered by this contract are allowed.

SEC. 9059. None of the funds provided in this Act or any other Act shall be available to conduct bone trauma research at the Letterman Army Institute of Research until the Secretary of the Army certifies that the synthetic compound to be used in the experiments is of such a type that its use will result in a significant medical finding, the research has military application, the research will be conducted in accordance with the standards set by an animal care and use committee, and the research does not duplicate research already conducted by a manufacturer or any other research organization.

SEC. 9060. The Secretary of Defense shall include in any base closure and realignment plan submitted to Congress after the date of enactment of this Act, a complete review for the five-year period beginning on October 1, 1992, which shall include expected force structure and levels for such period, expected installation requirements for such period, a budget plan for such period, the cost savings expected to be realized through realignments and closures of military installations during such period, an economics model to identify the critical local economic sectors affected by proposed closures and realignments of military installations and an assessment of the economic impact in each area in which a military installation is to be realigned or closed.

SEC. 9061. No more than $50,000 of the funds appropriated or made available in this Act shall be used for any single relocation of an organization, unit, activity or function of the Department of Defense into or within the National Capital Region: *Provided*, That the Secretary of Defense may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and Senate that such a relocation is required in the best interest of the Government: *Provided further*, That no funds appropriated or made available in this Act shall be used for the relocation into the National Capital Region of the Air Force Office of Medical Support located at Brooks Air Force Base.

SEC. 9062. The Secretary of Defense shall ensure that at least 50 percent of the Joint Service Missile Mission is in place at Letterkenny Army Depot by the time Systems Integration Management Activity and Depot Systems Command are scheduled to relocate to Rock Island Arsenal, Illinois. This provision is in no way intended to affect the move of the 2.5- and 5-ton truck maintenance mission from Letterkenny Army Depot to Tooele Army Depot.

SEC. 9063. None of the funds appropriated in this Act shall be used to produce more than two-thirds of the liquid gas requirements inhouse at Andersen Air Force Base on Guam. At least one-third of Andersen Air Force Base's liquid gas requirements shall be met by acquiring liquid gas from commercial sources on Guam.

SEC. 9064. During the current fiscal year, funds appropriated or otherwise available for any Federal agency, the Congress, the judicial branch, or the District of Columbia may be used for the pay, allowances, and benefits of an employee as defined by section 2105 of title 5 or an individual employed by the government of the District of Columbia, permanent or temporary indefinite, who—

(1) is a member of a Reserve component of the armed forces, as described in section 261 of title 10, or the National Guard, as described in section 101 of title 32;

(2) performs, for the purpose of providing military aid to enforce the law or providing assistance to civil authorities in the protection or saving of life or property or prevention of injury—

(A) Federal service under section 331, 332, 333, 3500, or 8500 of title 10, or other provision of law, as applicable, or

(B) full-time military service for his State, the District of Columbia, the Commonwealth of Puerto Rico, or a territory of the United States; and

(3) requests and is granted—

(A) leave under the authority of this section; or

(B) annual leave, which may be granted without regard to the provisions of sections 5519 and 6323(b) of title 5, if such employee is otherwise entitled to such annual leave:

Provided, That any employee who requests leave under subsection (3)(A) for service described in subsection (2) of this section is entitled to such leave, subject to the provisions of this section and of the last sentence of section 6323(b) of title 5, and such leave shall be considered leave under section 6323(b) of title 5.

SEC. 9065. None of the funds appropriated by this Act shall be available to perform any cost study pursuant to the provisions of OMB Circular A–76 if the study being performed exceeds a period of twenty-four months after initiation of such study with respect to a single function activity or forty-eight months after initiation of such study for a multi-function activity.

SEC. 9066. None of the funds appropriated by this Act shall be used to begin closing a military treatment facility unless the Secretary of Defense notifies the Committees on Appropriations of the House of Representatives and the Senate ninety days prior to such action.

SEC. 9067. Funds appropriated by this Act for the American Forces Information Service shall not be used for any national or international political or psychological activities.

SEC. 9068. None of the unobligated balances available in the National Defense Stockpile Transaction Fund during the current fiscal year may be obligated or expended to finance any grant or contract to conduct research, development, test and evaluation activities for the development or production of advanced materials, unless amounts for such purposes are specifically appropriated in a subsequent appropriations Act.

SEC. 9069. (a) As stated in section 3(5)(A) of the Export Administration Act of 1979 (50 U.S.C. App. 2402(5)(A)), it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States or against any other United States person.

(b)(1) Consistent with the policy referred to in subsection (a), no Department of Defense prime contract in excess of the small purchase threshold, as defined in section 4(11) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(11)), may be awarded to a foreign person, company, or entity unless that person, company, or entity certifies to the Secretary of Defense that it does not comply with the secondary Arab boycott of Israel.

(2) The Secretary of Defense may waive the prohibition in paragraph (1) in specific instances when the Secretary determines that the waiver is necessary in the national security interests of the United States. Within 15 days after the end of each calendar quarter, the Secretary shall submit to Congress a report identifying each contract for which a waiver was granted under this paragraph during such quarter.

(3) This provision does not apply to contracts for consumable supplies, provisions or services intended to be executed for the support of the United States or of allied forces in a foreign country, nor does it apply to contracts pertaining to any equipment, technology, data, or services for intelligence or classified purposes, or the acquisition or lease thereof by the United States Government in the interests of national security.

SEC. 9070. Notwithstanding any other provision of law, where cost effective, all Department of Defense software shall be written in the programming language Ada, in the absence of special exemption by an official designated by the Secretary of Defense.

SEC. 9071. Notwithstanding any other provision of law or regulation, the Secretary of Defense may adjust wage rates for civilian employees hired for certain health care occupations as authorized for the Secretary of Veterans Affairs by section 7445 of chapter 74 of title 38, United States Code.

SEC. 9072. None of the funds available to the Department of Defense shall be used for the training or utilization of psychologists in the prescription of drugs, except pursuant to the findings and recommendations of the Army Surgeon General's Blue Ribbon Panel as specified in its February and August 1990 meeting minutes.

SEC. 9073. During the current fiscal year, none of the funds appropriated in this Act may be used to reduce the military or civilian medical and medical support personnel end strength at a base undergoing a partial closure or realignment, where more than one joint command is located, below the September 30, 1991 level.

SEC. 9074. Of the funds made available in this Act, not less than $10,596,000 shall be available for the Civil Air Patrol, of which $4,471,000 shall be available for Operation and Maintenance.

SEC. 9075. None of the funds appropriated or made available in this Act shall be used to reduce or disestablish the operation of the 815th Tactical Airlift Squadron of the Air Force Reserve, if such action would reduce the WC-130 Weather Reconnaissance mission below the levels funded in this Act.

SEC. 9076. During the current fiscal year, withdrawal credits may be made by the Defense Business Operations Fund to the credit of current applicable appropriations of an activity of the Department of Defense in connection with the acquisition by that activity of supplies that are repairable components which are repairable at a repair depot and that are capitalized into the Defense Business Operations Fund as the result of management changes concerning depot level repairable assets charged to an activity of the Department of Defense which is a customer of the Defense Business Operations Fund that became effective on April 1, 1992.

SEC. 9077. (a) Of the funds for the procurement of supplies or services appropriated by this Act, qualified nonprofit agencies for the blind or other severely handicapped shall be afforded the maximum practicable opportunity to participate as subcontractors and suppliers in the performance of contracts let by the Department of Defense.

(b) During the current fiscal year, a business concern which has negotiated with a military service or defense agency a subcontracting plan for the participation by small business concerns pursuant to section 8(d) of the Small Business Act (15 U.S.C. 637(d)) shall be given credit toward meeting that subcontracting goal for any purchases made from qualified nonprofit agencies for the blind or other severely handicapped.

(c) For the purpose of this section, the phrase "qualified nonprofit agency for the blind or other severely handicapped" means a nonprofit agency for the blind or other severely handicapped that has been approved by the Committee for the Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act (41 U.S.C. 46–48).

SEC. 9078. There is established, under the direction and control of the Attorney General, the National Drug Intelligence Center, whose mission it shall be to coordinate and consolidate drug intelligence from all national security and law enforcement agencies, and produce information regarding the structure, membership, finances, communications, and activities of drug trafficking organizations: *Provided*, That funding for the operation of the National Drug Intelligence Center, including personnel costs associated therewith, shall be provided from the funds appropriated to the Department of Defense for drug interdiction and counter-drug activities: *Provided further*, That of the funds so appropriated for the fiscal year beginning October 1, 1991, $20,000,000 available for the National Drug Intelligence Center may be available to the Secretary of Defense to reimburse the Department of Justice for support provided to the National Drug Intelligence Center: *Provided further*, That section 8083 of the Department of Defense Appropriations Act, 1992 (Public Law 102–172) is amended by striking out "available only for" and inserting "available until expended only for" in lieu thereof.

SEC. 9079. During the current fiscal year, the Navy may provide notice to exercise options under the LEASAT program for the next fiscal year, in accordance with the terms of the Aide Memoire, dated January 5, 1981, as amended by the Aide Memoire dated April 30, 1986, and as implemented in the LEASAT contract.

SEC. 9080. (a) Of the funds appropriated in this Act under the heading Research, Development, Test and Evaluation, Navy, $755,000,000 shall be available until obligated and expended and shall be obligated and expended only for a Phase II Full Scale Engineering Development program for the V–22 aircraft program.

(b) Of the funds made available in Public Law 102–172, under the heading Research, Development, Test and Evaluation, Navy, $790,000,000 shall be available until obligated and expended and shall be obligated and expended only for the V–22 program as further described in subparagraph (c).

(c) Funds described in subparagraphs (a) and (b) of this section shall be obligated as follows:

(1) Not less than $30,000,000 shall be obligated within 30 days of enactment of this Act to continue the existing V–22 Full Scale Engineering Development program;

(2) Not less than $60,000,000 shall be made available to the Navy for obligation within not less than 90 days of enactment of this Act for payment of any government costs to support the V–22 program;

(3) Not less than $1,455,000,000 shall be obligated within 90 days of enactment of this Act to commence a Phase II V–22 Full Scale Engineering Development program which provides not less than six production representative new aircraft which will successfully demonstrate the full operational requirements of the Joint Services Operational Requirement (JSOR) not later than July 1, 1999: *Provided*, That the production representative V–22 aircraft shall be produced on tooling which qualifies production design;

(d) The Secretary of Defense shall provide to the Congress, within 60 days of enactment of this Act, the total funding plan and schedule to complete the definitized Phase II V–22 Full Scale Engineering Development program.

(e) The Secretary of Defense shall include sufficient funds to complete development, manufacture and operational testing of six production representative aircraft produced under the new Phase II V–22 Full Scale Engineering Development Program described above and to procure sufficient V–22 aircraft to meet the operational requirements of the Marine Corps and other services in all Department of Defense future year planning documents and budget estimates.

SEC. 9081. During the current fiscal year, net receipts pursuant to collections from third party payers pursuant to section 1095 of title 10, United States Code, shall be made available to the local facility of the uniformed services responsible for the collections and shall be over and above the facility's direct budget amount.

SEC. 9082. None of the funds in this Act shall be obligated for the procurement of Multibeam Sonar Mapping Systems not manufactured in the United States: *Provided*, That the Secretary of the military department responsible for such procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes.

SEC. 9083. None of the funds appropriated in this Act may be used to fill the commander's

position at any military medical facility with a health care professional unless the prospective candidate can demonstrate professional administrative skills.

SEC. 9084. Of the funds appropriated by this Act for the Defense Health Program, amounts as necessary shall be available (notwithstanding the last sentence of section 1086(c) of title 10, United States Code) to continue Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) benefits, until age 65, under such section for a former member of a uniformed service who is entitled to retired or retainer pay or equivalent pay, or a dependent of such a member, who becomes eligible for hospital insurance benefits under part A of title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) solely on the grounds of physical disability: *Provided*, That expenses under this section shall only be covered to the extent that such expenses are not covered under parts A and B of title XVIII of the Social Security Act and are otherwise covered under CHAMPUS: *Provided further*, That no reimbursement shall be made for services provided prior to October 1, 1991.

SEC. 9085. During the current fiscal year, the Secretary of Defense may accept burdensharing contributions in the form of money from Japan, the Republic of Korea, and the State of Kuwait for the costs of local national employees, supplies, and services of the Department of Defense to be credited to applicable Department of Defense operation and maintenance appropriations available for the salaries and benefits of national employees of Japan, the Republic of Korea, and the State of Kuwait, supplies, and services to be merged with and to be available for the same purposes and time period as those appropriations to which credited: *Provided*, That not later than 30 days after the end of each quarter of the fiscal year, the Secretary of Defense shall submit to the Congress a report of contributions accepted by the Secretary under this provision during the preceding quarter.

SEC. 9086. During the current fiscal year, obligations against the stock funds of the Department of Defense may not be incurred in excess of 70 percent of sales from such stock funds during the current fiscal year: *Provided*, That in determining the amount of obligations against, and sales from the stock funds, obligations and sales for fuel, subsistence, commissary items, retail operations, the cost of operations, and repair of spare parts shall be excluded: *Provided further*, That upon a determination by the Secretary of Defense that such action is critical to the national security of the United States, the Secretary may waive the provisions of this section: *Provided further*, That if the provisions of this section are waived, the Secretary shall immediately notify the Congress of the waiver and the reasons for such a waiver.

SEC. 9087. (a) None of the funds appropriated or made available in this Act shall be used to reduce or disestablish the operation of the P–3 squadrons of the Navy Reserve below the levels funded in this Act.

(b) The Secretary of the Navy shall obligate funds appropriated for fiscal years 1991, 1992, and 1993 for modernization of P–3B aircraft of the Navy Reserve on those P–3B aircraft which the Secretary of the Navy intends to keep in the fleet for more than five years: *Provided*, That the provision of section 1437 of the National Defense Authorization Act, 1991 (Public Law 101–510) shall not be considered in, or have any effect on, making any determination whether such aircraft shall be kept in the fleet for more than five years.

SEC. 9088. Notwithstanding section 9003 of this Act, of the $100,000,000 appropriated in section 8105A of the Department of Defense Appropriations Act, 1992 (Public Law 102–172), for payment of claims to United States military and civilian personnel for damages incurred as a result of the volcanic eruption of Mount Pinatubo in the Philippines, $35,000,000 shall remain available for obligation until September 30, 1993.

SEC. 9089. None of the funds appropriated in this Act may be obligated or expended for any contract or grant with a university or other institution of higher learning unless such contract or grant is audited in accordance with the Federal Acquisition Regulation and the Department of Defense Federal Acquisition Regulation Supplement or any other applicable auditing standards and requirements and the institution receiving the contract or grant fully responds to all formal requests for financial information made by responsible Department of Defense officials: *Provided*, That if an institution does not provide an adequate financial response within 12 months, the Secretary of Defense shall terminate that and all other Department of Defense contracts or grants with the institution.

SEC. 9090. (a) Funds appropriated in this Act to finance activities of Department of Defense (DOD) Federally Funded Research and Development Centers (FFRDCs) may not be obligated or expended for an FFRDC if a member of its Board of Directors or Trustees simultaneously serves on the Board of Directors or Trustees of a profit-making company under contract to the Department of Defense unless the FFRDC has a DOD-approved conflict of interest policy for its members.

(b) Funds appropriated in this Act to finance activities of the Department of Defense (DOD) Federally Funded Research and Development Centers (FFRDCs) may not be obligated or expended for an FFRDC until the reports on FFRDCs required by House Report 102–95, Senate Report 102–154, and House Report 102–328 are submitted to the Committees on Appropriations of the House of Representatives and the Senate.

SEC. 9091. None of the funds appropriated in this Act shall be available to comply with, or to implement any provision issued in compliance with, the August 27, 1984 memorandum of the Deputy Secretary of Defense entitled "Debarment from Defense Contracts for Felony Criminal Convictions".

SEC. 9092. None of the funds appropriated or made available in this Act shall be used to procure carbon, alloy or armor steel plate for use in any Government-owned facility or property under the control of the Department of Defense which were not melted and rolled in the United States or Canada: *Provided*, That these procurement restrictions shall apply to any and all Federal Supply Class 9515, American Society of Testing and Materials (ASTM) or American Iron and Steel Institute (AISI) specifications of carbon, alloy or armor steel plate: *Provided further*, That the Secretary of the military department responsible for the procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes: *Provided further*, That these restrictions shall not apply to contracts which are in being as of the date of enactment of this Act.

SEC. 9093. Notwithstanding any other provision of law, no more than fifteen percent of the funds available to the Department of Defense for sealift may be used to acquire, through charter or purchase, ships constructed in foreign shipyards: *Provided*, That ships acquired as provided above shall be necessary to satisfy the shortfalls identified in the Mobility Requirements Study: *Provided further*, That any work required to convert foreign built ships acquired as provided above to United States Coast Guard and American Bureau of Shipping standards, or conversion to a more useful military configuration, must be accomplished in United States domestic shipyards: *Provided further*, That none of the funds shall be used to purchase bridge or machinery control systems, or interior communications equipment, for sealift ships unless the system or equipment is manufactured in the United States or more than half the value in terms of cost has been added in the United States: *Provided further*, That the Secretary of the military department responsible for such procurement of bridge or machinery control systems, or interior communications equipment, may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes.

SEC. 9094. For the purposes of this Act, the term "congressional defense committees" means the Committees on Armed Services, the Committees on Appropriations, subcommittees on Defense of the Senate and the House of Representatives.

SEC. 9095. Notwithstanding any other provision of law, during the current fiscal year, the Secretary of Defense may acquire the modification, depot maintenance and repair of aircraft, vehicles and vessels as well as the production of components and other Defense-related articles, through competition between Department of Defense depot maintenance activities and private firms: *Provided*, That the Secretary shall certify that successful bids include comparable estimates of all direct and indirect costs for both public and private bids: *Provided further*, That Office of Management and Budget Circular A–76 shall not apply to competitions conducted under this section.

SEC. 9096. (a)(1) If the Secretary of Defense, after consultation with the United States Trade Representative, determines that a foreign country which is party to an agreement described in paragraph (2) has violated the terms of the agreement by discriminating against certain types of products produced in the United States that are covered by the agreement, the Secretary of Defense shall rescind the Secretary's blanket waiver of the Buy American Act with respect to such types of products produced in that foreign country.

(2) An agreement referred to in paragraph (1) is any reciprocal defense procurement memorandum of understanding, between the United States and a foreign country pursuant to which the Secretary of Defense has prospectively waived the Buy American Act for certain products in that country.

(b) The Secretary of Defense shall submit to Congress a report on the amount of Department of Defense purchases from foreign entities in fiscal year 1993. Such report shall

separately indicate the dollar value of items for which the Buy American Act was waived pursuant to any agreement described in subsection (a)(2), the Trade Agreement Act of 1979 (19 U.S.C. 2501 et seq.), or any international agreement to which the United States is a party.

(c) For purposes of this section, the term "Buy American Act" means title III of the Act entitled "An Act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1934, and for other purposes", approved March 3, 1933 (41 U.S.C. 10a et seq.).

SEC. 9097. None of the funds appropriated or made available in this Act or any Act making appropriations for the Department of Defense during the current fiscal year may be obligated for procurement of ball bearings or roller bearings other than in accordance with the provisions of subpart 208.79 of the Defense Federal Acquisition Regulation Supplement (DFARS) as promulgated effective on July 11, 1989.

(TRANSFER OF FUNDS)

SEC. 9098. Notwithstanding any other provision of law, $82,000,000 made available in the fiscal year 1991 Department of Defense Appropriations Act (Public Law 101-511) for "Aircraft Carrier Service Life Extension Program" under the heading "Shipbuilding and Conversion, Navy, 1991/1995" shall be transferred to "Operation and Maintenance, Navy" for a large scale industrial availability, presumed to be 24 months, of the USS JOHN F. KENNEDY at the Philadelphia Naval Shipyard.

SEC. 9099. (a) Within the funds made available to the Air Force under title II of this Act, the Air Force shall use such funds as necessary, but not to exceed $23,270,000, to execute the cleanup of uncontrolled hazardous waste contamination affecting the Sale Parcel at Hamilton Air Force Base, in Novato, in the State of California.

(b) In the event that the purchaser of the Sale Parcel exercises its option to withdraw from the sale as provided in the Agreement and Modification, dated September 25, 1990, between the Department of Defense, the General Services Administration, and the purchaser, the purchaser's deposit of $4,500,000 shall be returned by the General Services Administration and funds eligible for reimbursement under the Agreement and Modification shall come from the funds made available to the Department of Defense by this Act.

(c) The purchase rights under the purchase contract for the Sale Parcel may be assigned to any financially qualified entity, as determined in accordance with existing GSA procedures. The purchaser's withdrawal and reimbursement rights under the Agreement and Modification shall be assigned to any assignee of the purchase rights under the purchase contract for the Sale Parcel (including the purchaser's lenders). The purchaser shall be permitted to purchase the Sale Parcel in stages, and the purchaser's withdrawal and reimbursement rights shall survive pro rata with respect to any portion of the Sale Parcel not purchased.

(d) Notwithstanding any other provision of law, the Air Force shall be reimbursed for expenditures in excess of $15,000,000 in connection with the total clean-up of uncontrolled hazardous waste contamination on the aforementioned Sale Parcel from the proceeds collected upon the closing of the Sale Parcel.

(e) Notwithstanding any other provision of law, the Department of Defense shall convey the Building 442 parcel, the Building 467 parcel, the former P.O.L. storage parcel and the two parcels carved out of the easternmost portion of the Sale Parcel (all of which parcels are contiguous to and surrounded by the Sale Parcel), as well as easements for the location of a temporary flood control levee around portions of the Sale Parcel and such other easements as the Secretary of the Army shall deem appropriate, to the purchaser of the Sale Parcel, without restrictions. The conveyances contemplated by this section shall be for cash and/or interests in real property at least equal in value (as determined by the Secretary of the Army) to the land and interests in real property conveyed by the United States.

(f) The exact acreage and legal description of the property to be conveyed or exchanged under this section shall be determined by surveys that are satisfactory to the Secretary of the Army. The costs of such surveys shall be borne by the purchaser.

SEC. 9100. Notwithstanding any other provision of law, the Secretary of Defense may, when he considers it in the best interest of the United States, cancel any part of an indebtedness, up to $2,500, that is or was owed to the United States by a member or former member of a uniformed service if such indebtedness, as determined by the Secretary, was incurred in connection with Operation Desert Shield/Storm: *Provided*, That the amount of an indebtedness previously paid by a member or former member and cancelled under this section shall be refunded to the member.

(TRANSFER OF FUNDS)

SEC. 9101. During the current fiscal year, not to exceed $60,500,000 of cash balances in the Defense Business Operations Fund shall be transferred to appropriations of the Department of Defense which are available for energy conservation improvement projects under the Department of Defense Energy Conservation Improvement Program: *Provided*, That the authority to make transfers pursuant to this section is in addition to any other transfer authority provided by this Act.

SEC. 9102. Appropriations contained in this Act that remain available at the end of the current fiscal year as a result of energy cost savings realized by the Department of Defense shall remain available for obligation for the next fiscal year to the extent, and for the purposes, provided in section 2865 of title 10, United States Code.

SEC. 9103. The Secretary of Defense is authorized to provide optional summer school programs in addition to the programs otherwise authorized by the Defense Dependents Education Act of 1978 (Public Law 95-561), and to charge a fee for participation in such optional education programs. Optional summer school program fees shall be made available for use by the Secretary to defray the costs of summer school operations.

SEC. 9104. Unobligated balances of the funds appropriated in the Department of Defense Appropriations Act, 1992 (Public Law 102-172) under the headings "World University Games" and "Summer Olympics" in title II of that Act shall, notwithstanding section 8003 of that Act, remain available for obligation until September 30, 1993.

(TRANSFER OF FUNDS)

SEC. 9105. During the current fiscal year, the Secretary of Defense may transfer such funds as are available in the National Defense Stockpile Transaction Fund to the appropriation "Environmental Restoration, Defense".

SEC. 9106. After December 31, 1992, voluntary separation incentives payable under 10 U.S.C. 1175 may be paid in such amounts as are necessary from the assets of the Voluntary Separation Incentive Fund established by section 1175(h)(1).

(INCLUDING TRANSFER OF FUNDS)

SEC. 9107. Amounts deposited during fiscal years 1992 and 1993 to the special account established under 40 U.S.C. 485(h)(2) and to the special account established under 10 U.S.C. 2667(d)(1) are appropriated and shall be available until transferred by the Secretary of Defense to current applicable appropriations or funds of the Department of Defense under the terms and conditions specified by 40 U.S.C. 485(h)(2) (A) and (B) and 10 U.S.C. 2667(d)(1)(B), to be merged with and to be available for the same time period and the same purposes as the appropriation to which transferred.

SEC. 9108. None of the funds available to the Department of Defense in this Act may be used to award a contract for the procurement of four-ton dolly jacks if such equipment is or would be manufactured outside the United States of America and would be procured under any contract, agreement, arrangement, compact or other such instrument for which provisions including price differential provisions of the Buy American Act of 1933, as amended, or any other Federal buy national law was waived: *Provided*, That the Secretary of the military department responsible for such procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes.

(TRANSFER OF FUNDS)

SEC. 9109. The Department of Defense may transfer from amounts appropriated to the Department of Defense for fiscal year 1993 not to exceed $650,000,000 to the appropriate accounts within the Department of Defense for the purposes authorized in the Nuclear Threat Reduction Act of 1992: *Provided*, That obligations made pursuant to the transfer authority provided in section 108 of Public Law 102-229 together with obligations made pursuant to the transfer authority provided in this section shall not exceed a total obligation of $650,000,000: *Provided further*, That the Nuclear Threat Reduction Act of 1992 is hereby amended to authorize up to $50,000,000 of the $650,000,000 in transfer authority to be used for the Multilateral Nuclear Safety Initiative announced in Lisbon, Portugal on May 23, 1992: *Provided further*, That the transfer authority provided in this section shall be in addition to any other transfer authority contained in this Act.

(TRANSFER OF FUNDS)

SEC. 9110. The Secretary of Defense may transfer from amounts appropriated to the Department of Defense for fiscal year 1993 or from balances in working capital funds not to exceed $55,000,000 to the appropriate accounts within the Department of Defense for the purposes authorized in section 109 of Public Law 102-229: *Provided*, That obligations made pursuant to the transfer authority provided in section 109 of Public Law 102-229 together with obligations made pursuant to the transfer authority provided in this section shall not exceed a total obligation of $115,000,000: *Provided further*, That the transfer authority provided in this section shall be in addition to any other transfer authority contained in this Act.

SEC. 9111. (a) None of the funds appropriated or made available in this Act shall be used for the procurement of high purity quartz yarn or fiber, or for any item manufactured from such yarn or fiber or from fused or synthetic quartz rods used to produce high purity quartz yarn or fiber, if such yarn, fiber or rods are not produced in the United States: *Provided*, That the Secretary of the military department responsible for such procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes.

(b) The Secretary of Defense shall ensure that high purity quartz yarn or fiber produced by domestic sources established by previously appropriated funds for the Defense Production Act are tested for qualification for use or incorporation in the production of weapon systems and in weapon development programs. Systems qualification tests associated with qualifying domestically produced high purity quartz yarn or fiber shall be paid by the responsible weapons system program office.

SEC. 9112. In order to maintain an electric furnace capacity in the United States, preference for the purchase of chromite ore and manganese ore authorized for disposal from the National Defense Stockpile shall be given to domestic producers of high carbon ferrochromium and high carbon ferromanganese—

(A) whose primary output during the three preceding years has been ferrochromium or ferromanganese; and

(B) who guarantee to use the chromite and manganese ore for domestic purposes.

SEC. 9113. (a) None of the funds available to the Department of Defense may be used to implement Defense Management Report Decision No. 944, dated December 9, 1991, concerning Conventional Ammunition, or any revision or successor document, or to carry out any implementing instruction for said directive, revision, or successor document, or to implement any other document of any kind pertaining to conventional ammunition which has the objective of financing conventional ammunition out of any funds other than funds appropriated or available for procurement of ammunition.

(b) The fiscal year 1994/1995 budget request for the Department of Defense, as well as all justification material and other documentation supporting the fiscal year 1994/1995 Department of Defense request shall be prepared and submitted to the Congress as if subsection (a) of this provision were effective with regard to fiscal year 1994/1995. Such budget request, budget material, and budget documentation shall be prepared using the practices and policies followed in preparation of the fiscal year 1992/1993 budget.

SEC. 9114. None of the funds available to the Department of Defense may be obligated or expended for an Abrams tank upgrade program that does not first modify 105mm M1 tanks to a 120mm M1A1, or higher, tank configuration.

SEC. 9115. During the current fiscal year, no funds available to the Department of Defense shall be available in connection with any action within the Department of Defense which would support, or could lead directly to, the purchase or acquisition of LTV Aerospace and Defense Company by any foreign person: *Provided*, That, notwithstanding any other provision of law or any agreement to the contrary, no foreign person may purchase or otherwise acquire the LTV Aerospace and Defense Company. For purposes of this section, the term "foreign person" means any foreign organization, corporation, or individual resident in a foreign country, or any domestic or foreign organization, corporation, or individual, that is owned or controlled by the foreign organization, corporation, or individual.

SEC. 9116. During the current fiscal year, none of the funds available to the Department of Defense may be used to procure or acquire handguns or handgun ammunition unless such handguns are the M9 9mm Department of Defense standard handgun or ammunition for such handguns.

SEC. 9117. If the Secretary of Defense determines that a person has been convicted of intentionally affixing a label bearing a "Made in America" inscription to any product sold in or shipped to the United States that is not made in America, the Secretary shall debar the person from contracting with the Federal Government for a period of not less than three years and not more than five years. For purposes of this section, the term "debar" has the meaning given that term by section 2393(c) of title 10, United States Code.

SEC. 9118. During the current fiscal year, appropriations available to the Department of Defense may be used to reimburse a member of a reserve component of the Armed Forces who is not otherwise entitled to travel and transportation allowances and who occupies transient government housing while performing active duty for training or inactive duty training: *Provided*, That such members may be provided lodging in kind if transient government quarters are unavailable as if the member was entitled to such allowances under subsection (a) of section 404 of title 37, United States Code: *Provided further*, That if lodging in kind is provided, any authorized service charge or cost of such lodging may be paid directly from funds appropriated for operation and maintenance of the reserve component of the member concerned.

SEC. 9119. During the current fiscal year, funds appropriated by this Act may be used for the civilian pay, allowances, and benefits of a National Guard technician who serves on active duty under section 672 (b) or (d) of title 10 (other than active duty during a period of war or national emergency declared by the President or Congress) for participation outside the United States in airlift or refueling operations, and requests and is granted leave under the authority of this section. A technician described in this section may be granted leave without loss of pay, time, or performance or efficiency rating for each day, not to exceed 44 days in a calendar year, of such duty, except that an amount (other than a travel, transportation, or per diem allowance) received by a technician for military service as a member of the National Guard for a period for which the technician is on leave under this section shall be credited against the pay payable with respect to his civilian position for that period. Nothing in this section shall prohibit a technician granted leave under this section who is ordered with his consent to active duty without pay as authorized by 10 U.S.C. 683 from receiving his full civilian pay and benefits.

SEC. 9120. The Secretary of Defense shall enter into negotiations with a uniformed services treatment facility described in section 911(c) of the Military Construction Authorization Act, 1982 (42 U.S.C. 248c(c)), for the purpose of arranging for the facility to assume operation of the Silas B. Hays Army Community Hospital at Fort Ord, California, in a manner consistent with the managed-care delivery and reimbursement model required under section 718(c) of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510; 104 Stat. 1587). Upon completion of the negotiations, the Secretary shall consider the hospital to be a satellite facility of the uniformed services treatment facility, as described in section 721(a) of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190; 105 Stat. 1405), and designate the hospital as a facility of the uniformed services for the purposes of chapter 55 of title 10, United States Code. The Secretary shall complete the negotiations and make the designation not later than September 30, 1993.

SEC. 9121. None of the funds appropriated by this Act or made available to the Department of Defense shall be available to operate, maintain and pay the salaries of the employees assigned or detailed to the Defense Printing Service Management Office.

SEC. 9122. During the current fiscal year, not more than $190,055,000 of the funds appropriated by this Act or available to the Department of Defense shall be available for paying the Administrator of the General Services Administration charges established pursuant to section 210(j) of the Federal Property Administrative Services Act of 1949, as amended, (40 U.S.C. 490(j)) for space and services: *Provided*, That upon a determination by the Secretary of Defense that such action is necessary to meet the needs of the Department of Defense for space and services, upon notification to the Congress, obligations and expenditures in addition to the amount specified in this section may be incurred in appropriations available to the Department of Defense and transfers may be made between working capital funds of the Department of Defense and appropriations for operation and maintenance to the extent necessary for such obligations and expenditures.

SEC. 9123. As of September 1, 1993, none of the funds appropriated by this Act or made available to the Department of Defense shall be available for payment of the compensation of members of the Senior Executive Service assigned to the Department of Defense in excess of 95 percent of such personnel actually assigned to or serving in, the Department of Defense on September 30, 1992: *Provided*, That in making any reduction in the number of such personnel that may be required pursuant to this section the percentage of reductions to career and non-career Executive Service positions shall be applied so that an equal percentage of the reductions to the total number of individuals assigned to such positions on September 30, 1992 shall be equal.

SEC. 9124. During the current fiscal year, supplies, equipment, and material, of a total value not to exceed the amounts specified, shall be issued from the Defense Business Operations Fund, without a requirement for reimbursement, as follows: to the Army, $1,486,000,000; to the Navy, $63,000,000; to the Marine Corps, $39,000,000; and to the Air Force, $448,000,000.

SEC. 9125. None of the funds in this Act shall be used by the Department of Defense or Navy for consolidation of the Naval Biodynamics Laboratory until 90 days after the General Accounting Office has submitted a report to the Committees on Appropriations on the Department of Defense or service plans to consolidate research and development laboratories.

SEC. 9126. The Comptroller General of the United States, in conjunction with the Department of the Navy, shall issue a report no later than July 1, 1992, on the Navy's accounting practices at its nuclear shipyards. The report shall include a detailed review of the Navy's current plan for the handling and disposal of all nuclear materials and radioactively contaminated materials of nuclear powered vessels. The report shall include cost evaluations and projections for the next twenty years based on the current Navy plan.

SEC. 9127. During the current fiscal year, from funds available in this Act, the Director of the Air National Guard shall establish a Command, Control, Communications and Intelligence planning office manned by three full-time Air Guard officers in the rank of O–6, O–5, and O–4: *Provided*, That these officers shall be in addition to the strengths authorized in section 524 of title 10, United States Code.

SEC. 9128. As of September 1, 1993, none of the funds appropriated by this Act shall be available for payment of the compensation of personnel assigned to or serving in the National Foreign Intelligence Program in excess of 98 percent of such personnel actually assigned to or serving in the National Foreign Intelligence Program on September 30, 1992: *Provided*, That in making any reduction in the number of such personnel that may be required pursuant to this section, the percentage of reductions to Senior Intelligence Service positions shall be equal to or exceed the percentage of reductions to non-Senior Intelligence Service positions: *Provided further*, That in making any reduction in the number of such personnel that may be required pursuant to this section, the percentage of reductions to positions in the National Capital Region shall be equal to or exceed the percentage of reductions to positions outside of the National Capital Region.

SEC. 9129. None of the funds appropriated in this Act or made available to the Department of Defense may be used to deposit into the Pentagon Reservation Maintenance Revolving Fund for the purpose of renovation, construction or any other purpose other than the actual and necessary day-to-day operation (including health and safety requirements) of the Pentagon Reservation or for the performance of engineering studies/design for renovation of the existing Pentagon structure. Not later than March 1, 1993, the Secretary of Defense shall submit to the Committees on Armed Services and Appropriations of the House and Senate a report setting forth (1) a revised renovation program for the Pentagon Reservation limited to concerns of health and safety; and (2) a construction schedule with an associated cost estimate based upon normal construction procedures which eliminates additional costs for expediting construction.

SEC. 9130. None of the funds appropriated or otherwise made available in this Act may be used to promulgate or enforce the policy of the Department of Defense enunciated in the memorandum for the Secretaries of the Military Departments that became effective October 1, 1988, prohibiting non-funded abortions in military medical treatment facilities outside the continental United States, or any other policies having the same substance.

Mr. MURTHA (during the reading). Mr. Chairman, I ask unanimous consent that the bill, through page 119, line 2, be considered as read, printed in the RECORD, and open to amendment at any point.

59-059 O—97 Vol. 138 (Pt. 13) 2

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The CHAIRMAN. Are there any points of order on the bill?

The Chair hears none.

Mr. MURTHA. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto conclude no later than 1:30 p.m. today.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

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

Mr. Chairman, there is a lot happening within the appropriations process which disturbs me, particularly as Congress begins to chip away at the research and development base in this country, the technology base on which we will built the future. This committee has attempted to do its best to see to it that that has not happened.

I have one concern, and it is really not this committee's fault in what comes before us today, but the one concern I have is that there was not money included in this bill for the SP–100 program, the SP–100 being a development program of a nuclear reactor that could be used in space based kinds of applications.

Mr. Chairman, this bill does not include that, but I must say the Defense Department did not ask for the money for it, and that is a disappointment to me because the Defense Department does, in fact, have a memorandum of understanding where it is to work with NASA and the Department of Energy in developing the reactor. So, that is not the committee's problem but it is a loss to the technological base in this country not to fund the SP–100 program.

On the other hand, Mr. Chairman, I will say that this committee does have within the bill several programs that it is funding which are extremely important to the national future. I would in particular to the National Aerospace Plane. This subcommittee is really leading the way in assuring that the National Aerospace Plane stays in place, and let me tell my colleagues what I think the importance of that project is.

This country has provided aeronautical leadership for the world for the last 75 to 100 years. We are the place, of course, where airplanes were developed, but not only that, we have always maintained our edge. We have done that by developing experimental airplanes that have led to the next generation of materials, the next generation of engine technologies, the next generation of aeronautics of one kind or another.

Mr. MURTHA. Mr. Chairman, will the gentleman yield on that point?

Mr. WALKER. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. Mr. Chairman, I just want to compliment the gentleman from Pennsylvania [Mr. WALKER] for his support of what I consider one of the most important technologies in this country today. One of the reasons we are ahead in aerospace technology is because of people like the gentleman who have been in the forefront in making sure that the research money is available.

So, Mr. Chairman, I say to the gentleman, that I appreciate the work that you have done in this committee in its entirety. I have supported this position. Even though the funds get tighter, we think this kind of funding is absolutely essential to our national defense.

Mr. WALKER. Mr. Chairman, I thank the gentleman from Pennsylvania [Mr. MURTHA] for that leadership because in all honesty in other sectors of the Committee on Appropriations we have not seen that kind of vision and foresight, and this subcommittee literally has led the way on this project and has assured that we keep this kind of program in place. I thank the gentleman for it because I think the Nation in the next century is going to benefit from the kind of leadership that he has shown.

That is also true in another project which this committee is moving toward, and that is called SSTO, and that stands for single-stage-to-orbit technology. This committee is going to permit that kind of technology to go to demonstration.

What does that mean for the future? It may well be that this will provide the technology that will allow us for the first time to do very economical lifts to orbit. We are not certain yet; it is a demonstration program, it is a research project. But if it proves out, this may be the way to space which assures that, not only does it have military applications, which of course this subcommittee is interested in, but it will have civilian applications both for manned space and for lifting loads of economic interest to the country such as communication satellites and that kind of thing.

So, Mr. Chairman, it is a very important technology that this committee has decided to fund.

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

Mr. WALKER. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. Mr. Chairman, I just want to say that the gentleman from California [Mr. ROHRABACHER] came to me about the particular technology. We let him read our S&I report, and he came back and asked that we go forward with the project, and in conference we are going to attend to his request because I know that the gentleman and you know more about that program than we do, and we defer to your expertise in that field.

Mr. WALKER. Mr. Chairman, I thank the gentleman from Pennsylvania [Mr. MURTHA] for that, and the gentleman from California [Mr. ROHRABACHER] has been in the forefront of that, and I thank the gentleman for working with him.

Finally one area where this committee has moved ahead is in the space nuclear propulsion area in assuring that, as we look towards perhaps deep space applications for manned exploration or other kinds of activities, that we may have, in fact the new generation of space engines based upon nuclear propulsion that would be available to us.

So this subcommittee really has in a very tight money situation seen fit to develop some of the high tech initiatives to drive the station toward the future. For the American people that is much appreciated because our jobs for the future depend upon developing those technological innovations. This committee, I think is moving toward that direction. I thank them, and I certainly am in support of their efforts.

Mr. NATCHER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, on behalf of our chairman, the gentleman from Mississippi [Mr. WHITTEN], I want to commend this subcommittee on the bill that is now before the committee. The gentleman from Pennsylvania [Mr. MURTHA], the chairman of the committee, the gentleman from Pennsylvania [Mr. MCDADE], the ranking minority member of the subcommittee and every member of this subcommittee, Mr. Chairman, have worked hard to bring this bill before us at this time.

I would like to call attention to the fact that the bill contains, as our chairman has said, $252.7 billion. This is $3.8 billion below the section 602(b) allocation. This is an excellent bill. On this subcommittee we have an excellent staff, Mr. Chairman, just like we do on all 13 of our subcommittees on appropriations.

Mr. Chairman, passage of this bill today will mean that we have passed now in the House 7 of our 13 bills. Ten of our bills have been approved and reported out of the full Committee on Appropriations.

Mr. Chairman, at one time in bringing out the bill that appropriates the funding for Labor, Health and Human Service, and Education, I thought we had established a right good record here in the committee about bringing that bill and passing it in 1 hour and 56 minutes. The chairman of this subcommittee and the ranking member of this subcommittee not too long after that brought this, the largest appropriation bill of the 13 out, and passed it in 1 hour and 10 minutes.

Now think about it, Mr. Chairman. It shows not only that they bring out good bills, but they know what is in the bill, and they know how to pass it.

Mr. Chairman, I sincerely believe as one Member of this Congress that this is a real important bill. As my colleagues know, we have trouble all around the world still, and when we hear people say we ought to go into the defense appropriation bill and cut out another $30 billion or another $40 billion, we ought to keep in mind, Mr. Chairman, that, if we want to remain the strongest country in the world, bills like this one should protect our country. When we bring our bill in here, the one that I am chairman of, we say to the people in this country, "If you take care of the health of your people and educate your children, you continue living in the strongest country in the world."

On behalf of my chairman, the distinguished gentleman from Mississippi [Mr. WHITTEN], I want to thank every member of this subcommittee and their staff for an excellent bill.

□ 1130

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

Mr. Chairman, as I have done with other appropriations bills, I want to rise in support of the Department of Defense appropriations bill. This is the seventh of the 13 annual appropriations bills to be considered by the House.

This bill, like the others, comes in below the 602(b) spending subdivisions that were provided. The bill provides $252 billion in discretionary budget authority and $263 billion in discretionary outlays. That is $3.8 billion less than the spending subdivision in 602(b) that was provided for the subcommittee in the budget authority and $3.6 billion below in estimated outlays.

I also want to point out that if we compare it to last year's levels—and I think that is important to do as well—we are looking, in regards to budget authority, to a bill that is $17 billion less than what was provided in budget authority last year and almost $10 billion to $11 billion less with regard to outlays.

That is not easy. We have all understood that the world is changing, and that the cold war is over, but it also represents a challenge to the committees and to all the Members that as we make this transition, we do it in a way that protects our national security and also provides for conversion to take place.

I want to in particular commend the chairman of the Committee on Armed Services, the gentleman from Wisconsin [Mr. ASPIN], and the chairman of this subcommittee, the gentleman from Pennsylvania [Mr. MURTHA], and his ranking member. Both Mr. ASPIN and Mr. MURTHA have been very helpful as we have tried to develop a rational defense path here in terms of savings. This is not an easy challenge. I think all of us understood that when there was a lot of feeling that we were going to have a huge peace dividend that could be spent easily, everybody needed to look at the facts and look at the tough challenges with regard to what kind of defense path we wanted to go in and what kind of efforts needed to be made with regard to conversion as we were facing these transitions. There are jobs involved here, there is an impact upon the economy, and there is an impact on people. That is the reality of dealing with these kinds of very though choices. Yet this subcommittee, as well as the Committee on Armed Services, have done, I think, an outstanding job in confronting these choices that needed to be made.

So I want to commend the subcommittee. I want to commend in particular the gentleman from Pennsylvania [Mr. MURTHA] for what he has done here in terms of investment. There is an economic investment piece here that does provide for help in trying to ease the transition for communities, industry, and personnel in assisting this build-down. It is not easy, but it is a challenge, and hopefully this Congress and this House will face as we approach the future.

[Fact Sheet]

H.R. 5504, Department of Defense Appropriations Bill, Fiscal year 1993 (H. Rept. 102–627)

The House Appropriations Committee reported the Department of Defense Appropriations bill for Fiscal Year 1993 on Monday, June 29, 1992. This bill is scheduled for floor action on Thursday, July 2, subject to the adoption of a rule.

COMPARISON TO THE 602(B) SUBDIVISION

The bill provides $252.5 billion of discretionary budget authority and $263.9 billion of discretionary outlays. This bill is below the discretionary budget authority and outlay subdivisions by $3.8 and $3.6 billion, respectively.

The table below compares the bill's spending with the equivalent breakout of the 602(b) spending defense subdivision:

DISCRETIONARY SPENDING SUBDIVISION

[In millions of dollars]

	DOD appropriations bill	
	Budget authority	Outlays
Discretionary	252,485	263,934
Mandatory[1]	169	169
Total	252,654	264,103
	Appropriations Committee 602(b) subdivision	
	Budget authority	Outlays
Discretionary	252,261	267,486
Mandatory[1]	169	169
Total	256,430	267,655
	Bill over (+)/Under (−) 602(b) subdivision	
	Budget authority	Outlays
Discretionary	−3,776	−3,552
Mandatory[1]	0	0

	Bill over (+)/Under (−) 602(b) subdivision	
	Budget authority	Outlays
Total	−3,776	−3,552

[1] Conforms to Budget Resolution estimates of existing law.

Note.—BA=New budget authority; O=Estimated outlays.

PROGRAM HIGHLIGHTS

The following are the major program highlights for the DOD Appropriations Bill for Fiscal Year 1993, as reported:

[In billions of dollars]

	Budget authority	New outlays
Military personnel	76.9	73.2
Procurement	55.6	9.2
Operations and maintenance	71.7	56.7
Research and development	38.8	20.8

The House Appropriations Committee filed the Committee's subdivision of budget authority and outlays on June 11, 1992. These subdivisions are consistent with the allocation of spending responsibility to House committees contained in House Report 102-529, the conference report to accompany H. Con. Res. 287, Concurrent Resolution on the Budget for Fiscal Year 1993, as adopted by the Congress on May 21, 1992.

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

Mr. Chairman, I would like at this point to enter into a colloquy with the distinguished chairman of the Subcommittee on Defense of the Appropriations Committee.

This year, Mr. Chairman, our two committees appear to have taken a rather different approach with respect to the problems of naval aviation. We have taken a position that allows us to make choices about the future of tactical aviation and not make an estimate now that may turn out in the long run to be wrong. In particular, the authorization committee of the House, as approved by the House, has accepted a plan to specify robust prototyping for both the Navy FA-18 E/F and the Navy A-X attack air aircraft.

What is the view of the chairman of the subcommittee of the Appropriations Committee on this matter?

Mr. MURTHA. Mr. Chairman, if the gentleman will yield, I just want the chairman of the Armed Services Committee, the gentleman from Wisconsin [Mr. ASPIN] to know how we have tried to mirror almost everything that he has done in the Committee on Armed Services, and as the gentleman and I have said over and over again, we have worked very closely on the results of our two bills.

In this particular case we felt it was in the best interest of the Defense Department to give them another option, and then we put some money in for the F-14 to make a choice, and hopefully by the time the gentleman goes to conference and make a final decision on what is going to happen, we will be able to consider his action. Our committee, even though it was unanimous in its position on the way we did it, understood why you are trying to give the Navy another option. So we are very considerate of the gentleman's position, and we certainly want to consider what he did when we go to conference.

Mr. ASPIN. Mr. Chairman, I thank the gentleman, and I do want to commend him and commend the members of his committee and our committee in working it out so we are at least united on some of the major issues. I appreciate the assurances that whatever we do in the authorization conference on this very important attack-air matter will be considered by your committee and your conference.

There is one other issue I just wanted to make sure we clear up, and that is this issue of the defense reinvestment. As the Members of the House here know, it was part of the budget resolution that there was $1 billion set aside for defense reimbursement, and what we would like to know is whether you are as committed to the defense reinvestment. The gentleman has a different version in his bill, and so we would just like to know what his views are on that when we go to conference.

Mr. MURTHA. Mr. Chairman, I remember asking the gentleman about the issue when he was on the floor. We like what you did. However when it comes out of conference, and we feel that this is an area of responsibility of the Committee on Armed Services, we are going to cooperate in every way to fund whatever you come out of conference with.

Mr. ASPIN. Mr. Chairman, I appreciate that comment.

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

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

Mr. DICKS. Mr. Chairman, I want to say to the chairman that I have been a skeptic on this reinvestment issue until after the work of the Committee on Armed Services, and I think it targets the work of trying to get the workers retrained, and the approach that has been taken answers many of my particular concerns.

I just want to commend the committee. I think the approach here which takes this kind of tack and deals with many of the high-technology issues we are going to face in a more competitive world environment is the right approach, and I think we ought to be supportive of this.

Mr. ASPIN. Mr. Chairman, I appreciate the gentleman's comments, and I appreciate the comments of the gentleman from Pennsylvania [Mr. MURTHA].

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

Mr. ASPIN. I am happy to yield to the gentleman from California.

Mr. CUNNINGHAM. Mr. Chairman, I thank the gentleman for yielding.

I would like to speak in terms of the F-18E/F that the gentleman talked about, and I would like to thank the chairman for being so helpful on the issue.

I would hope that our committee and those Members in the conference, and with the gentleman from Pennsylvania [Mr. MURTHA], were to get off the dime one way or the other, that if we do not fund the F-14, then we need to get on with the F-18E/F, or the delay where we pick up the F-18E/F with an A-X will mean the demise of naval aviation and we will not have the procurement dollars to do that.

My only fear is that, although I do not support the F-18E/F, if we do not support the F-14 throughout, we have got to do something, Mr. Chairman, because otherwise we will kill naval aviation.

Mr. MURTHA. Mr. Chairman, will the gentleman yield further?

Mr. ASPIN. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. Mr. Chairman, I have to say after talking with the gentleman from California and with the gentleman from New York [Mr. HOCHBRUECKNER], we left the third option in. Nobody has more respect for the gentleman's experience as a combat pilot than I do, and combined with the opinions of our engineer, the gentleman from New York [Mr. HOCHBRUECKNER], the gentleman's opinions carried a lot of weight in our committee when we made the decision to add extra money for the F-14.

Mr. CUNNINGHAM. Mr. Chairman, I thank the gentleman.

Mr. ASPIN. Mr. Chairman, I thank the gentleman.

Let me just say to all my colleagues here that we do need to move ahead with this air program of the Navy, this naval aircraft program, but I think it is very important that we do it in such a way that it accomplishes two things.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. ASPIN] has expired.

(By unanimous consent, Mr. ASPIN was allowed to proceed for 3 additional minutes.)

Mr. ASPIN. Mr. Chairman, to continue, there are two things we feel are important here. First that the program be affordable. In other words, if we are going to the F-18E/F and the A-X, we ought to make sure that is affordable. It is not at all clear that the Navy's program is affordable.

Second, we want to make sure that if we do have an affordable program, we get the best program. I happen to think we still need a strategic bombing mission that comes off the carriers, but that is at the core of this debate.

So I would just like to commend the gentleman from Pennsylvania [Mr. MURTHA] again for his cooperation on these major issues and for his assurances on these two issues that we are talking about, which is the Navy TECAIR and the reimbursement package.

Mr. Chairman, let me at this point yield to the gentleman from Ohio [Mr. KASICH].

□ 1140

Mr. KASICH. Mr. Chairman, I would just like to, for a second, associate myself with the remarks of the gentleman from Wisconsin, Chairman ASPIN. What we do not want to find ourselves in is a position where we as a Congress have no choice, that we go forward with the EF because the Navy would like to get that thing cooking so it reaches a point where we cannot make a choice between that or perhaps some other aircraft—like the gentleman from California [Mr. CUNNINGHAM] has suggested—and clearly we are going to go forward with an AX. The question is, what can we afford? We do not want to get ourselves put into a position where we have no choice, too many decisions were made, and we just do not have any choices to make at that point.

So I think we are proceeding—and I must say, on a bipartisan basis—in the Armed Services authorizing committee, we are proceeding in a way in which we can have some prototypes and we can get ourselves in a position where we do not have too many things put on our plate with an inability to make good decisions at a later point in time.

I want to commend also the chairman of the Committee on Appropriations for his incredible working relationship with the authorizers, and the gentleman from Pennsylvania [Mr. MCDADE], as well, and I want to support the gentleman from Wisconsin [Mr. ASPIN], the chairman, in this.

Mrs. SCHROEDER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I just wanted to rise to say how I, and many others, thank the gentleman from Pennsylvania [Mr. MURTHA] for his incredible leadership during this difficult period we have been going through with the military, on whether or not our service women are going to be considered equal or not.

I think when women were let into the military we went through a long period where a lot of the military did not want them, and so the message was, the culture did not have to change, women had to accept it the way it was. The gentleman from Pennsylvania has been absolutely out front every day of the week saying that is nonsense. He has had a very distinguished military career, and he knows that one can have a distinguished military career and can be part of a strong fighting force, and yet not have to abuse or take on women. That is not part of the code.

Therefore, I must say to the gentleman from Pennsylvania [Mr. MURTHA], he has been a true officer and a gentleman, and he has been a true leader in this area. I really salute him.

This is a time where, with the Voting Rights Act and everything, we have been going through a debate in this country about can anyone represent women but women, can anyone represent African-Americans but African-Americans, can anyone represent Hispanics but Hispanics, and men but men. Let me tell the Members, representative government comes apart if that happens. However, the gentleman from Pennsylvania has done a much better job of representing women than any of the women here could because of his position, and he has listened to them and he has been a very, very important advocate. I think people listen to him even more than us, because they say, "There go those women again," but they are hearing the gentleman from Pennsylvania, and I just want the American men and women to know what a terrific job he has been doing, and representative government is working here. I thank the gentleman from the bottom of my heart.

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

Mrs. SCHROEDER. I am delighted to yield to the gentleman from Kentucky.

Mr MAZZOLI. Mr. Chairman, I thank the gentlewoman for yielding.

Earlier today, in a 1-minute, I said words to the effect that I want to thank the gentlewoman from Colorado [Mrs. SCHROEDER] for bringing this up, and again, I want to salute the gentleman from Pennsylvania for very sharply defining the issue. It may be what some would call a sort of undifferentiated penalty that he is wreaking, but I think it will have the intended result.

Mrs. SCHROEDER. Absolutely, and I cannot say enough about that, because in this important debate we really know so often we are not heard, and those pleas have been heard and he has been at them.

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

Mr. Chairman, I rise in very strong support of the bill, and I would like to salute the gentleman. As had been said earlier today and just a moment ago by the gentlewoman from Colorado [Mrs. SCHROEDER], the gentleman from Pennsylvania [Mr. MURTHA] has invoked a very, very stern sanction on the Navy for the failure of its leadership to show leadership, in going to the heart of the indignities that the 26 military women suffered in the Tailhook convention last year in Las Vegas. As I said earlier on the floor, it was not just the 26 military women who were embarrassed and assaulted and demeaned in Las Vegas, it was all military women, and, without much of an extension, it was all women, whether military or nonmilitary.

I thank the gentleman, and I believe in thanking him I do so for all Members of the House, for having very sharply focused on the issue. It may be a fairly random penalty, it may be that there are certain ways to more narrowly target the offenders later in the process, but I think the gentleman's decision to make a very broad-brush approach to a very desperate problem I think is very supportable, and I want to thank him for doing that.

I would also like to thank the gentleman from Pennsylvania [Mr. MURTHA] for his leadership on the overall bill. These are, as has been said earlier, difficult times in Defense, and there is a need to have a person like the gentleman to try to make the judgments as we move from wartime to peacetime.

I would like to thank him for having included in this bill $7.9 million to fund, on a continuing basis, the Advanced Gun Weapons System Technology Program, which is located at the Naval Ordnance Station, which is in Louisville, KY, my district. This, as the gentleman knows, is research to prevent obsolesence in the Navy's gunfire capability. It is also to start development on technologies we would use in the 21st century. It also has the ability, in the more near term and the immediate sense, to improve existing gunfire systems, both the offensive category as well as the defensive category on the various ships.

In the years that I have represented Louisville and represented Naval Ordnance Stations Louisville, I have been very proud of the activities done by both the military and the civilian personnel, the 2,500 men and women who work at Naval Ordnance. And, I want to thank the gentleman for his continuing recognition of their professionalism and of their patriotism in having funded this gun technology program.

Mr. CUNNINGHAM. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to associate myself with the remarks of the previous speaker. Last night, Mr. Chairman, I heard a Member from the other side of the aisle address the subject of Tailhook. I would like to commend him, because in that address during special orders the gentleman spoke to the many men, the hundreds and thousands of men and women of all services that serve honorably in our Armed Forces that were not a portion of the festivities that took place or among the guilty. Unfortunately, they have been tarred and feathered or painted with the same brush that many of the perpetrators did.

I would like to commend Paula Coughlin, who is one of the young ladies. They say she was sexually abused. In my opinion, I would carry it further. I think she was criminally abused, and I think that the perpetrators ought to be found guilty and brought forward. However, I am sorry to see the Secretary of the Navy, Secretary Garrett, resigning. He has been an honorable man, but unfortunately, within the

armed services people have taken responsibility for the people underneath them, and Secretary Garrett followed that, although I disagree with it.

I would like to make a public statement that I think that Secretary Garrett has been helpful to both sides of the aisle, supportive of women's rights and of men's rights in the Department of Defense. I would also hope that in the future, I would say, there have been talks about firing entire lines of commands from commanders. How far do we go on this? Do we need to find out who the guilty were? Absolutely. Was Paula Coughlin abused? Even more than abused, the answer is "yes." But I think we need to be very careful that we do not tar and feather honorable people that represent this country and have represented this country faithfully.

Second, I would again laud the members of this subcommittee for their work on the defense appropriations. However, I am not naive enough not to know the liberal leadership of this country, and I would hope that the members of this subcommittee would direct in the amendments, the President has cut 30 percent out of Defense, and I have heard some honorable statements, such as from the gentleman from Kentucky [Mr. NATCHER] and so on, but we cannot cut more out of our defense without affecting the rest of the country.

□ 1150

Until we pass the President's jobs bill, the conversion package of the chairman, LES ASPIN, will not do any good. We have hundreds of thousands of people being laid off and no jobs. So we need to work to that end.

At the same time, industry is attempting to convert from defense industry. But there is no one in this body, I would think, who would believe that we are not going to be in a conflict within the next 20 years, and we need to prepare for that. The 30 percent cut of the President allows for that and still gives this country the protections that we need.

Please, fight the liberal leadership in trying to cut this even further. Russ ia has an aircraft called SU-27. It has a missile called Long Burn Alamo which is far superior to even our AMRAAM missile that is coming down the pike. They are stealthing their ships, they are dropping nuclear class submarines, and yes, there is still a threat there.

Can we reduce? Yes, we can, and we are doing that at a rate based on what the real threat is out there and how fast our commercial institutions can transfer over from defense initiatives.

Mr. Chairman, I am in support of this bill, and I thank the gentlemen from Pennsylvania, Mr. MURTHA and Mr. MCDADE, for doing such a fine job. But I do caution this body again, there will be those liberal left-wingers that try to cut the defense of this country, and I will fight them.

AMENDMENT OFFERED BY MR. PENNY

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

The Clerk read as follows:

Amendment offered by Mr. PENNY: Page 37, after line 10, insert the following caption:

(INCLUDING RESCISSION)

Page 38, after line 10, insert the following: "Of the funds made available under this heading in the Department of Defense Appropriations Act, 1992 (Pub. L. 102-172; 105 Stat. 1150, 1166), $25,000,000 for the Arctic Region Superconducting Center is rescinded."

The CHAIRMAN. Under the rule, the gentleman from Minnesota [Mr. PENNY] will be recognized for 10 minutes, and a Member opposed will be recognized for 10 minutes.

Is the gentleman from Alaska opposed to the amendment?

Mr. YOUNG of Alaska. Absolutely opposed, Mr. Chairman.

The CHAIRMAN. The gentleman from Alaska [Mr. YOUNG] will be recognized for 10 minutes.

The Chair recognizes the gentleman from Minnesota [Mr. PENNY].

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

Mr. Chairman, this amendment would rescind a project funded in last year's defense appropriation bill. The project has to do with a supercomputer for the University of Alaska.

This project has not been approved through normal procedures. It has not been authorized by the appropriate committee here in Congress. It is not subject to the peer review process that governs the award of research projects of this nature in most instances. It is not a project that has been deemed a priority by anyone in the scientific community.

It was placed in this bill last year at the request of the Senator from Alaska [Mr. STEVENS]. The funding amounts to about $25 million to purchase this supercomputer system. The argument made in favor of the system by its author is that it would support research pertaining to the aurora borealis. The notion is that we can somehow capture or harness the energy of the northern lights, bring that energy down to Earth and provide some useful application thereto.

Again, no one in the scientific community believes this to be an item of importance to America's future, or an item of importance in terms of the scientific benefits that would accrue from such research.

There is also a serious question as to whether we need to spend money for this kind of a supercomputer at this particular university. These supercomputers are to be located at several universities across the country today. They are available broadly and one can make a contractual arrangement to participate in the use of supercomputers at another location. There is little available evidence to demonstrate that such a system needs to be purchased and placed at the University of Alaska.

It should be noted that Citizens Against Government Waste and many other organizations that monitor Federal spending with an eye toward pork barrel spending have identified this project as one of the most egregious examples of pork barrel spending on the books. For that reason, earlier this year I introduced a specific bill to rescind funding for this project.

I appreciate the fact that the Rules Committee made in order an amendment to this bill which would allow us to rescind this project, and I would urge my colleagues to accept the amendment.

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

Mr. YOUNG of Alaska. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, there is an old saying about being penny wise and dollar foolish. I am going to change that to being penny dumb to dollar wise.

In the first place, this has nothing to do with the aurora borealis or the northern lights. This in fact is an effort to buy supercomputers that will be stationed at the University of Alaska with the support of the State of Alaska of over $5 million.

It is ironic to me that the computers themselves are made in the district of the gentleman from Minnesota, or next to his district in Minnesota. The money to be spent that he is cutting, he is cutting from his State, and I commend him for that. That means that the people that work in Minnesota will be further unemployed. And I do commend him for it and for cutting jobs from his people. It costs no jobs in Alaska. This money is being spent in his State. We are talking about buying computers and putting them in our State, and remember these computers are supercomputers and there are three of them, not just one, three of them to be purchased and put around the United States to study, and especially in the Arctic, the warming effects on this Nation, the effect upon the environment, and what we can study on what has happened in the past, what we can project in the future for the good of mankind. It is for research. Yes, it is at the University of Alaska.

There has been no objection from any of the scientific community. In fact, there has been, contrary to the gentleman's statement, great support from the scientific community for these computers.

It is ironic to me that this computer is not just, as he said, for the aurora borealis. In fact, that has nothing to do with it. It is for the Defense Department. Everybody in the Federal agencies will have access to these computers, and it is just the advanced stage of the computer system. I will be truth-

ful. It probably will be stationed in Washington, DC, and we can study the hot air effects. There is enough of that around here.

But what we are talking about is the Arctic, and the future of America is in the Arctic. It is where our resources are in the fossil fuels, the minerals, and even the food chain. We are the only nation that does not understand that. Russia, the Soviet Union has extensive study going on in the Arctic. We had hopes that the supercomputer could combine with some of their studies. Iceland, Greenland, Canada are all working to study the Arctic. In fact, we have an Arctic Commission now. It has always been the Antarctic.

But the future of this Nation, to protect it from the warming effects—if it is happening—to identify the results and why it is occurring, were to be conducted through this computer, through the University of Alaska. And unfortunately, the gentleman recites, as usual, those who do not do a great deal of studying. It is popular on TV, we are going to cut the pork. And I will say it is Minnesota pork. So I am happy for the gentleman. If he wants to cut jobs out of his State, put his people out of work, not study for the future, not protect this Earth or the so-called environmental damages, not understand where we are going, congratulations, you are an extremely great legislator for doing nothing.

This is a bad amendment, and I will say this amendment will not survive. The committee came out with a good bill, and I expect a good bill to come back to the floor. So the gentleman can have all of the wishes he wants. He can go back to his so-called taxpayers' unions and all of the other groups of people, and he can go out and say look what I have done. And I congratulate him for costing jobs in Minnesota. He has done an exceptionally good job of making his people be out of work.

□ 1200

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

Mr. PENNY. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. FAWELL].

Mr. FAWELL. Mr. Chairman, I rise in support of Mr. PENNY's amendment to rescind the $25 million appropriated in fiscal year 1992 for the Arctic region supercomputer at the University of Alaska. This project is a classic example of what happens when a spending project calling for science research bypasses the basic appropriation and authorizing procedures of this House.

It becomes an embarrassment because it was never authorized, not subject to hearings, not competitively awarded, not subject to science peer review. Most of the time, science research projects which have been put thru the customary budget and authorizing procedures will not boomerang to cause this body ridicule and embarrassment.

Sponsors of the project claim the supercomputer would be used to harness the energy of the aurora borealis and bring it to Earth to augment our energy supplies. Because no scientific peer review has been done to evaluate the proposal, however, we do not really know if there is any hope of achieving such a high-minded goal. After being asked to evaluate the project—after the funds had already been appropriated—several respected scientists have said the project is unworkable at best, and wacky at worst. Robert Park of the American Physical Society stated in a letter to Congressman PENNY that:

> The $50 million or so devoted to this program so far supports basic research of such low priority that it had no prospects of funding under any sort of competitive peer review.

He goes on to state that—

> Any process for allocating scientific funds that does not include a serious, competent, and objective evaluation of the quality of the science is going to result in lower-quality science overall. The public should not be asked to support less than the best science available; the substitution of political clout for serious evaluation makes that result inevitable.

I know I have stood on this floor and said it again and again, but I must remind my colleagues that we are in the midst of a terrible budget crisis which is impeding our ability to support national priorities on a variety of fronts, including housing, education, health care, and infrastructure development. We have a $4 trillion national debt and will add a half-trillion in new debt to that figure both this year and next.

It is no longer possible in the face of those staggering numbers that we continue to fund projects which have not been duly reviewed—that have not undergone hearings, peer evaluation, and competitive bidding. There is much talk in this body about the decline in American competitiveness—the Science Committee, on which I sit, just marked up a bill to address the issue. Spending our limited dollars on science projects which have not been duly reviewed and evaluated is completely irresponsible when we so obviously need quality basic research. You get what you pay for and we will have no one to blame but ourselves if we purposely allocate limited research dollars for such pie-in-the-sky projects.

Mike Kinesly recently wrote that there is a bit of hypocrisy in us all. We all hate the deficit in general but specifically we love the Federal largesse which come to our district. Thus, Members of both sides of the aisle cater to this hypocrisy. In fact, at times this body seems to circle our wagons to protect one of our body whose district might suffer the loss of some Federal spending in that district, despite the fact that the spending has no national significance to justify it. Indeed, the other day I was criticized on the floor of this House because I sponsored an amendment to cut spending of a research project which would have benefited a project in my State—and for the same reasons I oppose this research project—it never went through the rigorous budget and appropriations processes of this body. I understand and accept such criticism. But today, with the fiscal crisis facing the Federal Government, all of us, it seems to me, must not try to avoid procedures of this House which are designed, as best we can, to assure the people of this Nation that we shall spend only for programs which have a significant national purpose.

For these reasons, I support the Penny amendment.

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

Mr. Chairman, I believe the merits of the amendment are well understood, and I would ask for favorable consideration.

The amendment rescinds $25 million earmarked in the fiscal 1992 Defense Appropriations Act for a supercomputer at the University of Alaska.

Background: In the fiscal 1991 Defense authorization bill the Strategic Environmental Research and Development Program [SERDP] was established as a way to apply defense resources to environmental problems. For the most part, SERDP itself was noncontroversial. Funds were to be awarded to worthy researchers to study environmental needs; $25 million was earmarked in the fiscal year 1992 Defense Appropriations Act for a supercomputer center at the University of Alaska, without specific authorization and in violation of agreement among the authorizing and appropriations committees that only competitively awarded grants would be made.

The Senate author of this earmark claimed on the Senate floor that this money would fund research to "harness the power of the aurora borealis [the northern lights] and bring it down to earth." Scientists at the University of Alaska, on the other hand, have publicly stated that harnessing the energy of the northern lights was never an objective of this project. Critics at the Energy Department, NASA, and the Department of Defense have raised many questions about this project that have for the most part gone unanswered.

The science community has called this project a big waste of dollars. The executive director of the American Physical Society, Dr. Robert Park, wrote me in April: "The concept of extracting usable energy from the aurora is totally wacky." Dr. Park went on to say: "The important thing is that this sort of waste is the inevitable consequence of a system that allows funds to be earmarked for research projects in the absence of merit review by qualified and disinterested experts." An employee of the University of Alaska—familiar with the project—wrote "*–*–* I agree with you 100% concerning the lack of need for a supercomputer."

In a cover story in the Washington Post Magazine late last year entitled "Pork In the

Sky," Professor Wong, one of the scientists involved in this research, was quoted as saying "Professor Akaasofu [the Director of Geophysical Institute at the University of Alaska] and myself have never claimed it was a way of taking energy to the ground." Critics in the Defense and Energy Departments and NASA have repeatedly raised serious reservations about the aurora borealis project that have mostly gone unanswered.

While DOD and Energy has negotiated with the University of Alaska to find a more suitable use for these funds, they have yet to award the $25 million grant, and questions remain. And, importantly, the fiscal year 91 Energy and Water Appropriations Act (P.L. 101–514) directs the Energy Department to "in cooperation with the University of Alaska, to determine the capability and type of supercomputing facility for research activity conducted by the Center for Global Change and Arctic Systems Research and Geophysical Institute, with specific reference to auroral energy research." The Director of the Office of Energy Research at DOE just wrote on June 30 that "the results of this report will be used to finalize the grant." Clearly, Alaska is engaged in a process to begin research on the northern lights, despite their own remarks to the contrary.

This is the most egregious example of pork barrel yet to pass through the doors here. It has had many lives, many justifications, and more critics than any single project funded here in a long time. The Washington Post called the project Pork In the Sky and recently, Newsweek labeled this project a prime example of what they called rotten pork.

Citizens Against Government Waste, the Porkbusters Coalitions, the science community, and many in the education community oppose this project.

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

Mr. MURTHA. Mr. Chairman, we accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. PENNY].

The amendment was agreed to.

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

Mr. Chairman, I would like to ask my very good friend, the very distinguished chairman of the committee, one of the great heroes of Desert Storm, the gentleman from Pennsylvania [Mr. MURTHA], to enter into a colloquy.

Mr. Chairman, I recently discovered, as did the gentlewoman from New York [Ms. MOLINARI], who together with me represents the Fort Hamilton Army Base in New York, that the 26th Army Band, which is based there, is scheduled for deactivation. Both of us, and our constituents—indeed, all New Yorkers—are very concerned about this, because this band has become an integral part of our community. It has led parades ranging from the welcome we gave to the returning veterans from Desert Storm to the hostages who came back from Iran in 1981, and given innumerable concerts in the surrounding area. It has greatly enhanced the morale not only of the men and women of our armed services who are based in New York, but also of the patriotic people who live in that neighborhood.

We understand that to keep this band going it would cost only about $50,000 in addition to the salaries that they would in any case be receiving even if the band is deactivated.

My question for the chairman is: Would it be his hope that in this rather substantial budget for the Department of Defense, that they might be able to find the funds to keep this very important military unit and band in operation?

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

Mr. SOLARZ. I am happy to yield to the gentleman from Pennsylvania.

Mr. MURTHA. I thank the gentleman for yielding.

Mr. Chairman, after conversations with the gentleman and in talking to the other members of the subcommittee, the gentleman has convinced us that this is a valuable asset to the Defense Department, and we are going to do everything we can to see that this is funded and that this activity continues.

Mr. SOLARZ. I want to thank the chairman very much, since I know it was in no small measure due to his efforts that Saddam Hussein was ousted from Kuwait, and I am confident that with his support, we will be able to keep the 26th Army Band in Fort Hamilton.

AMENDMENT OFFERED BY MR. IRELAND

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

The Clerk read as follows:

Amendment offered by Mr. IRELAND: Page 24, line 24 through page 25, line 2, strike out ": and an additional amount of $1,900,000,000 to be derived by transfer from the Defense Business Operations Fund".

Mr. IRELAND. Mr. Chairman, I rise to offer this amendment to deny the use of $1.9 billion in excess defense operations fund cash to purchase two Navy DDG–51 destroyers.

Mr. Chairman, if my amendment is approved, I will offer a second amendment to transfer that $1.9 billion to the Treasury Department to reduce the national debt.

The Pentagon has set up the Defense Business Operations Fund, known as the DBOF, to serve as its own private slush fund to pay for the goodies it wants without having to answer to the Congress or to the public for any of those.

The President has requested the three Navy DDG–51 destroyers, and I want my colleagues to understand that I do support the funding of those destroyers, but it must be done with funds specifically appropriated for that reason, not by using a new Pentagon slush fund.

The Defense Business Operations Fund was created by clever Pentagon bureaucrats to replace the M account that the Congress wisely shut down in 1990.

DBOF acts as a huge umbrella agency within the Department of Defense to sell the various branches goods and services. The military services receive billions of dollars in direct appropriations from Congress each year to make purchases from DBOF. The problem is that there is no cost control exercised over what DBOF decides to charge for its goods and services. DBOF money managers can then jack up the price of goods to generate huge cash surpluses with no audit trail and no accountability.

The revenue generated by DBOF in less than 1 year rivals that of multinational corporations. In fact, in private industry, it would rank as the fifth largest corporation in the world, sales revenues just behind Ford and Exxon. Currently DBOF shows excess funds of at least $2.8 billion. Everyone is trying to tap into it. There are no controls over this money, and I find it very dangerous.

The appropriations bill we are considering today provides $1.9 billion in excess DBOF cash to pay for two of the three destroyers under consideration. DBOF money should not be used to purchase destroyers.

The committee has appropriated $5.5 billion for shipbuilding. We are led to believe that three of these destroyers can be purchased for $682 million when, in fact, they will cost $2.6 billion. This maneuver, in turn, frees up $1.5 billion to buy two amphibious ships that were neither requested by the Pentagon nor authorized by the Congress.

This is the type of maneuver that can happen with every excess dime of DBOF funds. The net effect of the DBOF price fixing is to rob the armed services of money they need for training and battle-readiness.

The cost of defense is inflated to buy the kinds of special-interest items we should have gotten rid of when we left the 1980's and the cold war ended.

As a further example of the DBOF fund, we were recently asked in the authorizing committee to approve a reprogramming of $2.3 billion, using $838 million again from the DBOF account. Fortunately, our chairman, the gentleman from Wisconsin [Mr. ASPIN], has opposed this, and it will likely not happen.

Do not misunderstand me, the President has requested three destroyers, and I am not against funding them.

□ 1210

But their cost should be accounted for out in the open and directly appropriated by the Congress.

I urge my colleagues to vote to deny the use of this $1.9 billion in unaccounted and unauthorized funds. If these funds are indeed excess money the DBOF has managed to rack up,

they should be returned to the Treasury to reduce the debt.

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

Let me just say that I appreciate what the gentleman has said. I know he has been in the forefront in trying to eliminate the M accounts and I appreciate his expertise.

Now, there is no one committee that has paid more attention to these DBOF accounts than we have. As a matter of fact, your Subcommittee on Defense has continually tried to make sure that the amount of money that they use is limited and that the authority they use is limited, because we were concerned about being able to follow where the funds go.

Now, I do not know what the purpose of the gentleman's amendment is, whether he is trying to eliminate these destroyers or whether he is trying to eliminate DBOF, but I will tell you this, we went to the Navy and we talked at great length. We found that the schedule to put an amphibious ship in would fit in much better than putting in the other destroyer.

We have a great concern that if this amendment were to pass, you could for all intents and purposes eliminate the amphibious shipbuilding capability at two shipyards.

To say that this is a DBOF amendment is absolutely inaccurate. This amendment is an amendment to kill several shipyards.

We carefully analyzed this situation. The subcommittee was unanimous in its suggestion of this recommendation to the full House and we think your amendment is a serious mistake.

Mr. Chairman, I would urge the Members to defeat this amendment.

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

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

Mr. HUNTER. Mr. Chairman, I thank my colleague for yielding to me.

This is not only an assault on a very weakened part of our industrial base, that is, our shipyards, but also on our very weakened ship construction program. We have cut back drastically from the 600-ship Navy that we felt we needed in the mid-1980's to the point where we have barely what we need to manifest power projection around the world.

This will kill the DDG–51's; also it will put in extremis the LHD and also the ammunition ships in which we are in very short supply.

So the consensus from the Bush administration is that what we have in shipbuilding now meets a very minimal requirement and that we need to fund this construction, and this in fact would have a disastrous effect on it.

Mr. Chairman, I concur in the committee chairman's recommendation.

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

Mr. MURTHA. I yield to the gentleman from Florida.

Mr. IRELAND. Mr. Chairman, I want to emphasize to the gentleman who knows I regard his work very highly and have in my term in the Congress.

I want to clearly emphasize that there is no intention here to say that we should not build the destroyers. My real concern is the $1.9 billion that was appropriated to the services for other activities utilized by the DBOF. The DBOF generated at least $1.9 billion, if not more, of funds that were not for the purposes of shipbuilding.

What we are doing is running around the barn with money that really belongs to the taxpayers of this country to build these ships. I am all for building the ships. I like the way the gentleman and his committee decide what we ought to do.

My real concern is where this $1.9 billion comes from. It is a slush fund and we all ought to band together to do this.

Mr. MURTHA. Mr. Chairman, I appreciate that. Let me assure the gentleman that we are watching DBOF. I know the gentleman has had an honorable period in Congress and I have the greatest respect for the gentleman.

But Mr. Chairman, I would ask the Members without a prolonged debate here to defeat this amendment, because this really would stop the shipbuilding program for the DDG–51 which the gentleman and I both consider very important.

But the gentleman can be assured that in the future we are going to continue to watch DBOF. We have the same concerns the gentleman does. The gentleman was instrumental in stopping the M account abuses, and we appreciate that. It was a real service to the country.

Mr. IRELAND. Mr. Chairman, will the gentleman yield further?

Mr. MURTHA. I yield to the gentleman from Florida.

Mr. IRELAND. The real question, Mr. Chairman, is how can we justify using DBOF money for shipbuilding or aircraft building or anything else? That was not what it was intended to be.

Mr. MURTHA. Let me say this. The reason for using the money is because it is taxpayers' money, like any other, and we wanted to make the decision in Congress by elected officials, rather than by bureaucrats when we could not follow the trail, so we wanted to make sure that we were the ones making the decisions, rather than them.

Mr. IRELAND. Mr. Chairman, if the gentleman will yield further, the money in DBOF was the money that this Congress appropriated for certain things that go into the list of what the DBOF is supposed to be doing. The DBOF does not have in its charter of activities weapons purchasing.

Mr. MURTHA. Well, we technically took excess cash in DBOF and said spend this excess cash, because we do not want them reprogramming it, we wanted them to spend it for these destroyers. That is what we have done.

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

Mr. Chairman, I am unalterably opposed to this amendment, and I hope it will be defeated.

As I was saying to my distinguished friend, the gentleman from Pennsylvania, the chairman of the committee, we often scoop up dollars that we can find and appropriate to a more efficient purpose.

For example, my friend, the gentleman from Pennsylvania, the chairman, will recall I think it was in fiscal year 1986 or so where we found over $1 billion in savings from Navy shipbuilding accounts that we identified and used to finance that year's program for the MX out of those scooped-up dollars. We do that all the time. That is one of the functions of the Appropriations Committee. That is undoubtedly somewhat different than the culture that prevails on an authorizing committee, but for efficiency purposes, that is what we do.

Now, I do want to underline, Mr. Chairman, that amendment, should it pass, will stop the construction of all the *Arleigh Burkes* that are in the budget, and there are three of them in here.

It will leave about $700 million, which will not buy one *Arleigh Burke*.

You pass this amendment and 11,000 people walk the streets unemployed in the morning.

This is an amendment that is well-intended by my good friend, but the substantive purposes of it are detrimental to national defense, and I urge its defeat by my colleagues.

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

Mr. McDADE. I yield to the gentleman from New Jersey.

Mr. SAXTON. Mr. Chairman, I would say to my good friend, the gentleman from Florida, I know he does not intend to do this, but in the same 5-minute speech it seems to me the gentleman is saying two things. On the one hand, the gentleman says he supports the construction of three destroyers. On the other hand, the gentleman is saying, "But I'm going to take away the money to pay for them." So the construction will not go forward.

I would like to say to the gentleman that not only does it mean large numbers of unemployed people, but the people who will turn out being unemployed, who will walk away from the production lines of these very highly sophisticated destroyers and the instrumentation inside the destroyers, are not people that you go out on the street and just replace after they have been off the job and gone away.

So what we are saying here is that we understand the gentleman would like

to find another way to fund them, and perhaps in conference we can find another way to fund them, but the fact of the matter is that if this line of destroyer production is shut down, both from the standpoint of the shipbuilding industry and from the point of view of the highly technical Aegis system that is contained in these ships, we are going to be shut down, not just for one year, but for a long period of time.

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

Mr. MCDADE. I am delighted to yield to my distinguished friend, the gentleman from Washington [Mr. DICKS].

Mr. DICKS. Mr. Chairman, I, too, want to rise in opposition to the Ireland amendment.

The gentleman from Pennsylvania has stated it well. We have got a production line in place. If the Ireland amendment passes, it will destroy the DDG–51 program. That is the bottom line. It will cause 11,000 people to be immediately unemployed.

Another thing I want to point out is some people say, "Well, why didn't we fund four DDG–51's?"

The committee in its judgment felt that there was an opportunity to fund an additional LHD, and by doing it this year we saved $400 million in taxpayer money.

So please give the committee a little bit of judgment here. We look at these accounts carefully. There was extra money in the DBOF account and we used it for this program. I think it makes complete sense.

Mr. Chairman, I would urge the House to support the committee.

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

Mr. MCDADE. I yield to my friend, the gentleman from California.

Mr. CUNNINGHAM. Mr. Chairman, I thank my friend, the gentleman from Pennsylvania [Mr. MCDADE], for yielding to me.

I am strongly opposed to the Ireland amendment. It not only affects the ships that have been in discussion, but in Desert Storm we had Soviet hulls carrying our equipment.

The A&E program shipbuilding across the board, we have cut shipbuilding along with the help of the Japanese in this country. We used to be the greatest shipbuilder in the world. Now the only shipbuilding industry on the west coast, we have one, and on the east coast it is approaching the same thing.

□ 1220

This amendment would help the Japanese even further destroy our shipbuilding capability.

Mr. Chairman, I am strongly opposed to it.

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

Mr. MCDADE. I am happy to yield to the gentleman from Florida.

Mr. IRELAND. I thank the gentleman for yielding.

Mr. Chairman, I want it clearly understood, the idea that this amendment is directed at any particular thing is not what I have generated. That is how this $1.9 billion has been used in this bill. That $1.9 billion could have easily been used for an aircraft purchase or anything else.

The point is that the committee is using $1.9 billion of funds that were appropriated for other purposes that went into the DBOF, that were earned by the DBOF, that were not put in there for weapons purchases.

The point is not these destroyers. We would not have the gentleman from Louisiana [Mr. LIVINGSTON] seeking recognition, or others here, if these funds had gone to the B–2 or something of that nature. The point is, and the very clear point, is not which item the purchase went for here but the point that $1.9 billion should not have been used.

Ms. SNOWE. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Florida. This amendment would have the effect of gutting the Navy's *Aegis* destroyer program and severely damaging our Nation's shipbuilding and defense electronics industrial base.

To put this amendment into proper perspective we must look at what the President, the Navy, and this House has said about the DDG–51 *Aegis* destroyer program already this year. President Bush requested funding for four destroyers in 1993. Our top naval strategists say we need four destroyers this year. The House Armed Services Committee supported four destroyers. The full House approved funding for four destroyers just last month in the Defense authorization bill. I was sorry to see that the Appropriations Committee decided to fund only three destroyers. However, the Ireland amendment will have the effect of funding only one destroyer. That is simply a level that is unacceptable in the face of our maritime needs.

We must recognize that as our naval forces are reduced, the roles and missions assigned to *Aegis* ships will expand. The technology in these ships will help maintain U.S. maritime superiority around the globe for the next 40 years. The *Arleigh Burke* class destroyer will replace several obsolete surface combatant classes in the fleet, and it will do so with greatly expanded capabilities. These ships are exactly the kind of direction we need to be going in as we downsize our fleet.

In addition, dropping from a five-destroyer buy in fiscal year 1992 to a one-destroyer buy in fiscal year 1993 will result in severe disruption in the program's stability and in production efficiency. The President, Congress, and the Navy all support a stable and robust destroyer procurement program. If this amendment passes, that program will take years to recover and will end up costing the taxpayers much more.

I urge my colleagues to defeat the Ireland amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida [Mr. IRELAND].

The amendment was rejected.

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

With all due respect, perhaps let me inject a moment of reality into this debate for the American people.

Mr. Chairman, let us talk a moment today about priorities—about where we want this Nation to go and what we want our future to be. And then let us talk about a Defense Department budget of $252 billion, plus $22 billion more for the military in other appropriations bills.

Five million children go hungry in America, 1 million children sleep out on the streets, and hundreds of thousands lack basic inoculations for diseases that should have been wiped out 20 years ago. We rank first in the industrialized world in terms of childhood poverty, with 20 percent of our kids falling in that category. Hundreds of thousands of bright young people cannot afford to go to college because the Federal Government is not adequating funding student financial aid programs. And today, despite the fact that the cold war is over, that the Soviet Union no longer exists, that the Warsaw Pact no longer exists, this Congress and this President have the unmitigated chutzpah to vote $4 billion for B–2 bombers. In other words, not enough money available to wipe out childhood hunger, not enough money available for college education—but $4 billion is available to build B–2 bombers.

Whenever this country wants to go to war, we hear the patriotic speeches about the need for young men and women to put their lives on the line to serve their country, and if necessary to die for their country. Two years ago, the Congress and the President cut $3.5 billion for veterans' programs, and it is no secret that our VA hospitals are grossly underfunded. And today, this institution and this President have the gall to talk about $3.2 billion more for the absurd star wars program. Three and a half billion dollar cutbacks in programs for our veterans, who have put their lives on the line for this country, and $3.2 billion more for an absurd and useless program which has never been needed.

Two years ago, this Congress and the President cut Medicare programs for our elderly by $43 billion and the President, and many Members of this Congress, want to slash Medicare even more. $43 billion cut from Medicare for the elderly, but today this Congress and this President are talking about spending over $100 billion a year to defend Western Europe and Japan against a nonexistent enemy.

Mr. Chairman, if you have read the latest newspapers, you will have noticed that the number of Americans who believe that the President is doing a good job is down to about 30 percent. Seventy percent of the people think

that he's doing a pretty bad job. Now that is a pretty discouraging figure, except when it's compared to the U.S. Congress—an institution which is now approved of by less than 20 percent of the people. In other words, the overwhelming majority of the people believe that the President and the Congress are way out of touch with the needs of ordinary Americans, and that we need fundamental changes in the priorities of this Nation.

Mr. Chairman, the American people are crying out for hope. They want quality education and a national health care system for all of our people. They want decent-paying jobs as we rebuild American industry and produce environmentally sound products. They want decent-paying jobs as we rebuild our crumbling infrastructure and build a modern mass transportation system, decent bridges, decent roads. They want decent-paying jobs, as we put our carpenters and electricians and plumbers back to work building the millions of units of affordable housing that this country desperately needs.

Mr. Chairman, let us stand up today for a new set of priorities for America and let us give hope back to millions of Americans who have lost it. Let us vote "no" on B–2 bombers and "yes" for our children; "no" on star wars and "yes" for our elderly and veterans; "no" on $274 billion for the military and "yes" for millions of decent paying jobs as we rebuild American industry and our crumbling infrastructure. Mr. Chairman, let us defeat this appropriations bill today and begin the process of developing a whole new set of national priorities so that, once again, the American people can believe in their Government.

Mr. HUTTO. Mr. Chairman, I move to strike the requisite number of words, and I rise to engage the distinguished chairman of the Subcommittee on Defense Appropriations of the Committee on Appropriations, the gentleman from Pennsylvania [Mr. MURTHA], in a brief colloquy.

Mr. Chairman, in title II of your bill there are a number of accounts that exceed what was authorized by my subcommittee, and approved by the House. For example, the Navy operation and maintenance account in your bill is $1 billion dollars over what has been authorized. Other unauthorized examples range from an additional $700 million for the Air Force to $9 million for the World Cup Games. While funding for the World Cup Games is a relatively minor amount, it is an issue that the Readiness Subcommittee actively discussed, and specifically rejected, until further information was received by the Department. I believe that providing appropriations for these unauthorized projects, in spite of our concerns and actions, is inappropriate.

Your bill contains language restricting the obligation of these amounts until authorized by law. This lanaguage has been included in past House Defense appropriation bills, and seems to always be deleted in conference. Is this not correct?

Mr. MURTHA. Well, you know, in all these things sometimes it is not brought to your attention and even members of your committee come to us and ask us to put funding in for various projects. We always try to work very closely with the authorization committee after the conference is settled. As you know, we had to get a waiver in the rule in order to get the bill to the floor because none of the items were actually authorized. We work very closely with the authorizing committee to make sure we comply as closely as we can. I cannot speak for the entire subcommittee, but we will certainly do everything we can to comply with whatever the authorizing committee tries to suggest. We will fund—in the end, 98 percent of the programs that are authorized.

Mr. HUTTO. I appreciate very much the gentleman's desire to work with our committee and work on these unauthorized projects.

AMENDMENT OFFERED BY MR. DURBIN

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

The Clerk read as follows:

Amendment offered by Mr. DURBIN: page 37, line 18, strike out "$9,510,354,000" and insert in lieu thereof "$8,810,354,000".

□ 1230

Mr. DURBIN. Mr. Chairman, this amendment seeks to strike $700 million from the $4.3 billion appropriation for the strategic defense initiative, otherwise known as star wars.

I would remind the members of the committee that this program was designed under President Reagan to defend the United States against possible attack from Soviet missiles. We know full well that the Soviet Union, as it was envisioned in those days, no longer exists. President Yeltsin has spoken to this body and to our Nation. He has entered into an historic agreement with the President to reduce the number of strategic warheads aimed at the United States. In other words, we are spending literally billions of dollars to defend against a threat which no longer exists.

Second, the American taxpayers have invested $29 billion into the star wars program to date. At least $8 billion of the $29 billion has been totally wasted. We have put the money into projects which have been cancelled. We have, in fact, given the money away to defense contractors where it could have been spent, as the gentleman from Vermont [Mr. SANDERS] mentioned earlier, for worthwhile projects within the United States to help our economy.

The purpose of this amendment is to cut $700 million more from this project. We know from sources within the Department of Defense that this cut will not jeopardize the future of this program for the real threats against the United States 10 years from now.

I might also say, Mr. Chairman, that in the past several weeks we have heard speech after speech on the floor of the House about the deficit. This is a specific opportunity for Members of this House to cast a vote that will reduce this deficit by $700 million.

Last night the gentleman from Indiana [Mr. BURTON], my friend and colleague, offered an amendment to cut a $15 million parking garage in Newark, NJ. He predicted that unless we took steps like that, we would face, in his words, economic chaos in the United States. I invite my colleague and all of the 89 who supported his amendment to join us today in this amendment for some $700 million in cuts.

I know my colleague from Indiana will be saddened, and may be surprised, to learn that only nine Members who voted to cut the Newark parking garage voted 2 weeks ago to cut $1 million out of star wars. Please take that budget balancing fervor away from parking garages, and put it where it counts. We are talking about $700 million which could be saved here.

Let me also suggest to the gentleman and others who are in the Chamber that I have taken a look at the cosponsors of the balanced budget amendment, only 57 voted to cut $1 million out of the star wars program.

I took a look at the vote 2 days ago to cut agricultural research programs, literally pennies being spent so that we can have the food and fiber our Nation needs, and I was shocked to learn that out of the 129 Members who voted to cut agricultural research, only 19 voted to cut the star wars program.

Mr. Chairman, I say to my colleagues in the House, "If deficit reduction is your goal, here is your vehicle. We can talk about parking garages until we're blue in the face. We could talk about agricultural research until we have nothing further to say. But if you want to cut real money, start here. This is, in fact, pork barrel of the highest magnitude."

Mr. Chairman, I would urge my colleagues to take that head of steam they had in all these other amendments and apply it to a real program with real savings and cut back on this pork barrel in the Pentagon.

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

Mr. DURBIN. I yield to the gentleman from Minnesota.

Mr. PENNY. Mr. Chairman, I and my colleagues DICK DURBIN and BILL GREEN are offering this amendment to reduce appropriations for Defense agencies' research and development by $700 million. The amendment is intended to reduce the funds for SDI without affecting the appropriation for theater missile defense.

This bill appropriates about $3.3 billion for SDI and another $1 billion for theater missile Defense * * * or a total of $4.3 billion for SDI/TMD in fiscal year 1993. This is nearly a 25 percent increase in funding from last year's House-approved level.

With this amendment we are not trying to argue against the merits of the SDI program in general—although clearly with the end of the cold war, there is no urgency for development of SDI systems. Our amendment allows for SDI/TMD funding of about $3.6 billion in fiscal year 1993—which is $300 million more than what the Congressional Budget Office estimated was necessary in fiscal year 1993 to allow for ABM-compliant, single-site deployment by the year 2003.

What we are arguing with this amendment is the fact that there is no urgency to develop and deploy star wars in this decade, and that we cannot afford to fund SDI at levels proposed by the Pentagon and this bill. According to the Congressional Budget Office, the Pentagon's SDI plan—which calls for deployment of an ABM system by 1997—would require an average of about $8 billion per year between fiscal year 1994 and 1997. Proponents of the Pentagon's SDI plan—many of them supporters of the balanced budget amendment—have not been able to explain to us and the American people how we are going to afford the pricetag of the Pentagon's plan. The fact is * * * we really can't afford this type of accelerated program.

Please support the Penny-Durbin-Green amendment.

Mr. DURBIN. Mr. Chairman, do I have any time remaining?

The CHAIRMAN. The time of the gentleman from Illinois has expired.

(By unanimous consent, Mr. DURBIN was allowed to proceed for 1 additional minute.)

Mr. DURBIN. Mr. Chairman, I want to close my comments by saying, "If you voted to cut the Newark parking garage, a $15 million project, come on down. We got $700 million in cuts here. If you voted to cut agricultural research, come on down. We've got $700 million in deficit reduction for you here. If you're a balanced budget amendment warrior who stood up and made speeches about how we have to get serious, come on down. This is where we're making the cuts. And if you're one of those people who believes that the Pentagon should not be exempt from cuts in programs that are no longer necessary, we need your vote today in support of the Penny-Durbin amendment."

Mr. MURTHA. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Illinois [Mr. DURBIN].

Let me say the vote was already taken on this in the authorization bill. It is clear it failed by a large number. Let us just vote this amendment and get on with the business because I do not think we need to go into great detail. It is clear what the House has already said. I do not think any of the votes have changed.

Mr. Chairman, I oppose the amendment and would ask that we restrain ourselves, as strong as we feel about this, and go forward with the vote.

Mr. BURTON of Indiana. Mr. Chairman, will the gentleman yield?

Mr. MURTHA. I yield to the gentleman from Indiana.

Mr. BURTON of Indiana. Mr. Chairman, I just real briefly want to say that I was the author of the cut, a $15 million cut, in Newark's garage last night. The fact of the matter is this bill is $17.4 billion less than in fiscal year 1992. We do not know what is going to happen in the Soviet Union. We do need to be prepared for any eventuality, and I think this would be an unwise cut, and it cannot, in my opinion, be considered pork when we are talking about the defense of this Nation.

Mr. MURTHA. Mr. Chairman, I would ask that the Members cooperate, that we just move it along to a vote.

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

Mr. Chairman, I just want to rise to associate myself with the comments of the committee chairman and the ranking member. I think they have done an outstanding job on this very difficult job of controlling the growth, actually the decrease in funding, for our national defense.

I want to also thank this committee for its leadership in one of the major assets, not just for our military, but for this country in terms of international competition, the V–22 *Osprey*. As I related to both the committee chairman and the ranking member, as well as the acting chairman in the seat, I just returned from a meeting at the Pentagon where Secretary of Defense Dick Cheney has announced that he is, in fact, changing his decision and is now willing to go along with the Congress in continuing the 2-year program that we have established to build the V–22. I say to the gentleman, "That action would not have taken place without your leadership, Mr. Chairman, on the civilian side, without the leadership of Congressman JACK MURTHA who has been a real stalwart in this program, and JOE MCDADE, and all the other Members who are involved with this Appropriations Subcommittee, as well as the Armed Services Committee. On behalf of the 200-plus Members who signed the letter in this body to support this program, I thank all of you. We can now move ahead, and the botton line beneficiaries will be the Marine Corps, the Special Forces, and our civilian technology."

Mr. AUCOIN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I support the amendment to cut SDI funding.

Mr. Chairman, star wars began in 1983 as a fictional x-ray laser the size of any executive desk." By 1987 it was supposed to protect the American people from all the ICBM's the Soviets could throw at us.

Well, here we are in 1992, and guess what?

We have spent almost $30 billion on star wars, and we have not even built R2D2.

The x-ray laser never shot down a fly. It is a complete technical failure.

And Soviet ICBM's are going away while, somehow SDI keeps chugging along. The technology may fail and the requirement may vanish, but SDI is still the biggest single item in the Defense budget, soaking up taxpayer's dollars like a sponge.

Now star wars is supposed to defend us against Third World ICBM's.

But guess what?

The Third World does not have any ICBM's. And it is not likely to get any.

For Qadhafi and his ilk, using an ICBM to deliver a nuke to the United States would be an act of absolute stupidity.

ICBM's are expensive. They are high-technology, harder to build than a nuclear warhead. They tend to not work at first. They are visible and vulnerable; they invite the United States to take them out before they are set up. And if Qadhafi shoots an ICBM at us, he will be sending his calling card, telling us where to retaliate.

No, my friends, if Qadhafi wants to nuke us, the way to do it is to smuggle his weapon in a suitcase in the hold of a ship. That delivery method is cheap. It's reliable, low-technology. And it doesn't advertise its existence or identify its origin.

SDI is an expensive solution to an ICBM threat we don't have. It's irrelevant to the suitcase bomb, the threat we may have. SDI is a budgetary monster without a mission. Let's put it to sleep.

Mr. KYL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment of the gentleman from Illinois [Mr. DURBIN].

Mr. Chairman, I rise in opposition to the Durbin-Penny amendment which would cut $700 million from the strategic defense initiative [SDI] program—a program which has already been reduced by $1.1 billion.

The Defense Appropriations Subcommittee and the Armed Services Committee arrived at the funding level for strategic defense programs—$3.2 billion—by carefully evaluating the priorities within the defense budget. The sponsors of this amendment have never sat through an Armed Services hearing on the threat of ballistic missiles and yet they assert with confidence that "a $700 million cut will not hurt." Moreover, in a "Dear Colleague" issued today, the sponsors of this amendment argued that "They are not trying to argue against the merits of the SDI program in general." What is the purpose of this amendment? It appears to me to be arbitrary attack on one of the President's highest defense priorities.

I usually join Mr. PENNY in his attempt as a pork buster to cut the fat. However, this time I must strongly disagree with him. I regret that Mr. PENNY has joined Mr. DURBIN on this

amendment. I know Mr. PENNY does not desire to gut SDI. The majority of the House does not want to gut SDI. But, the Durbin-Penny amendment will do just that.

The Durbin-Penny amendment also does not recognize the very real future threat from proliferation of ballistic missiles throughout the world. The HASC heard testimony from witnesses both inside and outside the administration which were in agreement that proliferation is a problem. Some critics of the SDI program have chosen to focus only on the direct threat to CONUS and to pretend that the Scud will be the only ballistic missile threat in the future. I believe this approach is naive. Director of Central Intelligence, Robert Gates, stated before this committee that proliferation of ballistic missiles in the Third World is of "grave concern" and his "number one priority."

Further, this amendment does not take into account the positive results accomplished during the recent summit between Presidents Yeltsin and Bush. The Presidents agreed that their two nations should work together with allies and other interested states in developing a concept for a global protection system as part of an overall strategy regarding the proliferation of ballistic missiles and weapons of mass destruction.

The Presidents also agreed to start work without delay to develop the concept for global protection and to explore the potential for sharing early warning information and the potential for cooperation in developing ballistic missile defense capabilities and technologies.

The Durbin-Penny amendment sabotages that effort before it is started. Can't we take yes for an answer?

The Durbin-Penny amendment is behind the times and will severely affect all strategic defense programs. Vote "no" on the Durbin-Penny amendment.

Mr. GREEN of New York. Mr. Chairman, I am pleased to join my colleagues, Representatives PENNY and DURBIN, in offering this amendment to cut $700 million from the strategic defense initiative. Our amendment, while reducing funds for SDI, does not affect funding for theater missile defenses.

H.R. 5504, like the authorization bill approved by the House, provides $4.3 billion for SDI, including $2.1 billion for a limited defense system, and $1.1 billion for theater defenses. Just last year, Congress approved a record high total of $4.15 billion for SDI—a $1 billion increase from the previous year.

In this time of unprecedented budget deficits, the continued increased level of SDI spending makes no sense. And, if one listens to the Pentagon, this level of spending is dangerous from a strategic point of view. Early last month, the Pentagon's top program analyst, Dr. David Chu, said in an internal document that the current SDI plan risks failure by hastily pursuing the development of rocket-powered interceptors and ignoring significant performance tests.

Dr. Chu has recommended that we delay the system's deployment from 1997 until 2003, allowing adequate testing of prototypes. Essentially, Dr. Chu has warned that if we attempt to rush deployment, our system simply will not work. What we are attempting to do with the Penny-Durbin-Green amendment is to slow the program down—to ensure that we have taken the time to do the job right. By accepting the funding cut advocated by the Penny-Durbin-Green amendment, we move the SDI program toward the development of a more effective system that, in the process, saves the American taxpayer substantial money.

In addition to Dr. Chu's concerns, the Congressional Budget Office has estimated that a total SDI level of $3.3 billion for 1993 would be sufficient to deploy one land-based battery of interceptors by the turn of the century.

By accepting a cut of $700 million, the total spending level for SDI is $3.6 billion. This brings us down to a more rational and effective level of spending, and I urge my colleagues to support our amendment.

Mr. BENNETT. Mr. Chairman, I rise today in support of the Penny-Durbin amendment to reduce the level of funding for the strategic defense initiative to $3.6 billion. This seems to me to be an adequate and perhaps generous figure for the program this year.

I would like to address three issues related to the Penny amendment. They are the SDI budget, the schedule for an initial SDI deployment, and the threat of ballistic missile attack.

Let me discuss the budget first. The President submitted an SDI budget of $5.4 billion. This included $4.3 billion for strategic defense research and development and $1.1 billion for R&D on theater missile defense systems. The administration's budget is an outgrowth of last year's Missile Defense Act, which placed the Nation on the path to a rapid deployment of an initial SDI system that would be ground-based and ABM Treaty-complaint. The Missile Defense Act was approved by the Senate after the House had passed its version of the authorization bill and was ultimately included in the final conference report. As a result the House has not really had an opportunity to debate the merits of the Missile Defense Act until now.

The committee-approved SDI funding figure of $4.3 billion includes $3.2 billion for strategic defense and $1.1 billion for theater defense. But, it is important to recognize where the committee made its cuts.

The Defense Appropriations Subcommittee cut the administration request to $4.3 billion by eliminating all funding for the space-based interceptors and trimming the funding for research, support, and futuristic technologies. No funding was cut from the theater missile defense category or from the category that contains most of the money for the accelerated SDI deployment. Both of these categories were fully funded at the administration's requested level.

The Penny amendment of $3.6 billion also fully funds the administration's request for theater defenses, as it should since according to SDIO's own testimony this is the highest missile defense priority facing the nation.

The place where the Penny amendment and the committee position really differ is over how much should be spent in fiscal year 1992 to accelerate the deployment of an initial ground-based ABM system as outlined in the Missile Defense Act. The committee cut very little of the funding required to continue the accelerated deployment schedule. The Penny amendment would cut more of this but it would not preclude deployment of an initial ABM Treaty-compliant SDI system.

In my opinion the crash SDI deployment program outlined in the Missile Defense Act, and essentially funded in the committee bill, does not make sense on fiscal grounds, is contrary to sound acquisition practices, and is not required to meet the projected military threat. Some new documents back up my position.

A new report by the Congressional Budget Office makes it clear that we do not need to spend $4.3 billion on SDI in fiscal year 1993 unless we want an accelerated deployment. CBO states in its report that a level of $3.3 billion in fiscal year 1993 will be sufficient to move SDI research and development forward and allow for the deployment of a fully tested and operationally capable ABM system by the year 2003. The Penny amendment provides even more funding than this.

Fully testing the system before deployment will help keep cost growth down. However, in order to meet the accelerated deployment deadline SDIO will have to forgo much of the usual test program. Mr. Cooper has stated to the Senate Armed Services Committee that to meet a 1997 deployment deadline is "a major challenge with high concurrency and attendant high risk." Concurrency means that testing and production are completed simultaneously rather than in a sequence that allows the problems discovered during the test program to be ironed out before the system enters production. A 1988 report by the Congressional Budget Office on weapon system concurrency pointed out that, on average, high concurrency weapon programs experience cost growth increases of 288 percent.

Let me also add that according to Mr. Cooper's own testimony before the Senate, even if we spend massively to meet an accelerated SDI deployment deadline the Nation will not be protected from ballistic missile attack by 1997 because the initial site will not be fully operational until the year 2000. Even then, because we will have rushed the deployment of the system, it will require extensive and expensive retrofits to improve its capability.

The schedule risk and cost growth imposed by the accelerated SDI deployment schedule is even causing concern within the Department of Defense, as was emphasized in an analysis written by the Secretary of Defense's top weapon watchdog in which he states that the plan "is almost certain to suffer early significant cost growth and schedule slippage" and that pushing ahead with rush deployment of the interceptors and skipping important performance tests risks system failure. The DOD analysis suggests that the goal for an ABM deployment should be the year 2003 because this much time is required to fully test and evaluate the system so we can have high confidence that it will work once deployed.

The Penny amendment would allow us to fund the SDI program at a level that would allow for this necessary testing and deployment of this fully tested system in 2003, if such a system was needed given the status of the threat to our nation.

And, there are two major categories of threat that we need to be concerned with. First, there is the threat of an accidental or unauthorized launch from the former Soviet Union. Second is the development of a long-range ballistic missile by a Third World nation that may be hostile to us.

The threat of an accidental or unauthorized launch of a long-range missile against the United States from the former Soviet Union is of concern, but it is very unlikely as long as the leaders of the Commonwealth of Independent States [CIS] maintain strong control over their arsenals—as they have during the ten months since the coup. Defense Secretary Cheney just last week testified before the Senate Foreign Relations Committee that he saw "no diminution" of control over the long-range nuclear weapons of the CIS. This is a position that has been reiterated by the President and the Director of the CIA as well. In my opinion, there's no need to accelerate deployment to meet this threat.

Regarding the Third World threat, the Director of the CIA, Robert Gates, testified before the Congress earlier this year that beyond China and the CIS, the CIA does not expect new long-range missile threats to the United States to appear for at least another decade. That means not before 2003. The Penny amendment meets this goal.

Mr. Chairman, the fiscal condition of our Nation is too deteriorated to spend more than is necessary on any federally funded program. If we pace our expenditures to the threat, and fully test the SDI system elements, we can make significant yearly savings in the SDI budget. And we will be able to deploy an operationally effective ABM system by 2003 if such a system is needed. This approach makes sense from both a fiscal and security standpoint. This approach is embodied in the Penny amendment. I hope that my colleagues will join me in supporting it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DURBIN].

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

RECORDED VOTE

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

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 201, noes 217, not voting 16, as follows:

[Roll No. 263]

AYES—201

Abercrombie	DeFazio	Gejdenson
Ackerman	DeLauro	Gephardt
Alexander	Dellums	Gibbons
Andrews (ME)	Derrick	Gilchrest
Anthony	Dingell	Gilman
Applegate	Dixon	Glickman
Atkins	Donnelly	Gordon
AuCoin	Dooley	Grandy
Bellenson	Dorgan (ND)	Green
Bennett	Downey	Guarini
Berman	Duncan	Hall (OH)
Blackwell	Durbin	Hall (TX)
Boucher	Early	Hayes (IL)
Boxer	Eckart	Henry
Brooks	Edwards (CA)	Hertel
Brown	Engel	Hochbrueckner
Bruce	Espy	Horn
Bryant	Evans	Hughes
Cardin	Ewing	Jacobs
Carper	Fawell	Jefferson
Carr	Fazio	Johnson (SD)
Clay	Feighan	Johnston
Clement	Fish	Jones (GA)
Collins (MI)	Flake	Jones (NC)
Condit	Foglietta	Jontz
Conyers	Ford (MI)	Kaptur
Costello	Ford (TN)	Kennedy
Cox (IL)	Frank (MA)	Kildee
Kleczka	Neal (NC)	Sawyer
Klug	Nussle	Scheuer
Kopetski	Oakar	Schroeder
Kostmayer	Oberstar	Schumer
LaFalce	Obey	Sensenbrenner
Lantos	Olin	Serrano
LaRocco	Olver	Sharp
Laughlin	Orton	Shays
Leach	Owens (NY)	Sikorski
Lehman (CA)	Owens (UT)	Skaggs
Lehman (FL)	Pallone	Slattery
Levin (MI)	Panetta	Slaughter
Levine (CA)	Pastor	Solarz
Lewis (GA)	Payne (NJ)	Staggers
Long	Payne (VA)	Stallings
Lowey (NY)	Pease	Stokes
Luken	Pelosi	Studds
Manton	Penny	Swift
Markey	Perkins	Synar
Marlenee	Peterson (MN)	Thomas (CA)
Matsui	Porter	Thomas (WY)
Mavroules	Poshard	Torres
Mazzoli	Price	Torricelli
McDermott	Pursell	Towns
McHugh	Rahall	Unsoeld
McMillen (MD)	Ramstad	Valentine
Meyers	Rangel	Vento
Mfume	Reed	Visclosky
Miller (CA)	Ridge	Washington
Mineta	Roe	Waters
Mink	Rostenkowski	Waxman
Moakley	Roth	Weiss
Moody	Roukema	Wheat
Moran	Russo	Williams
Morella	Sabo	Wise
Mrazek	Sanders	Wolpe
Murphy	Sangmeister	Wyden
Nagle	Santorum	Yates
Neal (MA)	Sarpalius	Yatron

NOES—217

Allard	Dwyer	Kolter
Allen	Edwards (OK)	Kyl
Anderson	Edwards (TX)	Lagomarsino
Andrews (NJ)	Emerson	Lancaster
Andrews (TX)	English	Lent
Annunzio	Erdreich	Lewis (CA)
Archer	Fascell	Lewis (FL)
Armey	Fields	Lightfoot
Aspin	Franks (CT)	Lipinski
Bacchus	Frost	Livingston
Baker	Gallegly	Lloyd
Barrett	Gallo	Machtley
Barton	Gaydos	Martin
Bateman	Gekas	Martinez
Bentley	Geren	McCandless
Bereuter	Gillmor	McCloskey
Bevill	Gingrich	McCollum
Bilbray	Gonzalez	McCrery
Bilirakis	Goodling	McCurdy
Bliley	Goss	McDade
Boehlert	Gradison	McEwen
Boehner	Gunderson	McGrath
Borski	Hamilton	McMillan (NC)
Brewster	Hammerschmidt	McNulty
Browder	Hancock	Michel
Bunning	Hansen	Miller (OH)
Burton	Harris	Miller (WA)
Byron	Hastert	Molinari
Callahan	Hatcher	Mollohan
Camp	Hayes (LA)	Montgomery
Campbell (CA)	Hefley	Moorhead
Campbell (CO)	Herger	Morrison
Chandler	Hoagland	Murtha
Clinger	Hobson	Myers
Coble	Holloway	Natcher
Coleman (MO)	Hopkins	Nichols
Coleman (TX)	Horton	Nowak
Combest	Houghton	Ortiz
Cooper	Hoyer	Oxley
Coughlin	Hubbard	Packard
Coyne	Huckaby	Parker
Cramer	Hunter	Patterson
Crane	Hutto	Paxon
Cunningham	Hyde	Peterson (FL)
Dannemeyer	Inhofe	Petri
Darden	Ireland	Pickett
Davis	James	Pickle
de la Garza	Jenkins	Quillen
DeLay	Johnson (CT)	Ravenel
Dickinson	Johnson (TX)	Ray
Dicks	Kanjorski	Regula
Doolittle	Kasich	Rhodes
Dornan (CA)	Kennelly	Richardson
Dreier	Kolbe	Riggs
Rinaldo	Smith (IA)	Thornton
Ritter	Smith (NJ)	Traficant
Roberts	Smith (OR)	Upton
Roemer	Smith (TX)	Vander Jagt
Rogers	Snowe	Volkmer
Rohrabacher	Solomon	Vucanovich
Ros-Lehtinen	Spence	Walker
Rose	Spratt	Walsh
Rowland	Stearns	Weldon
Roybal	Stenholm	Whitten
Saxton	Stump	Wilson
Schaefer	Sundquist	Wolf
Schiff	Swett	Wylie
Schulze	Tallon	Young (AK)
Shaw	Tanner	Young (FL)
Shuster	Tauzin	Zeliff
Sisisky	Taylor (MS)	Zimmer
Skeen	Taylor (NC)	
Skelton	Thomas (GA)	

NOT VOTING—16

Ballenger	Collins (IL)	Smith (FL)
Barnard	Cox (CA)	Stark
Bonior	Dymally	Traxler
Broomfield	Hefner	Weber
Bustamante	Lowery (CA)	
Chapman	Savage	

□ 1259

The Clerk announced the following pairs:

On this vote:

Mr. Smith of Florida for, with Mr. Bustamante against.

Mrs. Collins of Illinois for, with Mr. Ballenger against.

Messrs. COUGHLIN, PETRI, COBLE, and SMITH of Texas changed their vote from "aye" to "no."

Messrs. HENRY, MATSUI, and THOMAS of Wyoming changed their vote from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. YOUNG of Florida. Mr. Chairman, I move to strike the last word.

Mr. Chairman, the report which explains this bill establishes for the first time the intent of the Congress with regard to the recommendation of the 1991 Base Closure and Realignment Commission to close the airfield at MacDill Air Force Base and to relocate the Joint Communications Support Element which is currently based there. The stated intent is for the Department to delay the implementation of that portion of the recommendation and to reconsider that decision as it would affect the needs of the two commands which will remain there when the Air Force relocates its F–16 fighter training wing.

As a member of both the Defense Subcommittee and the House Permanent Select Committee on Intelligence, I am very familiar with the very unique and highly classified elements of the Special Operations Command and the Central Command which are both headquartered at MacDill. So when the Base Closure Commission recommended the closure of the airfield, I knew that facility was essential to the missions of those commands and I began to make a case for retaining the air operations.

Just after Desert Storm and just before he retired as commander in chief of Central Command, I discussed this

matter with Gen. Norman Schwarzkopf at his appearance before the Intelligence Committee. He confirmed my assertion that the airfield was essential to his mission.

At a hearing on the needs of the Special Operations Command before the Defense Subcommittee, I asked Gen. Carl Stiner, the commander in chief of the Special Operations Command, if his headquarters could function at a facility that does not have aviation capability? He said "It would be very, very difficult because you have two major headquarters at MacDill and they are going to remain there."

And during a hearing on March 4, of this year, I asked the current commander in chief of the Central Command, Gen. Joseph Hoar, how he felt about keeping the airfield open. He said, "Carl Stiner and I, the commander of the Special Operations Command, signed a joint letter to the chairman asking him to reconsider with respect to keeping the airfield open. We feel that for operational reasons for both commands, it is very important."

He went on to say, "in my judgment, it is very worthwhile to keep that airfield open."

So, Mr. Chairman, with this testimony and with a body of evidence which cannot be discussed in this forum because of its national security classification, the committee has included strong language about its concerns with regard to keeping the MacDill airfield open and retaining the Joint Communications Support Element there in the report which accompanies this bill. I will insert that portion of the report in the RECORD.

MACDILL AIR FORCE BASE AIRFIELD OPERATIONS

MacDill Air Force Base is the home of the Central Command, the Special Operations Command, the Joint Communications Support Element and the Air Force's 56th Tactical Fighter Training wing. The 1991 Base Closure Commission initially recommended the realignment of the fighter training wing and Joint Communications Support Element to other locations and the closure of the airfield, but decided to keep the Base open after becoming convinced it would be far too expensive to relocate Central Command and/or the Special Operations Command. Both the Commander in Chiefs (CINCs) of the Central Command and Special Operations Command have testified before the Committee that the aviation activities at MacDill are critical to their mission and that they have recommended to the Chairman of the Joint Chiefs that the decision to close the airfield be reconsidered.

The Committee has also determined that it would be far too expensive to relocate these two joint commands. In light of the strong testimony from the CINCs that the airfield is essential to their operations the Committee strongly suggests that the Secretary seriously consider options to continue airfield operations to support the missions of CENTCOM and SOCOM, and any other commands or Federal agencies that could be transferred to MacDill AFB area in the future. One such option would be to contract out the airfield operations as a cost effective way to meet CENTCOM and SOCOM requirements. Furthermore, because of the nature of CENTCOM and SOCOM missions, the Department should certainly consider the security risks of deploying CENTCOM and SOCOM units from other than a secure aviation facility. If such an option is feasible, the Committee recommends that funding for the airfield operations and other related costs be included in the budget of the U.S. Special Operations Command.

In view of the testimony before the Committee and the possible unnecessary costs associated with moving ahead with the current plans, the Committee strongly suggests that the Secretary delay all activity associated with closing the airfield and moving the Joint Communications Support Element until after the next Base Closure and Realignment Commission process commences.

While the Committee still questions the advisability of consolidating the F–16 training mission at Luke Air Force Base because of ground encroachment problems which have developed there since the 1991 Base Closure proceedings, nothing in this report should be interpreted as interfering with those plans.

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

Mr. Chairman, I ask the distinguished chairman of the subcommittee to engage in a colloquy on the intent of section 9032, which provides that no CHAMPUS fiscal intermediary contract may be modified to require the fiscal intermediary contract to provide support for managed care unless DOD also solicits competitive at-risk proposals.

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

Mr. PICKETT. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. Mr. Chairman, the gentleman from Virginia [Mr. PICKETT] is absolutely correct. Section 9032 is designed to address only the future delivery of managed care service in the Tidewater and any similar projects elsewhere.

Mr. PICKETT. Mr. Chairman, I thank the gentleman.

Mr. Chairman, I yield to the gentlewoman from Ohio [Ms. OAKAR].

Ms. OAKAR. Mr. Chairman, I thank the gentleman for yielding to me.

Mr. Chairman, I know that the Department of Defense has an ongoing relationship with the National Institutes of Health, and it is a cooperation that is vital to the well-being of our armed services. It was actively engaged during Desert Storm and Desert Shield, and the chairman of the committee has been a champion when it comes to women's health in the armed services.

To this end I have fought to provide for some very critical needs and funding for women's health research. I and my colleagues from the women's caucus have fought for $300 million more for breast cancer research, $40 million for osteoporosis research, $75 million for research in cervical and ovarian cancer, some of those neglected areas of research.

It is my understanding that the current levels provided for in this bill would allow the chairman to allocate an additional $500 million to a special DOD account for NIH to help fund these needs in women's health research.

Mr. Chairman, is that correct?

Mr. MURTHA. I would say to the gentlewoman [Ms. OAKAR] who has been in the forefront on these issues, she came to me two days ago, and I certainly agree with her recommendation that this kind of money that is provided for Health and Human Service (HHS) should be used in these areas. I know they have to make their own decisions, but I certainly agree that they need more money in these areas, and the preventive care that these would provide would actually save not only suffering but a lot of money.

Ms. OAKAR. Mr. Chairman, let me thank the gentleman again. I am going to interpret that as a positive answer.

Let me also commend him for not only this issue and for being sensitive about it, but for his efforts to investigate and eliminate sexual harassment and sex-based discrimination in the military. I for one really applaud him for his reaction to the Tailhook incident, and the insensitively of a selective number of the upper echelon and other Navy personnel for ignoring the women who serve this country, who went through the system with their complaints, and somehow now they are being castigated as having something wrong with them because they did not want to be harassed and practically getting raped.

To me it is reminiscent of the way the upper echelon treated Clayton Hardwick, that whole incident, when they blamed a young man and demeaned his reputation for an explosion that we all know was not caused by this dead sailor.

I want to compliment the gentleman. It is not easy to come out right on these issues, and I am glad it came from him.

AMENDMENT OFFERED BY MR. BURTON OF INDIANA

Mr. BURTON of Indiana. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BURTON of Indiana: Page 43, strike out line 22 and all that follows through line 9 on page 44.

Mr. BURTON of Indiana. Mr. Chairman, I will not make my usual impassioned plea today to cut pork by going into all the sordid details about the budget deficit and the impending economic collapse of the nation if we do not get control of our spending. I think the Members have heard that enough this week. I may bring it up next week again.

Today I want to talk briefly about a project.

Mr. DICKS. Mr. Chairman, will the gentleman yield for a brief comment?

Mr. BURTON of Indiana. I am happy to yield to my colleague, the gentleman from Washington.

Mr. DICKS. Mr. Chairman, I was somewhat surprised that the gentleman would not mention the fact that the Subcommittee on Defense of the Committee on Appropriations has reduced the budget from last year's funding level by $17 billion in budget authority.

Mr. BURTON of Indiana. If the gentleman had been on the floor earlier, he would have heard me say that.

Mr. DICKS. Then I commend the gentleman for his comments.

Mr. BURTON of Indiana. Mr. Chairman, in my view this amendment is one of the most blatant pork barrel projects that we have seen come before this body. This is a $10 million no-strings-attached grant to the Edward R. Roybal Foundation in California. According to this bill, this is an unrestricted grant to support the foundation's educational and public service programs for caregivers, practitioners, and educators specializing in applied gerontology.

I do not know what in the world this has to do with the Defense budget and Defense appropriation bill. The report language says that the grant will provide an educational opportunity for individuals adversely affected by personnel reductions in the Department of Defense and defense-related industries. This is a flimsy excuse for diverting defense money to nondefense purposes. This is a back-door attempt to knock down the firewalls between defense and domestic spending.

On March 31, the House overwhelmingly rejected legislation to break down the firewalls by a vote of 238 to 187. If this foundation needs Federal money, it should apply for money through the existing Federal medical research assistance programs, and not through the Defense appropriation bill. We should not be giving a $10 million no-strings-attached grant to a private foundation. This is pure, unadulterated pork.

This grant has not been authorized by the Committee on Armed Services. In fact, the authorizing provision is contained in this appropriation bill, and this was not requested by the administration.

My colleagues know the fiscal problems this country faces. They know about the deficit. They know about the national debt. They have heard what I have said and others have said about the possibility of a real economic calamity if we do not get control of spending. Here is $10 million to a private foundation that is pure unadulterated pork that does not even belong in the Defense appropriations bill, and I hope my colleagues will vote to take it out.

□ 1310

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

Let me just say to my colleagues I think we really are talking about a very worthwhile foundation that just happens to be named after one of our distinguished Members.

The foundation would offer application of skills to both traditional and older adult students, target individuals adversely affected by drawdown in military and its related industries, offer a credit certificate program in applied gerontology for caregivers and practitioners undergraduate, graduate, and doctoral candidates, involve a partnership between Cal State and L.A. and the surrounding multiethnic community, and the foundation provides scholarships.

So it helps in many ways people who are getting out of the service. We are spending a billion dollars for economic conversion, and we think this should be a part of that bill, and I would ask that we go forward and defeat this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. BURTON].

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

RECORDED VOTE

Mr. BURTON of Indiana. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken be electronic device, and there were—ayes 218, noes 200, not voting 16, as follows:

[Roll No. 264]

AYES—218

Allard	Cunningham	Hansen
Allen	Dannemeyer	Harris
Andrews (ME)	Davis	Hastert
Andrews (TX)	DeLay	Hayes (LA)
Archer	Derrick	Hefley
Armey	Dickinson	Henry
AuCoin	Doolittle	Herger
Baker	Dorgan (ND)	Hoagland
Ballenger	Dornan (CA)	Hobson
Barrett	Dreier	Holloway
Barton	Duncan	Hopkins
Bentley	Durbin	Houghton
Bereuter	Eckart	Hubbard
Bevill	Edwards (OK)	Huckaby
Bilbray	Edwards (TX)	Hunter
Bliley	Emerson	Hutto
Boehlert	English	Hyde
Boehner	Erdreich	Inhofe
Boxer	Ewing	Jacobs
Brewster	Fawell	James
Browder	Fields	Jenkins
Bruce	Fish	Johnson (CT)
Bryant	Franks (CT)	Johnson (TX)
Bunning	Gallegly	Johnston
Burton	Gallo	Jones (GA)
Callahan	Gekas	Kasich
Camp	Gillmor	Klug
Carper	Gingrich	Kolbe
Chandler	Glickman	Kopetski
Coble	Goodling	Kostmayer
Coleman (MO)	Goss	Kyl
Combest	Gradison	LaFalce
Condit	Grandy	Lagomarsino
Cooper	Guarini	Laughlin
Costello	Gunderson	Leach
Cox (CA)	Hall (OH)	Lehman (CA)
Cox (IL)	Hall (TX)	Lent
Cramer	Hamilton	Lewis (FL)
Crane	Hancock	Long
Machtley	Porter	Smith (NJ)
Marlenee	Poshard	Smith (OR)
Martin	Pursell	Smith (TX)
Mazzoli	Quillen	Snowe
McCandless	Rahall	Solomon
McCollum	Ramstad	Spence
McCrery	Ravenel	Spratt
McCurdy	Ray	Staggers
McEwen	Regula	Stallings
McGrath	Rhodes	Stearns
McHugh	Ridge	Stenholm
McMillan (NC)	Riggs	Stump
Meyers	Ritter	Sundquist
Mfume	Roberts	Swett
Michel	Roemer	Synar
Miller (WA)	Rogers	Tauzin
Molinari	Rohrabacher	Taylor (NC)
Moody	Roth	Thomas (CA)
Moran	Roukema	Thomas (WY)
Morella	Rowland	Torricelli
Morrison	Santorum	Unsoeld
Murphy	Sarpalius	Upton
Neal (NC)	Sawyer	Valentine
Nichols	Saxton	Vento
Nussle	Schaefer	Volkmer
Orton	Schiff	Walker
Owens (UT)	Schulze	Weber
Oxley	Sensenbrenner	Weldon
Packard	Sharp	Williams
Patterson	Shaw	Wolpe
Paxon	Shays	Wylie
Pease	Shuster	Zeliff
Penny	Sikorski	Zimmer
Petri	Slattery	

NOES—200

Abercrombie	Gaydos	Mollohan
Ackerman	Gejdenson	Montgomery
Alexander	Gephardt	Moorhead
Anderson	Geren	Mrazek
Andrews (NJ)	Gibbons	Murtha
Annunzio	Gilchrest	Myers
Anthony	Gilman	Nagle
Applegate	Gonzalez	Natcher
Aspin	Gordon	Neal (MA)
Atkins	Green	Nowak
Bacchus	Hammerschmidt	Oakar
Bateman	Hatcher	Oberstar
Beilenson	Hayes (IL)	Obey
Bennett	Hertel	Olin
Berman	Hochbrueckner	Olver
Bilirakis	Horn	Ortiz
Blackwell	Horton	Owens (NY)
Borski	Hoyer	Pallone
Boucher	Hughes	Panetta
Brown	Ireland	Parker
Byron	Jefferson	Payne (NJ)
Campbell (CA)	Johnson (SD)	Payne (VA)
Cardin	Jones (NC)	Pelosi
Carr	Jontz	Perkins
Chapman	Kanjorski	Peterson (FL)
Clay	Kaptur	Peterson (MN)
Clement	Kennedy	Pickett
Clinger	Kennelly	Pickle
Coleman (TX)	Kildee	Price
Collins (MI)	Kleczka	Rangel
Conyers	Lancaster	Reed
Coughlin	Lantos	Richardson
Coyne	LaRocco	Rinaldo
Darden	Lehman (FL)	Roe
de la Garza	Levin (MI)	Ros-Lehtinen
DeFazio	Levine (CA)	Rose
DeLauro	Lewis (CA)	Rostenkowski
Dellums	Lewis (GA)	Roybal
Dicks	Lightfoot	Russo
Dingell	Lipinski	Sabo
Dixon	Livingston	Sanders
Donnelly	Lloyd	Sangmeister
Dooley	Lowery (CA)	Scheuer
Downey	Lowey (NY)	Schroeder
Dwyer	Luken	Schumer
Early	Manton	Serrano
Edwards (CA)	Markey	Sisisky
Engel	Matsui	Skaggs
Espy	Mavroules	Skeen
Evans	McCloskey	Skelton
Fascell	McDade	Slaughter
Fazio	McDermott	Smith (IA)
Feighan	McMillen (MD)	Solarz
Flake	McNulty	Stark
Foglietta	Miller (CA)	Stokes
Ford (MI)	Miller (OH)	Studds
Ford (TN)	Mineta	Swift
Frank (MA)	Mink	Tallon
Frost	Moakley	Tanner

Taylor (MS)	Vucanovich	Wise
Thomas (GA)	Walsh	Wolf
Thornton	Waters	Wyden
Torres	Waxman	Yates
Towns	Weiss	Yatron
Traficant	Wheat	Young (AK)
Vander Jagt	Whitten	Young (FL)
Visclosky	Wilson	

NOT VOTING—16

Barnard	Collins (IL)	Savage
Bonior	Dymally	Smith (FL)
Brooks	Hefner	Traxler
Broomfield	Kolter	Washington
Bustamante	Martinez	
Campbell (CO)	Pastor	

□ 1332

Mrs. KENNELLY, Mr. DIXON, and Mr. BEILENSON changed their vote from "aye" to "no."

Mrs. JOHNSON of Connecticut, Messrs. KOSTMAYER, STALLINGS, SYNAR, SHARP, RIGGS, TORRICELLI, PENNY, MAZZOLI, CONDIT, CRAMER, DAVIS, GEKAS, FISH, and MFUME, Mrs. UNSOELD, Mrs. BOXER, and Mr. BILBRAY changed their vote from "no" to "aye."

So the amendment was agreed to.

The result of the vote was announced as above recorded.

□ 1330

AMENDMENT OFFERED BY MR. PENNY

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

The Clerk read as follows:

Amendment offered by Mr. PENNY;

Page 24, line 6, strike out "$3,337,482,000" and insert in lieu thereof "$2,550,680,000".

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

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The CHAIRMAN. The Chair will advise Members that all debate time has expired.

Mr. PENNY. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. PENNY. Mr. Chairman, this is one of three bipartisan amendments which I and my colleagues intend to offer dealing with cold war weapon systems which continue to be funded at very high levels. These amendments will save taxpayers a total of $4.1 billion. This is a chance for Members on both sides of the aisle to vote for significant deficit reduction.

This particular amendment, offered by myself and the gentleman from Oregon [Mr. AUCOIN], reduces the Navy weapons procurement account by $787 million—the amount the bill appropriates to procure 17 Trident II, D–5, missiles. As you know, the D–5 missile was developed during the cold war for the Navy as a hard target kill system which could destroy hard targets such as ICBM silos and underground command bunkers in the Soviet Union. The D–5 missile is deployed on the Navy's Trident II submarines.

In February of this year, I introduced legislation to terminate procurement of the D–5 missile after about 275 missiles at the end of fiscal year 1992. Each of these D–5 missiles is capable of carrying 8 nuclear warheads or a total of 2,000 nuclear warheads. With an inventory of 275 D–5 missiles, the Navy could deploy 6 D–5 equipped Trident submarines, with 1,152 warheads, and still have nearly 130 extra D–5 missiles for tests and evaluations.

In February of this year, the Congressional Budget Office reported that just "six D–5 submarines would have more potential to destroy hardened targets than today's entire ballistic missile submarine fleet." With the end of the cold war and the breakup of the Soviet Union, the threat of nuclear war with Russia is extremely remote. In addition, 2 weeks ago, the United States and Russia agreed to sharp reductions in nuclear weapons. The United States is to be limited to 1,728 warheads on strategic submarines, down from the current level of 5,000 warheads. Since the United States already has enough D–5 missiles produced to carry 1,152 nuclear warheads, and since the United States also has an additional 8 trident I, C–4, submarines—deployed with another 1,536 warheads—it seems logical that we do not need to produce any more D–5 missiles.

Before I yield my time, I would like to thank Chairman ASPIN for requesting—on my behalf—that the Congressional Budget Office study the alternatives to continuing with procurement of the D–5 missile. I would also like to thank Chairman MURTHA for already reducing the administration's request for D–5 procurement by four missiles and $200 million. This was an important first step and sends a strong message to the Pentagon that there are implications for the D–5 missile due to the end of the cold war.

I would simply suggest we send an even stronger message to the Pentagon by supporting my amendment and in the process saving the taxpayers this year nearly $787 million.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. PENNY].

The amendment was rejected.

AMENDMENT OFFERED BY MR. KASICH

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

The Clerk read as follows:

Amendment offered by Mr. KASICH:

Page 119, after line 2, insert the following new section:

SEC. 9131. Amounts appropriated in this Act for operation and maintenance for the Navy (for the payment of severance pay to foreign nationals employed by the Department of Defense in the Republic of the Philippines) shall be reduced by $52,000,000.

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

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

Mr. AUCOIN. Reserving the right to object, Mr. Chairman, I do not intend to object, but I would like to have some means by which to know on behalf of the membership, if debate time has been exhausted.

The CHAIRMAN. The Chair will restate the situation.

There are two amendments remaining with time designated under the rule. Those amendments may be offered and debated to the extent provided for in the rule. Other amendments may be offered, but all time for debate has expired. Therefore, other amendments may be offered but not debated.

The gentleman from Oregon has time under a reservation of objection to the unanimous consent of the gentleman from Ohio [Mr. KASICH].

Does the gentleman from Oregon yield under his reservation?

Mr. AUCOIN. Further reserving the right to object, Mr. Chairman, my point is, is it going to be possible for the membership to know when an amendment is offered and somebody asks unanimous consent for the amendment not to be read, and I want to accommodate people who make such a unanimous-consent request. I do not want to object to those things, but is there some way in which the membership can know whether it is an amendment that has been contemplated under the rule?

Second, Mr. Chairman, would it be possible under a unanimous-consent request for Members to at least describe their amendments?

The CHAIRMAN. Unanimous-consent requests may be made. A Member may reserve the right to object and engage in discussion.

Mr. AUCOIN. Mr. Chairman, I have to exercise that option, and in this case I would like to have an explanation of the amendment.

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

Mr. AUCOIN. I yield to the gentleman from Ohio.

Mr. KASICH. Mr. Chairman, I say to the gentleman, what the Chair has suggested, I have an amendment, and if I ask unanimous consent to be able to explain my amendment in one minute, if nobody objects, it could be done. I would think we would be able to achieve that.

Mr. AUCOIN. Mr. Chairman, I will tell the gentleman, I would not object if that is what other Members have an intent to do, but I would object if there is no such intention.

Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio [Mr. KASICH].

Mr. DICKS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will continue the reading of the amendment.

The Clerk concluded the reading of the amendment.

Mr. KASICH. Mr. Chairman, I ask unanimous consent that I may have 30 seconds to explain the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. KASICH. Mr. Chairman, what the amendment does is to conform the appropriations bill with the authorizing bill that stops the payment of $52 million in severance pay to the Filipinos when they threw us out of their country. We do not think we ought to pay this.

I have checked with the chairman and the ranking member.

Mr. MURTHA. Mr. Chairman, we have no objection to the amendment.

□ 1340

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. KASICH].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. DORGAN OF NORTH DAKOTA

Mr. DORGAN of North Dakota. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DORGAN of North Dakota: Page 119, after line 2, add the following new section:

SEC. 9131. The total amount appropriated to or for the use of the Department of Defense by this Act is reduced by $200,000,000 to reflect savings resulting from the decreased use of consulting services by the Department of Defense. The Secretary of Defense shall allocate the amount reduced in the preceding sentence and not later than March 1, 1993, report to the Senate and the House Committees on Appropriations and Armed Services how this reduction was allocated among the Services and Defense Agencies. *Provided*, That this section does not apply to the reserve components.

Mr. DORGAN of North Dakota (during the reading). Mr. Chairman, I ask unanimous consent the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

The CHAIRMAN. The amendment offered by the gentleman from North Dakota [Mr. DORGAN] has been printed in the rule, and under the rule, the gentleman from North Dakota is recognized for 10 minutes, and a Member opposed will be recognized for 10 minutes.

Is there a Member opposed?

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

The CHAIRMAN. The gentleman from Pennsylvania [Mr. MCDADE] will be recognized for 10 minutes.

The Chair recognizes the gentleman from North Dakota [Mr. DORGAN].

Mr. DORGAN of North Dakota. Mr. Chairman, under my time I would like to yield for a colloquy to the gentleman from Montana [Mr. WILLIAMS].

Mr. WILLIAMS. I thank the gentleman for yielding to me, and I would like to engage the chairman of the Subcommittee on Defense Appropriations in a colloquy concerning the strategic environmental research section of the defense appropriations bill.

Mr. Chairman, the Defense Appropriation's Subcommittee has set aside funds for the National Environmental Waste Technology Testing and Evaluation Center to develop and use new technologies to begin the remediation and cleanup of residual waste.

Mr. Chairman, is it your understanding that any contaminated waste samples will be only the low-toxicity waste currently identified at the DOD sites in Montana with environmental problems as well as other contaminated water sites in the State. Furthermore is it your understanding that any contaminated waste samples be only test samples from the 77 DOD sites in Montana to be shipped back to the originator when testing is completed.

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

Mr. WILLIAMS. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. I thank the gentleman for yielding.

Mr. Chairman, that is my understanding.

Mr. WILLIAMS. I thank the gentleman from Pennsylvania for his comments, and I thank the gentleman from North Dakota [Mr. DORGAN] for yielding.

Mr. DORGAN of North Dakota. Mr. Chairman, the amendment that the clerk was reading is an amendment that is rather simple.

Mr. Chairman, I rise today to offer an amendment with my colleagues Mr. PENNY and Mrs. BOXER to cut $500 million from the Defense appropriations bill. This cut in funding for excess secondary defense items such as spare parts, clothing, and medical supplies should be affirmed for many reasons:

DOD sells unneeded secondary inventory for a mere 2 percent of actual value. Taxpayers take a 98-percent loss. In 1990, this wasteful practice cost American taxpayers $10 billion.

According to GAO, defense inventory management is one of 16 government activities that are highly vulnerable to mismanagement, fraud, and abuse. GAO recommends a $5 billion cut this year for spending on unneeded items.

Currently, DOD admits having more than $21 billion in unneeded secondary defense inventory on hand. Nonetheless, it was found last year that DOD ordered an additional $2.5 billion in unneeded secondary stockpiles.

A recent audit found that Army units at 13 divisions had $184 million in spares above their needs. Air Force inventories increased by 110 percent between 1987 and 1990. Meanwhile, buying commands continued purchasing these same items they already had in stock.

DOD's own inspector general has acknowledged that the defense supply system is irresponsible, ordering secondary items far above current needs and wholly unrelated to future needs.

The cold war is over. We must take this opportunity to make responsible cuts in our defense spending in order to cut the towering Federal deficit. This amendment is responsible and carefully crafted to make sensible reductions that will not impair defense readiness. This amendment also carries forward findings from the Democratic Caucus Task Force on Government Waste.

In short, there are good, sound reasons to cut $500 million in spending for excess secondary defense items. Our amendment to H.R. 5504 will give every Member a chance to reinforce the House position on this important matter. This is an excellent opportunity for defense savings that will not impair our national security.

The text of the amendment follows:

Page 119, after line 2, add the following new section:

SEC. 9131. The total amount appropriated to or for the use of the Department of Defense by this Act is reduced by $500,000,000 to reflect savings with respect to secondary excess inventory items of the Department of Defense. The Secretary of Defense shall allocate the amount reduced in the preceding sentence and not later than March 1, 1993, report to the Senate and the House Committees on Appropriations and Armed Services how this reduction was allocated among the Services and Defense Agencies: *Provided*, That this section does not apply to the reserve components.

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

Mr. DORGAN of North Dakota. I am happy to yield to the gentleman from Pennsylvania.

Mr. MURTHA. I thank the gentleman for yielding.

Mr. Chairman, we have tried to stay on top of this excess inventory. As a matter of fact, we took out $1 billion in rescissions earlier this year. We agree something needs to be taken out of it, so we will agree to the amendment. We think that it may be a little bit too much, but we will adjust it in conference.

So, Mr. Chairman, we accept the amendment.

Mr. DORGAN of North Dakota. Mr. Chairman, I yield to the gentleman from Minnesota [Mr. PENNY].

Mr. PENNY. I thank the gentleman for yielding.

Mr. Chairman, I also want to express my appreciation to the chairman of the subcommittee, the gentleman from Pennsylvania [Mr. MURTHA] for his work with us on this issue. I know that he feels the level of the cut is deeper than can prudently be accommodated, but we feel quite strongly that the inventories have grown significantly over the last number of years and some reduction in the budget for the coming year is in order and would indicate our willingness to continue to work with the chairman to manage this cut appropriately.

Mr. DORGAN of North Dakota. Mr. Chairman, once again this would cut $500 million.

If we have an affirmative voice vote, I would not expect to call for a record vote on this matter.

I would ask those who rose in opposition if they are determined to use the time? If they determine not to, I would yield back the balance of my time, but I would inquire of the gentleman what his intentions are.

Mr. MCDADE. Mr. Chairman, I would urge the gentleman to yield back his time. I have a colleague to whom I need to yield for some comments not directly on point. I know the gentleman is sincere. I do not fully agree, but we expect to accept it on this side.

Mr. DORGAN of North Dakota. Mr. Chairman, I reserve the balance of my time.

Mr. MCDADE. Mr. Chairman, I yield 2 minutes to the gentleman from Texas [Mr. BARTON].

Mr. BARTON of Texas. Mr. Chairman, I will not use the entire amount of time.

I rise to object to the provision in this bill, title IX, section 9115 of the fiscal year 1993 Defense appropriations bill prohibiting funds for the Pentagon to assist in the sale of LTV to Thomson-CSF.

Clearly, while disguised as a limitation on funding, section 9115 constitutes legislation on an appropriations bill and is therefore in violation of clause 2, rule 21 of the House Rules prohibiting such violations of the authorizing committee's jurisdiction.

In this instance the House Armed Services Committee has conducted a series of oversight investigative hearings and is in the process of verifying agency recommendations on the proposed sale of LTV to Thomson-CSF. Accordingly, it clearly is premature and inappropriate at this time for the Defense Appropriations Committee to legislate on this matter before the Armed Services Committee holds its scheduled July 8 conclusory hearings on the proposed bankruptcy purchase transaction. Mr. Chairman, I would move to raise a point of order on section 9115 at this time were such a point of order available to me under the rule bringing this bill to the floor of the House.

As the Rules Committee chose to waive such points of order, I intend to press this matter in the conference and on the conference bill on this issue.

I will not move to strike this section 9115 provision at this time as this issue largely will be mooted by the actions of the House Armed Services Committee having jurisdiction, and by the decision of the President shortly under the Exon-Florio procedures established by the Congress in 1988 for business mergers having national security interests.

Mr. MCDADE. Mr. Chairman, we accept the amendment offered by the gentleman from North Dakota [Mr. DORGAN].

Mr. DERRICK. Mr. Chairman, I rise in support of the Dorgan-Boxer-Penny amendment to cut $500 million in funding for costly excess defense inventories.

This amendment would not hamper readiness because the cuts would be targeted specifically at excess inventories of such things as spare parts, clothing, and medical supplies. When I say excess, I'm talking about items the armed services don't even need.

This is an area where GAO has identified incredible amounts of waste over the last 20 years in more than 130 reports. And DOD's own inspector general has acknowledged that the defense supply system orders secondary items far above current needs and entirely unrelated to any future needs.

Some recent findings point out the great need to cut funding for excess inventories:

For instance, though DOD acknowledges having $21 billion in unneeded surpluses on hand, it was found last year that an additional $2.5 billion in useless extra inventories were on order.

A recent audit revealed Army units at 13 divisions had $184 million in spares above their needs; meanwhile, buying commands were purchasing these same parts.

While Air Force inventories were increasing by 110 percent between 1987 and 1990, buying commands continued to purchase spare parts they already had.

Mr. Chairman, this is clearly an area where we can cut without diminishing readiness. I ask my colleagues to vote for the Dorgan-Boxer-Penny amendment and to cut the fat in excess DOD inventories.

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

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota [Mr. DORGAN].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. DORGAN OF NORTH DAKOTA

Mr. DORGAN of North Dakota. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DORGAN of North Dakota: Page 119, after line 2, add the following new section:

SEC. 9131. The total amount appropriated to or for the use of the Department of Defense by this Act is reduced by $500,000,000 to reflect savings with respect to secondary excess inventory items of the Department of Defense. The Secretary of Defense shall allocate the amount reduced in the preceding sentence and not later than March 1, 1993, report to the Senate and the House Committees on Appropriations and Armed Services how this reduction was allocated among the Services and Defense Agencies: *Provided*, That this section does not apply to the reserve components.

Mr. DORGAN of North Dakota (during the reading). Mr. Chairman, I ask unanimous consent the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

The CHAIRMAN. Under the rule, the gentleman from North Dakota [Mr. DORGAN] will be recognized for 10 minutes, and a Member opposed will be recognized for 10 minutes.

Is the gentleman from Pennsylvania [Mr. MCDADE] opposed?

Mr. MCDADE. I am, Mr. Chairman.

The CHAIRMAN. The gentleman from Pennsylvania [Mr. MCDADE] will be recognized for 10 minutes.

The Chair recognizes the gentleman from North Dakota [Mr. DORGAN].

Mr. DORGAN of North Dakota. Mr. Chairman, I yield my self such time as I may consume.

Mr. Chairman, I rise to offer an amendment to cut $200 million in outside consulting fees from accounts in the fiscal year 1993 Defense appropriations bill. Joining me as cosponsors of the amendment are Representatives BOXER, HORN, and PENNY.

Now that the cold war has ended we should seek prudent reductions in defense spending. But even if we still faced a Soviet adversary we would be obliged to make sure that tax dollars for defense programs are spent wisely.

This amendment attempts to restore some sounder management to the troublesome area of contracted advisory and assistance services [CAAS]. This office is responsible for hiring outside consultants for the Department of Defense. These consultants are hired to provide expert advice to the Pentagon on a variety of issues.

Regrettably, studies by the General Accounting Office [GAO], the Defense Department [DOD] inspector general, and the House Government Operations Committee show widespread waste of funds on outside consultants. Let me, therefore, illustrate the reason why a cut of $200 million is needed.

The administration's request for contracting advisory and assistance services [CAAS] or consulting services for fiscal year 1993 is $1.2 billion, a 1 percent increase over last year.

The Department of Defense inspector general has issued a number of reports since 1986 detailing the management problems and waste associated with DOD's reliance on consultants.

For instance, a February 1991 audit concluded that DOD is contracting out services that should be performed in house. DOD has not determined the cost effectiveness of consultant support. While DOD spent between $2.8 and $5 billion in fiscal year 1987 for CAAS work, the DOD IG determined that 37 to 50 percent could have been saved if the work were done in house—in some cases.

An August 1991 IG report for Congresswoman BOXER found that over $26 million could be saved if consultants used for operational test functions alone were brought in house.

An October 1991 IG report found DOD agencies underreporting CAAS expenditures by $20.4 million in fiscal year 1989 and over $19 million in fiscal year 1990. The underreporting was due to unclear, conflicting and inadequate guidance, and improper interpretation of the definition of CAAS.

Congress should not be voting increases in CAAS funding when we don't know the true extent of expenditures

and the IG is telling us we could save money by spending less on outside contractors and bringing the work in house.

The Defense appropriators, like the Armed Services authorizers, reduced the administration's request by $45 million. We can do better. Staff has suggested that an additional $200 million can and should be cut.

So, it's evident that even the Pentagon's own inspector general agrees that CAAS needs reform. Unfortunately, DOD's 1993 budget request for CAAS does not reflect the many audit recommendations to spend less on outside consultants and to better manage the use consultants which are hired.

The Department request for $1.2 billion for 1993—an increase over last year's level—makes no sense. I don't think a program that has been singled out for wasteful spending by the GAO should be increased.

The Appropriations Committee has properly cut the Pentagon request by $45 million. However, the weight of evidence from the many reports I cited prompts me and my colleagues to seek an even deeper reduction.

Again, our amendment will cut an additional $200 million above the $45 million reduction made by the committee. We have drafted our amendment so that the Secretary of Defense will have the ability to allocate the reductions among various defense agencies. The Secretary will then report to the Congress by March 1, 1993, on how the reductions were allocated.

This is a sensible amendment. It reduces waste without harming national defense. It does not reduce spending for essential defense activities. It simply implements recommendations of numerous studies which called for reductions in outside consulting fees.

The amendment insists that the Pentagon trim excessive overhead costs. This was a key recommendation in the report of the Democratic Caucus Task Force on Government Waste, "The Challenge of Sound Management."

I urge my colleagues to support the Dorgan-Boxer-Horn-Penny amendment as a prudent step to reduce excess overhead costs in the Department of Defense.

The text of the amendment follows.

Page 119, after line 2, add the following new section:

SEC. 9131. The total amount appropriated to or for the use of the Department of Defense by this Act is reduced by $200,000,000 to reflect savings resulting from the decreased use of consulting services by the Department of Defense. The Secretary of Defense shall allocate the amount reduced in the preceding sentence and not later than March 1, 1993, report to the Senate and the House Committees on Appropriations how this reduction was allocated among the Services and Defense Agencies: *Provided*, That this section does not apply to the reserve components.

Mr. Chairman, I will yield to my friend, the gentleman from Minnesota [Mr. PENNY], and to the gentlewoman from California [Mrs. BOXER]. But before I do that, for purposes of the colloquy, I have been asked to yield to the gentleman from Connecticut [Mr. SHAYS].

Mr. Chairman, I yield such time as he may consume to the gentleman from Connecticut [Mr. SHAYS].

Mr. SHAYS. I thank the gentleman for yielding to me on an unrelated matter.

Mr. Chairman, on behalf of the gentleman from Massachusetts [Mr. FRANK] and myself, I would like to engage the chairman in a brief colloquy.

Mr. Chairman, on June 3, the House passed an amendment offered by Representative BARNEY FRANK and myself to reduce the overall Defense authorization bill by $3.5 billion, with the savings coming either from decreased troop level expenditures overseas or increased payments on the part of the host nations or a combination of the two. The amendment passed by a vote of 220 to 185, and then was passed again.

I would appreciate the distinguished chairman confirming this understanding and explaining where the reductions were made in the appropriations bill to reflect this amendment.

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

Mr. SHAYS. I yield to the chairman of the subcommittee, the gentleman from Pennsylvania [Mr. MURTHA].

Mr. MURTHA. I thank the gentleman for yielding.

Mr. Chairman, I appreciate the leadership of the gentleman from Connecticut [Mr. SHAYS] and the gentleman from Massachusetts [Mr. FRANK], which they have taken on this particular issue. There is no question in my mind an awful lot had to be done, and the House agreed with them completely. We want to see a full plan when it comes out of conference. You can be assured we will support it strongly because we think burden sharing is something whose time has come and the United States can no longer bear the burden of protecting the whole world.

So I commend the gentlemen for the work they have done. You can be assured we will act accordingly once you get a plan in place.

Mr. SHAYS. I thank the gentleman and appreciate his good work.

Mr. DORGAN of North Dakota. Mr. Chairman, I thank the gentleman.

□ 1350

Mr. Chairman, I yield to the gentleman from Minnesota who is a coauthor, along with the gentlewoman from California [Mrs. BOXER] and the gentleman from Kansas [Mr. GLICKMAN], of this amendment.

Mr. PENNY. Mr. Chairman, this is clearly an area that needs to be scrubbed. We have identified inspector general studies that have indicated that outside consulting costs 37 to 50 percent more than the same review and analysis done in house. With that differential it seems clear that we should encourage the Department to do more of this without contracting with those outside the Department. This is a $200 million cut in a $1.2 billion expenditure. I think it is reasonable and it is a step in the right direction. I would urge adoption.

Mr. DORGAN of North Dakota. Mr. Chairman, I yield 1 minute to the gentlewoman from California [Mrs. BOXER].

Mrs. BOXER. Mr. Chairman, I want to point out that this amendment is quite important because it is going after an area, that many reports have told this Congress, is an area where we can really save money.

A February 1991 audit by the DOD inspector general concluded that DOD is contracting out services that should be performed in house, and it further said that 37 to 50 percent could have been saved in this particular arena if the work were done in house.

So, Mr. Chairman, I am very pleased to be part of this amendment. I am glad that the chairman is accepting it.

Mr. DORGAN of North Dakota. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. SCHEUER].

Mr. SCHEUER. Mr. Chairman, I rise in support of this amendment.

Mr. Chairman, it is utterly preposterous for us to be passing a bill today that increases funding for weapons programs that we have absolutely no need for anymore. For 45 years we spent huge amounts to defend ourselves from the dangerous threat emanating from that Communist giant, the former Soviet Union. But now, that enemy has disappeared into the morning mist, and there is absolutely no reason to continue to spend close to $265 billion on defense each year.

It is absurd that from a peak level of roughly $300 billion annually during the frozen climes of the cold war, now that we have entered into the calm serenity of the post-cold-war era, that we haven't had the brains or the will to reduce that bloated military budget by more than 10 percent.

Mr. Chairman, I support the Penny-Frank-Santorum amendment to delete $2.7 billion in procurement funds for the B–2 bomber and the Penny-Durbin-Green amendment to cut $700 million from the SDI program. Rather than throwing these funds away on unproven weapons systems that no longer have a mission, we should invest these funds in urgent domestic needs such as education, health, infrastructure, and environmental protection. At the very least, we should apply some of these precious billion to deficit reduction.

I continue to be amazed, Mr. Chairman, that the Defense Department and the President—and many in this Congress who voted for the balanced budget amendment—want us to build more B–2 bombers in these times of fiscal straits. We already have procured 15 planes, which will cost taxpayers some $34 billion. We have no earthly need for any more.

The mission they were supposed to fulfill—to make a stealthy intrusion into Soviet airspace and to overwhelm Soviet defenses and to bomb Russian cities and military installations back to the Stone Age—has utterly vanished.

Just last month, Mr. Chairman, Russian President Boris Yeltsin stood before us in this Chamber and received our applause when he pledged that Russia would never fight a war against America. He and the President signed a historic arms-control agreement that will cut both nations' nuclear arsenals by more than 50 percent.

That is why I also support cutting $700 million from the SDI program. Not a scientist alive really believes that the star wars will work against ICBM's and is anything other than a fanciful illusion. Here is another program for which there is no longer any urgent mission, certainly not on the order of $3.5 billion appropriated for it in this bill. Now is the time for us to stand up and be counted as voting for commonsense rationality and financial discipline, not just the empty phrases and sterile platitudes that we heard used to justify the balanced budget amendment.

Mr. Chairman, I urge my colleagues to consider how many Head Start slots, college student tuitions, elderly Medicare benefits, and how many of those 38 million folks who are totally excluded from our national health care system that one B–2 bomber, costing from a half a trillion to a trillion dollars, could finance. Or to consider how such a sum could be applied toward reducing our deficit, estimated this year to be more than $350 billion.

It is an assault on reason and rationality to squander our resources on these absurdly unnecessary and irrelevant programs now, when our communities and constituents desperately need all the resources we can possibly muster for their benefit.

Mr. DORGAN of North Dakota. Mr. Chairman, I yield 1 minute to the gentlewoman from Missouri [Ms. HORN], who also is a cosponsor of this amendment.

Ms. HORN. Mr. Chairman, our amendment aims to cut $200 million from contracted services for the Department of Defense. Total of $1.2 billion.

Studies conducted by the GAO and the inspector general's office at the Department of Defense have indicated the need for serious reform of contracted advisory and assistance services. The problems with CAAS can be found in one of these audits completed last August by the inspector general. In this report, the inspector general recommended legislative changes, internal controls, and replacing Services contractors with in-House civilian employees to curtail waste within the CAAS program.

It is these recommendations, along with many others completed by the inspector general on CAAS, that brings me to the floor to reduce funding for this program. Even the President agrees this program contains waste. The 1993 budget states the "DOD inspector general report indicates that under some definitions, CAAS may be underreported by several billion dollars." The GAO and the House Armed Services Committee have urged that tighter management controls be placed over contracted advisory and assistance services.

To highlight some of the money wasted on outside consultants by the Department of Defense, the House Government Operations Committee discovered that the strategic defense initiative office hired a consultant in 1991 for $264,000 to issue a report to Congress on SDI. The committee's investigation found that the consultant's report for 1991 took verbatim many of the paragraphs from the same report this same consultant wrote the year before for about the same price.

The committee also discovered that the strategic defense initiative office paid $1 million to a contractor to help it prepare for a single meeting. That's right, a single meeting. For those of us who have consistently voted against SDI, this type of abuse is especially appalling.

Unfortunately, the Department of Defense's 1993 request for CAAS does not heed these recommendations. The Department request for CAAS is $1.2 billion, which represents a 1-percent increase over last year. I do not think a program that has been singled out for wasteful spending by the GAO, the inspector general of the DOD, and the President of the United States should receive a funding increase.

If the Department of Defense is not willing to make the necessary changes to the CAAS program, then it is incumbent upon Congress to make these changes for the Department. I am pleased the House Armed Services Committee recommended and the Defense appropriations acted to cut $45 million from the Department's request for CAAS, but I believe we can cut more from this program. Our amendment simply reduces the funds for CAAS by $200 million, thus forcing it to follow the inspector general's recommendations.

Mr. DORGAN of North Dakota. Concluding the discussion on this amendment from this side, Mr. Chairman, I neglected to mention on the past amendment on the inventory issues that the gentleman from South Carolina [Mr. DERRICK] played a key role and was a cosponsor.

I also want to say to the gentleman from Pennsylvania [Mr. MCDADE], my friend, and to the chairman, that I understand that it is not pleasant to have a bill come to the floor and have folks suggest additional costs. I recognize that both these gentlemen have done an awfully good job looking in virtually every area for savings and they have achieved a substantial amount of savings in this legislation.

We also appreciate those of our colleagues who have offered this amendment, their consideration of it, and it is not my intention to ask for a recorded vote, assuming that we have an affirmative vote here on the floor of the House, and once again I want to thank both the Chairman and the ranking Member.

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

Mr. MCDADE. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Chairman, I rise in strong opposition to the amendment of the gentleman from North Dakota [Mr. DORGAN], but I will do so succinctly.

This week a Member from this side, the gentleman from California [Mr. COX], offered an amendment that would have saved hundreds of thousands of dollars from the GAO. These types of consultants and someone at the Rand Corp. could have done the same thing at a cost of 1 one-thousandth of the price, but the other side of the aisle would not cut their own left arm off, and I would say to the gentleman that wants to cut consultant fees, "Let's do it at the expense of the GAO who's 10 times more expensive."

Mr. MCDADE. Mr. Chairman, we are prepared to accept the amendment offered by the gentleman on this side of the aisle, and we yield back the balance of our time.

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

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Dakota [Mr. DORGAN].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. PENNY

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

The Clerk read as follows:

Amendment offered by Mr. PENNY: Page 29, line 10, strike out "$9,427,005,000" and insert in lieu thereof "$6,740,433,000".

Mr. PENNY. Mr. Chairman, I ask unanimous consent to proceed for 1 minute to describe the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. PENNY. Mr. Chairman, this is an amendment to reduce the Air Force aircraft procurement account by $2.7 billion—the amount that the bill appropriates to purchase four more B–2 bombers.

Members are well aware of the pros and cons of the B–2 bomber as a weapon system—so I will not attempt to address this issue now. The real issue is the fact that the difference between a 15-aircraft B–2 fleet and a 20-aircraft B–2 fleet is $10 billion or about $2 billion per extra B–2 bomber.

For the past 2 years this body has concluded that 15 B–2 bombers was a

sufficient number of aircraft considering the end of the cold war and the dissolution of the Soviet Union. This year, some have suggested that we extend the program by five additional aircraft costing an additional $10 billion.

Mr. Chairman, we simply do not have the financial ability to fund these additional four or five B–2 bombers. Our deficit this year will total nearly $350 billion. This deficit is not going to get any better if we do not make the difficult budgetary decisions on the floor of this House—and it certainly won't get any better if we don't make the easy budgetary decisions which my amendment today clearly should be.

I urge Members to vote to take a large step toward a balanced budget. I urge Members to vote for the Penny-Frank amendment.

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

Mr. DICKS. Mr. Chairman, I ask unanimous consent to respond for 1 minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. DICKS. Mr. Chairman, I would just urge my colleagues that this has been a carefully worked out compromise with many of the opponents of the B–2 to end this program at 20 aircraft. That will give us two squadrons of eight. We will not waste a lot of money on unnecessary termination costs.

I think it is an important vote in that the B–2 has extraordinary new conventional capabilities. Do not think of it as a nuclear bomb dropper. It is a conventional weapon that can give us the capabilities of the entire 42 F–117's.

I urge the House to do what it did 2 weeks ago and vote against this amendment.

Mr. BENNETT. Mr. Chairman, I rise today in support of the Penny amendment to cap the B–2 bomber program at 15 aircraft. This has been the House position for the past few years and I believe that given the dramatic changes in the world it makes great sense today.

Let me say that I am supportive of the reorientation of the B–2's role from primarily a nuclear bomber to a conventional bomber. I am also supportive of having a silver-bullet capability with this very capable aircraft similar to that which we have with the F–117. But, as the chairman of the House Armed Services Committee pointed out in the committee's press release after last year's conference ended, "we can get by with 15 planes for a non-nuclear role."

Given the financial problems that our Nation faces, and other higher priority defense needs that I see, I cannot support spending billions more for five additional B–2's, especially as the committee report notes that "there remains substantial uncertainty about the final costs of the B–2 program."

Cost uncertainty and growth have been the hallmarks of the B–2 program to date. Certainly some of this can be attributed to the Congress which cut back yearly purchases, but recent cost growth, especially in the full-scale development program, is related to problems with the aircraft and with its inability to maintain its flight test program. These problems have been documented by the General Accounting Office.

I also have questions about the ability of the aircraft to meet its low observability specifications. We have invested an enormous amount of taxpayer money in the B–2 to date—over $34 billion. We were asked to provide extremely expensive production quality tooling for the preproduction versions of the B–2 because the stealthiness of the aircraft was paramount. We were kept in the black about the progress of the program for years because the stealth technology was so secretive. And yet, now we are being told that the aircraft may not meet its stealth specifications and that we should buy five more at a cost of almost $10 billion additional dollars over the next 6 years.

As I look at the future security environment that is unfolding, I must be honest and say that I think we can better spend our shrinking Federal dollars on more needed defense systems. For example, we need to build more Navy ships, especially aircraft carriers, that will allow this Nation to project its power abroad. At a time when we are cutting back our forces overseas, a strong naval presence is important to show U.S. commitment to various world regions.

I believe that the gentleman from Minnesota [Mr. PENNY] is proposing a good amendment that will not hurt our national security and will help our Nation's financial situation. I support his effort and I hope my colleagues will join me.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. PENNY].

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

RECORDED VOTE

Mr. FRANK of Massachusetts. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 173, noes 248, not voting 13, as follows:

[Roll No. 265]

AYES—173

Abercrombie	Conyers	Frank (MA)
Ackerman	Cox (IL)	Gejdenson
Andrews (ME)	Coyne	Gekas
Anthony	DeFazio	Gibbons
Applegate	DeLauro	Gordon
Atkins	Dellums	Green
AuCoin	Derrick	Guarini
Bacchus	Dingell	Hall (OH)
Beilenson	Donnelly	Hayes (IL)
Bennett	Dorgan (ND)	Henry
Bereuter	Duncan	Horn
Berman	Durbin	Hughes
Blackwell	Early	Ireland
Boucher	Edwards (CA)	Jacobs
Boxer	Engel	Jefferson
Bruce	Evans	Johnson (SD)
Cardin	Ewing	Johnston
Carr	Fawell	Jones (GA)
Clay	Feighan	Jones (NC)
Clement	Flake	Jontz
Coble	Foglietta	Kennedy
Collins (MI)	Ford (MI)	Kennelly
Condit	Ford (TN)	Kildee
Kleczka	Olin	Schumer
Klug	Olver	Sensenbrenner
Kopetski	Orton	Serrano
Kostmayer	Owens (NY)	Sharp
LaFalce	Owens (UT)	Shays
Lantos	Pallone	Sikorski
LaRocco	Panetta	Skaggs
Leach	Pastor	Slaughter
Lehman (CA)	Patterson	Snowe
Levin (MI)	Payne (NJ)	Solarz
Lewis (GA)	Pease	Staggers
Lipinski	Pelosi	Stallings
Long	Penny	Stark
Lowey (NY)	Petri	Stokes
Markey	Porter	Studds
Mavroules	Poshard	Swett
Mazzoli	Price	Synar
McCloskey	Pursell	Tallon
McDermott	Rahall	Towns
McHugh	Ramstad	Traficant
Mfume	Reed	Unsoeld
Miller (CA)	Ridge	Valentine
Mineta	Riggs	Vento
Mink	Roemer	Visclosky
Moakley	Roth	Washington
Moody	Roukema	Waxman
Morella	Russo	Weiss
Mrazek	Sabo	Wheat
Murphy	Sanders	Williams
Nagle	Sangmeister	Wise
Neal (MA)	Santorum	Wolpe
Nussle	Sawyer	Wyden
Oakar	Scheuer	Yates
Oberstar	Schiff	Zimmer
Obey	Schroeder	

NOES—248

Allard	Downey	James
Allen	Dreier	Jenkins
Anderson	Dwyer	Johnson (CT)
Andrews (NJ)	Eckart	Johnson (TX)
Andrews (TX)	Edwards (OK)	Kanjorski
Annunzio	Edwards (TX)	Kaptur
Archer	Emerson	Kasich
Armey	English	Kolbe
Aspin	Erdreich	Kolter
Baker	Espy	Kyl
Ballenger	Fascell	Lagomarsino
Barrett	Fazio	Lancaster
Barton	Fields	Laughlin
Bateman	Fish	Lehman (FL)
Bentley	Franks (CT)	Lent
Bevill	Frost	Levine (CA)
Bilbray	Gallegly	Lewis (CA)
Bilirakis	Gallo	Lewis (FL)
Billey	Gaydos	Lightfoot
Boehlert	Gephardt	Livingston
Boehner	Geren	Lloyd
Borski	Gilchrest	Lowery (CA)
Brewster	Gillmor	Luken
Brooks	Gilman	Machtley
Browder	Gingrich	Manton
Brown	Glickman	Marlenee
Bryant	Gonzalez	Martin
Bunning	Goodling	Martinez
Burton	Goss	Matsui
Byron	Gradison	McCandless
Callahan	Grandy	McCollum
Camp	Gunderson	McCrery
Campbell (CA)	Hall (TX)	McCurdy
Carper	Hamilton	McDade
Chandler	Hammerschmidt	McEwen
Chapman	Hancock	McGrath
Clinger	Hansen	McMillan (NC)
Coleman (MO)	Harris	McMillen (MD)
Coleman (TX)	Hastert	McNulty
Combest	Hatcher	Meyers
Cooper	Hayes (LA)	Michel
Costello	Hefley	Miller (OH)
Coughlin	Herger	Miller (WA)
Cox (CA)	Hertel	Molinari
Cramer	Hoagland	Mollohan
Crane	Hobson	Montgomery
Cunningham	Hochbrueckner	Moorhead
Dannemeyer	Holloway	Moran
Darden	Hopkins	Morrison
Davis	Horton	Murtha
de la Garza	Houghton	Myers
DeLay	Hoyer	Natcher
Dickinson	Hubbard	Neal (NC)
Dicks	Huckaby	Nichols
Dixon	Hunter	Nowak
Dooley	Hutto	Ortiz
Doolittle	Hyde	Oxley
Dornan (CA)	Inhofe	Packard

Parker
Paxon
Payne (VA)
Perkins
Peterson (FL)
Peterson (MN)
Pickett
Pickle
Quillen
Ravenel
Ray
Regula
Rhodes
Richardson
Rinaldo
Ritter
Roberts
Roe
Rogers
Rohrabacher
Ros-Lehtinen
Rose
Rostenkowski
Rowland
Roybal
Sarpalius
Saxton
Schaefer
Schulze
Shaw
Shuster
Sisisky
Skeen
Skelton
Slattery
Smith (IA)
Smith (NJ)
Smith (OR)
Smith (TX)
Solomon
Spence
Spratt
Stearns
Stenholm
Stump
Sundquist
Swift
Tanner
Tauzin
Taylor (MS)
Taylor (NC)
Thomas (CA)
Thomas (GA)
Thomas (WY)
Thornton
Torres
Torricelli
Upton
Vander Jagt
Volkmer
Vucanovich
Walker
Walsh
Waters
Weber
Weldon
Whitten
Wilson
Wolf
Wylie
Yatron
Young (AK)
Young (FL)
Zeliff

NOT VOTING—13

Alexander
Barnard
Bonior
Broomfield
Bustamante
Campbell (CO)
Collins (IL)
Dymally
Hefner
Rangel
Savage
Smith (FL)
Traxler

□ 1418

Mrs. MEYERS of Kansas and Mr. COOPER changed their vote from "aye" to "no."

Mr. NAGLE changed his vote from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

□ 1420

The CHAIRMAN. Are there other amendments?

If not, the Clerk will read.

The Clerk read as follows:

This Act may be cited as the "Department of Defense Appropriations Act, 1993".

Mr. MURTHA. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to, and that the bill, as amended, be passed.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. GEPHARDT) having assumed the chair, Mr. OBERSTAR, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 5504) making appropriations for the Department of Defense for the fiscal year ending September 30, 1993, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The SPEAKER pro tempore. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

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

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

The SPEAKER pro tempore. The question is on the passage of the bill.

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

RECORDED VOTE

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

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 328, noes 94, not voting 12, as follows:

[Roll No. 266]

AYES—328

Abercrombie
Ackerman
Alexander
Allard
Allen
Anderson
Andrews (ME)
Andrews (NJ)
Andrews (TX)
Annunzio
Anthony
Archer
Aspin
Atkins
Bacchus
Baker
Ballenger
Barrett
Barton
Bateman
Bennett
Bentley
Bereuter
Berman
Bevill
Bilbray
Bilirakis
Blackwell
Bliley
Boehlert
Boehner
Borski
Boucher
Brewster
Brooks
Browder
Brown
Bruce
Bunning
Burton
Byron
Callahan
Camp
Campbell (CA)
Cardin
Carper
Carr
Chandler
Chapman
Clement
Clinger
Coble
Coleman (MO)
Coleman (TX)
Collins (MI)
Combest
Condit
Conyers
Cooper
Costello
Coughlin
Cox (IL)
Coyne
Cramer
Cunningham
Dannemeyer
Darden
Davis
de la Garza
DeLauro
DeLay
Derrick
Dickinson
Dicks
Dingell
Dixon
Donnelly
Dooley
Dorgan (ND)
Downey
Duncan
Durbin
Dwyer
Eckart
Edwards (OK)
Edwards (TX)
Engel
English
Erdreich
Espy
Evans
Ewing
Fascell
Fazio
Feighan
Fish
Foglietta
Ford (MI)
Franks (CT)
Frost
Gallegly
Gallo
Gaydos
Gejdenson
Gekas
Gephardt
Geren
Gibbons
Gilchrest
Gillmor
Gilman
Gingrich
Glickman
Gonzalez
Goodling
Gordon
Gradison
Grandy
Guarini
Gunderson
Hall (OH)
Hall (TX)
Hamilton
Hammerschmidt
Hansen
Harris
Hastert
Hatcher
Hayes (LA)
Hefley
Hertel
Hoagland
Hobson
Hochbrueckner
Holloway
Horn
Horton
Houghton
Hoyer
Huckaby
Hunter
Hutto
Inhofe
Ireland
Jacobs
James
Jefferson
Jenkins
Johnson (CT)
Johnson (SD)
Johnson (TX)
Jones (GA)
Jones (NC)
Kanjorski
Kaptur
Kasich
Kennedy
Kennelly
Kildee
Kleczka
Kolbe
Kolter
Kopetski
Kostmayer
LaFalce
Lancaster
Lantos
LaRocco
Laughlin
Lehman (CA)
Lehman (FL)
Lent
Levin (MI)
Levine (CA)
Lewis (CA)
Lewis (FL)
Lightfoot
Lipinski
Livingston
Lloyd
Long
Lowery (CA)
Lowey (NY)
Machtley
Manton
Martin
Martinez
Matsui
Mavroules
Mazzoli
McCandless
McCloskey
McCollum
McCrery
McCurdy
McDade
McGrath
McHugh
McMillan (NC)
McMillen (MD)
McNulty
Meyers
Michel
Miller (CA)
Miller (OH)
Miller (WA)
Mink
Moakley
Molinari
Mollohan
Montgomery
Moorhead
Moran
Morrison
Mrazek
Murtha
Myers
Natcher
Neal (NC)
Nowak
Oakar
Obey
Olin
Ortiz
Orton
Owens (UT)
Oxley
Panetta
Parker
Pastor
Patterson
Paxon
Payne (VA)
Pelosi
Penny
Perkins
Peterson (FL)
Peterson (MN)
Pickett
Pickle
Porter
Poshard
Price
Quillen
Ravenel
Ray
Reed
Regula
Rhodes
Richardson
Ridge
Riggs
Rinaldo
Ritter
Roe
Roemer
Rogers
Rohrabacher
Ros-Lehtinen
Rose
Rostenkowski
Rowland
Roybal
Russo
Sabo
Sangmeister
Santorum
Sarpalius
Sawyer
Saxton
Schaefer
Schiff
Schumer
Sharp
Shaw
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slattery
Slaughter
Smith (IA)
Smith (NJ)
Smith (OR)
Smith (TX)
Snowe
Solarz
Spence
Spratt
Staggers
Stenholm
Sundquist
Swett
Swift
Synar
Tallon
Tanner
Tauzin
Taylor (MS)
Taylor (NC)
Thomas (CA)
Thomas (GA)
Thomas (WY)
Thornton
Torres
Torricelli
Towns
Traficant
Upton
Valentine
Vander Jagt
Visclosky
Walker
Walsh
Weber
Weldon
Wheat
Whitten
Williams
Wilson
Wise
Wolf
Wolpe
Wylie
Yatron
Young (AK)
Young (FL)

NOES—94

Applegate
Armey
AuCoin
Bellenson
Boxer
Clay
Cox (CA)
Crane
DeFazio
Dellums
Doolittle
Dornan (CA)
Dreier
Early
Emerson
Fawell
Fields
Flake
Ford (TN)
Frank (MA)
Goss
Green
Hancock
Hayes (IL)
Henry
Herger
Hopkins
Hubbard
Hughes
Hyde
Johnston
Jontz
Klug
Kyl
Lagomarsino
Leach
Lewis (GA)
Luken
Markey
Marlenee
McDermott
McEwen
Mfume
Mineta
Moody
Morella
Murphy
Nagle
Neal (MA)
Nichols
Nussle
Oberstar
Olver
Owens (NY)
Packard
Pallone
Payne (NJ)
Pease
Petri
Pursell
Rahall
Ramstad
Rangel
Roberts
Roth
Roukema
Sanders
Savage
Scheuer
Schroeder
Schulze
Sensenbrenner
Serrano
Shays
Sikorski
Solomon
Stallings
Stark
Stearns
Stokes
Studds
Stump
Unsoeld
Vento
Volkmer
Vucanovich
Washington
Waters
Waxman
Weiss
Wyden
Yates
Zeliff
Zimmer

NOT VOTING—12

Barnard
Bonior
Broomfield
Bryant
Bustamante
Campbell (CO)
Collins (IL)
Dymally
Edwards (CA)
Hefner
Smith (FL)
Traxler

□ 1442

Ms. WATERS and Messrs. KYL, McEWEN, YATES, MARKEY, and LEWIS of Georgia changed their vote from "aye" to "no."

Mr. RINALDO and Mr. CUNNINGHAM changed their vote from "no" to "aye."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 5504, DEPARTMENT OF DEFENSE APPROPRIATIONS BILL, 1993

Mr. MURTHA. Mr. Speaker, I ask unanimous consent that in the engrossment of the bill, H.R. 5504, the Clerk be authorized to correct section numbers, punctuation, cross references, and make other necessary technical adjustments.

The SPEAKER pro tempore (Mr. GEPHARDT). Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

ADJOURNMENT OF THE HOUSE FROM THURSDAY, JULY 2, 1992, TO TUESDAY, JULY 7, 1992, AND FROM JULY 9, 1992, TO TUESDAY, JULY 21, 1992, AND RECESS OR ADJOURNMENT OF THE SENATE FROM JULY 2, 1992, TO JULY 20, 1992

Mr. HOYER. Mr. Speaker, I offer a privileged concurrent resolution (H. Con. Res. 343) and ask for its immediate consideration.

The Clerk read the concurrent resolution, as follows:

H. CON. RES. 343

Resolved by the House of Representatives (the Senate concurring), That when the House adjourns on the legislative day of Thursday, July 2, 1992, it stands adjourned until noon on Tuesday, July 7, 1992, and that when the House adjourns on the legislative day of Thursday, July 9, 1992, it stands adjourned until noon on Tuesday, July 21, 1992, or until noon on the second day after Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first; and that when the Senate recesses or adjourns at the close of business on Thursday, July 2, 1992, in accordance with this resolution, it stand recessed or adjourned until Monday, July 20, 1992, at such time as may be specified by the Majority Leader or his designee in the motion to recess or adjourn, or until noon on the second day after Members are notified to reassemble pursuant to section 2 of this concurrent resolution, whichever occurs first.

SEC. 2. The Speaker of the House and the Majority Leader of the Senate, acting jointly after consultation with the Minority Leader of the House and the Minority Leader of the Senate, shall notify the Members of the House and the Senate, respectively, to reassemble whenever, in their opinion, the public interest shall warrant it.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

MAKING IN ORDER ON TODAY CONSIDERATION OF CONFERENCE REPORT ON H.R. 5260, UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent to call up the conference report on the bill H.R. 5260, for its immediate consideration, that all points of order against the conference report or its consideration be waived, and further that the conference report shall be considered as having been read.

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

Mr. MICHEL. Reserving the right to object, Mr. Speaker, and I shall not, other than reaffirm the understanding between my colleague, the distinguished gentleman from Illinois [Mr. ROSTENKOWSKI] and the gentleman from Peoria, whose word I implicitly trust, but for the benefit of those other Members who want the assurance that since we thought the enterprise zone tax bill would be up first and then unemployment, that we are reversing the order only to accommodate those drafters and the membership in total so that we are not spinning our wheels here.

I certainly would endorse what the chairman has in mind by moving this one first. That was the only reason for having the reservation. Would the gentleman give me that assurance verbally for the rest of the membership?

Mr. ROSTENKOWSKI. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I am happy to yield to the gentleman from Illinois.

Mr. ROSTENKOWSKI. Mr. Speaker, we have every intention immediately upon the conclusion of the consideration of this conference report to take that up, if it is ready; however, if it is not, it will be taken up as soon as it is ready.

Mr. MICHEL. And I hope that will be immediately following consideration of this measure.

Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

CONFERENCE REPORT ON H.R. 5260, UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992

Mr. ROSTENKOWSKI submitted the following conference report and statement on 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:

CONFERENCE REPORT (H. REPT. 102-650)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate 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, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Unemployment Compensation Amendments of 1992".

TITLE I—EXTENSION OF EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM

SEC. 101. EXTENSION OF PROGRAM.

(a) GENERAL RULE.—Sections 102(f)(1) and 106(a)(2) of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) are each amended by striking "July 4, 1992" and inserting "March 6, 1993".

(b) WEEKS OF BENEFITS AVAILABLE DURING EXTENSION.—Subparagraph (A) of section 102(b)(2) of such Act is amended by striking clause (ii) and the flush paragraph at the end thereof and inserting the following:

"(ii) REDUCTION FOR WEEKS AFTER JUNE 13, 1992.—In the case of weeks beginning after June 13, 1992—

"(I) clause (i) of this subparagraph shall be applied by substituting '26' for '33', and by substituting '20' for '26', and

"(II) subparagraph (A) of paragraph (1) shall be applied by substituting '100 percent' for '130 percent'.

"(iii) REDUCTION FOR WEEKS IN 7-PERCENT PERIOD.—In the case of weeks beginning in a 7-percent period—

"(I) clause (ii) of this subparagraph shall not apply,

"(II) clause (i) of this subparagraph shall be applied by substituting '15' for '33', and by substituting '10' for '26', and

"(III) subparagraph (A) of paragraph (1) shall be applied by substituting '60 percent' for '130 percent'.

"(iv) REDUCTION FOR WEEKS IN 6.8-PERCENT PERIOD.—In the case of weeks beginning in a 6.8-percent period—

"(I) clauses (ii) and (iii) of this subparagraph shall not apply,

"(II) clause (i) of this subparagraph shall be applied by substituting '13' for '33', and by substituting '7' for '26', and

"(III) subparagraph (A) of paragraph (1) shall be applied by substituting '50 percent' for '130 percent'.

"(v) 7-PERCENT PERIOD; 6.8-PERCENT PERIOD.—For purposes of this subparagraph—

"(I) A 7-percent period means a period which begins with the second week after the first week for which the requirements of subclause (II) are met and a 6.8 percent period means a period which begins with the second week after the first week for which the requirements of subclause (III) are met.

"(II) The requirements of this subclause are met for any week if the average rate of total unemployment (seasonally adjusted) for all States for the period consisting of the most recent 2-calendar month period (for which data are published before the close of such week) is at least 6.8 percent, but less than 7 percent.

"(III) The requirements of this subclause are met for any week if the average rate of total unemployment (seasonally adjusted) for all States for the period consisting of the most recent 2-

calendar month period (for which data are published before the close of such week) is less than 6.8 percent.

In no event shall a 7-percent period occur after a 6.8-percent period occurs and a 6.8-percent period, once begun, shall continue in effect for all weeks for which benefits are provided under this Act.

"(vi) LIMITATIONS ON REDUCTIONS.—In the case of an individual who is receiving emergency unemployment compensation for a week preceding the first week for which a reduction applies under clause (ii), (iii), or (iv) of this subparagraph, such reduction shall not apply to such individual for the first week of such reduction or any week thereafter for which the individual meets the eligibility requirements of this Act."

(c) MODIFICATION TO FINAL PHASE-OUT.—Paragraph (2) of section 102(f) of such Act is amended to read as follows:

"(2) TRANSITION.—In the case of an individual who is receiving emergency unemployment compensation for a week prior to or including March 6, 1993, emergency unemployment compensation shall continue to be payable to such individual for any week thereafter for which the individual meets the eligibility requirements of this Act. No compensation shall be payable by reason of the preceding sentence for any week beginning after June 19, 1993."

(d) CONFORMING AMENDMENT.—

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

(2) Section 101(e) of such Act is amended—

(A) by striking "(e) ELECTION.—Notwithstanding" and inserting:

"(e) ELECTION BY STATES; WEEKS OF BENEFITS DURING PHASE-OUT.—

"(1) ELECTION BY STATES.—Notwithstanding",

(B) by adding at the end of paragraph (1), as redesignated by subparagraph (A), the following new sentence: "The preceding sentence shall not be applicable with respect to any extended compensation period which begins after March 6, 1993, nor shall the special rule in section 203(b)(1)(B) of the Federal-State Extended Unemployment Compensation Act of 1970 (or the similar provision in any State law) operate to preclude the beginning of an extended compensation period after March 6, 1993, because of the ending of an earlier extended compensation period under the preceding sentence.", and

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

"(2) WEEKS OF BENEFITS DURING PHASE-OUT.—Notwithstanding subsection (b)(1)(B) or any other provision of law, whenever an extended compensation period is beginning in a State (and is not triggered off under paragraph (1)) an individual, who is entitled to extended compensation in the new extended compensation period (whether or not the individual applies therefor) and also has remaining entitlement to emergency unemployment compensation under this Act, shall be entitled to compensation under the program in which the individual's monetary entitlement (as of the beginning of the first week of the extended compensation period) is the greater."

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

SEC. 102. MODIFICATION TO ELIGIBILITY REQUIREMENTS.

(a) INDIVIDUAL NOT INELIGIBLE BY REASON OF SUBSEQUENT ENTITLEMENT TO REGULAR BENEFITS.—Section 101 of such Act is amended by adding at the end thereof the following new subsection:

"(f) CERTAIN RIGHTS TO REGULAR COMPENSATION DISREGARDED.—If an individual exhausted his rights to regular compensation for any benefit year, such individual's eligibility to receive emergency unemployment compensation under this Act in respect of such benefit year shall be determined without regard to any rights to regular compensation for a subsequent benefit year if such individual does not file a claim for regular compensation for such subsequent benefit year."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to weeks of unemployment beginning after the date of the enactment of this Act.

(2) TRANSITION RULES.—

(A) WAIVER OF RECOVERY OF CERTAIN OVERPAYMENTS.—On and after the date of the enactment of this Act, no repayment of any emergency unemployment compensation shall be required under section 105 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102–164, as amended) if the individual would have been entitled to receive such compensation had the amendment made by subsection (a) applied to all weeks beginning on or before the date of the enactment of this Act.

(B) WAIVER OF RIGHTS TO CERTAIN REGULAR BENEFITS.—If—

(i) before the date of the enactment of this Act, an individual exhausted his rights to regular compensation for any benefit year, and

(ii) after such exhaustion, such individual was not eligible to receive emergency unemployment compensation by reason of being entitled to regular compensation for a subsequent benefit year,

such individual may elect to defer his rights to regular compensation for such subsequent benefit year with respect to weeks beginning after such date of enactment until such individual has exhausted his rights to emergency unemployment compensation in respect of the benefit year referred to in clause (i), and such individual shall be entitled to receive emergency unemployment compensation for such weeks in the same manner as if he had not been entitled to the regular compensation to which the election applies.

SEC. 103. TECHNICAL MODIFICATION FOR REIMBURSABLE EMPLOYERS.

(a) GENERAL RULE.—Subsection (d) of section 104 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102–164, as amended) is amended by striking "as may be necessary" and inserting "as the Secretary estimates to be necessary".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 104. TREATMENT OF PERSIAN GULF CRISIS RESERVISTS.

If—

(1) an individual who was a member of a reserve component of the Armed Forces was called for active duty after August 2, 1990, and before March 1, 1991,

(2) such individual was receiving regular compensation, extended compensation, or a trade readjustment allowance for the week in which he was so called,

(3) such individual served on such active duty for at least 90 consecutive days, and

(4) such individual was entitled to regular compensation on the basis of his services on such active duty, but the weekly benefit amount was less than the benefit amount he received for the week referred to in paragraph (2),

such individual's weekly benefit amount under the Emergency Unemployment Compensation Act of 1991 for any week beginning after the date of the enactment of this Act shall be not less than the benefit amount he received for the week referred to in paragraph (2).

SEC. 105. TREATMENT OF RAILROAD WORKERS.

(a) EXTENSION OF PROGRAM.—

(1) IN GENERAL.—Sections 501(b)(1) and (2) of the Emergency Unemployment Compensation Act of 1991 (Public Law 102–164, as amended) are each amended by striking "July 4, 1992", and inserting "March 6, 1993".

(2) CONFORMING AMENDMENTS.—

(A) Section 501(a) of such Act is amended by striking "July 1992" and inserting "March 1993".

(B) Paragraph (2) of section 501(d) of such Act is amended to read as follows:

"(2) PHASE-OUT.—

"(A) BENEFITS ON OR AFTER JUNE 14, 1992.—Effective on and after June 14, 1992, paragraph (1) of this section shall be applied by substituting '100' for '130' each place it appears, and by substituting '10' for '13' each place it appears.

"(B) REDUCTIONS UNDER EMERGENCY COMPENSATION EXTENSION PROVISIONS.—

"(i) Effective on and after the date on which a reduction in benefits is imposed under section 102(b)(2)(A)(iii), subparagraph (A) of this paragraph and subparagraphs (B) and (C) of paragraph (1) shall not apply and subparagraph (A) of paragraph (1) shall be applied by substituting '50' for '130'.

"(ii) Effective on and after the date on which a reduction in benefits is imposed under section 102(b)(2)(A)(iv), subparagraph (A) of this paragraph and subparagraphs (B) and (C) of paragraph (1) shall not apply and subparagraph (A) of paragraph (1) shall be applied by substituting '35' for '130'.

"(C) LIMITATIONS ON REDUCTIONS.—Notwithstanding subparagraphs (A) and (B), in the case of an individual who is receiving extended benefits under section 2(c) of the Railroad Unemployment Insurance Act for persons with 10 or more but less than 15 years of service, or extended benefits by reason of this section, for any day during a week which precedes a period for which a reduction under this paragraph takes effect, such reduction shall not apply for purposes of determining the amount of benefits payable to such individual for any day thereafter for which the individual meets the eligibility requirements of this section and the Railroad Unemployment Insurance Act."

(b) TERMINATION OF BENEFITS.—Section 501 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102–164, as amended) is amended by adding at the end the following new subsection:

"(e) TERMINATION OF BENEFITS.—In the case of an individual who is receiving extended benefits by reason of this section on March 6, 1993, such benefits shall not continue to be payable to such individual after June 19, 1993."

SEC. 106. 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.

SEC. 107. FINANCING PROVISIONS.

Section 104 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102–164,

as amended) is amended by adding at the end thereof the following new subsection:

"(e) TRANSFER OF FUNDS.—Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated)—

"(1) to the extended unemployment compensation account (as established by section 905 of the Social Security Act) such sums as are necessary to make payments to States under this Act by reason of the amendments made by sections 101 and 102 of the Unemployment Compensation Amendments of 1992, and

"(2) to the employment security administration account (as established by section 901 of the Social Security Act) such sums as may be necessary for purposes of assisting States in meeting administrative costs by reason of the amendments made by sections 101, 102, 201, and 202 of the Unemployment Compensation Amendments of 1992.

There is hereby appropriated from such accounts the sums referred to in the preceding sentence and such sums shall not be required to be repaid."

TITLE II—MODIFICATIONS TO EXTENDED BENEFITS PROGRAM

SEC. 201. MODIFICATION OF TRIGGER PROVISIONS.

(a) IN GENERAL.—Section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new subsection:

"ALTERNATIVE TRIGGER

"(f)(1) Effective with respect to compensation for weeks of unemployment beginning after March 6, 1993, the State may by law provide that for purposes of beginning or ending any extended benefit period under this section—

"(A) there is a State 'on' indicator for a week if—

"(i) the average rate of total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published before the close of such week equals or exceeds 6.5 percent, and

"(ii) the average rate of total unemployment in such State (seasonally adjusted) for the 3-month period referred to in clause (i) equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; and

"(B) there is a State 'off' indicator for a week if either the requirements of clause (i) or clause (ii) of subparagraph (A) are not satisfied.

Notwithstanding the provision of any State law described in this paragraph, any week for which there would otherwise be a State 'on' indicator shall continue to be such a week and shall not be determined to be a week for which there is a State 'off' indicator.

"(2) For purposes of this subsection, determinations of the rate of total unemployment in any State for any period (and of any seasonal adjustment) shall be made by the Secretary."

(b) ADDITIONAL WEEKS OF BENEFITS AVAILABLE DURING PERIODS OF HIGH UNEMPLOYMENT.—Subsection (b) of section 202 of such Act is amended by adding at the end thereof the following new paragraph:

"(3)(A) Effective with respect to weeks beginning in a high unemployment period, paragraph (1) shall be applied by substituting—

"(i) '80 per centum' for '50 per centum' in subparagraph (A),

"(ii) 'twenty' for 'thirteen' in subparagraph (B), and

"(iii) 'forty-six' for 'thirty-nine' in subparagraph (C).

"(B) For purposes of subparagraph (A), the term 'high unemployment period' means any period during which an extended benefit period would be in effect if section 203(f)(1)(A)(i) were applied by substituting '8 percent' for '6.5 percent'."

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 204(c) of such Act is amended by inserting ", forty-six in any case where section 202(b)(3)(A) applies" after "thirty-nine".

SEC. 202. MODIFICATION OF ELIGIBILITY REQUIREMENTS FOR UNEMPLOYMENT BENEFITS.

(a) EARNINGS TEST.—

(1) In general.—Paragraph (5) of section 202(a) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by striking "which one of the foregoing methods" and inserting "which one or more of the foregoing methods".

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—Notwithstanding any other provision of law, the amendment made by paragraph (1) shall apply for purposes of extended unemployment compensation and emergency unemployment compensation to weeks of unemployment beginning on or after the date of the enactment of this Act.

(B) WAIVER OF RECOVERY OF CERTAIN OVERPAYMENTS.—On and after the date of the enactment of this Act, no repayment of any emergency unemployment compensation shall be required under section 105 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) if the individual would have been entitled to receive such compensation had the amendment made by paragraph (1) applied to all weeks beginning before the date of the enactment of this Act.

(b) SUSPENSION OF CERTAIN ELIGIBILITY REQUIREMENTS.—

(1) IN GENERAL.—Section 202(a) of such Act is amended by adding at the end thereof the following new paragraph:

"(7) Paragraphs (3) and (4) shall not apply to weeks of unemployment beginning after March 6, 1993, and before January 1, 1995, and no provision of State law in conformity with such paragraphs shall apply during such period."

(2) STUDY.—The Federal Advisory Council established under section 908 of the Social Security Act shall conduct a study of the provisions suspended by the amendment made by paragraph (1). Not later than February 1, 1994, such Council shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a report of its recommendations on such suspended provisions (including whether such provisions should be repealed or revised).

TITLE III—MODIFICATIONS TO FEDERAL UNEMPLOYMENT TAX

SEC. 301. INFORMATION REQUIRED WITH RESPECT TO TAXATION OF UNEMPLOYMENT BENEFITS.

(a) INFORMATION ON UNEMPLOYMENT BENEFITS.—

(1) GENERAL RULE.—The State agency in each State shall provide to an individual filing a claim for compensation under the State unemployment compensation law a written explanation of the Federal and State income taxation of unemployment benefits and of the requirements to make payments of estimated Federal and State income taxes.

(2) STATE AGENCY.—For purposes of this subsection, the term "State agency" has the meaning given such term by section 3306(e) of the Internal Revenue Code of 1986.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1992.

SEC. 302. MAILING OF CERTAIN INFORMATION PERMITTED.

(a) GENERAL RULE.—Section 302 of the Social Security Act (42 U.S.C. 502) is amended by adding at the end thereof the following new subsection:

"(c) No portion of the cost of mailing a statement under section 6050B(b) of the Internal Revenue Code of 1986 (relating to unemployment compensation) shall be treated as not being a cost for the proper and efficient administration of the State unemployment compensation law by reason of including with such statement information about the earned income credit provided by section 32 of the Internal Revenue Code of 1986. The preceding sentence shall not apply if the inclusion of such information increases the postage required to mail such statement."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 303. EXTENSION OF EXISTING TREATMENT OF CERTAIN AGRICULTURAL WORKERS.

(a) GENERAL RULE.—Subparagraph (B) of section 3306(c)(1) of the Internal Revenue Code of 1986 is amended by striking "January 1, 1993" and inserting "January 1, 1995".

(b) REPORT.—Not later than February 1, 1994, the Advisory Council on Unemployment Compensation shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on its recommendations with respect to the treatment of agricultural labor performed by aliens.

SEC. 304. EXTENSION OF PERIOD FOR REPAYMENT OF FEDERAL LOANS TO STATE UNEMPLOYMENT FUNDS.

(a) GENERAL RULE.—If the Secretary of Labor determines that a State meets the requirements of subsection (b), paragraph (2) of section 3302(c) of the Internal Revenue Code of 1986 shall be applied with respect to such State for taxable years after 1991—

(1) by substituting "third" for "second" in subparagraph (A)(i),

(2) by substituting "fourth or fifth" for "third or fourth" in subparagraph (B), and

(3) by substituting "sixth" for "fifth" in subparagraph (C).

(b) REQUIREMENTS.—A State meets the requirements of this subsection if, during calendar year 1992 or 1993, the State amended its unemployment compensation law to increase estimated contributions required under such law by at least 25 percent.

(c) SPECIAL RULE.—This section shall not apply to any taxable year after 1994 unless —

(1) such taxable year is in a series of consecutive taxable years as of the beginning of each of which there was a balance referred to in section 3302(c)(2) of such Code, and

(2) such series includes a taxable year beginning in 1992, 1993, or 1994.

TITLE IV—MODIFICATION TO REGULAR STATE UNEMPLOYMENT COMPENSATION PROGRAMS

SEC. 401. TREATMENT OF SHORT-TIME UNEMPLOYMENT COMPENSATION PROGRAMS.

(a) AUTHORIZATION OF PROGRAMS.—

(1) Paragraph (4) of section 3304(a) of the Internal Revenue Code of 1986 is amended by striking "and" at the end of subparagraph (C), by inserting "and" at the end of subparagraph (D) and by adding at the end thereof the following new subparagraph:

"(E) amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor;"

(2) Subsection (f) of section 3306 of such Code is amended by striking "and" at the end of paragraph (2) by striking the period at the end of paragraph (3) and inserting "; and", and by adding at the end thereof the following new paragraph:

"(4) amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor."

(3) Section 303(a)(5) of the Social Security Act is amended by inserting before "; and" the following ": Provided further, That amounts may be withdrawn for the payment of short-time compensation under a plan approved by the Secretary of Labor".

(b) ASSISTANCE IN IMPLEMENTING PROGRAMS.—In order to assist States in establishing and implementing short-time compensation programs—

(1) the Secretary of Labor (hereinafter in this section referred to as the "Secretary") shall develop model legislative language which may be used by States in developing and enacting short-time compensation programs and shall propose such revisions of such legislative language as may be appropriate, and

(2) the Secretary shall provide technical assistance and guidance in developing, enacting, and implementing such programs.

The initial model legislative language referred to in paragraph (1) shall be developed not later than January 1, 1993.

(c) REPORTS.—

(1) INITIAL REPORT.—Not later than January 1, 1995, the Secretary shall submit to the Congress a report on the implementation of this section. Such report shall include an evaluation of short-time compensation programs and shall contain such recommendations as the Secretary may deem advisable.

(2) SUBSEQUENT REPORTS.—After the submission of the report under paragraph (1), the Secretary shall submit such additional reports on the implementation of short-time compensation programs as the Secretary deems appropriate.

(d) DEFINITIONS.—For purposes of this section—

(1) SHORT-TIME COMPENSATION PROGRAM.—The term "short-time compensation program" means a program under which—

(A) individuals whose workweeks have been reduced by at least 10 percent are eligible for unemployment compensation;

(B) the amount of unemployment compensation payable to any such individual is a pro rata portion of the unemployment compensation which would be payable to the individual if the individual were totally unemployed;

(C) eligible employees are not required to meet the availability for work or work search test requirements while collecting short-time compensation benefits, but are required to be available for their normal workweek;

(D) eligible employees may participate in an employer-sponsored training program to enhance job skills if such program has been approved by the State agency; and

(E) there is a reduction in the number of hours worked by employees in lieu of imposing temporary layoffs.

(2) STATE.—The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

TITLE V—REVENUE PROVISIONS

SEC. 501. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this title 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.

Subtitle A—Extension of Phaseout of Personal Exemptions; Corporate Estimated Tax Provisions

SEC. 511. EXTENSION OF PHASEOUT OF PERSONAL EXEMPTIONS.

Subparagraph (E) of section 151(d)(3) (relating to termination of phaseout) is amended by striking "December 31, 1995" and inserting "December 31, 1996".

SEC. 512. 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 "91 percent",

(2) by striking "90 PERCENT" in the heading of paragraph (2) and inserting "91 PERCENT", and

(3) by striking paragraph (3) and inserting the following new paragraph:

"(3) TEMPORARY INCREASE IN AMOUNT OF INSTALLMENT BASED ON CURRENT YEAR TAX.—In the case of any taxable year beginning after June 30, 1992, and before 1997—

"(A) paragraph (1)(B)(i) and subsection (e)(3)(A)(i) shall be applied by substituting '97 percent' for '91 percent' each place it appears, and

"(B) the table contained in subsection (e)(2)(B)(ii) shall be applied by substituting '24.25', '48.50', '72.75', and '97' for '22.75', '45.50', '68.25', and '91.00', respectively."

(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	22.75
2nd	45.50
3rd	68.25
4th	91.00."

(2) Clause (i) of section 6655(e)(3)(A) is amended by striking "90 percent" and inserting "91 percent".

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

Subtitle B—Pension Distributions

SEC. 521. TAXABILITY OF BENEFICIARY OF QUALIFIED PLAN.

(a) IN GENERAL.—So much of section 402 (relating to taxability of beneficiary of employees' trust) as precedes subsection (g) thereof is amended to read as follows:

"SEC. 402. TAXABILITY OF BENEFICIARY OF EMPLOYEES' TRUST.

"(a) TAXABILITY OF BENEFICIARY OF EXEMPT TRUST.—Except as otherwise provided in this section, any amount actually distributed to any distributee by any employees' trust described in section 401(a) which is exempt from tax under section 501(a) shall be taxable to the distributee, in the taxable year of the distributee in which distributed, under section 72 (relating to annuities).

"(b) TAXABILITY OF BENEFICIARY OF NONEXEMPT TRUST.—

"(1) CONTRIBUTIONS.—Contributions to an employees' trust made by an employer during a taxable year of the employer which ends with or within a taxable year of the trust for which the trust is not exempt from tax under section 501(a) shall be included in the gross income of the employee in accordance with section 83 (relating to property transferred in connection with performance of services), except that the value of the employee's interest in the trust shall be substituted for the fair market value of the property for purposes of applying such section.

"(2) DISTRIBUTIONS.—The amount actually distributed or made available to any distributee by any trust described in paragraph (1) shall be taxable to the distributee, in the taxable year in which so distributed or made available, under section 72 (relating to annuities), except that distributions of income of such trust before the annuity starting date (as defined in section 72(c)(4)) shall be included in the gross income of the employee without regard to section 72(e)(5) (relating to amounts not received as annuities).

"(3) GRANTOR TRUSTS.—A beneficiary of any trust described in paragraph (1) shall not be considered the owner of any portion of such trust under subpart E of part I of subchapter J (relating to grantors and others treated as substantial owners).

"(4) FAILURE TO MEET REQUIREMENTS OF SECTION 410(b).—

"(A) HIGHLY COMPENSATED EMPLOYEES.—If 1 of the reasons a trust is not exempt from tax under section 501(a) is the failure of the plan of which it is a part to meet the requirements of section 401(a)(26) or 410(b), then a highly compensated employee shall, in lieu of the amount determined under paragraph (1) or (2) include in gross income for the taxable year with or within which the taxable year of the trust ends an amount equal to the vested accrued benefit of such employee (other than the employee's investment in the contract) as of the close of such taxable year of the trust.

"(B) FAILURE TO MEET COVERAGE TESTS.—If a trust is not exempt from tax under section 501(a) for any taxable year solely because such trust is part of a plan which fails to meet the requirements of section 401(a)(26) or 410(b), paragraphs (1) and (2) shall not apply by reason of such failure to any employee who was not a highly compensated employee during—

"(i) such taxable year, or

"(ii) any preceding period for which service was creditable to such employee under the plan.

"(C) HIGHLY COMPENSATED EMPLOYEE.—For purposes of this paragraph, the term 'highly compensated employee' has the meaning given such term by section 414(q).

"(c) RULES APPLICABLE TO ROLLOVERS FROM EXEMPT TRUSTS.—

"(1) EXCLUSION FROM INCOME.—If—

"(A) any portion of the balance to the credit of an employee in a qualified trust is paid to the employee in an eligible rollover distribution,

"(B) the distributee transfers any portion of the property received in such distribution to an eligible retirement plan, and

"(C) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

"(2) MAXIMUM AMOUNT WHICH MAY BE ROLLED OVER.—In the case of any eligible rollover distribution, the maximum amount transferred to which paragraph (1) applies shall not exceed the portion of such distribution which is includible in gross income (determined without regard to paragraph (1)).

"(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—Paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

"(4) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust; except that such term shall not include—

"(A) any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made—

"(i) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or

"(ii) for a specified period of 10 years or more, and

"(B) any distribution to the extent such distribution is required under section 401(a)(9).

"(5) TRANSFER TREATED AS ROLLOVER CONTRIBUTION UNDER SECTION 408.—For purposes of this title, a transfer to an eligible retirement plan described in clause (i) or (ii) of paragraph

(8)(B) resulting in any portion of a distribution being excluded from gross income under paragraph (1) shall be treated as a rollover contribution described in section 408(d)(3).

"(6) SALES OF DISTRIBUTED PROPERTY.—For purposes of this subsection—

"(A) TRANSFER OF PROCEEDS FROM SALE OF DISTRIBUTED PROPERTY TREATED AS TRANSFER OF DISTRIBUTED PROPERTY.—The transfer of an amount equal to any portion of the proceeds from the sale of property received in the distribution shall be treated as the transfer of property received in the distribution.

"(B) PROCEEDS ATTRIBUTABLE TO INCREASE IN VALUE.—The excess of fair market value of property on sale over its fair market value on distribution shall be treated as property received in the distribution.

"(C) DESIGNATION WHERE AMOUNT OF DISTRIBUTION EXCEEDS ROLLOVER CONTRIBUTION.—In any case where part or all of the distribution consists of property other than money—

"(i) the portion of the money or other property which is to be treated as attributable to amounts not included in gross income, and

"(ii) the portion of the money or other property which is to be treated as included in the rollover contribution,

shall be determined on a ratable basis unless the taxpayer designates otherwise. Any designation under this subparagraph for a taxable year shall be made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). Any such designation, once made, shall be irrevocable.

"(D) NONRECOGNITION OF GAIN OR LOSS.—No gain or loss shall be recognized on any sale described in subparagraph (A) to the extent that an amount equal to the proceeds is transferred pursuant to paragraph (1).

"(7) SPECIAL RULE FOR FROZEN DEPOSITS.—

"(A) IN GENERAL.—The 60-day period described in paragraph (3) shall not—

"(i) include any period during which the amount transferred to the employee is a frozen deposit, or

"(ii) end earlier than 10 days after such amount ceases to be a frozen deposit.

"(B) FROZEN DEPOSITS.—For purposes of this subparagraph, the term 'frozen deposit' means any deposit which may not be withdrawn because of—

"(i) the bankruptcy or insolvency of any financial institution, or

"(ii) any requirement imposed by the State in which such institution is located by reason of the bankruptcy or insolvency (or threat thereof) of 1 or more financial institutions in such State. A deposit shall not be treated as a frozen deposit unless on at least 1 day during the 60-day period described in paragraph (3) (without regard to this paragraph) such deposit is described in the preceding sentence.

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

"(A) QUALIFIED TRUST.—The term 'qualified trust' means an employees' trust described in section 401(a) which is exempt from tax under section 501(a).

"(B) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' means—

"(i) an individual retirement account described in section 408(a),

"(ii) an individual retirement annuity described in section 408(b) (other than an endowment contract),

"(iii) a qualified trust, and

"(iv) an annuity plan described in section 403(a).

"(9) ROLLOVER WHERE SPOUSE RECEIVES DISTRIBUTION AFTER DEATH OF EMPLOYEE.—If any distribution attributable to an employee is paid to the spouse of the employee after the employee's death, the preceding provisions of this subsection shall apply to such distribution in the same manner as if the spouse were the employee; except that a trust or plan described in clause (iii) or (iv) of paragraph (8)(B) shall not be treated as an eligible retirement plan with respect to such distribution.

"(10) DENIAL OF AVERAGING FOR SUBSEQUENT DISTRIBUTIONS.—If paragraph (1) applies to any distribution paid to any employee, paragraphs (1) and (3) of subsection (d) shall not apply to any distribution (paid after such distribution) of the balance to the credit of the employee under the plan under which the preceding distribution was made (or under any other plan which, under subsection (d)(4)(C), would be aggregated with such plan).

"(d) TAX ON LUMP SUM DISTRIBUTIONS.—

"(1) IMPOSITION OF SEPARATE TAX ON LUMP SUM DISTRIBUTIONS.—

"(A) SEPARATE TAX.—There is hereby imposed a tax (in the amount determined under subparagraph (B)) on a lump sum distribution.

"(B) AMOUNT OF TAX.—The amount of tax imposed by subparagraph (A) for any taxable year is an amount equal to 5 times the tax which would be imposed by subsection (c) of section 1 if the recipient were an individual referred to in such subsection and the taxable income were an amount equal to ⅕ of the excess of—

"(i) the total taxable amount of the lump sum distribution for the taxable year, over

"(ii) the minimum distribution allowance.

"(C) MINIMUM DISTRIBUTION ALLOWANCE.—For purposes of this paragraph, the minimum distribution allowance for any taxable year is an amount equal to—

"(i) the lesser of $10,000 or one-half of the total taxable amount of the lump sum distribution for the taxable year, reduced (but not below zero) by

"(ii) 20 percent of the amount (if any) by which such total taxable amount exceeds $20,000.

"(D) LIABILITY FOR TAX.—The recipient shall be liable for the tax imposed by this paragraph.

"(2) DISTRIBUTIONS OF ANNUITY CONTRACTS.—

"(A) IN GENERAL.—In the case of any recipient of a lump sum distribution for any taxable year, if the distribution (or any part thereof) is an annuity contract, the total taxable amount of the distribution shall be aggregated for purposes of computing the tax imposed by paragraph (1)(A), except that the amount of tax so computed shall be reduced (but not below zero) by that portion of the tax on the aggregate total taxable amount which is attributable to annuity contracts.

"(B) BENEFICIARIES.—For purposes of this paragraph, a beneficiary of a trust to which a lump sum distribution is made shall be treated as the recipient of such distribution if the beneficiary is an employee (including an employee within the meaning of section 401(c)(1)) with respect to the plan under which the distribution is made or if the beneficiary is treated as the owner of such trust for purposes of subpart E of part I of subchapter J.

"(C) ANNUITY CONTRACTS.—For purposes of this paragraph, in the case of the distribution of an annuity contract, the taxable amount of such distribution shall be deemed to be the current actuarial value of the contract, determined on the date of such distribution.

"(D) TRUSTS.—In the case of a lump sum distribution with respect to any individual which is made only to 2 or more trusts, the tax imposed by paragraph (1)(A) shall be computed as if such distribution was made to a single trust, but the liability for such tax shall be apportioned among such trusts according to the relative amounts received by each.

"(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph.

"(3) ALLOWANCE OF DEDUCTION.—The total taxable amount of a lump sum distribution for any taxable year shall be allowed as a deduction from gross income for such taxable year, but only to the extent included in the taxpayer's gross income for such taxable year.

"(4) DEFINITIONS AND SPECIAL RULES.—

"(A) LUMP SUM DISTRIBUTION.—For purposes of this section and section 403, the term 'lump sum distribution' means the distribution or payment within 1 taxable year of the recipient of the balance to the credit of an employee which becomes payable to the recipient—

"(i) on account of the employee's death,

"(ii) after the employee attains age 59½,

"(iii) on account of the employee's separation from the service, or

"(iv) after the employee has become disabled (within the meaning of section 72(m)(7)),

from a trust which forms a part of a plan described in section 401(a) and which is exempt from tax under section 501 or from a plan described in section 403(a). Clause (iii) of this subparagraph shall be applied only with respect to an individual who is an employee without regard to section 401(c)(1), and clause (iv) shall be applied only with respect to an employee within the meaning of section 401(c)(1). A distribution of an annuity contract from a trust or annuity plan referred to in the first sentence of this subparagraph shall be treated as a lump sum distribution. For purposes of this subparagraph, a distribution to 2 or more trusts shall be treated as a distribution to 1 recipient. For purposes of this subsection, the balance to the credit of the employee does not include the accumulated deductible employee contributions under the plan (within the meaning of section 72(o)(5)).

"(B) AVERAGING TO APPLY TO 1 LUMP SUM DISTRIBUTION AFTER AGE 59½.—Paragraph (1) shall apply to a lump sum distribution with respect to an employee under subparagraph (A) only if—

"(i) such amount is received on or after the date on which the employee has attained age 59½, and

"(ii) the taxpayer elects for the taxable year to have all such amounts received during such taxable year so treated.

Not more than 1 election may be made under this subparagraph by any taxpayer with respect to any employee. No election may be made under this subparagraph by any taxpayer other than an individual, an estate, or a trust. In the case of a lump sum distribution made with respect to an employee to 2 or more trusts, the election under this subparagraph shall be made by the personal representative of the taxpayer.

"(C) AGGREGATION OF CERTAIN TRUSTS AND PLANS.—For purposes of determining the balance to the credit of an employee under subparagraph (A)—

"(i) all trusts which are part of a plan shall be treated as a single trust, all pension plans maintained by the employer shall be treated as a single plan, all profit-sharing plans maintained by the employer shall be treated as a single plan, and all stock bonus plans maintained by the employer shall be treated as a single plan, and

"(ii) trusts which are not qualified trusts under section 401(a) and annuity contracts which do not satisfy the requirements of section 404(a)(2) shall not be taken into account.

"(D) TOTAL TAXABLE AMOUNT.—For purposes of this section and section 403, the term 'total taxable amount' means, with respect to a lump sum distribution, the amount of such distribution which exceeds the sum of—

"(i) the amounts considered contributed by the employee (determined by applying section 72(f)), reduced by any amounts previously distributed which were not includible in gross income, and

"(ii) the net unrealized appreciation attributable to that part of the distribution which

consists of the securities of the employer corporation so distributed.

"(E) COMMUNITY PROPERTY LAWS.—The provisions of this subsection, other than paragraph (3), shall be applied without regard to community property laws.

"(F) MINIMUM PERIOD OF SERVICE.—For purposes of this subsection, no amount distributed to an employee from or under a plan may be treated as a lump sum distribution under subparagraph (A) unless the employee has been a participant in the plan for 5 or more taxable years before the taxable year in which such amounts are distributed.

"(G) AMOUNTS SUBJECT TO PENALTY.—This subsection shall not apply to amounts described in subparagraph (A) of section 72(m)(5) to the extent that section 72(m)(5) applies to such amounts.

"(H) BALANCE TO CREDIT OF EMPLOYEE NOT TO INCLUDE AMOUNTS PAYABLE UNDER QUALIFIED DOMESTIC RELATIONS ORDER.—For purposes of this subsection, the balance to the credit of an employee shall not include any amount payable to an alternate payee under a qualified domestic relations order (within the meaning of section 414(p)).

"(I) TRANSFERS TO COST-OF-LIVING ARRANGEMENT NOT TREATED AS DISTRIBUTION.—For purposes of this subsection, the balance to the credit of an employee under a defined contribution plan shall not include any amount transferred from such defined contribution plan to a qualified cost-of-living arrangement (within the meaning of section 415(k)(2)) under a defined benefit plan.

"(J) LUMP SUM DISTRIBUTIONS OF ALTERNATE PAYEES.—If any distribution or payment of the balance to the credit of an employee would be treated as a lump sum distribution, then, for purposes of this subsection, the payment under a qualified domestic relations order (within the meaning of section 414(p)) of the balance to the credit of an alternate payee who is the spouse or former spouse of the employee shall be treated as a lump sum distribution. For purposes of this subparagraph, the balance to the credit of the alternate payee shall not include any amount payable to the employee.

"(K) TREATMENT OF PORTION NOT ROLLED OVER.—If any portion of a lump sum distribution is transferred in a transfer to which subsection (c) applies, paragraphs (1) and (3) shall not apply with respect to the distribution.

"(L) SECURITIES.—For purposes of this subsection, the terms 'securities' and 'securities of the employer corporation' have the respective meanings provided by subsection (e)(4)(E).

"(5) SPECIAL RULE WHERE PORTIONS OF LUMP SUM DISTRIBUTION ATTRIBUTABLE TO ROLLOVER OF BOND PURCHASED UNDER QUALIFIED BOND PURCHASE PLAN.—If any portion of a lump sum distribution is attributable to a transfer described in section 405(d)(3)(A)(ii) (as in effect before its repeal by the Tax Reform Act of 1984), paragraphs (1) and (3) of this subsection shall not apply to such portion.

"(6) TREATMENT OF POTENTIAL FUTURE VESTING.—

"(A) IN GENERAL.—For purposes of determining whether any distribution which becomes payable to the recipient on account of the employee's separation from service is a lump sum distribution, the balance to the credit of the employee shall be determined without regard to any increase in vesting which may occur if the employee is reemployed by the employer.

"(B) RECAPTURE IN CERTAIN CASES.—If—

"(i) an amount is treated as a lump sum distribution by reason of subparagraph (A),

"(ii) special lump sum treatment applies to such distribution,

"(iii) the employee is subsequently reemployed by the employer, and

"(iv) as a result of services performed after being so reemployed, there is an increase in the employee's vesting for benefits accrued before the separation referred to in subparagraph (A), under regulations prescribed by the Secretary, the tax imposed by this chapter for the taxable year (in which the increase in vesting first occurs) shall be increased by the reduction in tax which resulted from the special lump sum treatment (and any election under paragraph (4)(B) shall not be taken into account for purposes of determining whether the employee may make another election under paragraph (4)(B)).

"(C) SPECIAL LUMP SUM TREATMENT.—For purposes of this paragraph, special lump sum treatment applies to any distribution if any portion of such distribution is taxed under the subsection by reason of an election under paragraph (4)(B).

"(D) VESTING.—For purposes of this paragraph, the term 'vesting' means the portion of the accrued benefits derived from employer contributions to which the participant has a nonforfeitable right.

"(7) COORDINATION WITH FOREIGN TAX CREDIT LIMITATIONS.—Subsections (a), (b), and (c) of section 904 shall be applied separately with respect to any lump sum distribution on which tax is imposed under paragraph (1), and the amount of such distribution shall be treated as the taxable income for purposes of such separate application.

"(e) OTHER RULES APPLICABLE TO EXEMPT TRUSTS.—

"(1) ALTERNATE PAYEES.—

"(A) ALTERNATE PAYEE TREATED AS DISTRIBUTEE.—For purposes of subsection (a) and section 72, an alternate payee who is the spouse or former spouse of the participant shall be treated as the distributee of any distribution or payment made to the alternate payee under a qualified domestic relations order (as defined in section 414(p)).

"(B) ROLLOVERS.—If any amount is paid or distributed to an alternate payee who is the spouse or former spouse of the participant by reason of any qualified domestic relations order (within the meaning of section 414(p)), subsection (c) shall apply to such distribution in the same manner as if such alternate payee were the employee.

"(2) DISTRIBUTIONS BY UNITED STATES TO NONRESIDENT ALIENS.—The amount includible under subsection (a) in the gross income of a nonresident alien with respect to a distribution made by the United States in respect of services performed by an employee of the United States shall not exceed an amount which bears the same ratio to the amount includible in gross income without regard to this paragraph as—

"(A) the aggregate basic pay paid by the United States to such employee for such services, reduced by the amount of such basic pay which was not includible in gross income by reason of being from sources without the United States, bears to

"(B) the aggregate basic pay paid by the United States to such employee for such services.

In the case of distributions under the civil service retirement laws, the term 'basic pay' shall have the meaning provided in section 8331(3) of title 5, United States Code.

"(3) CASH OR DEFERRED ARRANGEMENTS.—For purposes of this title, contributions made by an employer on behalf of an employee to a trust which is a part of a qualified cash or deferred arrangement (as defined in section 401(k)(2)) shall not be treated as distributed or made available to the employee nor as contributions made to the trust by the employee merely because the arrangement includes provisions under which the employee has an election whether the contribution will be made to the trust or received by the employee in cash.

"(4) NET UNREALIZED APPRECIATION.—

"(A) AMOUNTS ATTRIBUTABLE TO EMPLOYEE CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of a distribution other than a lump sum distribution, the amount actually distributed to any distributee from a trust described in subsection (a) shall not include any net unrealized appreciation in securities of the employer corporation attributable to amounts contributed by the employee (other than deductible employee contributions within the meaning of section 72(o)(5)). This subparagraph shall not apply to a distribution to which subsection (c) applies.

"(B) AMOUNTS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of any lump sum distribution which includes securities of the employer corporation, there shall be excluded from gross income the net unrealized appreciation attributable to that part of the distribution which consists of securities of the employer corporation. In accordance with rules prescribed by the Secretary, a taxpayer may elect, on the return of tax on which a lump sum distribution is required to be included, not to have this subparagraph apply to such distribution.

"(C) DETERMINATION OF AMOUNTS AND ADJUSTMENTS.—For purposes of subparagraphs (A) and (B), net unrealized appreciation and the resulting adjustments to basis shall be determined in accordance with regulations prescribed by the Secretary.

"(D) LUMP SUM DISTRIBUTION.—For purposes of this paragraph, the term 'lump sum distribution' has the meaning given such term by subsection (d)(4)(A) (without regard to subsection (d)(4)(F)).

"(E) DEFINITIONS RELATING TO SECURITIES.—For purposes of this paragraph—

"(i) SECURITIES.—The term 'securities' means only shares of stock and bonds or debentures issued by a corporation with interest coupons or in registered form.

"(ii) SECURITIES OF THE EMPLOYER.—The term 'securities of the employer corporation' includes securities of a parent or subsidiary corporation (as defined in subsections (e) and (f) of section 424) of the employer corporation.

"(5) TAXABILITY OF BENEFICIARY OF CERTAIN FOREIGN SITUS TRUSTS.—For purposes of subsections (a), (b), and (c), a stock bonus, pension, or profit-sharing trust which would qualify for exemption from tax under section 501(a) except for the fact that it is a trust created or organized outside the United States shall be treated as if it were a trust exempt from tax under section 501(a).

"(f) WRITTEN EXPLANATION TO RECIPIENTS OF DISTRIBUTIONS ELIGIBLE FOR ROLLOVER TREATMENT.—

"(1) IN GENERAL.—The plan administrator of any plan shall, within a reasonable period of time before making an eligible rollover distribution from an eligible retirement plan, provide a written explanation to the recipient—

"(A) of the provisions under which the recipient may have the distribution directly transferred to another eligible retirement plan,

"(B) of the provision which requires the withholding of tax on the distribution if it is not directly transferred to another eligible retirement plan,

"(C) of the provisions under which the distribution will not be subject to tax if transferred to an eligible retirement plan within 60 days after the date on which the recipient received the distribution, and

"(D) if applicable, of the provisions of subsections (d) and (e) of this section.

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

"(A) ELIGIBLE ROLLOVER DISTRIBUTION.—The term 'eligible rollover distribution' has the same

meaning as when used in subsection (c) of this section or paragraph (4) of section 403(a).

"(B) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' has the meaning given such term by subsection (c)(8)(B)."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 55(c) is amended by striking "section 402(e)" and inserting "section 402(d)".

(2) Paragraph (8) of section 62(a) (relating to certain portion of lump-sum distributions from pension plans taxed under section 402(e)) is amended by striking "402(e)" in the text and heading and inserting "402(d)".

(3) Paragraph (4) of section 72(o) (relating to special rule for treatment of rollover amount) is amended by striking "sections 402(a)(5), 402(a)(7)" and inserting "section 402(c)".

(4) Paragraph (2) of section 219(d) (relating to recontributed amount) is amended by striking "section 402(a)(5), 402(a)(7)" and inserting "section 402(c)".

(5) Paragraph (20) of section 401(a) is amended—

(A) by striking "a qualified total distribution described in section 402(a)(5)(E)(i)(I)" and inserting "1 or more distributions within 1 taxable year to a distributee on account of a termination of the plan of which the trust is a part, or in the case of a profit-sharing or stock bonus plan, a complete discontinuance of contributions under such plan", and

(B) by adding at the end the following new sentence: "For purposes of this paragraph, rules similar to the rules of section 402(a)(6)(B) (as in effect before its repeal by section 211 of the Unemployment Compensation Amendments of 1992) shall apply."

(6) Clause (v) of section 401(a)(28)(B) (relating to coordination with distribution rules) is amended to read as follows:

"(v) COORDINATION WITH DISTRIBUTION RULES.—Any distribution required by this subparagraph shall not be taken into account in determining whether a subsequent distribution is a lump sum distribution under section 402(d)(4)(A) or in determining whether section 402(c)(10) applies."

(7) Subclause (IV) of section 401(k)(2)(B)(i) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(8) Subparagraph (B)(ii) of section 401(k)(10) (relating to distributions that must be lump-sum distributions) is amended—

(A) by striking "section 402(e)(4)" and inserting "section 402(d)(4)", and

(B) by striking "subparagraph (H)" and inserting "subparagraph (F)".

(9) Section 402(g)(1) is amended by striking "subsections (a)(8)" and inserting "subsections (e)(3)".

(10) Section 402(i) is amended by striking "subsection (e)(4)" and inserting "subsection (d)(4)".

(11) Subsection (j) of section 402 is amended by striking "(a)(1) or (e)(4)(J)" and inserting "(e)(4)".

(12)(A) Clause (i) of section 403(a)(4)(A) is amended by inserting "in an eligible rollover distribution (within the meaning of section 402(c)(4))" before the comma at the end thereof.

(B) Subparagraph (B) of section 403(a)(4) is amended to read as follows:

"(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A)."

(13)(A) Clause (i) of section 403(b)(8)(A) is amended by inserting "in an eligible rollover distribution (within the meaning of section 402(c)(4))" before the comma at the end thereof.

(B) Paragraph (8) of section 403(b) is amended by striking subparagraphs (B), (C), and (D) and inserting the following:

"(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A)."

(14) Section 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is amended by striking "section 402(e)" and inserting "section 402(d)".

(15) Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is amended by striking "section 402(e)" and inserting "section 402(d)".

(16) Paragraph (1) of section 408(a) is amended by striking "section 402(a)(5), 402(a)(7)" and inserting "section 402(c)".

(17) Clause (ii) of section 408(d)(3)(A) is amended to read as follows:

"(ii) no amount in the account and no part of the value of the annuity is attributable to any source other than a rollover contribution (as defined in section 402) from an employee's trust described in section 401(a) which is exempt from tax under section 501(a) or from an annuity plan described in section 403(a) (and any earnings on such contribution), and the entire amount received (including property and other money) is paid (for the benefit of such individual) into another such trust or annuity plan not later than the 60th day on which the individual receives the payment or the distribution; or".

(18) Subparagraph (B) of section 408(d)(3) (relating to limitations) is amended by striking the second sentence thereof.

(19) Subparagraph (F) of section 408(d)(3) (relating to frozen deposits) is amended by striking "section 402(a)(6)(H)" and inserting "section 402(c)(7)".

(20) Subclause (I) of section 414(n)(5)(C)(iii) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(21) Clause (i) of section 414(q)(7)(B) is amended by striking "402(a)(8)" and inserting "402(e)(3)".

(22) Paragraph (2) of section 414(s) (relating to employer may elect to treat certain deferrals as compensation) is amended by striking "402(a)(8)" and inserting "402(e)(3)".

(23) Subparagraph (A) of section 415(b)(2) (relating to annual benefit in general) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(24) Subparagraph (B) of section 415(b)(2) (relating to adjustment for certain other forms of benefit) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(25) Paragraph (2) of section 415(c) (relating to annual addition) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(26) Subparagraph (B) of section 457(c)(2) is amended by striking "section 402(a)(8)" in clause (i) thereof and inserting "section 402(e)(3)".

(27) Section 691(c) (relating to coordination with section 402(e)) is amended by striking "402(e)" in the text and heading and inserting "402(d)".

(28) Subparagraph (B) of section 871(a)(1) (relating to income other than capital gains) is amended by striking "402(a)(2), 403(a)(2), or".

(29) Paragraph (1) of section 871(b) (relating to imposition of tax) is amended by striking "402(e)(1)" and inserting "402(d)(1)".

(30) Paragraph (1) of section 871(k) is amended by striking "section 402(a)(4)" and inserting "section 402(e)(2)".

(31) Subsection (b) of section 877 (relating to alternative tax) is amended by striking "402(e)(1)" and inserting "402(d)(1)".

(32) Subsection (b) of section 1441 (relating to income items) is amended by striking "402(a)(2), 403(a)(2), or".

(33) Paragraph (5) of section 1441(c) (relating to special items) is amended by striking "402(a)(2), 403(a)(2), or".

(34) Subparagraph (A) of section 3121(v)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(35) Subparagraph (A) of section 3306(r)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(36) Subsection (a) of section 3405 is amended by striking "PENSIONS, ANNUITIES, ETC.—" from the heading thereof and inserting "PERIODIC PAYMENTS.—".

(37) Subsection (b) of section 3405 (relating to nonperiodic distribution) is amended—

(A) by striking "the amount determined under paragraph (2)" from paragraph (1) thereof and inserting "an amount equal to 10 percent of such distribution"; and

(B) by striking paragraph (2) (relating to amount of withholding) and redesignating paragraph (3) as paragraph (2).

(38) Paragraph (4) of section 3405(d) (relating to qualified total distributions) is hereby repealed.

(39) Paragraph (8) of section 3405(d) (relating to maximum amounts withheld) is amended to read as follows:

"(8) MAXIMUM AMOUNT WITHHELD.—The maximum amount to be withheld under this section on any designated distribution shall not exceed the sum of the amount of money and the fair market value of other property (other than securities of the employer corporation) received in the distribution. No amount shall be required to be withheld under this section in the case of any designated distribution which consists only of securities of the employer corporation and cash (not in excess of $200) in lieu of financial shares. For purposes of this paragraph, the term 'securities of the employer corporation' has the meaning given such term by section 402(e)(4)(E)."

(40) Subparagraph (A) of section 3405(d)(13) is amended by striking "(b)(3)" and inserting "(b)(2)".

(41) Subparagraph (A) of section 4973(b)(1) is amended by striking "sections 402(a)(5), 402(a)(7)" and inserting "sections 402(c)".

(42) Paragraph (4) of section 4980A(c) (relating to special rule where taxpayer elects income averaging) is amended by striking "section 402(e)(4)(B)" and inserting "section 402(d)(4)(B)".

(43) Subparagraph (C) of section 7701(j)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(44) Section 411(d)(3) is amended by adding at the end the following new sentence: "For purposes of this paragraph, in the case of the complete discontinuance of contributions under a profit-sharing or stock bonus plan, such plan shall be treated as having terminated on the day on which the plan administrator notifies the Secretary (in accordance with regulations) of the discontinuance."

(d) MODEL EXPLANATION.—The Secretary of the Treasury or his delegate shall develop a model explanation which a plan administrator may provide to a recipient in order to meet the requirements of section 402(f) of the Internal Revenue Code of 1986.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions after December 31, 1992.

(2) SPECIAL RULE FOR PARTIAL DISTRIBUTIONS.—For purposes of section 402(a)(5)(D)(i)(II) of the Internal Revenue Code of 1986 (as in effect before the amendments made by this section), a distribution before January 1, 1993, which is made before or at the same time as a series of periodic payments shall not be treated as one of such series if it is not substantially equal in amount to other payments in such series.

SEC. 522. REQUIREMENT THAT QUALIFIED PLANS INCLUDE OPTIONAL TRUSTEE-TO-TRUSTEE TRANSFERS OF ELIGIBLE ROLLOVER DISTRIBUTIONS.

(a) OPTIONAL TRANSFERS.—

(1) QUALIFIED PLANS.—Subsection (a) of section 401 (relating to requirements for qualification) is amended by inserting after paragraph (30) the following new paragraph:

"(31) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—

"(A) IN GENERAL.—A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if the distributee of any eligible rollover distribution—

"(i) elects to have such distribution paid directly to an eligible retirement plan, and

"(ii) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the plan administrator may prescribe),

such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

"(B) LIMITATION.—Subparagraph (A) shall apply only to the extent that the eligible rollover distribution would be includible in gross income if not transferred as provided in subparagraph (A) (determined without regard to sections 402(c) and 403(a)(4)).

"(C) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this paragraph, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).

"(D) ELIGIBLE RETIREMENT PLAN.—For purposes of this paragraph, the term 'eligible retirement plan' has the meaning given such term by section 402(c)(8)(B), except that a qualified trust shall be considered an eligible retirement plan only if it is a defined contribution plan, the terms of which permit the acceptance of rollover distributions."

(2) EMPLOYEE'S ANNUITIES.—Paragraph (2) of section 404(a) (relating to employee's annuities) is amended by striking "and (27)" and inserting "(27), and (31)".

(3) ANNUITIES PURCHASED BY CHARITIES AND PUBLIC SCHOOLS.—Paragraph (10) of section 403(b) (relating to distribution requirements) is amended by striking "section 401(a)(9)" and inserting "sections 401(a)(9) and 401(a)(31)".

(b) WITHHOLDING ON ELIGIBLE ROLLOVER DISTRIBUTIONS WHICH ARE NOT ROLLED OVER.—

(1) IN GENERAL.—Section 3405 (relating to special rules for pensions, annuities, and certain other deferred income) is amended by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f) and by inserting after subsection (b) the following new subsection:

"(c) ELIGIBLE ROLLOVER DISTRIBUTIONS.—

"(1) IN GENERAL.—In the case of any designated distribution which is an eligible rollover distribution—

"(A) subsections (a) and (b) shall not apply, and

"(B) the payor of such distribution shall withhold from such distribution an amount equal to 20 percent of such distribution.

"(2) EXCEPTION.—Paragraph (1)(B) shall not apply to any distribution if the distributee elects under section 401(a)(31)(A) to have such distribution paid directly to an eligible retirement plan.

"(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A) (or in the case of an annuity contract under section 403(b), a distribution from such contract described in section 402(f)(2)(A))."

(2) CONFORMING AMENDMENTS.—

(A) Section 3405(a)(1) is amended by striking "subsection (d)(2)" and inserting "subsection (e)(2)".

(B) Section 3405(b)(1) is amended by striking "subsection (d)(3)" and inserting "subsection (e)(3)".

(C) Section 3405(d)(1) (as redesignated by paragraph (1)) is amended by striking "subsection (d)(1)" and inserting "subsection (e)(1)".

(D) Sections 3402(o)(6) and 6047(d)(1) are each amended by striking "section 3405(d)(1)" and inserting "section 3405(e)(1)".

(E) Section 6047(d)(1)(A) is amended by striking "section 3405(d)(1)" and inserting "section 3405(d)(3)".

(F) Section 6652(h) is amended by striking "section 3405(d)(10)(B)" and inserting "section 3405(e)(10)(B)".

(c) EXCLUSION FROM INCOME.—

(1) QUALIFIED TRUSTS.—Subsection (e) of section 402 (relating to taxability of beneficiary of employees' trust), as amended by section 521, is amended by adding at the end the following new paragraph:

"(6) DIRECT TRUSTEE-TO-TRUSTEE TRANSFERS.—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer."

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

"(5) DIRECT TRUSTEE-TO-TRUSTEE TRANSFER.—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer."

(3) ANNUITY CONTRACTS PURCHASED BY CHARITIES AND PUBLIC SCHOOLS.—Section 403(b)(10) is amended by adding at the end the following new sentence: "Any amount transferred in an direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of the transfer."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to distributions after December 31, 1992.

(2) TRANSITION RULE FOR CERTAIN ANNUITY CONTRACTS.—If, as of July 1, 1992, a State law prohibits a direct trustee-to-trustee transfer from an annuity contract described in section 403(b) of the Internal Revenue Code of 1986 which was purchased for an employee by an employer which is a State or a political subdivision thereof (or an agency or instrumentality of any 1 or more of either), the amendments made by this section shall not apply to distributions before the earlier of—

(A) 90 days after the first day after July 1, 1992, on which such transfer is allowed under State law, or

(B) January 1, 1994.

SEC. 523. DATE FOR ADOPTION OF PLAN AMENDMENTS.

If any amendment made by this subtitle requires an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after January 1, 1994, if—

(1) during the period after such amendment takes effect and before such first plan year, the plan is operated in accordance with the requirements of such amendment, and

(2) such plan amendment applies retroactively to such period.

Subtitle C—Other Provisions

SEC. 531. MODIFICATIONS TO FEDERAL UNEMPLOYMENT ACCOUNTS.

(a) MODIFICATIONS TO EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.—

(1) TRANSFERS TO ACCOUNT.—Paragraph (1) of section 905(b) of the Social Security Act is amended to read as follows—

"(b)(1) Except as provided in paragraph (3), the Secretary of the Treasury shall transfer (as of the close of each month), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal to the sum of—

"(A) 100 percent of the transfers to the employment security administration account pursuant to section 901(b)(2) during such month on account of liabilities referred to in section 901(b)(1)(B), plus

"(B) 20 percent of the excess of the transfers to such account pursuant to section 901(b)(2) during such month on account of amounts referred to in section 901(b)(1)(A) over the payments during such month from the employment security administration account pursuant to section 901 (b)(3) and (d).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (B), proper adjustments shall be made in the amounts subsequently transferred."

(2) INCREASE IN CEILING.—Subparagraph (B) of section 905(b)(2) of such Act is amended by striking "three-eighths of 1 percent" and inserting "0.5 percent".

(b) REDUCTION OF CEILING ON FEDERAL UNEMPLOYMENT ACCOUNT.—Paragraph (2) of section 902(a) of such Act is amended by striking "five-eighths of 1 percent" and inserting "0.25 percent".

(c) BORROWING BETWEEN FEDERAL ACCOUNTS.—Title IX of such Act is amended by adding at the end the following new section:

"BORROWING BETWEEN FEDERAL ACCOUNTS

"SEC. 910. (a) IN GENERAL.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that—

"(1) the amount in the employment security administration account, Federal unemployment account, or extended unemployment compensation account, is insufficient to meet the anticipated payments from the account,

"(2) such insufficiency may cause such account to borrow from the general fund of the Treasury, and

"(3) the amount in any other such account exceeds the amount necessary to meet the anticipated payments from such other account,

the Secretary shall transfer to the account referred to in paragraph (1) from the account referred to paragraph (3) an amount equal to the insufficiency determined under paragraph (1) (or, if less, the excess determined under paragraph (3)).

"(b) TREATMENT OF ADVANCE.—Any amount transferred under subsection (a)—

"(1) shall be treated as a noninterest-bearing repayable advance, and

"(2) shall not be considered in computing the amount in any account for purposes of the application of sections 901(f)(2), 902(b), and 905(b).

"(c) REPAYMENT.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount in the account to which an advance is made under subsection (a) exceeds the amount necessary to meet the anticipated payments from the account, the Secretary shall transfer from the account to the account from which the advance was made an amount equal to the lesser of the amount so advanced or such excess."

(d) REPEAL OF EXPIRED PROVISIONS.—

(1) Paragraph (2) of section 901(f) of such Act is amended—

(A) by striking "(A) Except as provided in subparagraph (B), the" and inserting "The", and

(B) by striking subparagraph (B).

(2) Section 901 of such Act is amended by striking subsection (g).

(3) Subsection (g) of section 904 is amended by striking all of such subsection that follows the 1st sentence.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) CHANGES IN CEILING AMOUNTS.—The amendments made by subsection (a)(2) and (b) shall apply to fiscal years beginning after September 30, 1993.

SEC. 532. REQUIREMENT OF DEPOSITS BY FEDERAL AGENCIES FOR UNEMPLOYMENT BENEFITS.

(a) GENERAL RULE.—Subsection (c) of section 8509 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(3) If any Federal agency does not deposit in the Federal Employees Compensation Account any amount before the date 30 days after the date on which the Secretary of Labor has notified such agency that it is required to so deposit such amount, the Secretary of Labor shall notify the Secretary of the Treasury of the failure to make such deposit and the Secretary of the Treasury shall transfer such amount to the Federal Employees Compensation Account from amounts otherwise appropriated to such Federal agency."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to failures outstanding on the date of the enactment of this Act or at any time thereafter.

SEC. 533. REPORT ON ALLOCATION OF ADMINISTRATIVE FUNDS.

Subsection (a) of section 304 of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164, as amended) is amended by striking "within the 12-month period beginning on the date of the enactment of this Act" and inserting "before December 31, 1994".

SEC. 534. EXTENSION OF COMMISSION ON INTERSTATE CHILD SUPPORT.

(a) IN GENERAL.—Section 126 of the Family Support Act of 1988 (42 U.S.C. 666 note; 102 Stat. 2355) is amended—

(1) in subsection (d)(2), by striking "May" and inserting "August"; and

(2) in subsection (f)(1), by striking "July 1" and inserting "September 30".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on June 30, 1992.

And the Senate agree to the same.

From the Committee on Ways and Means, for consideration of the House bill, and the Senate amendment, and modifications committed to conference:

DAN ROSTENKOWSKI,
HAROLD FORD,
THOMAS J. DOWNEY,
BARBARA B. KENNELLY,
MICHAEL A. ANDREWS,
GUY VANDER JAGT,
E. CLAY SHAW, Jr.,

As additional conferees from the Committee on Energy and Commerce, for consideration of section 105 of the House bill, and section 104 of the Senate amendment, and modification committed to conference:

JOHN D. DINGELL,
AL SWIFT,
DENNIS E. ECKART,
JIM SLATTERY,
GERRY SIKORSKI,
NORMAN F. LENT,
DON RITTER,
MATTHEW J. RINALDO,

As additional conferees, from the Committee on Government Operations, for consideration of title VI of the House bill, and modifications committed to conference:

JOHN CONYERS,
BARBARA BOXER,
TOM LANTOS,
BOB WISE,
MIKE SYNAR,
Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
MAX BAUCUS,
BOB PACKWOOD,
BOB DOLE,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5260) to extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment compensation program, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

I. EXTENSION OF EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM

1. EXTENSION OF PROGRAM

Present law.—The Federal Emergency Unemployment Compensation (EUC) program was first enacted in November 1991 and amended most recently in February 1992. Under the amendments enacted in February and before June 14, 1992 the EUC program provides 26 or 33 weeks of benefits for most workers who exhaust their regular State benefits depending on unemployment in their States.

States with adjusted insured unemployment rates (AIURs) of at least 5 percent or total unemployment rates (6-month moving average) of at least 9 percent are eligible to pay 33 weeks of benefits. All other States are eligible to pay 26 weeks of benefits. In determining the adjusted insured unemployment rate, the Secretary of Labor is directed to take into account individuals who have exhausted their rights to regular State compensation during the most recent 3 calendar months for which data are available.

House bill.—This provision extends the EUC program and provides 20 or 26 weeks of benefits from June 14, 1992 or the week beginning after the week in which the bill is enacted, whichever is later, until the earlier of: (1) January 1, 1993; or (2) the month after the month in which the National unemployment rate (3-month moving average) falls below 6.5 percent. When either one of these conditions is met, the program begins a three-month phaseout in which the number of weeks available to new claimants falls to 10 or 13 weeks of benefits. At the end of this phaseout period, regular State program exhaustees cannot file new EUC claims.

Senate amendment.—The schedule of benefits enacted in February (33 weeks for workers in high unemployment States and 26 weeks in all other States) will be continued for so long as the seasonally-adjusted national unemployment rate remains at 7 percent or higher. However, if for two consecutive months the national unemployment rate falls below 7 percent, the number of weeks of benefits will be reduced to 15 and 10. The number of weeks of benefits will be further reduced (to 13 and 7 weeks) if, for two consecutive months the national unemployment rate falls below 6.8 percent. The EUC program expires on March 6, 1993. Workers who exhaust regular State benefits after that date will be ineligible for EUC benefits.

Conference agreement.—The conference agreement follows the Senate amendment except the number of weeks of benefits available initially would be 20 and 26 instead of 26 and 33, respectively.

2. PHASEOUT OF PROGRAM

Present law.—After June 13, 1992, States are eligible to pay 20 or 13 weeks of benefits. Exhaustees of regular State program benefits after July 4, 1992 are not eligible for EUC benefits. Claimants already receiving benefits for the week ending June 13, 1992 may continue on the program as long as there is no break in their receipt of benefits. If they do not receive benefits in a given week after the week ending June 13, 1992, they may receive no more EUC benefits.

House bill.—Claimants receiving EUC benefits during the last week of March 1993 would have three months in which to receive their remaining benefits. They would not be required to claim the benefits for each consecutive week. After this three-month period, the program would end and no more benefits would be paid.

Senate amendment.—Individuals who began receiving EUC benefits on or before March 6 would be entitled to the full number of weeks of benefits for which they were found eligible. They would not be required to claim the benefits for each consecutive week. No benefits would be payable after June 19, 1993.

If for any week beginning after March 6, 1993, an extended benefit period is activated in a State, individuals claiming benefits for such week and any following weeks are eligible to receive benefits under the EUC or extended benefits program, whichever is greater.

Conference agreement.—The conference agreement follows the Senate amendment. Claimants who were disqualified from receiving further EUC benefits because they did not claim benefits in a week between June 13, 1992 and July 5, 1992 would be able to resume receiving EUC benefits they were eligible otherwise.

3. SOURCE OF FUNDS FOR EUC PROGRAM

Present law.—Benefits are fully Federally-funded out of the Extended Unemployment Compensation Account, except for benefits for employees of non-profit and governmental entities, which are paid out of general revenue.

House bill.—Continues present law.

Senate amendment.—The new EUC benefits would be paid out of general revenues. The Secretary of Treasury is required to transfer from the general fund to the extended unemployment account such sums as are necessary to pay these new benefits.

Conference agreement.—The conference agreement follows the Senate amendment, modified to also require a transfer of funds to pay for all administrative costs resulting from the enactment of the bill. For budgetary purposes, these administrative costs are classified as direct spending and not discretionary spending.

4. MODIFICATION TO ELIGIBILITY REQUIREMENTS

Present law.—(a) The eligibility requirements of the Extended Benefits (EB) program are used in the EUC program. Under the EB program, to be eligible an unemployed worker in his base year (the first four of the last five completed calendar quarters in 47 of the 53 State programs) must have either: (1) worked 20 weeks; (2) earned 40 times his weekly benefit amount; or (3) earned 1.5 times his wages in the quarter in his base year in which he earned the most wages (the "high quarter"). The State is required to provide by law which one of the three foregoing methods of measuring employment and earnings will be used for determining eligibility of all claimants.

(b) If EUC claimants' regular State benefit years expire, they must file new claims for regular State benefits even though they have EUC entitlements remaining under the EUC program.

(c) States are required to collect overpayments of EUC benefits, except if the claimant was without fault and such collection would be contrary to equity and good conscience.

House bill.—(a) The provision changes the conditions under which claimants qualify for EUC from those under the Federal-State Extended Benefits (EB) program to the conditions under the regular State programs. If still unemployed, claimants who were ineligible for EUC under the EB requirements can re-apply for benefits payable for weeks of unemployment on or after the date of enactment.

(b) Effective upon enactment, the provision allows EUC claimants who have exhausted their State benefits years while receiving EUC to choose between continuing on EUC or filing a new claim for regular State benefits.

Those claimants who were required to apply for regular State benefits already may go back to EUC benefits as if they had not been required to re-apply for regular State benefits by the EUC program.

(c) Repayment of overpayments, mistakenly made by some States in violation of the EB employment/wage requirements or the requirement that claimants must file for regular benefits again when their regular State benefit year expires, is waived.

Senate amendment.—(a) In determining EUC and EB eligibility, States may use one or more of the three eligibility criteria that are specified in the Federal EB statute, rather than being required to choose one of the three.

Conference agreement.—The conference agreement follows the House bill except for the "20-weeks of work" requirement. It includes the Senate amendment which allows States to use all of the three criteria in determining claimant eligibility.

5. TECHNICAL MODIFICATION FOR REIMBURSABLE EMPLOYERS

Present law.—The EUC program authorizes to be appropriated from the general fund such sums as may be necessary to cover the costs of EUC benefits paid to former employees of nonprofit organizations and State-local governments.

House bill.—The provisions explicitly requires the Secretary of Labor to estimate the amount of benefits paid in each State to former employees of nonprofit organizations and State-local governments that must be charged to the Federal general fund. This would relieve States of the current costly administrative burden of maintaining an accounting of the type of employment on which these benefits were earned.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill.

6. TREATMENT OF PERSIAN GULF RESERVISTS

Present law.—Reservists receive wage credits under the unemployment compensation program for ex-military personnel if they serve 90 continuous days on active duty.

House bill.—The provision adds a special rule which states that if: (1) an individual was receiving regular State benefits, Extended Benefits, or Trade Readjustment Allowances the week in which he was called to active duty in the military reserves; (2) the individual served in response to the Persian Gulf crisis for at least 90 consecutive days; (3) the individual's regular State benefit year expired after he returned from that service; and (4) the individual received regular State benefits at a reduced weekly benefit amount after he returned from that service compared to what he received before he was ordered to active duty; then the individual shall receive a weekly benefit amount from the EUC program equal to what he received during the week in which he was called to active duty in the military reserves.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill.

7. EUC FOR CERTAIN RAILROAD WORKERS

Present law.—Workers in the railroad industry are eligible for a separate unemployment compensation program that provides benefits basically equivalent to those provided under the regular State unemployment compensation programs. Under current law, railroad employees with less than 10 years of service in the railroad industry are not eligible for any extended benefits due to a statutory flaw in the trigger mechanism. However, the unemployment legislation enacted previously to provide emergency unemployment benefits to other workers also provided additional weeks of extended benefits for qualifying railroad workers (P.L. 102-164, P.L. 102-182, P.L. 101-244). These special benefits for railroad workers expire July 4, 1992.

House bill.—Eligible railroad workers may continue to receive benefits through the life of the EUC program.

Senate amendment.—Same as House bill.

Conference agreement.—The conference agreement follows the House bill and the Senate agreement.

8. MODIFY WORK SEARCH RULES FOR AREAS OF HIGH UNEMPLOYMENT

Present law.—Federal rules enacted in 1980 to apply to the Extended Benefits program, and which also apply to EUC, require "systematic and sustained" work search by individuals who are receiving extended benefits. As a result of these rules, workers are frequently required to make repeated contacts with employers each week, even in areas where unemployment is very high and there are very few employers.

House bill.—No provision.

Senate amendment.—The Governor of a State would be allowed to waive the Federal work search rules (and apply State rules instead) in an area that the Governor designates as an area of exceptionally high unemployment. The Secretary of Labor would be authorized to issue regulations providing guidelines for determining the circumstances under which waivers could be granted.

Conference agreement.—The conference agreement does not include the Senate provision.

II. MODIFICATIONS TO EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

Unemployed workers are paid up to 26 weeks of regular unemployment benefits financed by State unemployment taxes on employers. In States with high insured unemployment rates, the Extended Benefits (EB) program pays up to 13 weeks of additional benefits to workers who have exhausted their regular State benefits. The EB program is a joint Federal-State program, half of which is financed by Federal unemployment taxes on employers and half by State unemployment taxes.

1. MODIFICATION OF TRIGGER PROVISIONS

Present law.—Currently, the Federal-State Extended Benefits (EB) program is activated to provide up to 13 weeks of benefits in a State when its insured unemployment rate (13-week moving average) is at least 5 percent and 20 percent higher than the average for the corresponding period in the prior two years, or, at State option, is at least 6 percent. Twelve States have not adopted the 6 percent option.

House bill.—The provision revises the EB trigger so that the 13 weeks of EB is activated in a State when its seasonally adjusted total unemployment rate (TUR) (3-month moving average) is at least 6 percent and 10 percent higher than the TUR for the same 3-month period in the first or second preceding year. In addition, 7 more weeks would be available in States with TURs of at least 8 percent that are 10 percent higher than the TUR for the same 3-month period in the first or second preceding year.

In addition, the Committee report on the bill directs the Advisory Council on Unemployment Compensation to study the efficiency and equity of activating the countercyclical EB program on the basis of State unemployment rates. In particular, the Committee was concerned that out-migration from an economically distressed State might make its unemployment rate so low that the EB program would not activate in the State. On the other hand, the Committee also was concerned that the EB program activate in high unemployment States were unemployed workers might have migrated. The Advisory Council should study whether migration patterns should be factored into the trigger mechanism of the EB program and make recommendations when it submits its first report to Congress.

Effective date: October 1, 1993. In the case of any State legislature which has not been in session for at least 30 days between the date of enactment and October 1, 1993, the provision will not be a requirement of the State law before 30 days after the first day on which the State's legislature is in session on or after October 1, 1993.

Senate amendment.—Effective March 7, 1993, States would have the option of using an additional alternative trigger. Under this option, EB benefits would be paid when: (1) the State seasonally adjusted total unemployment rate (TUR) for the most recent 3 months for which data for all States are published is at least 6.5 percent, and that rate is at least 10 percent higher than the State's TUR for the same 3-month period in the first or second preceding year.

Conference agreement.—The conference agreement follows the Senate amendment except that, at State option, an additional 7 weeks of benefits may be provided in States with total unemployment rates of at least 8 percent and which meet the 110 percent requirement.

2. REPEAL OF SPECIAL ELIGIBILITY REQUIREMENTS

Present law.—In general, States require regular program claimants to be able to work, to be available for work, and to seek suitable work actively. State administrators have flexibility in administering these requirements, however, to take into account special circumstances. For example, a claimant in a rural community with only one large employer is not likely to be required to re-apply for a job with that employer every week.

Under the Extended Benefits program (EB), benefits may not be paid to an individual in any week of unemployment if: (a) he fails to accept an offer of "suitable work" or he fails to apply for suitable work to which he was referred by the State agency; or (b) he fails

to actively seek work, unless: (1) he was issued a summons to appear for jury duty before any court of the United States or any State, or (2) he was hospitalized for treatment of any emergency or a life-threatening condition if such exemptions apply to claimants of regular State benefits and the State chooses to apply them to claimants of EB.

If a claimant is ineligible because of either (a) or (b) above, the claimant is disqualified for the week following the week in which the violation occurred and for each subsequent week until he has been employed for at least 4 weeks and earned at least 4 times his weekly benefit amount.

The term "suitable work" means any work within the claimant's capabilities, except that if the individual furnishes evidence that his prospects for obtaining work in his customary occupation within a reasonably short time period are good, the definition of "suitable work" conforms to State law.

EB may not be denied to a claimant for failure to apply for or accept a suitable job if: (a) the gross pay does not exceed the claimant's weekly benefit amount plus any supplemental benefits payable to him; (b) the position was not offered in writing and was not listed with the State employment service; (c) such failure would not result in a denial of regular State benefits as long as other conditions of the EB program are met; or (d) the job pays wages less than the higher of: (1) the Federal minimum wage, or (2) the applicable State or local minimum wage.

The claimant is treated as actively seeking work if: (a) he has engaged in a systematic and sustained effort to obtain work; and (b) he provides tangible evidence to the State agency that he has engaged in such effort.

The State must provide for referring applicants for EB to any suitable work to which these provisions apply.

No provision of State law which terminates a disqualification of a claimant for regular State benefits because of voluntarily leaving a job, being discharged for misconduct, or refusing suitable work applies to the EB program unless such termination is based on subsequent employment.

Under the EB program, to be eligible an unemployed worker in his base year (the first four of the last five completed calendar quarters in 47 of the 53 State programs) must have either: (1) worked 20 weeks; (2) earned 40 times his weekly benefit amount; or (3) earned 1.5 times his wages in the quarter in this base year in which he earned the most wages (the "high quarter"). The State law must provide which one of the three above methods of measuring employment and earnings shall be used.

House bill.—The provision repeals Federal EB qualification, suitable work, job search, and re-employment requirements. States may apply State requirements instead.

Effective date: October 1, 1993. In the case of any State legislature which has not been in session for at least 30 days between the date of enactment and October 1, 1993, the provision will not be a requirement of the State law before 30 days after the first day on which the State's legislature is in session on or after October 1, 1993.

Senate amendment.—The Governor of a State would be allowed to waive the Federal work search rules (and apply State rules instead) in an area that the Governor designates as an area of exceptionally high unemployment. The Secretary of Labor would be authorized to issue regulations providing guidelines for determining the circumstances under which waivers could be granted.

States may use one or more of the three eligibility criteria that are specified in the Federal EB statute, rather than being required to choose one of the three.

Effective date: Date of enactment.

Conference agreement.—The conference agreement follows the Senate amendment which allows States to use one or more of the three criteria in determining claimant eligibility under the "20-weeks of work" requirement. It suspends Federal EB suitable work, job search, and re-employment requirements until January 1, 1995. It requires the Federal Advisory Council on Unemployment Compensation to study and make recommendations to the House Committee on Ways and Means and Senate Committee on Finance with respect to whether the suspended provisions should be repealed or revised (including recommendations as to the nature of any such revisions). The report is due prior to February 1, 1994.

3. INCREASE IN AMOUNT OF FEDERAL REIMBURSEMENT

Present law.—The Federal matching rate under the EB program is 50 percent.

House bill.—The provision increases the Federal matching rate to 75 percent.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not include the House provision.

III. MODIFICATIONS TO FEDERAL UNEMPLOYMENT TAX

1. MODIFICATIONS TO FEDERAL UNEMPLOYMENT TAX

Present law.—The Federal Unemployment Tax Act (FUTA) currently imposes a 6.2 percent gross tax rate on the first $7,000 paid annually by covered employers to each employee. Employers in States with programs approved by the Federal government and with no delinquent Federal loans may credit 5.4 percentage points against the 6.2 percent tax rate, making the minimum net tax rate 0.8 percent. Of the 0.8 percent tax rate, 0.6 percentage point is permanent and 0.2 percentage point is a surtax scheduled to expire at the end of 1996.

In order for employers in a State to be eligible for the full 5.4 percentage point credit, a State also must have a State taxable wage base of at least $7,000. If a State had a lower taxable wage base, its employers would lose the benefit of the 5.4 percentage point credit on the excess of the $7,000 over the State taxable wage base. No State has a taxable wage base set lower than $7,000. As of the beginning of 1992, 38 of the 53 State programs had taxable wage bases exceeding $7,000.

House bill.—The bill reduces the 0.8 percent Federal unemployment tax rate to 0.3 percent in 1995 through 1996 and to 0.25 percent in 1997 and thereafter. The $7,000 Federal unemployment taxable wage base increases in 1995 to the average annual covered wage, estimated by the Congressional Budget Office to be $28,200 in 1995. The taxable wage base would change each year thereafter as the estimate of the average annual covered wage changed.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not include the House provision.

2. INFORMATION REQUIRED WITH RESPECT TO TAXATION OF UNEMPLOYMENT BENEFITS

Present law.—Under the Tax Reform Act of 1986, all unemployment compensation is subject to Federal personal income taxation.

House bill.—The provision requires States to provide information on the taxation of unemployment compensation and the payment of estimated individual income taxes.

Senate amendment.—Same as House bill except for technical differences.

Conference agreement.—The conference agreement follows the Senate amendment.

3. MAILING OF CERTAIN INFORMATION PERMITTED

Present law.—Office of Management and Budget (OMB) Circular A–87 requires States to share in the cost of postage if they add material to mailings concerning unemployment compensation even if the mailings do not add to the total cost of the postage.

House bill.—The provision would allow States to include information on the Earned Income Credit (EIC) in their Form 1099–G mailings to workers who have received unemployment benefits at no cost as long as the additional information does not increase the postage cost of the mailing.

Senate amendment.—Same as House bill.

Conference Agreement.—The conference agreement follows the House bill and the Senate amendment.

4. EXTENSION OF EXISTING TREATMENT OF CERTAIN AGRICULTURAL WORKERS

Present law.—Agricultural labor performed before January 1, 1993 by an individual who is an alien admitted to the United States to perform agricultural labor under sections 214(c) and 101(a)(15)(H) of the Immigration and Nationality Act is excluded from coverage under the Federal Unemployment Tax Act.

House bill.—The provision would extend current law for two years until January 1, 1995 and require the Federal Advisory Council on Unemployment Compensation to study the impact of the provision and report to the House Committee on Ways and Means and the Senate Committee on Finance by February 1, 1994.

Senate amendment.—The provision extends the present law treatment of certain Agricultural workers permanently.

Conference agreement.—The conference agreement follows the House bill.

5. EXTENSION OF PERIOD FOR REPAYMENT OF FEDERAL LOANS TO STATE UNEMPLOYMENT FUNDS

Present law.—Employers in States with overdue Federal loans are subject to increases in their Federal unemployment tax rate stemming from automatic decreases in their Federal unemployment tax credit of 5.4 percentage points against the current gross tax rate of 6.2 percent. Interest is charged on loans that are not repaid by the end of the fiscal year in which they are obtained.

States with outstanding unemployment loans from the Federal government must repay them fully by November 10 of the calendar year in which the second consecutive January first passes with the State still having an outstanding loan. This means that the State has about a two- to three-year grace period to repay the loan without penalty taxes, depending on when it obtained the loan. If it does not repay fully by the appropriate November 10, employers in the State are subject to annual credit decreases beginning with the preceding January 1 until the loan is repaid fully. Employers must pay the additional taxes resulting from the credit decrease no later than January 31 of the next calendar year.

The credit reduction is at least 0.3 percentage point per year beginning with the calendar year in which the second consecutive January first passes during which the loan is outstanding. There are two potential additional credit decreases during ensuing calendar years in which a State has an outstanding advance: (1) in the calendar years

after the third and fourth consecutive January firsts pass, the employers in the State face a decrease by the amount that 2.7 percent exceeds the State's average tax rate on taxable wages in the calendar year to which the decrease applies; (2) in the calendar years in which the fifth through ninth consecutive January firsts pass, the employers face a decrease equal to the higher of the amount in (1) or the amount that the State's 5-year benefit cost rate exceeds the State's average tax rate on taxable wages in the calendar year to which the decrease applies. The 5-year benefit-cost rate is one-fifth of the unemployment benefits paid in the first 5 of the last 6 completed calendar years preceding the calendar year to which the credit decrease applies divided by taxable wages in the last calendar year.

House bill.—The provision extends by one year the grace period for Federal unemployment penalty taxes on employers in States with overdue unemployment loans from the Federal government if the State amended its unemployment insurance law in 1992 or 1993 to increase estimated revenues by at least 25 percent if the first year after enactment of the State legislation.

Effective date: Date of enactment.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill.

IV. Modification to Regular State Unemployment Compensation Programs

1. Treatment of short-time unemployment compensation programs

Present law.—All funds withdrawn from the unemployment trust fund of a State must be used solely in payment of unemployment compensation, exclusive of administrative expenses and refunds of erroneously paid sums except: (1) certain authorized disability payments; (2) certain "Reed Act" expenses; (3) authorized health insurance costs; and (4) repayments of overpayments. Short-time compensation is not mentioned explicitly.

A provision enacted in 1982 authorizing such programs has expired. (Short-time compensation programs are programs under which States may pay pro rata benefits to individuals who are working less than full time because their employer has a plan approved by the State agency that provides for a reduction in work hours for employees rather than temporary layoffs.)

House bill.—Clarifies that States may continue to pay short-time compensation.

The provision also requires the Secretary of Labor to develop model State legislation, to update it periodically, to provide technical assistance to the States, and to report to Congress on implementation of short-time compensation.

Senate amendment.—Similar to House bill.

Conference agreement.—The conference agreement follows the House bill and Senate amendment. Also, language is added providing that eligible employees may participate in employer-sponsored training programs to enhance job skills if such programs have been approved by the State agency.

2. Benefit information requirements

Present law.—No provision.

House bill.—The provision requires employers to give each worker whose employment relationship with the employer is terminated such written information on unemployment insurance eligibility and benefits as is provided by the State agency. Employers must post at places readily accessible to employees such printed statements regarding benefit rights as prescribed by the State agency.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not include the House provision.

V. Financing Provisions

1. Extension of phaseout of personal exemptions

Present law.—Present law permits a personal exemption deduction from gross income for an individual, the individual's spouse, and each dependent. For 1992, the amount of this deduction is $2,300 for each exemption claimed. This exemption amount is adjusted for inflation. The deduction for personal exemptions is phased out for taxpayers with adjusted gross income (AGI) above a threshold amount (indexed for inflation), which is based on filing status. For 1992, the threshold amounts are $157,900 for married taxpayers filing joint returns, $78,950 for married taxpayers filing separate returns, $131,550 for unmarried taxpayers filing as head of household, and $105,250 for unmarried taxpayers filing as single.

The total amount of exemptions which may be claimed by a taxpayer is reduced by 2 percent for each $2,500 (or portion thereof) by which the taxpayer's AGI exceeds the applicable threshold (the phaseout rate is 4 percent for married taxpayers filing separate returns). Thus, the personal exemptions claimed are phased out over a $122,500 range, beginning at the applicable threshold.

This provision does not apply to taxable years beginning after December 31, 1995.

House bill.—The bill delays the expiration date for the personal exemption phaseout applicable to higher-income individuals for two years. Under this provision, the phaseout of personal exemptions will not apply to taxable years beginning after December 31, 1997.

Effective date: The provision is effective for taxable years beginning in 1996 and 1997.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill with the modification that the expiration of the personal exemption phaseout is delayed for one year. Under the conference agreement, the phaseout of personal exemptions will not apply to taxable years beginning after December 31, 1996.

2. Disallowance of deduction for certain employee remuneration in excess of $1,000,000

Present law.—Under present law, a deduction is allowed in computing Federal income tax liability for ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered.

House bill.—For purposes of the regular income tax and the alternative minimum tax, the otherwise allowable deduction for compensation with respect to a covered employee is limited to no more than $1 million per year. A covered employee means any employee of the taxpayer who is an officer of the taxpayer, other than an employee-owner of a personal service corporation.

For purposes of the provision, whether an individual is an officer is determined upon the basis of all the facts. The provision does not apply to payments to partners in a partnership because they are not employees. The provision also does not apply to payments to independent contractors.

The deduction limitation generally applies to all remuneration for services, including cash and the cash value of all remuneration (including benefits) paid in a medium other than cash. The limit does not apply to fringe benefits excludable from income under section 132, meals and lodging furnished on the business premises of the employer that are excludable under section 119, or any payment made to, or on behalf of, an employee or beneficiary (1) from or to a qualified pension, profit-sharing, or annuity plan, or (2) under a simplified employee pension (SEP) or tax-sheltered annuity (other than elective deferrals to such a plan or annuity).

The deduction limitation applies at the time the deduction would otherwise be taken, whether or not the remuneration to which the deduction relates is for service performed during the taxable year.

Effective date: The provision is effective for taxable years beginning on or after January 1, 1992.

For taxable years beginning before the date of enactment of the provision, no additional penalty tax is imposed on a corporation with respect to any underpayment of estimated tax to the extent such underpayment was created or increased by the provision.

Senate amendment—No provision.

Conference agreement.—The conference agreement does not include the House bill provision.

3. Rollover and withholding on nonperiodic pension distributions

Present law.—Distributions from tax-qualified pension plans (sec. 401(a)), qualified annuity plant (sec. 403(a)), and tax-sheltered annuities (sec. 403(b)) generally are included in gross income in the year paid or distributed under the rules relating to the taxation of annuities. A total or partial distribution of the balance to the credit of an employee may, under certain circumstances, be rolled over tax free to another plan or annuity or to an individual retirement account (IRA).

For purposes of the rule denying rollover treatment in the case of certain periodic payments, payments made before, with, or after the commencement of the periodic payments are not treated as part of the series of periodic payments.

Income tax withholding on pension distributions is required unless the payee elects not to have withholding apply. If no election is made, tax is withheld from nonperiodic payments at a 10-percent rate, unless the payments are part of a qualified total distribution, in which case tables published by the Internal Revenue Service are used to determine the withholding rate. A qualified total distribution generally is a payment within one year of the entire interest in a plan.

House bill.—No provision.

Senate amendment.—Under the Senate amendment, any part of the taxable portion of a distribution from a qualified pension or annuity plan or a tax-sheltered annuity (other than a minimum required distribution) can be rolled over tax free to an IRA or another qualified plan or annuity, unless the distribution is one of a series of substantially equal payments made (1) over the life (or joint life expectancies) of the participant and his or her beneficiary, or (2) over a specified period of 10 years or more.

For purposes of the rule denying rollover treatment in the case of certain periodic payments, a single-sum payment that is not substantially equal to the period payments that is made before, with, or after the commencement of the periodic payments is not treated as one of the series of periodic payments. For example, if an employee receives 30 percent of his or her accrued benefit in the form of single-sum distribution upon retirement with the balance payable in annuity

form, the amount of the single-sum distribution can be rolled over.

A qualified retirement or annuity plan must permit participants to elect to have any distribution that is eligible for rollover treatment transferred directly to an eligible transferee plan specified by the participant.

Withholding is imposed at a rate of 20 percent on any distribution that is eligible to be rolled over but that is not transferred directly to an eligible transferee plan. Payees cannot elect to forego withholding with respect to such distributions.

Plan amendments required under the provision do not have to be made before the first plan year beginning on or after January 1, 1994, if the plan is operated in accordance with the provision and the amendment applies retroactively.

Effective date: The provision is effective for distributions after December 31, 1992.

Conference agreement.—The conference agreement follows the Senate amendment, with modifications.

The conference agreement provides that the plan administrator must provide a written explanation to a recipient of his or her distribution options (including the direct trustee-to-trustee transfer option) within a reasonable period of time before making an eligible rollover distribution. The Secretary of the Treasury is directed to develop a model notice.

The administrator may require that a recipient electing a direct trustee-to-trustee transfer provide adequate information in a timely manner regarding the eligible retirement plan to which the transfer is to be made. The transferor plan and its administrator will not be subject to penalties or liability because of reasonable reliance on such information provided by a recipient, and is not required to independently verify such information. As under the Senate amendment and present law, a qualified retirement plan is not required to accept a direct trustee-to-trustee transfer.

The direct trustee-to-trustee transfer option is considered a distribution option, so that spousal consent and other similar participant and beneficiary protection rules apply. Because a direct transfer generally is considered a distribution from the transferor plan, rights and options available under the transferor plan need not be preserved under the transferee plan.

The conference agreement clarifies that the explicit exclusion from gross income of amounts transferred in a direct trustee-to-trustee transfer in accordance with the provision is not intended to affect the treatment of direct transfers under other provisions of the Code.

Under the conference agreement, in the case of section 403(b) tax-sheltered annuity plans maintained by State and local governments which are prohibited under State law from making direct trustee-to-trustee transfers, the provisions relating to trustee-to-trustee transfers and withholding do not apply to distributions before the earlier of (1) January 1, 1994, or (2) 90 days after the date on which the State law is amended to permit such transfers.

4. MODIFY ESTIMATED TAX PAYMENT RULES FOR LARGE CORPORATIONS

Present law.—A corporation is subject to an addition to tax for any underpayment of estimated tax. For taxable years beginning in 1993, 1994, 1995, and 1996, a corporation does not have an underpayment of estimated tax if it makes four equal timely estimated tax payments that total at least 95 percent of the tax liability shown on the return for the current taxable year. In addition, a corporation may annualize its taxable income and make estimated tax payments based on 95 percent of the tax liability attributable to such annualized income.

For taxable years beginning in 1992, the 95-percent requirement is a 93-percent requirement; the 95-percent requirement becomes a 90-percent requirement for taxable years beginning in 1997 and thereafter.

House bill.—No provision.

Senate amendment.—For taxable years beginning after June 30, 1992, and before 1997, the bill requires a large corporation to base its estimated tax payments on 96 percent (rather than 93 or 95 percent) of its current year tax liability, whether such liability is determined on an actual or annualized basis. For taxable years beginning after 1996, the bill requires a large corporation to base its estimated tax payments on 91 percent (rather than 90 percent) of its current year tax liability.

The amendment does not change the present-law availability of the 100 percent of last year's liability safe harbor for large or small corporations.

Conference agreement.—The conference agreement follows the Senate amendment with the following modification. For taxable years beginning after June 30, 1992, and before 1997, the conference agreement requires a large corporation to base its estimated tax payments on 97 percent (rather 96 percent as under the Senate amendment) of its current year tax liability, whether such liability is determined on an actual or annualized basis.

5. TAXABLE YEAR ELECTION FOR PARTNERSHIPS, S CORPORATIONS, AND PERSONAL SERVICE CORPORATIONS

Present law.—A partnership is generally required for Federal income tax purposes to use the taxable year that is used by a majority of its partners. An S corporation or a personal service corporation is generally required for Federal income tax purposes to use the calendar year as its taxable year.

A partnership, S corporation, or personal service corporation, however, may elect to use a taxable year other than the required taxable year. In the case of a partnership, S Corporation, or personal service corporation that is adopting a taxable year or changing a taxable year, the taxable year that may be elected generally may not result in a deferral period of more than three months.

House bill.—No provision.

Senate amendment.—A partnership, S corporation, or personal service corporation is allowed to elect any taxable year without regard to the length of the deferral period of the taxable year elected if the annual financial statements (if any) of the entity used for credit purposes or provided to the partners, shareholders, or other proprietors of the entity cover the same period as the taxable year elected.

The provision increases the amount of the required payment that must be made by a partnership or S corporation that elects a taxable year other than the required taxable year (including any partnership or S corporation that has an election in effect on the date of enactment of the provision) and requires an additional required payment for any taxable year that a partnership or S corporation first makes a taxable year election or changes a taxable year election to increase the deferral period.

The provision also increases the minimum distribution requirement that must be satisfied by a personal service corporation that elects a taxable year other than the required taxable year (including a personal service corporation that has an election in effect on the date of enactment of the provision).

Effective date: The provision applies to taxable years beginning after December 31, 1991.

Conference agreement.—The conference agreement does not include the Senate provision.

6. MARKET-TO-MARKET ACCOUNTING METHOD FOR DEALERS IN SECURITIES

Present law.—A taxpayer that is a dealer in securities is required for Federal income tax purposes to maintain an inventory of securities held for sale to customers. A dealer in securities is allowed for Federal income tax purposes to determine (or value) the inventory of securities held for sale based on: (1) the cost of the securities; (2) the lower of the cost or market value of the securities; or (3) the market value of the securities.

For financial accounting purposes, the inventory of securities generally is determined based on market value.

House bill.—No provision.

Senate amendment.—The provision requires certain securities that are held by a dealer in securities to be market to market for Federal income tax purposes.

For these purposes, a dealer in securities is defined as any taxpayer that either (1) regularly purchases securities from, or sells securities to, customers in the ordinary course of a trade or business, or (2) 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.

A security is defined as: (1) any share of stock in a corporation; (2) any partnership or beneficial ownership interest in a widely held or publicly trade partnership or trust; (3) any note, bond, debenture, or other evidence of indebtedness; (4) any interest rate, currency, or equity notional principal contract; and (5) any evidence of an interest in, or any derivative financial instrument in, a security described in (1) through (4) above or any currency, including any option, forward contract, short position, or any similar financial instrument in such a security or currency.

In addition, a security is defined to include any position if: (1) the position is not a security described in the preceding paragraph; (2) the position is a hedge with respect to a security described in the preceding paragraph; and (3) before the close of the day on which the position was acquired (or entered into or such other time as the Treasury Department may specify in regulations), the position is clearly identified in the dealer's records as a hedge with respect to a security described in the preceding paragraph. A security, however, does not include a contract to which section 1256(a) of the Code applies.

Notwithstanding the definition of security, the mark-to-market rules generally do not apply to: (1) any security that is held for investment: (2) any evidence of indebtedness that is acquired (including originated) by a dealer in the ordinary course of a trade or business of the dealer but only if the evidence of indebtedness is not held for sale; (3) any security acquired by a floor specialist (as defined in section 1236(d)(2) in connection with the floor 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; (4) any security which is a hedge with respect to a security that is not subject to the mark-to-market rules; and (5) any security which is a hedge with respect to a position, right to income, or a liability that is not a security in the hands of the taxpayer.

These exceptions to the mark-to-market rules do not apply unless before the close of the day on which the security is acquired, originated, or entered into (or such other time as the Treasury Department may specify in regulations), the security is clearly identified in the dealer's records as being described in one of the exceptions listed in the preceding paragraph.

Effective date: The provision applies to taxable years ending on or after December 31, 1992. The net amount of the section 481(a) adjustment is taken into account ratably over a 10-taxable year period beginning with the first taxable year ending on or after December 31, 1992, to the extent that such amount does not exceed the net amount of the section 481(a) adjustment that would have been determined had the change in method of accounting occurred for the last taxable year beginning before March 20, 1992.

Conference agreement.—The conference agreement does not include the Senate provision.

7. TAX TREATMENT OF CERTAIN FSLIC FINANCIAL ASSISTANCE

Present law.—A taxpayer may claim a deduction for a loss on the sale or other disposition of property only to the extend that the taxpayer's adjusted basis for the property exceeds the amount realized on the disposition and the loss is not compensated for by insurance or otherwise (sec. 165 of the Code). A similar rule applies for purposes of accounting for bad debts.

A special statutory tax rule, enacted in 1981, excluded from a thrift institution's income financial assistance received from the Federal Savings and Loan Insurance Corporation (FSLIC), and prohibited a reduction in the tax basis of the thrift institution's assets on account of the receipt of the assistance. Under the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), taxpayers generally were required to reduce certain tax attributes by one-half the amount of financial assistance received from the FSLIC pursuant to certain acquisitions of financially troubled thrift institutions occurring after December 31, 1988. These special rules were repealed by FIRREA, but still apply to transactions that occurred before May 10, 1989.

Prior to the enactment of FIRREA, the FSLIC entered into a number of assistance agreements in which it agreed to provide loss protection to acquirers of troubled thrift institutions by compensating them for the difference between the book value and sales proceeds of "covered assets."

As of March 4, 1991, Treasury Department report ("Treasury report") on tax issues relating to the 1988/89 FSLIC transactions concluded that deductions should not be allowed for losses that are reimbursed with exempt FSLIC assistance. The Treasury report states that the Treasury view is expected to be challenged in the courts and recommended that Congress enact clarifying legislation disallowing these deductions.

House bill.—No provision.

Senate amendment.—General rule: Any FSLIC assistance with respect to any loss of principal, capital, or similar amount upon the disposition of an asset would be taken into account as compensation for such loss for purposes of section 165 of the Code. Any FSLIC assistance with respect to any debt would be taken into account for purposes of 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.

Financial assistance to which the FIRREA amendments apply: The proposal would not apply to any financial assistance to which the amendments made by section 1401(a)(3) of FIRREA apply.

No inference: No inference would be intended as to prior law or as to the treatment of any item to which this proposal does not apply.

Conference agreement.—The conference agreement does not include the Senate provision.

8. TRANSFER OF INCOME TAXES ON UNEMPLOYMENT BENEFITS TO UNEMPLOYMENT TRUST FUND

Present law.—Under present law, all unemployment benefits received are included in a taxpayer's gross income. Tax revenues generated by this provision are deposited, along with almost all individual income tax receipts, in the General Fund of the Treasury.

A portion of social security and tier I railroad retirement benefits is includible in gross income. An individual is required to include in gross income the lesser of: (1) 50 percent of the individual's social security or tier I railroad retirement benefits; or (2) 50 percent of the individual's modified adjusted gross income above a specified threshold. Modified adjusted gross income is defined as the sum of 50 percent of the individual's social security or tier I railroad retirement benefits plus otherwise calculated adjusted gross income plus certain tax-exempt interest. The threshold amounts are $32,000 for married taxpayers filing joint returns and $25,000 for unmarried taxpayers.

The Secretary of the Treasury is required to estimate the individual income tax liabilities attributable to the payment of social security and tier I railroad retirement benefits. These proceeds are transferred (credited) quarterly to the Old-Age and Survivors Insurance Trust Fund, the Disability Insurance Trust Fund, or the Railroad Retirement Trust Fund, as appropriate.

House bill.—The bill requires the Secretary of Treasury to estimate the individual income tax liabilities attributable to the receipt of unemployment compensation benefits and transfer the proceeds into the Extended Unemployment Compensation Account of the Unemployment Trust Fund.

Effective date: The provision is effective for all unemployment compensation benefits paid after December 31, 1990.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not include the House bill provision.

9. MODIFICATIONS TO FEDERAL UNEMPLOYMENT ACCOUNTS

Present law.—Ninety percent of Federal unemployment tax revenues flows into the Employment Security Administration Account (ESSA), which funds the administration of the unemployment insurance and employment services. Ten percent flows into the Extended Unemployment Compensation Account (EUCA), which funds the Extended Benefits (EB) and Emergency Unemployment Compensation (EUC) programs. Each account has a ceiling. The excess over the ceiling flows into the Federal Unemployment Account, which provides loans to insolvent State programs. If all three accounts overflow, the excess flows to the State accounts in proportion to their share of total wages paid Nationwide.

House bill.—The provision changes the flow of Federal unemployment tax revenue into the three Federal accounts such that the administration account receives 80 percent and the Extended Unemployment Compensation Account (EUC) receives 20 percent of the annual revenue. Also, it: authorizes interest-free borrowing between accounts; lowers the ceiling in the loan account from 0.625 percent to 0.125 percent of total annual wages; raises the ceiling on the Extended Unemployment Compensation Account (EUC) from 0.375 percent to 0.625 percent of total annual wages; makes the ceiling changes effective in fiscal year 1994; and retains the current law provision that when all three accounts are full, the excess revenue flows back to the States in proportion to their share of total wages Nationwide.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill with technical changes in the operations of the trust fund accounts. The ceiling in the EUCA would be 0.5% and the ceiling in the FUA would be 0.25 percent.

10. REQUIREMENTS OF DEPOSITS BY FEDERAL AGENCIES FOR UNEMPLOYMENT BENEFITS

Present law.—No provision.

House bill.—The provision authorizes the Secretary of Treasury to transfer amounts owed to the Federal Employees Compensation Account from amounts otherwise appropriated to such Federal agency if 30 days have passed wince the date on which the Secretary of Labor notified the agency that it was required to deposit such amount.

Senate amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill.

11. REPORT ON ALLOCATION OF ADMINISTRATIVE FUNDS

Present law.—The Emergency Unemployment Compensation Act of 1991 authorized a study of the basic method of allocating funds among States for administration of unemployment insurance. The report is due no later than November 17, 1992.

House bill.—The provision changes the due date of the report to December 31, 1994.

Senate amendment.—No provision.

Conference amendment.—No provision.

Conference agreement.—The conference agreement follows the House bill.

VI. BUDGETARY TREATMENT

1. TREATMENT UNDER PAY-AS-YOU-GO PROCEDURES

Present law.—New entitlement spending for benefits from the unemployment trust fund is subject to the pay-as-you-go requirements of the Balanced Budget and Deficit Control Act of 1985, as amended. Spending for administration is treated as discretionary spending, and is subject to the domestic discretionary spending caps in the Budget Act.

House bill.—The provision states that any new budget authority, outlays or receipts under its provisions shall not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not follow the House provision.

2. EXEMPTION FROM SEQUESTRATION

Present law.—The Federal half of Federal-State Extended Benefits is subject to sequestration.

House bill.—The provision exempts Emergency Unemployment Compensation from sequestration. The Federal share of Extended Benefits would continue to be subject to sequestration.

Senate amendment.—No provision.

Conference agreement.—The conference agreement does not include the House provision.

VII. TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

Present law.—Workers certified for Trade Adjustment Assistance must have had at least 26 weeks of adversely affected employment in the 52 weeks preceding their layoff in order to qualify for weekly Trade Readjustment Allowances (i.e., cash benefits extension of unemployment compensation). Up to 7 weeks of inactive military duty or active duty military service for training are among the types of non-employment which qualify toward the 26-week minimum.

House bill.—No provision.

Senate amendment.—The provision designates up to 26 weeks of active duty in reserve status to be "weeks of adversely affected employment" for Trade Readjustment Allowance purpose, effective as of August 1990.

Conference agreement.—The conference agreement follows Senate bill.

VIII. Extended the U.S. Commission on Interstate Child Support

Present law.—The report of the Commission on Interstate Child Support is due on May 1, 1992, and the Commission is scheduled to expire on July 1, 1992.

Conference agreement.—The conference agreement extends the date for the Commission's report to August 1, 1992, and the date of expiration of the Commission to September 30, 1992.

From the Committee on Ways and Means, for consideration of the House bill, and the Senate amendment, and modifications committed to conference:

DAN ROSTENKOWSKI,
HAROLD FORD,
THOMAS J. DOWNEY,
BARBARA B. KENNELLY,
MICHAEL A. ANDREWS,
GUY VANDER JAGT,
E. CLAY SHAW, JR.,

As additional conferees from the Committee on Energy and Commerce, for consideration of section 105 of the House bill, and section 104 of the Senate amendment, and modifications committed to conference:

JOHN D. DINGELL,
AL SWIFT,
DENNIS E. ECKART,
JIM SLATTERY,
GERRY SIKORSKI,
NORMAN F. LENT,
DON RITTER,
MATTHEW J. RINALDO,

As additional conferees, from the Committee on Government Operations, for consideration of title VI of the House bill, and modifications committed to conference:

JOHN CONYERS,
BARBARA BOXER,
TOM LANTOS,
BOB WISE,
MIKE SYNAR,

Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
MAX BAUCUS,
BOB PACKWOOD,
BOB DOLE,

Managers on the Part of the Senate.

Mr. ROSTENKOWSKI. Mr. Speaker, pursuant to the previous order of the House, I call up the conference report on 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.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. ROSTENKOWSKI] will be recognized for 30 minutes, and the gentleman from Texas [Mr. ARCHER] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Illinois [Mr. ROSTENKOWSKI].

GENERAL LEAVE

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks, and include therein extraneous material on the conference report on the bill, H.R. 5260, now under consideration.

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

There was no objection.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of the conference agreement on H.R. 5260, the Unemployment Compensation Amendments of 1992.

This morning, we again received disappointing, but compelling evidence that the recession is not over. The national unemployment rate rose again last month from 7.5 to 7.8 percent. In human terms, unemployment rose by 470,000 individuals last month to nearly 10 million persons, and payroll employment declined by over 100,000 jobs in June.

Given these disturbing economic conditions, I strongly urge the President to sign this conference report. Congress has done its job. If the President does not sign this conference report, the American public will only grow cynical of government and our collective inability to govern. The conference agreement achieves all the major objectives with respect to permanent reform that I believe are appropriate.

I would like now to explain the main features of the conference agreement.

First, the agreement extends the Emergency Unemployment Compensation Program through February 1993. The current emergency program is due to expire this Saturday, July 4.

Second, the agreement permanently reforms the extended benefits program and coordinates these reforms with the phaseout of the Emergency Unemployment Compensation Program next year.

Third, the agreement is fiscally responsible because it is paid for over the 6-year budget period.

Mr. Speaker, most of us support an extension of the Emergency Unemployment Compensation Program through the end of the year, but a few stragglers remain in opposition to permanent reform of the extended benefits program. However, after two temporary extensions of emergency unemployment benefits in the current recession and an urgent need for a third, we all should have gotten the message that something is fundamentally broken in the current system that needs to be permanently fixed.

Let me remind my colleagues of what occurred last year. The House of Representatives passed seven unemployment benefit extension bills, three of which became law. Let us not repeat these political sparring matches. They only add to the public's disgust with legislative gridlock. We should not have to enact three separate, emergency extensions of benefits every time there is a recession. Unemployed Americans and their families deserve better than that.

Mr. Speaker, this conference agreement would spend about $5.4 billion over the next 6 years and is paid for in full with $5.5 billion in revenue. I have today received a letter from Richard Darman, Director of the Office of Management and Budget, which I will include in the RECORD. In this letter, Mr. Darman states that according to the OMB estimates of H.R. 5260, and taking into account available pay-go balances, no sequester would be triggered by the enactment of H.R. 5260. Therefore, he requests that H.R. 5260 not include any direct scorekeeping language or any other type of exemption from the requirements of the Budget Enforcement Act.

Mr. Speaker, the bill is financed by three revenue sources, all of which would improve collections or extend existing provisions of law, not raise new taxes. First, collections of corporate estimated taxes would be accelerated. Second, the current-law phaseout of personal exemptions for upper-income individuals would be extended for 1 year. Third, certain pension plan distributions that are not rolled over directly through a trustee would be subject to withholding. This latter provision was initially contained in the Senate bill, and is included in the conference report at the urging of the Senate conferees.

Mr. Speaker, this conference agreement is a good compromise between the House bill and the Senate amendment. It provides needed benefits to millions of unemployed Americans or extends existing provisions without raising new taxes. In light of the sharp increase in the unemployment rate today, I strongly urge the President and all my colleagues to join me in strong support of this vital legislation.

Mr. Speaker, I include the following letter from Richard Darman:

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, July 2, 1992.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: This is to inform you that, according to our estimates of H.R. 5260,

and taking into account available pay-go balances, no sequester would be triggered by enactment of H.R. 5260. Therefore, I respectfully request that H.R. 5260 not include any directed scorekeeping language or any other type of exemption from the requirements of the Budget Enforcement Act.

Thank you.

With best regards.

RICHARD DARMAN,
Director.

□ 1450

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

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I have no doubt that today the Congress will pass, and the President will sign into law, this conference report on unemployment compensation.

However, let me for a moment voice some concerns about the conference agreement we are about to adopt. This is the third time within the past year that we will override the current unemployment compensation system to rush emergency benefits to the long-term unemployed. Our past two efforts will cost taxpayers about $7.8 billion. The conference report before us today will add an additional $5.6 billion through the next 5 years. This is all on top of a system that without any of this additional legislation will spend over $26 billion on regular unemployment benefits this year.

I am fully aware that this recession has been very difficult for many who lost their jobs and who still are without work. The unemployment rate for June, announced today, rose to 7.8 percent. While the needs of the unemployed are urgent, I wonder if their prospects would not be better right now if over the last year we would have put as much effort into enacting legislation to create jobs and expand our economy, as we did into financing unemployment benefits. It is nice to give benefits, but each dollar spent on benefits is a dollar taken away from job creation. I strongly believe it is job creation that should be our foremost policy goal for the unemployed.

In addition to extending the Emergency Unemployment Compensation Program this bill reforms the permanent structure of the extended benefits program. This recession has shown us that we need to examine better ways to help the long-term unemployed. I am disappointed, however, that in the name of reform we simply have decided to expand our current system. Republican members of the Ways and Means Committee have urged looking into reforms that would provide greater long-term coverage financed by a delay of initial benefits. I believe reforms of this sort, which do not require tax increases, should be given careful consideration.

Instead, we will adopt today extended benefits changes that simply will make benefits easier to get. The price we pay for this is higher taxes that will steal from economic growth.

Let me make a few comments about the financing provisions of this bill.

The bill extends for 1 year, through 1996, a provision adopted in 1990 that phases out the personal exemptions claimed on a tax return as the income of the taxpayer exceeds certain specified levels. The current-law personal exemption of $2,300 is appropriately factored into the Federal tax calculation in determining a taxpayer's ability to pay tax. The personal exemption should be allowed in full, and to extend this unfortunate mistake of the 1990 Budget Act would simply compound the error made 2 years ago.

I note, with significant concern, that the newly mandated pension withholding provisions, at an increased 20 percent rate, could have the effect of depleting retirement savings. Someone receiving a distribution will be able to do a complete rollover only if they can come up with other cash equal to the amount withheld by the Government. For many that will be difficult, if not impossible. While the withholding tax can be avoided through a trustee-to-trustee transfer, the bill specifically indicates that such transfers need not be made available to taxpayers. Moreover, I believe this new provision—which is, in reality, nothing more than an accounting gimmick to speed up revenues—could cause serious administrative problems for plan administrators, pension participants, and the IRS.

The corporate estimated tax threshold increase is another speedup accounting gimmick. We now will penalize corporations that don't hit a 97 percent target. Let me just remind the Members that a year ago we had a 90 percent target. We then went to 95 percent. Today it's 97 percent. Lest the Members think that there is a logical limit of 100 percent on estimated taxes so that we won't have this issue to worry about much longer, it is my sad duty to say that for individuals the Ways and Means Committee recently adopted a 115 percent safe harbor. When will it end?

I may be a lone voice of dissent on this conference report, but I am highly concerned about the revenue provisions of this bill. We do need a strong policy for the unemployed, but its focus should be to expand employment, something which is not done by raising taxes.

□ 1500

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

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 4 minutes to the gentleman from New York [Mr. DOWNEY], the subcommittee chairman.

Mr. DOWNEY. Mr. Speaker, the President of the United States is going to sign this unemployment bill for two reasons: Unemployment is up, and his popularity is down.

It is unfortunate that we have had to do three extensions of unemployment in 8 months, but this is the most satisfying for the gentleman from Ohio [Mr. PEASE] who is retiring, the gentleman from Michigan [Mr. LEVIN] who has worked on this, along with myself, for the last 3 years.

There are very good reasons beyond just the temporary extension, which is desperately needed, for Members to support this legislation.

Mr. Speaker, the reason we have had to be here is because the trigger mechanisms that currently exist in law do not work. The levels of unemployment in the various States have to be so high as to be unrealistic before the existing trigger mechanisms will trigger extended benefits. That is just a complicated way of saying that, when the law was changed last time in 1981, it was done to make sure that fewer people were eligible for unemployment.

Mr. Speaker, we undo that. We take the measure of the total unemployment rate, which is a far more accurate and realistic measure of unemployment in a State, provide a State option for its triggering, and that will be the future way in which unemployment benefits will be triggered.

The second thing that is important: We also change the mechanism for the extension of benefits. Not only is there a 13-week automatic trigger, but, if unemployment is especially high in a State, it can go as high as 20 weeks so we will not have to in the future recessions, my colleagues, continue to amend and change the law in order to provide the benefits for people who richly need and deserve them.

Second, under existing law there are job search requirements for the first 26 weeks which say, "When you claim eligibility for unemployment, you must meet these requirements, but, when you trigger on for the extended benefits, you need to go through a whole new range of requirements." We eliminate that. We try to make sure that the same job search requirements, which are essentially about dignity for people, people who are on unemployment; the vast majority of them want to work, and they do not want to be simply on unemployment; we have fashioned a realistic requirement for them to look for jobs.

Lastly, Mr. Speaker, we provide in the temporary extension benefits to people like the workers from PanAm who were laid off, or other aerospace workers in Long Island who have been laid off, or all across the country, 20 to 26 additional weeks of benefits. As I said, most people who are unemployed hate being there. They want to work. They do not like showing up at unemployment offices for checks. Their essential dignity is robbed from them when they are out of work, but until

there is work we need to provide the resources so that they can pay the rent, feed their families, pay mortgages, if necessary, and keep life and limb together. Without these weeks of unemployment benefits, Mr. Speaker, families would be in very serious trouble.

Our committee, the Committee on Ways and Means, this Congress, has responded to this crisis three times in the last 6 months. I hope and pray this is the last one, but I also, Mr. Speaker, will urge the President to recognize the plight of ordinary Americans as he contemplates signing this legislation. He has been reluctant to do so in the past, especially reluctant because of the permanent changes made here, and I would say to him, Mr. Speaker, "Please, Mr. President, put aside these concerns. Recognize the need in this land. We are approaching the Fourth of July, Independence Day. Let's make sure that a holiday, not just for the people who are working, but also for the people who are looking for work and who need our help."

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentlewoman from Connecticut [Mrs. JOHNSON], a respected member of the Committee on Ways and Means.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in support of this legislation and commend the President of the United States, George Bush, for being a true ally of the unemployed. President Bush will have, with this bill, signed three bills to provide extended benefits for those who are suffering the consequences of this long downturn. His understanding of their need is keen. But his commitment to their well-being is deep. The $1 billion he vetoed was a billion that provided, yes, new benefits, but no new funding, and our President understood that to give benefits without the means to pay for them is to heap on our children the debt that is going to destroy them if this Congress cannot get hold of itself.

Mr. Speaker, it is only because of the President's pressure that I can now vote yes on a bill that a few short weeks ago I voted no on, because when this bill came before the Congress last time, it was not funded year by year. It increased that deficit that we keep burdening our children with. Yes, it brought some new money in in years four and five, but after it already spent the money on benefits in year one and two. This is a responsible extended benefits bill because it gives the benefits to people who desperately need them, but it pays for those benefits in the years the money is spent, and I am proud to support it for that reason, and I am proud that my President has the courage to veto the unfunded benefit bill of some time ago and to threaten that action to the irresponsible bill that passed this House some weeks ago.

But I am pleased to support this bill for another reason. This bill does not include a feature that was in the bill some weeks ago when it passed the House that would have increased the wage base on which we levied the tax for unemployment compensation. I opposed that feature because areas of the country like my State, Connecticut, and the Northeast, a high cost of living State, and, yes, a higher than average wage State, would have ended up being really socked by that increase in taxable wage base, and it would have put us at yet another disadvantage in competing with States in other regions of the United States.

So, I am delighted that this bill does not include that provision, but I regret that the concept of reform embodied in this bill is extraordinarily narrow and hostile to the anguish that I see people facing every day of their lives out there, those people who have been on extended benefits and who need these benefits extended. They literally begged me to give them the right to withdraw penalty-free savings that they had in their IRAs and their 401(k) plans. Because so many people mid-career are suffering long-term unemployment; they have kids in college, they have mortgage payments, and after a year and a half of unemployment there are no resources; all they were asking was the right to withdraw their own savings penalty free, and the penalties are steep. I regret that I was turned down by my own committee to allow them that courtesy.

I also regret that I was turned down in my effort to gain for them the right to work half-time without it reducing their unemployment benefit stipend. While I understand the States have that right now, we should have forced their hand to allow these people to work part time in an economy that offers very few options for full-time employment that would support a family.

Nonetheless, though this measure is not adequate to the needs of our people, it does meet the critical need to extend benefits without a break. This will assure folks that certainty, and for that reason I support the bill and urge my colleagues to do likewise.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut [Mrs. KENNELLY].

Mrs. KENNELLY. Mr. Speaker, I rise today to express strong support for the conference report on the Unemployment Compensation Amendments of 1992.

The June unemployment statistics for the country were released today: Once again, the situation is not good. Unemployment rose by three-tenths of 1 percent for the second month in a row, bringing the Nation to 7.8 percent unemployment. That is the highest it has been in over 8 years. Nearly 10 million people are looking for work. We lost 117,000 jobs last month, mostly in the construction and manufacturing industries. Mr. Speaker, the recession is not over.

This is not the first time my colleagues and I have come to the floor to state the obvious. In fact, this is the third time in 8 months that we have come here to pass a conference report to provide emergency unemployment compensation. This bill would provide up to 33 weeks of benefits for workers who have exhausted regular State benefits. These are crucial benefits for the long-term unemployed across the country.

But Mr. Speaker, the bill before us is more than just an extension of vital Federal emergency benefits. It also repairs the extended benefit system so that in times of crisis, unemployed workers will not have to wait for Congress and the administration to agree on the problem. Extended benefits will automatically be available to the long-term unemployed when a State comes on tough economic times.

Mr. Speaker, we must help the long-term unemployed workers of America who have fallen victim to the recession. Fixing the Extended Benefit Program permanently is long overdue. I urge my colleagues to support the conference report.

□ 1510

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. MCGRATH], a member of the Committee on Ways and Means.

Mr. MCGRATH. Mr. Speaker, I rise in support of the conference report. I would like to congratulate the chairman and subcommittee chairman, as well as the ranking member, for their earnest work in providing us with this conference report which will extend unemployment benefits through March 1993.

Mr. Speaker, let me say that during the debate on this issue in the Committee on Ways and Means, I came up with a revolutionary idea, and that idea was to pay for the extension of these benefits through the fund from which these benefits were intended to be paid for, the unemployment insurance trust fund.

Right now in this bill and other bills that we have passed in the past few months we have been financing these benefits through either the individual side or the corporate side of the tax ledger. It is high time that we start paying for these benefits through the unemployment insurance trust fund as it was meant to be.

I had the temerity to offer a financing mechanism for a temporary extension which would have indexed the wage base from the present day figure of $7,000 over a 5-year period, which would have brought it up to $8,300, which would have completely financed the extension of these benefits. Until and unless we start financing the benefits from the fund which people have participated in all of these years, we will not have done our job.

So while I applaud this temporary extension of extended benefits, let me say our job is not done until we take a look at the whole issue and start financing this issue out of the unemployment insurance trust fund.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Kentucky [Mr. MAZZOLI].

Mr. MAZZOLI. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I rise in very strong support of this conference report. The gentleman from Illinois [Mr. ROSTENKOWSKI] deserves the credit of this Chamber and this entire body for his really indefatigable efforts in behalf of the unemployed of America. I think he not only stands for their interim benefits and their emergency benefits as embodied in the bill before us, H.R. 5260, but in the more long range effort to create jobs in America.

Mr. Speaker, the gentleman from Illinois [Mr. ROSTENKOWSKI] will have a bill coming up later today, and he has other irons in the fire, which create jobs for people. So I want to salute the gentleman for not only taking care of those who are unemployed, but getting down to the root cause of the problem, to create jobs in America, and in Louisville and Jefferson County, KY.

Mr. Speaker, I rise in strong support of this bill and the work the gentleman from Illinois [Mr. ROSTENKOWSKI] is doing.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. SANTORUM]

Mr. SANTORUM. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I want to congratulate the gentleman from Illinois [Mr. ROSTENKOWSKI] and the gentleman from Texas [Mr. ARCHER] for working together to solve this. I spoke on this bill the last time it was here and I spoke with more than a little bit of outrage as to what I thought was going to happen, which was just another farce of passing a bill that was not paid for that was going to be delayed at the expense of what I saw as suffering people, especially in my district, which has a very high unemployment rate.

Mr. Speaker, I want to congratulate the gentlemen for putting politics aside and putting the pointing of fingers aside and coming to the floor with a responsible bill that is paid for, that does not again try to throw on future generations the problems of today. We have done that enough in this body.

Mr. Speaker, I want to commend both gentlemen for doing that. I rise in support of the measure.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. FOGLIETTA].

Mr. FOGLIETTA. Mr. Speaker, today I rise, first of all, to thank the gentleman from Illinois [Mr. ROSTENKOWSKI] for working so hard and showing the leadership and helping the plight of the American workers.

Mr. Speaker, I also rise to express my support for this conference report, which will extend unemployment benefits to American workers and their families.

The economy sinks deeper and deeper into a slump. Unemployment has reached its highest level in 8 years. And for many unemployed Americans and their families, there is no end in sight.

These are hard-working Americans with families to feed and mortgages to pay. These aren't people who are looking for a handout—they want to work. These Americans desperately need the help of their unemployment checks to keep their families afloat.

However, I am disturbed that this bill doesn't bring help to some categories of unemployed Americans who also need help. For some, July 4, when unemployment runs out for millions, it will not be a day for fireworks. It will be a sad day for family meetings to discuss how to pay the mortgage and how to buy groceries. That's no way to enter this holiday season.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. PEASE].

Mr. PEASE. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, first I would like to thank the gentleman from Illinois [Mr. ROSTENKOWSKI] for the time and leadership on this issue. As always, the gentleman is right on the mark.

Second, I would like to commend the gentleman from New York [Mr. DOWNEY], the chairman of the Subcommittee on Human Resources, who has fought this issue through the Congress several times now in the last 2 years, and without whose tenacity we would probably not be here today announcing to America and to the unemployed workers that they will have an opportunity to get extended benefits. Chairman DOWNEY deserves much, much credit for this bill.

Mr. Speaker, it was 10 years ago this year that I first introduced a bill to try to reform the unemployment compensation system on a permanent basis so we did not always have to rush in during periods of high unemployment, during a recession, and pass emergency stopgap legislation.

This bill, after 10 years of my efforts, does contain permanent reform and it does contain the opportunity for States to get additional weeks of benefits for their workers without further Federal action.

This is not all that I had hoped for. One seldom does get all one hopes for in this body. But it is a significant step forward in rationalizing our unemployment compensation system and making sure that when States encounter periods of high unemployment, they get the assistance, that is, the workers get the assistance when they need it, not several months after they have already exhausted their benefits.

Mr. Speaker, this is a good conference report, and I urge the House to support it.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. LEVIN].

Mr. LEVIN of Michigan. Mr. Speaker, the gentleman from Ohio [Mr. PEASE] has rightfully paid tribute to our chairman, the gentleman from Illinois [Mr. ROSTENKOWSKI], who has been adamant that we take action.

□ 1520

He has also paid tribute to the gentleman from New York [Mr. DOWNEY], who deserves the plaudits. He has been equally stubborn and very imaginative.

I would like to pay tribute, however, to one person that the gentleman from Ohio [Mr. PEASE] did not pay tribute to, and that is to the gentleman from Ohio [Mr. PEASE]. For a number of years he has been issuing the clarion call, "Reform the unemployment system, the extended benefits system, before we get into a deep rut." We did not do that. We got into a deep rut. We were not ready. Tens of thousands of people suffered.

A few years ago the gentleman from New York [Mr. DOWNEY], the gentleman from Ohio [Mr. PEASE], and I essentially reintroduced a bill to make permanent changes. Again, nothing happened, and again thousands paid a price.

This bill extends benefits. It also takes a step, an important step, toward permanent change in the extended benefit structure, so in the future hopefully thousands of people, laid off through no fault of their own, will not simply be thrown not only into the streets but onto them without any financial underpinning.

I am proud to rise with the gentleman from Illinois [Mr. ROSTENKOWSKI], the gentleman from New York [Mr. DOWNEY], and the gentleman from Ohio [Mr. PEASE], people who have worked so hard to say at long last there is a breakthrough. At long last there will be some permanent change. At long last we can look the unemployed straight in the eye and say we not only went through the motions but we did something.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. SHAW], a member of the Committee on Ways and Means.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, once again we find ourselves in a situation of having to extend the unemployment benefits, something that none of us really anticipated we would have to do, unfortunately. When we come out of a recession, the last number to improve, and that is the cruelest number of all, is the unemployment number. I think we need at this point to look and see and recognize what can be accomplished for the

greatest good when the two parties, the administration and the Congress, cooperate and Democrats and Republicans can come together in this particular manner.

I want to compliment both George Bush, the gentleman from Texas [Mr. ARCHER], and of course the gentleman from Illinois [Mr. ROSTENKOWSKI] for putting together an earnest bill that they know the President will accept. This is a bill that is finally put in a situation where we are getting out of politics, we are out there trying to help the unemployed, trying to assist them to get back on their feet and to be able to hold their families and their homes together.

I would like to compliment all those involved in being able to work this out. It shows that the greater purpose is to do good and to create better conditions for the people we represent.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. CONYERS], the chairman of the Committee on Government Operations.

Mr. CONYERS. Mr. Speaker, I have to change my remarks now, because we had a protracted struggle with the President, who finally relented and allowed us to provide emergency unemployment compensation to the jobless. I was afraid that the President would deny the desperately needed assistance to the unemployed, and that they would have to answer to the American people. Maybe I am being pessimistic, too pessimistic. I am going to hope now, and urge the President and everybody on this side to tell the President to sign this bill.

We have the highest unemployment in 8 years. Among African-Americans, the unemployment rate in the United States is 14.9 percent. I beg the Members to use their common sense, their excellent skill, Republican Congressmen, and urge President Bush to sign this bill without delay.

Mr. FAZIO. Mr. Speaker, I rise in support of the conference report for H.R. 5260, the Unemployment Compensation Extension and Reform Act.

Unemployment benefits for millions of Americans are scheduled to expire this weekend, and our national unemployment rate has just jumped to 7.8 percent, the highest level in over 8 years. In May, we had 9.5 million American workers looking for jobs but unable to find them, and now they number 10 million. In spite of the fact that we are being told that the economy is slowly improving, our unemployment picture is worse. Millions of graduates of our high schools, colleges, and universities have just entered the job market, adding to those already searching for work. But there just are not enough jobs for the people who want them.

In California, the unemployment rate rose to 9.5 percent in June, up from 8.7 percent in May. Californians have lost 500,000 jobs in the last 2 years, almost a third of the Nation's total. There are about 1 million Californians who want, but cannot find, work.

This bill, Congress' fifth attempt to extend unemployment benefits to out-of-work Americans, will help lighten the burden for millions of American workers who are still unable to find jobs in the midst of this recession. The President blocked our first two attempts but, last fall, we were finally successful in passing a bill that provided an additional 13 or 20 weeks of unemployment compensation benefits to more than 1 million unemployed Americans who had exhausted their benefits since the beginning of the year. Then, in January, we again extended these benefits by another 13 weeks, providing a total of 33 weeks of extended benefits to high unemployment States—like California—and 26 weeks of benefits in other States.

H.R. 5260 will extend the current emergency program and make permanent improvements in the entire extended benefits system. H.R. 5260 will reform the whole process so that we do not have to go through this exercise each time American workers need help. If H.R. 5260 passes, it will be harder for future Presidents to ignore the needs of thousands of American workers by blocking their extended benefits during economic downturns.

I urge my colleagues on both sides of the aisle to support this critical piece of legislation. With so many people out of work, we have a responsibility to act quickly and decisively if we are to give them the assistance they need and deserve.

Mr. STOKES. Mr. Speaker, I rise today in strong support of the conference report to accompany H.R. 5260, the Unemployment Compensation Extension and Reform Act. This legislation is absolutely vital to the millions of American men and women who have become victims of the current recession brought on by a dozen years of Reagan-Bush economic policies. I also want to commend Chairman ROSTENKOWSKI and all the House conferees, who worked long hours to reach agreement with the Senate, and bring this legislation to the floor before the expiration of the current Emergency Benefits Program.

On June 9, when the House first passed this legislation, we had just learned from the Department of Labor that 2.2 million payroll jobs were lost in the United States between June 1990 and January 1992. This number is 32 percent higher than previous administration estimates of job losses in the current recession. In other words, the administration has reported to the American people job loss numbers due to the recession that are one-third lower than the true number of jobs lost in the recession. This report was followed the next day by the Department of Labor's release of the national unemployment figures for the month of May. The unemployment rate in May jumped to 7.5 percent from 7.2 percent in April.

Now, Mr. Speaker, not quite 1 month later, we find that the national unemployment rate, released this morning by the Labor Department, shows another dramatic increase, from 7.5 percent in May to 7.8 percent for the month of June. This is the highest unemployment rate since March 1984, and it represents a full percentage point increase in the last 6 months.

The steadily growing unemployment rate totally invalidates the Bush administration's contention that the recession has ended, that it was a mild recession, and that the economy is now growing. Clearly the recession has been much deeper and more damaging than the President would like to admit, and the dim hope of economic recovery before the November election that President Bush clings to is rapidly fading.

We cannot afford to wait any longer to extend the emergency unemployment benefits program for out-of-work Americans. It is equally as important that we enact permanent changes to the extended benefits program, so as to avoid this charade of repeatedly extending the emergency benefits program every few months because the system is flawed, and simply does not provide the benefits it is designed to provide.

I urge all of my colleagues, on both sides of the aisle, to join in supporting H.R. 5260, and provide our hard-working American men and women the benefits that they need to keep their homes and families together.

Mr. FORD of Michigan. Mr. Speaker, I rise today in strong support of the conference report on H.R. 5260, legislation to extend and reform our Nation's unemployment benefits system.

Today, all across our Nation, millions of Americans are preparing to celebrate the Fourth of July weekend with their families. For many Americans, however, this holiday, like so many before, will hold no reason for celebration, only the continued fear and economic insecurity of an impending expiration of their unemployment benefits.

Mr. Speaker, I wish George Bush understood what unemployed workers and their families in my district have been experiencing. It is obvious he does not. When the President jetted into Michigan last week to host a $1,000 a plate fundraiser, he again criticized this Congress for our country's economic problems and criticized the media for not reporting the great recovery underway in our country. If Mr. Bush had bothered to travel outside his circle of political supporters and fat cat friends, he would have seen the true picture of what is happening in Michigan and in this Nation. The President would have seen people who have worked every day of their lives unable to find even temporary employment and unable to provide for their families. He would have seen single mothers struggling to keep the electricity from being turned off. He would have seen two-income couples trying to make ends meet on one paycheck for yet another month. Most of all he would have seen fear in people's faces—people afraid of their benefits being shut off, afraid of another call from the bill collectors, and afraid most of all that there is no end in sight.

Despite the President's rosy predictions that the economy is getting better, unemployment in the United States rose to 7.8 percent in the month of June, its highest level in 8 years—its highest level since March 1984. The statistics in my State were equally grim. June figures show that the jobless rate in Michigan rose to 8.8 percent—that is, 404,000 people who are still out of work in the face of the Bush recovery.

Mr. Speaker, the President is out of touch. Millions of Americans need our help. I strongly urge my colleagues to support this conference report.

Mr. ARCHER. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. ROSTENKOWSKI. Mr. Speaker, I have no further requests for time. I yield back the balance of my time, and I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore (Mr. LANCASTER). The question is on the conference report.

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

Mr. ROSTENKOWSKI. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 396, nays 23, not voting 15, as follows:

[Roll No. 267]

YEAS—396

Abercrombie	de la Garza	Hancock
Ackerman	DeFazio	Harris
Alexander	DeLauro	Hastert
Anderson	Dellums	Hatcher
Andrews (ME)	Derrick	Hayes (IL)
Andrews (NJ)	Dickinson	Hayes (LA)
Andrews (TX)	Dicks	Hefley
Annunzio	Dingell	Henry
Anthony	Dixon	Herger
Applegate	Donnelly	Hertel
Aspin	Dooley	Hoagland
Atkins	Dorgan (ND)	Hobson
AuCoin	Dornan (CA)	Hochbrueckner
Bacchus	Downey	Holloway
Baker	Durbin	Horn
Ballenger	Dwyer	Horton
Barrett	Early	Houghton
Bellenson	Eckart	Hoyer
Bennett	Edwards (OK)	Hubbard
Bentley	Edwards (TX)	Huckaby
Bereuter	Emerson	Hughes
Berman	Engel	Hunter
Bevill	English	Hutto
Bilbray	Erdreich	Hyde
Bilirakis	Espy	Inhofe
Blackwell	Evans	Ireland
Bliley	Ewing	Jacobs
Boehlert	Fascell	James
Boehner	Fawell	Jefferson
Borski	Fazio	Jenkins
Boucher	Feighan	Johnson (CT)
Boxer	Fields	Johnson (SD)
Brewster	Fish	Johnson (TX)
Brooks	Flake	Johnston
Browder	Foglietta	Jones (GA)
Brown	Ford (MI)	Jones (NC)
Bruce	Ford (TN)	Jontz
Bryant	Frank (MA)	Kanjorski
Bunning	Franks (CT)	Kaptur
Byron	Frost	Kasich
Callahan	Gallegly	Kennedy
Camp	Gallo	Kennelly
Campbell (CA)	Gaydos	Kildee
Cardin	Gejdenson	Kleczka
Carper	Gekas	Klug
Carr	Gephardt	Kolbe
Chandler	Geren	Kolter
Chapman	Gibbons	Kopetski
Clay	Gilchrest	Kostmayer
Clement	Gillmor	Kyl
Clinger	Gilman	LaFalce
Coleman (MO)	Gingrich	Lagomarsino
Collins (MI)	Glickman	Lancaster
Condit	Gonzalez	Lantos
Conyers	Goodling	LaRocco
Cooper	Gordon	Laughlin
Costello	Goss	Leach
Coughlin	Gradison	Lehman (CA)
Cox (CA)	Grandy	Lehman (FL)
Cox (IL)	Green	Lent
Coyne	Guarini	Levin (MI)
Cramer	Gunderson	Levine (CA)
Cunningham	Hall (OH)	Lewis (CA)
Darden	Hall (TX)	Lewis (FL)
Davis	Hamilton	Lewis (GA)
Lightfoot	Parker	Sisisky
Lipinski	Pastor	Skaggs
Livingston	Patterson	Skeen
Lloyd	Paxon	Skelton
Lowery (CA)	Payne (NJ)	Slattery
Lowey (NY)	Payne (VA)	Slaughter
Luken	Pease	Smith (IA)
Machtley	Pelosi	Smith (NJ)
Manton	Penny	Smith (OR)
Markey	Perkins	Smith (TX)
Marlenee	Peterson (FL)	Snowe
Martin	Peterson (MN)	Solarz
Martinez	Petri	Solomon
Matsui	Pickett	Spence
Mavroules	Pickle	Spratt
Mazzoli	Porter	Staggers
McCandless	Poshard	Stallings
McCloskey	Price	Stark
McCollum	Pursell	Stearns
McCrery	Quillen	Stenholm
McCurdy	Rahall	Stokes
McDade	Ramstad	Studds
McDermott	Rangel	Sundquist
McEwen	Ravenel	Swett
McGrath	Ray	Swift
McHugh	Reed	Synar
McMillan (NC)	Regula	Tallon
McMillen (MD)	Rhodes	Tanner
McNulty	Richardson	Tauzin
Meyers	Ridge	Taylor (MS)
Mfume	Riggs	Taylor (NC)
Michel	Rinaldo	Thomas (CA)
Miller (CA)	Ritter	Thomas (WY)
Miller (OH)	Roberts	Thornton
Miller (WA)	Roe	Torres
Mineta	Roemer	Torricelli
Mink	Rogers	Towns
Moakley	Rohrabacher	Traficant
Molinari	Ros-Lehtinen	Unsoeld
Mollohan	Rose	Upton
Montgomery	Rostenkowski	Vento
Moody	Roth	Visclosky
Moorhead	Roukema	Volkmer
Moran	Rowland	Vucanovich
Morella	Roybal	Walker
Morrison	Russo	Walsh
Mrazek	Sabo	Washington
Murphy	Sanders	Waters
Murtha	Sangmeister	Waxman
Myers	Santorum	Weber
Nagle	Sarpalius	Weiss
Natcher	Savage	Weldon
Neal (MA)	Sawyer	Wheat
Neal (NC)	Saxton	Whitten
Nowak	Schaefer	Williams
Oakar	Scheuer	Wilson
Oberstar	Schiff	Wise
Obey	Schroeder	Wolf
Olin	Schulze	Wolpe
Olver	Schumer	Wyden
Ortiz	Sensenbrenner	Wylie
Orton	Serrano	Yates
Owens (NY)	Sharp	Yatron
Owens (UT)	Shaw	Young (AK)
Oxley	Shays	Young (FL)
Pallone	Shuster	Zeliff
Panetta	Sikorski	Zimmer

NAYS—23

Allard	Crane	Hopkins
Allen	Dannemeyer	Long
Archer	DeLay	Nichols
Armey	Doolittle	Nussle
Barton	Dreier	Packard
Burton	Duncan	Stump
Coble	Hammerschmidt	Valentine
Combest	Hansen	

NOT VOTING—15

Barnard	Campbell (CO)	Hefner
Bateman	Coleman (TX)	Smith (FL)
Bonior	Collins (IL)	Thomas (GA)
Broomfield	Dymally	Traxler
Bustamante	Edwards (CA)	Vander Jagt

□ 1546

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. BATEMAN. On rollcall 267, I was late getting here as a result of having to go for radiation treatment during the session of the House because of the radiation equipment malfunctioning this morning. Had I been present I would have voted "aye."

REVENUE ACT OF 1992

Mr. ROSTENKOWSKI. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 11) to amend the Internal Revenue Code of 1986 to provide tax incentives for the establishment of tax enterprise zones, and for other purposes, as amended.

The Clerk read as follows:

H.R. 11

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the "Revenue Act of 1992".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amedment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—PROVISIONS RELATING TO DISTRESSED URBAN AND RURAL AREAS

Subtitle A—Urban Tax Enterprise Zones and Rural Development Investment Zones

Sec. 1101. Statement of purpose.

PART I—DESIGNATION AND TAX INCENTIVES

Sec. 1102. Designation and treatment of urban tax enterprise zones and rural development investment zones.

Sec. 1103. Technical and conforming amendments.

Sec. 1104. Effective date.

PART II—REDEVELOPMENT BONDS FOR TAX ENTERPRISE ZONES

Sec. 1111. Special rules for redevelopment bonds providing financing for tax enterprise zones.

PART III—CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS

Sec. 1121. Credit for contributions to certain community development corporations.

PART IV—STUDIES

Sec. 1131. Studies of effectiveness of tax enterprise zone incentives.

Subtitle B—Permanent Extension of Certain Expiring Tax Provisions Primarily Affecting Urban Areas

Sec. 1201. Low-income housing credit.
Sec. 1202. Targeted jobs credit.
Sec. 1203. Qualified mortgage bonds.
Sec. 1204. Qualified small issue bonds.

Subtitle C—Aid to Families With Dependent Children

Sec. 1301. Funding for the JOBS program.
Sec. 1302. Modification of the 20-hour rule.
Sec. 1303. Increase in AFDC resource limit.
Sec. 1304. Treatment of microenterprises under the AFDC program.

Sec. 1305. Treatment of student earnings under the AFDC program.

TITLE II—GROWTH INCENTIVES

Subtitle A—Temporary Extension of Certain Expiring Tax Provisions

Sec. 2001. Research credit.
Sec. 2002. Employer-provided educational assistance.
Sec. 2003. Employer-provided group legal services plans.
Sec. 2004. Excise tax on certain vaccines.
Sec. 2005. Certain transfers to Railroad Retirement Account.
Sec. 2006. Health insurance costs of self-employed individuals.

Subtitle B—Investment in Real Estate

PART I—MODIFICATION OF PASSIVE LOSS RULES

Sec. 2101. Application of passive loss rules to rental real estate activities.

PART II—PROVISIONS RELATING TO REAL ESTATE INVESTMENTS BY PENSION FUNDS

Sec. 2111. Real estate property acquired by a qualified organization.
Sec. 2112. Special rules for investments in partnerships.
Sec. 2113. Title-holding companies permitted to receive small amounts of unrelated business taxable income.
Sec. 2114. Exclusion from unrelated business tax of gains from certain property.
Sec. 2115. Exclusion from unrelated business tax of certain fees and option premiums.
Sec. 2116. Treatment of pension fund investments in real estate investment trusts.

Subtitle C—Modifications to Minimum Tax

Sec. 2201. Temporary repeal of preference for charitable contributions of appreciated property.
Sec. 2202. Elimination of ace depreciation adjustment.

Subtitle D—Repeal of Certain Luxury Excise Taxes; Imposition of Tax on Diesel Fuel Used in Noncommercial Boats

Sec. 2301. Repeal of luxury excise taxes other than on passenger vehicles.
Sec. 2302. Tax on diesel fuel used in noncommercial boats.

Subtitle E—Credit for Portion of Employer Social Security Taxes Paid With Respect to Employee Cash Tips

Sec. 2401. Credit for portion of employer social security taxes paid with respect to employee cash tips.

TITLE III—OFFSETTING REVENUE INCREASES

Subtitle A—General Provisions

Sec. 3001. Mark to market accounting method for securities dealers.
Sec. 3002. Clarification of treatment of certain FSLIC financial assistance.
Sec. 3003. Increase in recovery period for nonresidential real property.
Sec. 3004. Taxation of precontribution gain in case of certain distributions to contributing partner.
Sec. 3005. Elimination of deduction for club membership fees.
Sec. 3006. Extension of top estate and gift tax rates.
Sec. 3007. Modifications to deduction for moving expenses.

Subtitle B—Estimated Tax Provisions

Sec. 3101. Individual estimated tax provisions.
Sec. 3102. Corporate estimated tax provisions.

Subtitle C—Alternative Taxable Years

Sec. 3201. Election of taxable year other than required taxable year.
Sec. 3202. Required payments for entities electing not to have required taxable year.
Sec. 3203. Limitation on certain amounts paid to employee-owners of personal service corporations.
Sec. 3204. Effective date.

TITLE IV—SIMPLIFICATION PROVISIONS

Subtitle A—Provisions Relating to Individuals

Sec. 4101. Simplification of earned income credit.
Sec. 4102. Simplification of rules on rollover of gain on sale of principal residence.
Sec. 4103. De minimis exception to passive loss rules.
Sec. 4104. Payment of tax by credit card.
Sec. 4105. Modifications to election to include child's income on parent's return.
Sec. 4106. Simplified foreign tax credit limitation for individuals.
Sec. 4107. Treatment of personal transactions by individuals under foreign currency rules.
Sec. 4108. Exclusion of combat pay from withholding limited to amount excludable from gross income.
Sec. 4109. Expanded access to simplified income tax returns.
Sec. 4110. Treatment of certain reimbursed expenses of rural mail carriers.
Sec. 4111. Exemption from luxury excise tax for certain equipment installed on passenger vehicles for use by disabled individuals.

Subtitle B—Pension Simplification

PART I—SIMPLIFIED DISTRIBUTION RULES

Sec. 4201. Taxability of beneficiary of qualified plan.
Sec. 4202. Simplified method for taxing annuity distributions under certain employer plans.
Sec. 4203. Requirement that qualified plans include optional trustee-to-trustee transfers of eligible rollover distributions.

PART II—INCREASED ACCESS TO PENSION PLANS

Sec. 4211. Tax exempt organizations eligible under section 401(k).
Sec. 4212. Duties of sponsors of certain prototype plans.

PART III—MISCELLANEOUS SIMPLIFICATION

Sec. 4221. Modification to definition of leased employee.
Sec. 4222. Simplification of nondiscrimination tests applicable under sections 401(k) and 401(m).
Sec. 4223. Definition of highly compensated employee.
Sec. 4224. Modifications of cost-of-living adjustments.
Sec. 4225. Plans covering self-employed individuals.
Sec. 4226. Alternative full-funding limitation.
Sec. 4227. Distributions under rural cooperative plans.
Sec. 4228. Special rules for plans covering pilots.
Sec. 4229. Elimination of special vesting rule for multiemployer plans.
Sec. 4230. Treatment of deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 4231. Treatment of governmental plans under section 415.
Sec. 4232. Use of excess assets of black lung benefit trusts for health care benefits.
Sec. 4233. Treatment of employer reversions required by contract to be paid to the United States.
Sec. 4234. Continuation health coverage for employees of failed financial institutions.

Subtitle C—Treatment of Large Partnerships

PART I—GENERAL PROVISIONS

Sec. 4301. Simplified flow-through for large partnerships.
Sec. 4302. Simplified audit procedures for large partnerships.
Sec. 4303. Due date for furnishing information to partners of large partnerships.
Sec. 4304. Returns may be required on magnetic media.
Sec. 4305. Effective date.

PART II—PROVISIONS RELATED TO TEFRA PARTNERSHIP PROCEEDINGS

Sec. 4311. Treatment of partnership items in deficiency proceedings.
Sec. 4312. Partnership return to be determinative of audit procedures to be followed.
Sec. 4313. Provisions relating to statute of limitations.
Sec. 4314. Expansion of small partnership exception.
Sec. 4315. Exclusion of partial settlements from 1 year limitation on assessment.
Sec. 4316. Extension of time for filing a request for administrative adjustment.
Sec. 4317. Availability of innocent spouse relief in context of partnership proceedings.
Sec. 4318. Determination of penalties at partnership level.
Sec. 4319. Provisions relating to court jurisdiction, etc.
Sec. 4320. Treatment of premature petitions filed by notice partners or 5-percent groups.
Sec. 4321. Bonds in case of appeals from TEFRA proceeding.
Sec. 4322. Suspension of interest where delay in computational adjustment resulting from TEFRA settlements.

Subtitle D—Foreign Provisions

PART I—SIMPLIFICATION OF TREATMENT OF PASSIVE FOREIGN CORPORATIONS

Sec. 4401. Repeal of foreign personal holding company rules and foreign investment company rules.
Sec. 4402. Replacement for passive foreign investment company rules.
Sec. 4403. Technical and conforming amendments.
Sec. 4404. Effective date.

PART II—TREATMENT OF CONTROLLED FOREIGN CORPORATIONS

Sec. 4411. Gain on certain stock sales by controlled foreign corporations treated as dividends.
Sec. 4412. Authority to prescribe simplified method for applying section 960(b)(2).
Sec. 4413. Miscellaneous modifications to subpart F.
Sec. 4414. Indirect foreign tax credit allowed for certain lower tier companies.

PART III—OTHER PROVISIONS

Sec. 4421. Exchange rate used in translating foreign taxes.

Sec. 4422. Election to use simplified section 904 limitation for alternative minimum tax.
Sec. 4423. Modification of section 1491.
Sec. 4424. Modification of section 367(b).

Subtitle E—Treatment of Intangibles

Sec. 4501. Amortization of goodwill and certain other intangibles.
Sec. 4502. Treatment of certain payments to retired or deceased partner.

Subtitle F—Other Income Tax Provisions

PART I—PROVISIONS RELATING TO SUBCHAPTER S CORPORATIONS

Sec. 4601. Determination of whether corporation has 1 class of stock.
Sec. 4602. Authority to validate certain invalid elections.
Sec. 4603. Treatment of distributions during loss years.
Sec. 4604. Other modifications.

PART II—ACCOUNTING PROVISIONS

Sec. 4611. Modifications to look-back method for long-term contracts.
Sec. 4612. Simplified method for capitalizing certain indirect costs.

PART III—PROVISIONS RELATING TO REGULATED INVESTMENT COMPANIES

Sec. 4621. Repeal of 30-percent gross income limitation.
Sec. 4622. Basis rules for shares in open-end regulated investment companies.
Sec. 4623. Nonrecognition treatment for certain transfers by common trust funds to regulated investment companies.

PART IV—TAX-EXEMPT BOND PROVISIONS

Sec. 4631. Repeal of $100,000 limitation on unspent proceeds under 1-year exception from rebate.
Sec. 4632. Exception from rebate for earnings on bona fide debt service fund under construction bond rules.
Sec. 4633. Aggregation of issues rules not to apply to tax or revenue anticipation bonds.
Sec. 4634. Repeal of disproportionate private business use test.
Sec. 4635. expanded exception from rebate for issuers issuing $10,000,000 or less of bonds.
Sec. 4636. Repeal of debt service-based limitation on investment in certain nonpurpose investments.
Sec. 4637. Repeal of expired provisions.
Sec. 4638. Clarification of investment-type property.
Sec. 4639. Effective dates.

PART V—INSURANCE PROVISIONS

Sec. 4641. Treatment of certain insurance contracts on retired lives.
Sec. 4642. Treatment of modified guaranteed contracts.

PART VI—OTHER PROVISIONS

Sec. 4651. Closing of partnership taxable year with respect to deceased partner, etc.
Sec. 4652. Repeal of special treatment of ownership changes in determining adjusted current earnings.

Subtitle G—Estate And Gift Tax Provisions

Sec. 4701. Clarification of waiver of certain rights of recovery.
Sec. 4702. Adjustments for gifts within 3 years of decedent's death.
Sec. 4703. Clarification of qualified terminable interest rules.
Sec. 4704. Treatment of portions of property under marital deduction.
Sec. 4705. Transitional rule under section 2056a.
Sec. 4706. Opportunity to correct certain failures under section 2032A.

Subtitle H—Excise Tax Simplification

PART I—FUEL TAX PROVISIONS

Sec. 4801. Repeal of certain retail and use taxes.
Sec. 4802. Revision of fuel tax credit and refund procedures.
Sec. 4803. Authority to provide exceptions from information reporting with respect to diesel fuel and aviation fuel.
Sec. 4804. Technical and conforming amendments.
Sec. 4805. Effective date.

PART II—PROVISIONS RELATED TO DISTILLED SPIRITS, WINES, AND BEER

Sec. 4811. Credit or refund for imported bottled distilled spirits returned to distilled spirits plant.
Sec. 4812. Authority to cancel or credit export bonds without submission of records.
Sec. 4813. Repeal of required maintenance of records on premises of distilled spirits plant.
Sec. 4814. Fermented material from any brewery may be received at a distilled spirits plant.
Sec. 4815. Repeal of requirement for wholesale dealers in liquors to post sign.
Sec. 4816. Refund of tax to wine returned to bond not limited to unmerchantable wine.
Sec. 4817. Use of additional ameliorating material in certain wines.
Sec. 4818. Domestically-produced beer may be withdrawn free of tax for use of foreign embassies, legations, etc.
Sec. 4819. Beer may be withdrawn free of tax for destruction.
Sec. 4820. Authority to allow drawback on exported beer without submission of records.
Sec. 4821. Transfer to brewery of beer imported in bulk without payment of tax.

PART III—OTHER EXCISE TAX PROVISIONS

Sec. 4831. Authority to grant exemptions from registration requirements.
Sec. 4832. Repeal of expired provisions.

Subtitle I—Administrative Provisions

PART I—GENERAL PROVISIONS

Sec. 4901. Simplification of employment taxes on domestic services.
Sec. 4902. Special rule for corporate estimated taxes where no liability for preceding year.
Sec. 4903. Certain notices disregarded under provision increasing interest rate on large corporate underpayments.
Sec. 4904. Use of reproductions of returns stored in digital image format.
Sec. 4905. Repeal of authority to disclose whether prospective juror has been audited.
Sec. 4906. Repeal of special audit provisions for subchapter s items.
Sec. 4907. Clarification of statute of limitations.

PART II—TAX COURT PROCEDURES

Sec. 4911. Overpayment determinations of tax court.
Sec. 4912. Awarding of administrative costs.
Sec. 4913. Redetermination of interest pursuant to motion.
Sec. 4914. Application of net worth requirement for awards of litigation costs.

PART III—AUTHORITY FOR CERTAIN COOPERATIVE AGREEMENTS

Sec. 4921. Cooperative agreements with State tax authorities.

TITLE V—TAXPAYER BILL OF RIGHTS 2

Sec. 5000. Short title.

Subtitle A—Taxpayer Advocate

Sec. 5001. Establishment of position of taxpayer advocate within Internal Revenue Service.
Sec. 5002. Expansion of authority to issue taxpayer assistance orders.

Subtitle B—Modifications to Installment Agreement Provisions

Sec. 5101. Notification of reasons for termination or denial of installment agreements.
Sec. 5102. Administrative review of denial of request for, or termination of, installment agreement.
Sec. 5103. Running of failure to pay penalty suspended during period installment agreement in effect.

Subtitle C—Interest

Sec. 5201. Expansion of authority to abate interest.
Sec. 5202. Extension of interest-free period for payment of tax after notice and demand.

Subtitle D—Joint Returns

Sec. 5301. Disclosure of collection activities.
Sec. 5302. Joint return may be made after separate returns without full payment of tax.

Subtitle E—Collection Activities

Sec. 5401. Modifications to lien and levy provisions.
Sec. 5402. Offers-in-compromise.
Sec. 5403. Notification of examination.
Sec. 5404. Increase in limit on recovery of civil damages for unauthorized collection actions.
Sec. 5405. Safeguards relating to designated summons.

Subtitle F—Information Returns

Sec. 5501. Phone number of person providing payee statements required to be shown on such statement.
Sec. 5502. Civil damages for fraudulent filing of information returns.
Sec. 5503. Requirement to verify accuracy of information returns.

Subtitle G—Modifications to Penalty for Failure to Collect and Pay Over Tax

Sec. 5601. Preliminary notice requirement.
Sec. 5602. No penalty if prompt notification of the Secretary.
Sec. 5603. Disclosure of certain information where more than 1 person subject to penalty.
Sec. 5604. Penalties under section 6672.

Subtitle H—Awarding of Costs and Certain Fees

Sec. 5701. Motion for disclosure of information.
Sec. 5702. Increased limit on attorney fees.
Sec. 5703. Failure to agree to extension not taken into account.
Sec. 5704. Internal Revenue Service employees personally liable in certain cases.
Sec. 5705. Effective date.Act.

Subtitle I—Other Provisions

Sec. 5801. Required content of certain notices.
Sec. 5802. Treatment of substitute returns under section 6651.

Sec. 5803. Relief from retroactive application of Treasury Department regulations.
Sec. 5804. Required notice of certain payments.
Sec. 5805. Unauthorized enticement of information disclosure.
Subtitle J—Form Modifications; Studies
Sec. 5900. Definitions.
PART I—FORM MODIFICATIONS
Sec. 5901. Explanation of certain provisions.
Sec. 5902. Improved procedures for notifying service of change of address or name.
Sec. 5903. Rights and responsibilities of divorced individuals.
PART II—STUDIES
Sec. 5911. Pilot program for appeal of enforcement actions.
Sec. 5912. Study on taxpayers with special needs.
Sec. 5913. Reports on taxpayer-rights education program.
Sec. 5914. Biennial reports on misconduct by Internal Revenue Service employees.
Sec. 5915. Study of notices of deficiency.
Sec. 5916. Notice and form accuracy study.
Sec. 5917. Internal Revenue Service employees' suggestions study.
TITLE VI—TECHNICAL CORRECTIONS
Sec. 6100. Coordination with other titles.
Subtitle A—Revenue Provisions
Sec. 6101. Amendments related to Revenue Reconciliation Act of 1990.
Sec. 6102. Miscellaneous provisions.
Subtitle B—Corrections Relating to Social Security, Income Security and Human Resources, and Tariff and Customs
PART I—SOCIAL SECURITY
Sec. 6201. Technical corrections related to OASDI in the Omnibus Budget Reconciliation Act of 1990.
PART II—INCOME SECURITY AND HUMAN RESOURCES
Sec. 6211. Repeal of provision inadvertently included in the Omnibus Budget Reconciliation Act of 1990.
Sec. 6212. Corrections related to the income security and human resources provisions of the Omnibus Budget Reconciliation Act of 1990.
Sec. 6213. Correction related to section 8006 of the Omnibus Budget Reconciliation Act of 1989.
Sec. 6214. Amendment related to section 13101(d)(2) of the Omnibus Budget Reconciliation Act of 1990.
PART III—TARIFF AND CUSTOMS
Sec. 6221. Technical amendments to the Harmonized Tariff Schedule of the United States.
Sec. 6222. Clarification regarding the application of customs user fees.
Sec. 6223. Technical amendments to the Omnibus Trade and Competitiveness Act of 1988.
Sec. 6224. Technical amendment to the Customs and Trade Act of 1990.
TITLE VII—INCOME SECURITY AND RELATED PROGRAMS
Subtitle A—Miscellaneous Improvements in the Old-Age, Survivors, and Disability Insurance Program
Sec. 7001. Short title.
Sec. 7002. Improvement and clarification of provisions prohibiting misuse of symbols, emblems, or names in reference to social security or medicare.
Sec. 7003. Explicit requirements for maintenance of telephone access to local offices of the Social Security Administration.
Sec. 7004. Expansion of State option to exclude service of election officials or election workers from coverage.
Sec. 7005. Treatment of certain noncash remuneration for agricultural labor.
Sec. 7006. Use of social security numbers by States and local governments for jury selection purposes.
Sec. 7007. Authorization for all States to extend coverage to State and local policemen and firemen under existing coverage agreements.
Sec. 7008. Limited exemption for Canadian ministers from certain self-employment tax liability.
Sec. 7009. Exclusion of totalization benefits from the application of the windfall elimination provision.
Sec. 7010. Exclusion of military reservists from application of the government pension offset and windfall elimination provisions.
Sec. 7011. Elimination of rounding distortion in the calculation of the old-age, survivors, and disability insurance contribution and benefit base and the earnings test exempt amounts.
Sec. 7012. Repeal of the facility-of-payment provision.
Sec. 7013. Maximum family benefits in guarantee cases.
Sec. 7014. Authorization for disclosure by the Secretary of Health and Human Services of information for purposes of public or private epidemiological and similar research.
Subtitle B—Human Resources Amendments
PART I—FOSTER CARE AND CHILD WELFARE
Sec. 7101. Permanent extension of foster care independent living program.
Sec. 7102. Foster and adoptive parent training.
Sec. 7103. Child welfare services program reviews.
Sec. 7104. Effect of failure to carry out State plan.
PART II—CHILD SUPPORT ENFORCEMENT
Sec. 7111. Reports to credit bureaus of persons delinquent in child support payments.
PART III—RESEARCH, DEMONSTRATIONS, AND STUDIES
Sec. 7121. Early childhood development projects.
Sec. 7122. Payments to certain private aid programs.
Sec. 7123. Measurement and reporting of welfare dependency.
Sec. 7124. Extension of commission on interstate child support.
Sec. 7125. Extension of national commission on children.
Sec. 7126. Secretarial report on the differences in program rules under the food stamp program, aid to families with dependent children, and medicaid programs.
Sec. 7127. Demonstration of independent living services for young adults.
Sec. 7128. Extension of period for demonstration projects for evaluating model procedures for reviewing child support awards.
PART IV—AID TO FAMILIES WITH DEPENDENT CHILDREN
Sec. 7131. Delay in requirement that outlying areas operate an AFDC-up program.
Sec. 7132. Review of State investment in AFDC program in considering settlement of quality control claims.
Sec. 7133. Disregard of $2,000 of income received in any year by Indians from interests individually held in trust or restricted lands.
Sec. 7134. Encouraging use of transitional child care program.
Sec. 7135. State option to use retrospective budgeting without monthly reporting.
Sec. 7136. Increase in step-parent income disregard.
Sec. 7137. Verification of status of citizens and aliens.
PART V—SUPPLEMENTAL SECURITY INCOME
Sec. 7141. Elimination of obsolete provisions relating to treatment of the earned income tax credit.
Sec. 7142. Redesignation of certain provisions.
Sec. 7143. Prevention of adverse effects on eligibility for, and amount of, SSI benefits when spouse or parent of beneficiary is absent from the household due to active military service.
Sec. 7144. Definition of disability for children under age 18 applied to all individuals under age 18.
Sec. 7145. Exclusion from income of $2,000 of income received in any year by Indians from interests individually held in trust or restricted lands.
Sec. 7146. Valuation of certain in-kind support and maintenance when there is a cost of living adjustment in SSI benefits.
Sec. 7147. Treatment of revocable burial insurance policies.
PART VI—USE OF TAX INFORMATION BY RAILROAD RETIREMENT BOARD
Sec. 7151. Disclosure of information to railroad retirement board.
PART VII—TECHNICAL CORRECTIONS
Sec. 7161. Technical corrections related to the income security and human resources provisions of the omnibus budget reconciliation act of 1990.
Sec. 7162. Technical corrections related to the human resource and income security provisions of omnibus budget reconciliation act of 1989.
Subtitle C—Prohibition of Certain Misleading Practices; Disclosure Requirement
Sec. 7201. Prohibition of misuse of department of treasury names, symbols, etc.
Sec. 7202. Certain organizations required to disclose nonexempt status.
Sec. 7203. Exempt organizations required to provide copy of return.
TITLE VIII—AUTHORIZATION FOR ADDITIONAL ASSISTANCE FOR ENTERPRISE ZONES UNDER VARIOUS PROGRAMS
SUBTITLE A—BLOCK GRANT FUNDING FOR ELIGIBLE PROGRAMS
Sec. 8001. Authorization of appropriations.
Sec. 8002. Allocation of amounts among Tax Enterprise Zones.
Sec. 8003. Use of amounts.

Sec. 8004. Eligible programs.
Sec. 8005. Application for funding.
Sec. 8006. Interagency council.
Sec. 8007. Definitions.
Sec. 8008. Study and report.
Sec. 8009. Regulations.

SUBTITLE B—ADDITIONAL FUNDING UNDER SPECIFIC PROGRAMS

Sec. 8031. United States Attorneys account.
Sec. 8032. Neighborhood Reinvestment Corporation.
Sec. 8033. Minority enterprise business investment companies.

SUBTITLE C—OTHER PROGRAMS

Sec. 8051. Waiver of public services cap under community development block grant program.
Sec. 8052. Loan guarantees for development activities.
Sec. 8053. Establishment of Young Adult Employment Demonstration program.

TITLE IX—APPROPRIATION OF ADDITIONAL ASSISTANCE FOR TAX ENTERPRISE ZONES

Sec. 9001. Appropriation of additional assistance for Tax Enterprise Zones.
Sec. 9002. Program performance reports.
Sec. 9003. Appropriated amounts considered as discretionary spending.

TITLE I—PROVISIONS RELATING TO DISTRESSED URBAN AND RURAL AREAS

Subtitle A—Urban Tax Enterprise Zones and Rural Development Investment Zones

SEC. 1101. STATEMENT OF PURPOSE.

It is the purpose of this subtitle to establish a demonstration program of providing incentives for the creation of tax enterprise zones in order—

(1) to revitalize economically and physically distressed areas, primarily by encouraging the formation of new businesses and the retention and expansion of existing businesses,

(2) to promote meaningful employment for tax enterprise zone residents, and

(3) to encourage individuals to reside in the tax enterprise zones in which they are employed.

PART I—DESIGNATION AND TAX INCENTIVES

SEC. 1102. DESIGNATION AND TREATMENT OF URBAN TAX ENTERPRISE ZONES AND RURAL DEVELOPMENT INVESTMENT ZONES.

(a) IN GENERAL.—Chapter 1 (relating to normal taxes and surtaxes) is amended by inserting after subchapter T the following new subchapter:

"Subchapter U—Designation and Treatment of Tax Enterprise Zones

"Part I. Designation of tax enterprise zones.
"Part II. Incentives for tax enterprise zones.

"PART I—DESIGNATION OF TAX ENTERPRISE ZONES

"Sec. 1391. Designation procedure.
"Sec. 1392. Eligibility and selection criteria.
"Sec. 1393. Definitions and special rules.

"SEC. 1391. DESIGNATION PROCEDURE.

"(a) IN GENERAL.—For purposes of this title, the term 'tax enterprise zone' means any area which is, under this part—

"(1) nominated by 1 or more local governments and the State in which it is located for designation as a tax enterprise zone, and

"(2) designated by—

"(A) the Secretary of Housing and Urban Development in the case of an urban tax enterprise zone, and

"(B) the Secretary of Agriculture, in consultation with the Secretary of Commerce, in the case of a rural development investment zone.

"(b) NUMBER OF DESIGNATIONS.—

"(1) AGGREGATE LIMIT.—The appropriate Secretaries may designate in the aggregate 50 nominated areas as tax enterprise zones under this section, subject to the availability of eligible nominated areas. Not more than 25 urban tax enterprise zones may be designated and not more than 25 rural development investment zones may be designated. At least 1 of the designated rural development investment zones shall be on an Indian reservation. Such designations may be made only during calendar years after 1991 and before 1997.

"(2) ANNUAL LIMITS.—

"(A) URBAN TAX ENTERPRISE ZONES.—The number of urban tax enterprise zones designated under paragraph (1)—

"(i) before 1994 shall not exceed 8,

"(ii) before 1995 shall not exceed 15, and

"(iii) before 1996 shall not exceed 21.

"(B) RURAL DEVELOPMENT INVESTMENT ZONES.—The number of rural development investment zones designated under paragraph (1)—

"(i) before 1994 shall not exceed 8,

"(ii) before 1995 shall not exceed 15, and

"(iii) before 1996 shall not exceed 21.

"(3) ADVANCE DESIGNATIONS PERMITTED.—For purposes of this subchapter, a designation during any calendar year shall be treated as made on January 1 of the following calendar year if the appropriate Secretary, in making such designation, specifies that such designation is effective as of such January 1.

"(c) LIMITATIONS ON DESIGNATIONS.—The appropriate Secretary may not make any designation under subsection (a) unless—

"(1) the local governments and the State in which the nominated area is located have the authority—

"(A) to nominate the area for designation as a tax enterprise zone, and

"(B) to provide assurances satisfactory to the appropriate Secretary that the commitments under section 1392(c) will be fulfilled,

"(2) the local governments and the State in which the nominated area is located—

"(A) have designated a local governmental official with responsibility for making allocations of the enterprise zone limit under section 1396 (relating to deduction for enterprise zone stock), and

"(B) have established procedures to ensure that allocations under section 1396 are made in a manner designed primarily to increase economic activity in the tax enterprise zone over that which would otherwise have occurred,

"(3) a nomination of the area is submitted within a reasonable time before the calendar year for which designation as a tax enterprise zone is sought (or, if later, a reasonable time after the date of the enactment of this subchapter),

"(4) the appropriate Secretary determines that any information furnished is reasonably accurate, and

"(5) the State and local governments certify that no portion of the area nominated is already included in a tax enterprise zone or in an area otherwise nominated to be a tax enterprise zone.

"(d) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—

"(1) IN GENERAL.—Any designation of an area as a tax 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 15th calendar year following the calendar year in which such date occurs,

"(B) the termination date designated by the State and local governments as provided for in their nomination, or

"(C) the date the appropriate Secretary revokes the designation under paragraph (2).

"(2) REVOCATION OF DESIGNATION.—

"(A) IN GENERAL.—The appropriate Secretary shall revoke the designation of an area as a tax enterprise zone if such Secretary determines that the local government or the State in which it is located—

"(i) has modified the boundaries of the area, or

"(ii) is not complying substantially with the State and local commitments pursuant to section 1392(c).

"(B) APPLICABLE PROCEDURES.—A designation may be revoked by the appropriate Secretary under subparagraph (A) only after a hearing on the record involving officials of the State or local government involved.

"SEC. 1392. ELIGIBILITY AND SELECTION CRITERIA.

"(a) IN GENERAL.—The appropriate Secretary may make a designation of any nominated area under section 1391 only on the basis of the eligibility and selection criteria set forth in this section.

"(b) ELIGIBILITY CRITERIA.—

"(1) URBAN TAX ENTERPRISE ZONES.—A nominated area which is not a rural area shall be eligible for designation under section 1391 only if it meets the following criteria:

"(A) POPULATION.—The nominated area has a population (as determined by the most recent census data available) of not less than 4,000.

"(B) DISTRESS.—The nominated area is one of pervasive poverty, unemployment, and general distress.

"(C) SIZE.—The nominated area—

"(i) does not exceed 20 square miles,

"(ii) has a boundary which is continuous, or consists of not more than 3 noncontiguous parcels within the same metropolitan area,

"(iii) is located entirely within 1 State, and

"(iv) does not include any portion of a central business district (as such term is used for purposes of the most recent Census of Retail Trade).

"(D) UNEMPLOYMENT RATE.—The unemployment rate (as determined by the appropriate available data) is not less than 1.5 times the national unemployment rate.

"(E) POVERTY RATE.—The poverty rate (as determined by the most recent census data available) for not less than 90 percent of the population census tracts (or where not tracted, the equivalent county divisions as defined by the Bureau of the Census for the purposes of defining poverty areas) within the nominated area is not less than 20 percent.

"(F) COURSE OF ACTION.—There has been adopted for the nominated area a course of action which meets the requirements of subsection (c).

"(2) RURAL DEVELOPMENT INVESTMENT ZONES.—A nominated area which is a rural area shall be eligible for designation under section 1391 only if it meets the following criteria:

"(A) POPULATION.—The nominated area has a population (as determined by the most recent census data available) of not less than 1,000.

"(B) DISTRESS.—The nominated area is one of general distress.

"(C) SIZE.—The nominated area—

"(i) does not exceed 10,000 square miles,

"(ii) consists of areas within not more than 4 contiguous counties,

"(iii) has a boundary which is continuous, or consists of not more than 3 noncontiguous parcels, and

"(iv) except in the case of nominated areas located in 1 or more Indian reservations, is located entirely within 1 State.

"(D) ADDITIONAL CRITERIA.—Not less than 2 of the following criteria:

"(i) UNEMPLOYMENT RATE.—The criterion set forth in paragraph (1)(D).

"(ii) POVERTY RATE.—The criterion set forth in paragraph (1)(E).

"(iii) JOB LOSS.—The amount of wages attributable to employment in the area, and subject to tax under section 3301 during the preceding calendar year, is not more than 95 percent of such wages during the 5th preceding calendar year.

"(iv) OUT-MIGRATION.—The population of the area decreased (as determined by the most recent census data available) by 10 percent or more between 1980 and 1990.

"(E) COURSE OF ACTION.—There has been adopted for the nominated area a course of action which meets the requirements of subsection (c).

"(c) REQUIRED STATE AND LOCAL COURSE OF ACTION.—

"(1) IN GENERAL.—No nominated area may be designated as a tax enterprise zone unless the local government and the State in which it is located agree in writing that, during any period during which the area is a tax enterprise zone, the governments will follow a specified course of action designed to reduce the various burdens borne by employers or employees in the area.

"(2) COURSE OF ACTION.—The course of action under paragraph (1) may be implemented by both governments and private nongovernmental entities, may not be funded from proceeds of any Federal program (other than discretionary proceeds), and may include—

"(A) the direct provision by the State or local government of property insurance to businesses that are unable to purchase comparable insurance coverage, or that are able to purchase such coverage only at a cost which is significantly higher than the Statewide average cost of such coverage,

"(B) a reduction of tax rates or fees applying within the tax enterprise zone,

"(C) an increase in the level, or efficiency of delivery, of local public services within the tax enterprise zone,

"(D) actions to reduce, remove, simplify, or streamline government paperwork requirements applicable within the tax enterprise zone,

"(E) the involvement in the program by public authorities or private entities, organizations, neighborhood associations, and community groups, particularly those within the nominated area, including a written commitment to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents of the nominated area,

"(F) the giving of special preference to contractors owned and operated by members of any minority,

"(G) the gift (or sale at below fair market value) of surplus land in the tax enterprise zone to neighborhood organizations agreeing to operate a business on the land,

"(H) the establishment of a program under which employers within the tax enterprise zone may purchase health insurance for their employees on a pooled basis,

"(I) the establishment of a program to encourage local financial institutions to satisfy their obligations under the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.) by making loans to enterprise zone businesses, with emphasis on startup and other small-business concerns (as defined in section 3(a) of the Small Business Act (15 U.S.C. 632(a)),

"(J) the giving of special preference to qualified low-income housing projects located in tax enterprise zones, in the allocation of the State housing credit ceiling applicable under section 42, and

"(K) the giving of special preference to facilities located in tax enterprise zones, in the allocation of the State ceiling on private activity bonds applicable under section 146.

"(3) RECOGNITION OF PAST EFFORTS.—In evaluating courses of action agreed to by any State or local government, the appropriate Secretary shall take into account the past efforts of the State or local government in reducing the various burdens borne by employers and employees in the area involved.

"(4) PROHIBITION OF ASSISTANCE FOR BUSINESS RELOCATIONS.—

"(A) IN GENERAL.—The course of action implemented under paragraph (1) may not include any action to assist any establishment in relocating from 1 area to another area.

"(B) EXCEPTION.—The limitation established in subparagraph (A) shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary if—

"(i) the establishment of the new branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where the existing business entity conducts business operations, and

"(ii) there is no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operations.

"(d) SELECTION CRITERIA.—From among the nominated areas eligible for designation under subsection (b) by the appropriate Secretary, such appropriate Secretary shall make designations of tax enterprise zones on the basis of the following factors (each of which is to be given equal weight):

"(1) STATE AND LOCAL CONTRIBUTIONS.—The strength and quality of the contributions which have been promised as part of the course of action relative to the fiscal ability of the nominating State and local governments.

"(2) IMPLEMENTATION OF COURSE OF ACTION.—The effectiveness and enforceability of the guarantees that the course of action will actually be carried out.

"(3) PRIVATE COMMITMENTS.—The level of commitments by private entities of additional resources and contributions to the economy of the nominated area, including the creation of new or expanded business activities.

"(4) AVERAGE RANKINGS.—The average ranking with respect to—

"(A) the criteria set forth in subparagraphs (D) and (E) of subsection (b)(1), in the case of an area which is not a rural area, or

"(B) the 2 criteria set forth in subsection (b)(2)(D) that give the area a higher average ranking, in the case of a rural area.

"(5) REVITALIZATION POTENTIAL.—The potential for the revitalization of the nominated area as a result of zone designation, taking into account particularly the number of jobs to be created and retained.

"SEC. 1393. DEFINITIONS AND SPECIAL RULES.

For purposes of this subchapter—

"(1) URBAN TAX ENTERPRISE ZONE.—The term 'urban tax enterprise zone' means a tax enterprise zone which meets the requirements of section 1392(b)(1).

"(2) RURAL DEVELOPMENT INVESTMENT ZONE.—The term 'rural development investment zone' means a tax enterprise zone which meets the requirements of section 1392(b)(2).

"(3) GOVERNMENTS.—If more than 1 local government seeks to nominate an area as a tax enterprise zone, any reference to, or requirement of, this subchapter shall apply to all such governments.

"(4) LOCAL GOVERNMENT.—The term 'local government' means—

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

"(B) any combination of political subdivisions described in subparagraph (A) recognized by the appropriate Secretary.

"(5) NOMINATED AREA.—

"(A) IN GENERAL.—The term 'nominated area' means an area which is nominated by 1 or more local governments and the State in which it is located for designation as a tax enterprise zone under this subchapter.

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

"(6) RURAL AREA.—The term 'rural area' means any area which is—

"(A) outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

"(B) determined by the Secretary of Agriculture, after consultation with the Secretary of Commerce, to be a rural area.

"(7) APPROPRIATE SECRETARY.—The term 'appropriate Secretary' means—

"(A) the Secretary of Housing and Urban Development in the case of urban tax enterprise zones, and

"(B) the Secretary of Agriculture in the case of rural development investment zones.

"(8) STATE-CHARTERED DEVELOPMENT CORPORATIONS.—An area shall be treated as nominated by a State and a local government if it is nominated by an economic development corporation chartered by the State.

"PART II—INCENTIVES FOR TAX ENTERPRISE ZONES

"SUBPART A. Enterprise zone employment credit.

"SUBPART B. Investment incentives.

"SUBPART C. Regulations.

"Subpart A—Enterprise Zone Employment Credit

"Sec. 1394. Enterprise zone employment credit.

"Sec. 1395. Other definitions and special rules.

"SEC. 1394. ENTERPRISE ZONE EMPLOYMENT CREDIT.

"(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the enterprise zone employment credit determined under this section with respect to any employer for any taxable year is 15 percent of the qualified zone wages paid or incurred during such taxable year.

"(b) QUALIFIED ZONE WAGES.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified zone wages' means any wages paid or incurred by an employer for services performed by an employee while such employee is a qualified zone employee.

"(2) ONLY FIRST $20,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—With respect to each

qualified zone employee, the amount of qualified zone wages which may be taken into account for the taxable year shall not exceed $20,000.

"(3) COORDINATION WITH TARGETED JOBS CREDIT.—The term 'qualified wages' shall not include wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer if any portion of such wages is taken into account in determining the credit under section 51.

"(c) QUALIFIED ZONE EMPLOYEE.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified zone employee' means, with respect to any period, any employee of an employer if—

"(A) substantially all of the services performed during such period by such employee for such employer are performed within a tax enterprise zone in a trade or business of the employer, and

"(B) the principal place of abode of such employee while performing such services is within such tax enterprise zone.

"(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—The term 'qualified zone employee' shall not include—

"(A) any individual described in subparagraph (A), (B), or (C) of section 51(i)(1), and

"(B) any 5-percent owner (as defined in section 416(i)(1)(B)).

"(d) EARLY TERMINATION OF EMPLOYMENT BY EMPLOYER.—

"(1) IN GENERAL.—If the employment of any employee is terminated by the taxpayer before the day 1 year after the day on which such employee began work for the employer—

"(A) no wages with respect to such employee shall be taken into account under subsection (a) for the taxable year in which such employment is terminated, and

"(B) the tax under this chapter for the taxable year in which such employment is terminated shall be increased by the aggregate credits (if any) allowed under section 38(a) for prior taxable years by reason of wages taken into account with respect to such employee.

"(2) CARRYBACKS AND CARRYOVERS ADJUSTED.—In the case of any termination of employment to which paragraph (1) applies, the carrybacks and carryovers under section 39 shall be properly adjusted.

"(3) SUBSECTION NOT TO APPLY IN CERTAIN CASES.—

"(A) IN GENERAL.—Paragraph (1) shall not apply to—

"(i) a termination of employment of an employee who voluntarily leaves the employment of the taxpayer,

"(ii) a termination of employment of an individual who before the close of the period referred to in paragraph (1) becomes disabled to perform the services of such employment unless such disability is removed before the close of such period and the taxpayer fails to offer reemployment to such individual, or

"(iii) a termination of employment of an individual if it is determined under the applicable State unemployment compensation law that the termination was due to the misconduct of such individual.

"(B) CHANGES IN FORM OF BUSINESS.—For purposes of paragraph (1), the employment relationship between the taxpayer and an employee shall not be treated as terminated—

"(i) by a transaction to which section 381(a) applies if the employee continues to be employed by the acquiring corporation, or

"(ii) by reason of a mere change in the form of conducting the trade or business of the taxpayer if the employee continues to be employed in such trade or business and the taxpayer retains a substantial interest in such trade or business.

"(4) SPECIAL RULE.—Any increase in tax under paragraph (1) shall not be treated as a tax imposed by this chapter for purposes of—

"(A) determining the amount of any credit allowable under this chapter, and

"(B) determining the amount of the tax imposed by section 55.

"SEC. 1395. OTHER DEFINITIONS AND SPECIAL RULES.

"(a) WAGES.—For purposes of this subpart, the term 'wages' has the same meaning as when used in section 51.

"(b) CONTROLLED GROUPS.—For purposes of this subpart—

"(1) all employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer for purposes of this subpart, and

"(2) the credit (if any) determined under section 1394 with respect to each such employer shall be its proportionate share of the wages giving rise to such credit.

"(c) CERTAIN OTHER RULES MADE APPLICABLE.—For purposes of this subpart, rules similar to the rules of section 51(k) and subsections (c), (d), and (e) of section 52 shall apply.

"(d) NOTICE OF AVAILABILITY OF ADVANCE PAYMENT OF EARNED INCOME CREDIT.—Each employer shall take reasonable steps to notify all qualified zone employees of the availability to eligible individuals of receiving advanced payments of the credit under section 32 (relating to the earned income credit).

"Subpart B—Investment Incentives

"Sec. 1396. Deduction for purchase of enterprise zone stock.

"Sec. 1397. 50 percent exclusion for gain from new zone investments.

"Sec. 1397A. Nonrecognition of gain from new zone investments.

"Sec. 1397B. Other incentives.

"Sec. 1397C. Enterprise zone business defined.

"SEC. 1396. DEDUCTION FOR PURCHASE OF ENTERPRISE ZONE STOCK.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a deduction an amount equal to the aggregate amount paid in cash by the taxpayer during the taxable year for the purchase of enterprise zone stock.

"(b) LIMITATION.—

"(1) IN GENERAL.—The maximum amount allowed as a deduction under subsection (a) to a taxpayer for the taxable year shall not exceed the lesser of—

"(A) $25,000, or

"(B) the excess of $250,000 over the amount allowed as a deduction under this section to the taxpayer for all prior taxable years.

"(2) EXCESS AMOUNTS.—If the amount otherwise deductible by any person under subsection (a) exceeds the limitation under paragraph (1)(A)—

"(A) the amount of such excess shall be treated as an amount paid to which subsection (a) applies during the next taxable year, and

"(B) the deduction allowed for any taxable year shall be allocated proportionately among the enterprise zone stock purchased by such person on the basis of the respective purchase prices per share.

"(3) AGGREGATION WITH FAMILY MEMBERS.—The taxpayer and members of the taxpayer's family (as defined in section 267(c)(4)) shall be treated as one person for purposes of paragraph (1), and the limitations contained in such paragraph shall be allocated among the taxpayer and such members in accordance with their respective purchases of enterprise zone stock.

"(c) ENTERPRISE ZONE STOCK.—For purposes of this section—

"(1) IN GENERAL.—The term 'enterprise zone stock' means stock of a corporation if—

"(A) such stock is acquired on original issue from the corporation,

"(B) such corporation is, at the time of issue, a qualified enterprise zone issuer, and

"(C) the amount of the issue of which such stock is a part does not exceed the amount of the enterprise zone limit allocated to such issue by the governmental official referred to in section 1391(c)(2).

"(2) PROCEEDS MUST BE INVESTED IN QUALIFIED ENTERPRISE ZONE PROPERTY.—

"(A) IN GENERAL.—Such term shall include such stock only to the extent that the proceeds of such issuance are used by such issuer during the 12-month period beginning on the date of issuance to purchase (as defined in section 179(d)(2)) qualified enterprise zone property.

"(B) QUALIFIED ENTERPRISE ZONE PROPERTY.—For purposes of this section, the term 'qualified enterprise zone property' means property to which section 168 applies—

"(i) the original use of which in a tax enterprise zone commences with the issuer, and

"(ii) substantially all of the use of which is in a tax enterprise zone.

"(3) ENTERPRISE ZONE LIMIT.—

"(A) IN GENERAL.—The enterprise zone limit for any calendar year for each tax enterprise zone is $30,000,000.

"(B) ALLOCATION OF LIMIT.—The enterprise zone limit for any calendar year for any tax enterprise zone may be allocated by the governmental official referred to in section 1391(c)(2) only to stock issued during such calendar year by qualified enterprise zone issuers with respect to such tax enterprise zone.

"(C) RETROACTIVE ALLOCATIONS NOT EFFECTIVE.—No allocation of an enterprise zone limit made after the stock is issued shall be effective.

"(d) QUALIFIED ENTERPRISE ZONE ISSUER.—For purposes of this section, the term 'qualified enterprise zone issuer' means any domestic C corporation if—

"(1) such corporation is an enterprise zone business or, in the case of a new corporation, such corporation is being organized for purposes of being an enterprise zone business,

"(2) such corporation does not have more than one class of stock,

"(3) the sum of—

"(A) the money,

"(B) the aggregate unadjusted bases of property owned by such corporation, and

"(C) the value of property leased to the corporation (as determined under regulations prescribed by the Secretary),

does not exceed $5,000,000, and

"(4) more than 20 percent of the total voting power, and 20 percent of the total value, of the stock of such corporation is owned directly by individuals or estates or indirectly by individuals through partnerships or trusts.

The determination under paragraph (3) shall be made as of the time of issuance of the stock in question but shall include amounts received for such stock.

"(e) DISPOSITIONS OF STOCK.—

"(1) BASIS REDUCTION.—For purposes of this title, the basis of any enterprise zone stock shall be reduced by the amount of the deduction allowed under this section with respect to such stock.

"(2) DEDUCTION RECAPTURED AS ORDINARY INCOME.—For purposes of section 1245—

"(A) any stock the basis of which is reduced under paragraph (1) (and any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such stock) shall be treated as section 1245 property, and

"(B) any reduction under paragraph (1) shall be treated as a deduction allowed for depreciation.

If an exchange of any stock described in paragraph (1) qualifies under section 354(a), 355(a), or 356(a), the amount of gain recognized under section 1245 by reason of this paragraph shall not exceed the amount of gain recognized in the exchange (determined without regard to this paragraph).

"(3) CERTAIN EVENTS TREATED AS DISPOSITIONS.—For purposes of determining the amount treated as ordinary income under section 1245 by reason of paragraph (2), paragraph (3) of section 1245(b) (relating to certain tax-free transactions) shall not apply.

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

"(A) IN GENERAL.—If—

"(i) a taxpayer disposes of any enterprise zone stock with respect to which a deduction was allowed under subsection (a) (or any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such stock) before the end of the 5-year period beginning on the date such stock was purchased by the taxpayer, and

"(ii) section 1245(a) applies to such disposition by reason of paragraph (2),

then the tax imposed by this chapter for the taxable year in which such disposition occurs shall be increased by the amount determined under 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 of such disposition by the taxpayer,

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

"(C) SPECIAL RULE.—Any increase in tax under subparagraph (A) shall not be treated as a tax imposed by this chapter for purposes of—

"(i) determining the amount of any credit allowable under this chapter, and

"(ii) determining the amount of the tax imposed by section 55.

"(f) DISQUALIFICATION.—

"(1) ISSUER CEASES TO QUALIFY.—If, during the 10-year period beginning on the date enterprise zone stock was purchased by the taxpayer, the issuer of such stock ceases to be a qualified enterprise zone issuer (determined without regard to subsection (d)(3)), then notwithstanding any provision of this subtitle other than paragraph (2), the taxpayer shall be treated for purposes of subsection (e) as disposing of such stock (and any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such stock) during the taxable year during which such cessation occurs at its fair market value as of the 1st day of such taxable year.

"(2) CESSATION OF ENTERPRISE ZONE STATUS NOT TO CAUSE RECAPTURE.—A corporation shall not fail to be treated as a qualified enterprise zone issuer for purposes of paragraph (1) solely by reason of the termination or revocation of a tax enterprise zone designation.

"(g) OTHER SPECIAL RULES.—

"(1) APPLICATION OF LIMITS TO PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or an S corporation, the limitations under subsection (b) shall apply at the partner and shareholder level and shall not apply at the partnership or corporation level.

"(2) DEDUCTION NOT ALLOWED TO ESTATES AND TRUSTS.—Estates and trusts shall not be treated as individuals for purposes of this section.

"SEC. 1397. 50 PERCENT EXCLUSION FOR GAIN FROM NEW ZONE INVESTMENTS.

"(a) GENERAL RULE.—In the case of an individual, gross income shall not include 50 percent of any qualified capital gain recognized on the sale or exchange of a qualified zone asset held for more than 5 years.

"(b) QUALIFIED ZONE ASSET.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified zone asset' means—

"(A) any qualified zone stock,

"(B) any qualified zone business property, and

"(C) any qualified zone partnership interest.

"(2) QUALIFIED ZONE STOCK.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'qualified zone stock' means any stock in a domestic corporation if—

"(i) such stock is acquired by the taxpayer on original issue from the corporation solely in exchange for cash,

"(ii) as of the time such stock was issued, such corporation was an enterprise zone business (or, in the case of a new corporation, such corporation was being organized for purposes of being an enterprise zone business), and

"(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as an enterprise zone business.

"(B) EXCLUSION OF STOCK FOR WHICH DEDUCTION UNDER SECTION 1396 ALLOWED.—The term 'qualified zone stock' shall not include any stock the basis of which is reduced under section 1396(e)(1).

"(C) REDEMPTIONS.—The term 'qualified zone stock' shall not include any stock acquired from a corporation which made a substantial stock redemption or distribution (without a bona fide business purpose therefor) in an attempt to avoid the purposes of this section.

"(3) QUALIFIED ZONE BUSINESS PROPERTY.—

"(A) IN GENERAL.—The term 'qualified zone business property' means tangible property if—

"(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after the date on which the designation of the tax enterprise zone took effect,

"(ii) the original use of such property in a tax enterprise zone commences with the taxpayer, and

"(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a tax enterprise zone and in an enterprise zone business of the taxpayer.

"(B) SPECIAL RULE FOR SUBSTANTIAL RENOVATIONS.—In the case of any property which is substantially renovated by the taxpayer, the requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied. For purposes of the preceding sentence, property shall be treated as substantially renovated by the taxpayer if, during any 24-month period beginning after the date on which the designation of the tax enterprise zone took effect, additions to basis with respect to such property in the hands of the taxpayer exceed the greater of (i) an amount equal to the adjusted basis at the beginning of such 24-month period in the hands of the taxpayer, or (ii) $5,000.

"(C) LIMITATION ON LAND.—The term 'qualified zone business property' shall not include land which is not an integral part of a qualified business (as defined in section 1397C(c)).

"(4) QUALIFIED ZONE PARTNERSHIP INTEREST.—The term 'qualified zone partnership interest' means any interest in a partnership if—

"(A) such interest is acquired by the taxpayer from the partnership solely in exchange for cash,

"(B) as of the time such interest was acquired, such partnership was an enterprise zone business (or, in the case of a new partnership, such partnership was being organized for purposes of being an enterprise zone business), and

"(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as an enterprise zone business.

A rule similar to the rule of paragraph (2)(C) shall apply for purposes of this paragraph.

"(5) TREATMENT OF SUBSEQUENT PURCHASERS.—The term 'qualified zone asset' includes any property which would be a qualified zone asset but for paragraph (2)(A)(i), (3)(A)(ii), or (4)(A) in the hands of the taxpayer if such property was a qualified zone asset in the hands of any prior holder.

"(6) 10-YEAR SAFE HARBOR.—If any property ceases to be a qualified zone asset by reason of paragraph (2)(A)(iii), (3)(A)(ii), or (4)(C) after the 10-year period beginning on the date the taxpayer acquired such property, such property shall continue to be treated as meeting the requirements of such paragraph; except that the amount of gain to which subsection (a) applies on any sale or exchange of such property shall not exceed the amount which would be qualified capital gain had such property been sold on the date of such cessation.

"(7) TREATMENT OF ZONE TERMINATIONS.—The termination of any designation of an area as a tax enterprise zone shall be disregarded for purposes of determining whether any property is a qualified zone asset.

"(c) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED CAPITAL GAIN.—Except as otherwise provided in this subsection, the term 'qualified capital gain' means any long-term capital gain.

"(2) CERTAIN GAIN ON REAL PROPERTY NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain which would be treated as ordinary income under section 1250 if section 1250 applied to all depreciation rather than the additional depreciation.

"(3) GAIN ATTRIBUTABLE TO PERIODS AFTER TERMINATION OF ZONE DESIGNATION NOT QUALIFIED.—The term 'qualified capital gain' shall not include any gain attributable to periods after the termination of any designation of an area as a tax enterprise zone.

"(d) TREATMENT OF PASS-THRU ENTITIES.—

"(1) SALES AND EXCHANGES.—Gain on the sale or exchange of an interest in a pass-thru entity held by the taxpayer (other than an interest in an entity which was an enterprise zone business during substantially all of the period the taxpayer held such interest) for more than 5 years shall be treated as gain described in subsection (a) to the extent such

gain is attributable to amounts which would be qualified capital gain on qualified zone assets (determined as if such assets had been sold on the date of the sale or exchange) held by such entity for more than 5 years and throughout the period the taxpayer held such interest. A rule similar to the rule of paragraph (2)(C) shall apply for purposes of the preceding sentence.

"(2) DISTRIBUTIONS.—

"(A) IN GENERAL.—Any amount included in income by reason of holding an interest in a pass-thru entity (other than an entity which was an enterprise zone business during substantially all of the period the taxpayer held the interest to which such inclusion relates) shall be treated as gain described in subsection (a) if such amount meets the requirements of subparagraph (B).

"(B) REQUIREMENTS.—An amount meets the requirements of this subparagraph if—

"(i) such amount is attributable to gain on the sale or exchange by the pass-thru entity of property which is a qualified zone asset in the hands of such entity and which was held by such entity for the period required under subsection (a), and

"(ii) such amount is includible in the gross income of the taxpayer by reason of the holding of an interest in such entity which was held by the taxpayer on the date on which such pass-thru entity acquired such asset and at all times thereafter before the disposition of such asset by such pass-thru entity.

"(C) LIMITATION BASED ON INTEREST ORIGINALLY HELD BY TAXPAYER.—Subparagraph (A) shall not apply to any amount to the extent such amount exceeds the amount to which subparagraph (A) would have applied if such amount were determined by reference to the interest the taxpayer held in the pass-thru entity on the date the qualified zone asset was acquired.

"(3) PASS-THRU ENTITY.—For purposes of this subsection, the term 'pass-thru entity' means—

"(A) any partnership,

"(B) any S corporation,

"(C) any regulated investment company, and

"(D) any common trust fund.

"(e) SALES AND EXCHANGES OF INTERESTS IN PARTNERSHIPS AND S CORPORATIONS WHICH ARE QUALIFIED ZONE BUSINESSES.—In the case of the sale or exchange of a interest in a partnership, or of stock in an S Corporation, which was an enterprise zone business during substantially all of the period the taxpayer held such interest or stock) is an enterprise zone business, the amount of qualified capital gain shall be determined without regard to—

"(1) any intangible, and any land, which is not an integral part of any qualified business (as defined in section 1397C(b)), and

"(2) gain attributable to periods before the designation of an area as a tax enterprize zone.

"(f) CERTAIN TAX-FREE AND OTHER TRANSFERS.—For purposes of this section—

"(1) IN GENERAL.—In the case of a transfer of a qualified zone asset to which this subsection applies, the transferee shall be treated as—

"(A) having acquired such asset in the same manner as the transferor, and

"(B) having held such asset during any continuous period immediately preceding the transfer during which it was held (or treated as held under this subsection) by the transferor.

"(2) TRANSFERS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any transfer—

"(A) by gift,

"(B) at death, or

"(C) from a partnership to a partner thereof of a qualified zone asset with respect to which the requirements of subsection (d)(2) are met at the time of the transfer (without regard to the 5-year holding requirement).

"(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of section 1244(d)(2) shall apply for purposes of this section.

"SEC. 1397A. NONRECOGNITION OF GAIN FROM NEW ZONE INVESTMENTS.

"(a) GENERAL RULE.—At the election of an individual, qualified capital gain (within the meaning of section 1397) from the sale or exchange of a qualified zone asset shall be recognized only to the extent that—

"(1) the amount realized from such sale or exchange, exceeds

"(2) the cost (not heretofore taken into account under this subsection) of any qualified zone asset purchased directly by the taxpayer during the reinvestment period.

"(b) QUALIFIED ZONE ASSET.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified zone asset' has the meaning given such term by section 1397.

"(2) TIME FOR TESTING.—

"(A) SALES.—In the case of a sale or exchange of property, the determination of whether such property is a qualified zone asset shall be made as of the time of the sale or exchange.

"(B) PURCHASES.—In the case of a purchase of property, the determination of whether such property is a qualified zone asset shall be made as of the time of such purchase.

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

"(1) REINVESTMENT PERIOD.—The term 'reinvestment period' means, with respect to any sale or exchange, the 6-month period beginning on the date of such sale or exchange.

"(2) PURCHASE.—The term 'purchase' has the meaning given to such term by section 179(d)(2).

"(d) BUSINESS OR PROPERTY CEASES TO QUALIFY.—

"(1) IN GENERAL.—If, during the 10-year period beginning on the date any qualified zone replacement asset was purchased by the taxpayer, such asset ceases to be a qualified zone asset, notwithstanding any provision of this subtitle other than paragraph (3), the taxpayer shall be treated as disposing of such asset during the taxable year during which such cessation occurs at its fair market value as of the 1st day of such taxable year.

"(2) LIMITATION ON GAIN RECOGNIZED.—The amount of gain recognized pursuant to paragraph (1) with respect to any asset shall not exceed the lesser of—

"(A) the amount of gain which was not recognized under subsection (a) by the reason of the purchase of such asset, or

"(B) the excess of the fair market value referred to in paragraph (1) over the adjusted basis of such asset.

"(3) CESSATION OF ENTERPRISE ZONE STATUS NOT TO CAUSE RECAPTURE.—An asset shall not fail to be treated as a qualified zone asset for purposes of paragraph (1) solely by reason of the termination of a tax enterprise zone designation.

"(4) QUALIFIED ZONE REPLACEMENT ASSET.—For purposes of paragraph (1), the term 'qualified zone replacement asset' means any qualified zone asset the purchase of which resulted in the nonrecognition of gain under subsection (a) with respect to any other property.

"(e) BASIS OF QUALIFIED ZONE REPLACEMENT ASSET.—If gain from the sale or exchange of any property is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis of any qualified zone replacement asset (as defined in subsection (d)(4)) purchased during the reinvestment period.

"(f) COORDINATION WITH INSTALLMENT METHOD REPORTING.—This section shall not apply to any gain from any installment sale (as defined in section 453(b)) if section 453(a) applies to such sale.

"(g) STATUTE OF LIMITATIONS.—If any gain is realized by the taxpayer on any sale or exchange to which an election under this section applies, then—

"(1) the statutory period for the assessment of any deficiency with respect to such gain shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) of—

"(A) the taxpayer's cost of purchasing any qualified zone replacement asset,

"(B) the taxpayer's intention not to purchase qualified zone replacement asset within the reinvestment period, or

"(C) a failure to make such purchase within the reinvestment period, and

"(2) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any law or rule of law which would otherwise prevent such assessment.

"SEC. 1397B. ADDITIONAL INCENTIVES.

"(a) INCREASE IN EXPENSING UNDER SECTION 179.—In the case of an enterprise zone business—

"(1) IN GENERAL.—Section 179(b)(1) shall be applied by substituting '$20,000' for '$10,000'.

"(2) CONTROLLED GROUPS.—If such business is a component member of a controlled group of corporations (as defined in section 179(d)(7)), paragraph (1) shall apply only if all component members of such group are enterprise zone businesses.

"(b) ORDINARY LOSS TREATMENT FOR CERTAIN PROPERTY.—

"(1) IN GENERAL.—Loss on any qualified zone asset (as defined in section 1397(b)) held for more than 2 years (5 years in the case of real property) shall be treated as an ordinary loss.

"(2) REAL PROPERTY.—For purposes of paragraph (1), the term 'real property' means any property which is section 1250 property (as defined in section 1250(c)).

"(3) SPECIAL RULES.—

"(A) CERTAIN RULES MADE APPLICABLE.—For purposes of this subsection, rules similar to the following rules shall apply:

"(i) Paragraphs (1), (2), and (3) of section 1244(d).

"(ii) Subsections (b)(6), (c)(3), (d), (e), and (f) of section 1397.

"(B) COORDINATION WITH SECTION 1231.—Losses treated as ordinary losses by reason of this subsection shall not be taken into account in applying section 1231.

"SEC. 1397C. ENTERPRISE ZONE BUSINESS DEFINED.

"(a) IN GENERAL.—For purposes of this subpart, the term 'enterprise zone business' means—

"(1) any qualified business entity, and

"(2) any qualified proprietorship.

"(b) QUALIFIED BUSINESS ENTITY.—For purposes of this section, the term 'qualified business entity' means, with respect to any taxable year, any corporation or partnership if for such year—

"(1)(A) every trade or business of such entity is the active conduct of a qualified business within a tax enterprise zone, and

"(B) at least 80 percent of the total gross income of such entity is derived from the active conduct of such business,

"(2) substantially all of the use of the tangible property of such entity (whether owned or leased) is within a tax enterprise zone,

"(3) substantially all of the services performed for such entity by its employees are performed in a tax enterprise zone,

"(4) at least one-third of its employees are residents of a tax enterprise zone, and

"(5) less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to—

"(A) collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, or

"(B) nonqualified financial property.

"(c) QUALIFIED PROPRIETORSHIP.—For purposes of this section, the term 'qualified proprietorship' means, with respect to any taxable year, any qualified business carried on by an individual as a proprietorship if for such year—

"(1) at least 80 percent of the total gross income of such individual from such business is derived from the active conduct of such business in a tax enterprise zone,

"(2) substantially all of the use of the tangible property of such individual in such business (whether owned or leased) is within a tax enterprise zone,

"(3) substantially all of the services performed for such individual in such business by employees of such business are performed in a tax enterprise zone,

"(4) at least 1/3 of such employees are residents of a tax enterprise zone, and

"(5) less than 5 percent of the average of the aggregate unadjusted bases of the property of such individual which is used in such business is attributable to—

"(A) collectibles (as defined in section 408(m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business, or

"(B) nonqualified financial property.

"(d) QUALIFIED BUSINESS.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified business' means any trade or business.

"(2) RENTAL OF REAL PROPERTY.—The rental of real property located in a tax enterprise zone shall be treated as a qualified business if and only if—

"(A) in the case of real property which is not residential rental property (as defined in section 168(e)(2)), the lessee is an enterprise zone business, or

"(B) in the case of residential rental property (as so defined)—

"(i) such property was originally placed in service after the date the tax enterprise zone was designated, or

"(ii) such property is rehabilitated after such date in a rehabilitation which meets requirements based on the principles of section 42(e)(3).

"(3) RENTAL OF TANGIBLE PERSONAL PROPERTY.—The rental of tangible personal property shall be treated as a qualified business if and only if substantially all of the rental of such property is by enterprise zone businesses or by residents of a tax enterprise zone.

"(4) TREATMENT OF BUSINESS HOLDING INTANGIBLES.—The term 'qualified business' shall not include any trade or business consisting predominantly of the development or holding of intangibles for sale or license.

"(e) NONQUALIFIED FINANCIAL PROPERTY.—For purposes of this section, the term 'nonqualified financial property' means debt, stock, partnership interests, options, futures contracts, forward contracts, warrants, notional principal contracts, annuities, and other similar property specified in regulations; except that such term shall not include—

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

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

"Subpart C—Regulations

"Sec. 1397C. Regulations.

"SEC. 1397C. REGULATIONS.

"The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including—

"(1) regulations limiting the benefit of this part in circumstances where such benefits, in combination with benefits provided under other Federal programs, would result in an activity being 100 percent or more subsidized by the Federal Government,

"(2) regulations preventing abuse of the provisions of this part, and

"(3) regulations dealing with inadvertent failures of entities to be qualified zone businesses."

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by inserting after the item relating to subchapter T the following new item:

"Subchapter U. Designation and treatment of tax enterprise zones."

SEC. 1103. TECHNICAL AND CONFORMING AMENDMENTS.

(a) ENTERPRISE ZONE EMPLOYMENT CREDIT PART OF GENERAL BUSINESS CREDIT.—

(1) Subsection (b) of section 38 (relating to current year business credit) is amended by striking "plus" at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting ", plus", and by adding at the end the following new paragraph:

"(8) the enterprise zone employment credit determined under section 1394(a)."

(2) Subsection (d) of section 39 is amended by adding at the end thereof the following new paragraph:

"(3) NO CARRYBACK OF SECTION 1394 CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the enterprise zone employment credit determined under section 1394 may be carried to a taxable year ending before the date of the enactment of section 1394."

(b) NONITEMIZERS ALLOWED DEDUCTION FOR ENTERPRISE ZONE STOCK.—Subsection (a) of section 62 is amended by adding at the end thereof the following new paragraph:

"(14) ENTERPRISE ZONE STOCK.—The deduction allowed by section 1396."

(c) DENIAL OF DEDUCTION FOR PORTION OF WAGES EQUAL TO ENTERPRISE ZONE EMPLOYMENT CREDIT.—

(1) Subsection (a) of section 280C (relating to rule for targeted jobs credit) is amended—

(A) by striking "the amount of the credit determined for the taxable year under section 51(a)" and inserting "the sum of the credits determined for the taxable year under sections 51(a) and 1394(a)", and

(B) by striking "TARGETED JOBS CREDIT" in the subsection heading and inserting "EMPLOYMENT CREDITS".

(2) Subsection (c) of section 196 (relating to deduction for certain unused business credits) is amended by striking "and" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting ", and", and by adding at the end the following new paragraph:

"(6) the enterprise zone employment credit determined under section 1394(a)."

(d) OTHER AMENDMENTS.—

(1)(A) Section 172(d)(2) (relating to modifications with respect to net operating loss deduction) is amended to read as follows:

"(2) CAPITAL GAINS AND LOSSES OF TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation—

"(A) the amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets; and

"(B) the exclusion provided by section 1397 shall not be allowed."

(B) Subparagraph (B) of section 172(d)(4) is amended by inserting ", (2)(B)," after "paragraph (1)".

(2) Subsection (c) of section 381 (relating to carryovers in certain corporate acquisitions) is amended by adding at the end the following new paragraph:

"(26) ENTERPRISE ZONE PROVISIONS.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and subchapter U, and under such regulations as may be prescribed by the Secretary) the items required to be taken into account for purposes of subchapter U in respect of the distributor or transferor corporation."

(3) Paragraph (4) of section 642(c) is amended to read as follows:

"(4) ADJUSTMENTS.—To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain described in section 1397(a), proper adjustment shall be made for any exclusion allowable to the estate or trust under section 1397. In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income)."

(4) Paragraph (3) of section 643(a) is amended by adding at the end thereof the following new sentence: "The exclusion under section 1397 shall not be taken into account."

(5) Paragraph (4) of section 691(c) is amended by striking "1201, and 1211" and inserting "1201, 1397, and 1211".

(6) The second sentence of paragraph (2) of section 871(a) is amended by inserting "such gains and losses shall be determined without regard to section 1397 and" after "except that".

(7) Paragraph (1) of section 1371(d) (relating to coordination with investment credit recapture) is amended by inserting before the period at the end the following "and for purposes of sections 1394(d)(3)".

(8) 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 a semicolon, and by adding at the end thereof the following new paragraphs:

"(25) in the case of stock with respect to which a deduction was allowed under section 1396(a), to the extent provided in section 1396(e); and

"(26) in the case of property the acquisition of which resulted under section 1397A in the nonrecognition of any part of the gain realized on the sale or exchange of other property, to the extent provided in section 1397A(e)."

(9) Section 1223 (relating to holding period of property) is amended by redesignating paragraph (15) as paragraph (16) and by inserting after paragraph (14) the following new paragraph:

"(15) In determining the period for which the taxpayer has held property the acquisition of which resulted under section 1397A in the nonrecognition of any part of the gain realized on the sale or exchange of any qualified zone asset (as defined in section 1397A(b)), there shall be included the period for which such asset had been held as of the date of such sale or exchange."

SEC. 1104. EFFECTIVE DATE.

(a) GENERAL RULE.—The amendments made by this part shall take effect on the date of the enactment of this Act.

(b) REQUIREMENT FOR RULES.—Not later than 4 months after the date of the enactment of this Act, the appropriate Secretaries shall issue rules—

(1) establishing the procedures for nominating areas for designation as tax enterprise zones,

(2) establishing a method for comparing the factors listed in section 1392(d) of the Internal Revenue Code of 1986 (as added by this part), and

(3) establishing recordkeeping requirements necessary or appropriate to assist the studies required by part IV.

PART II—REDEVELOPMENT BONDS FOR TAX ENTERPRISE ZONES

SEC. 1111. SPECIAL RULES FOR REDEVELOPMENT BONDS PROVIDING FINANCING FOR TAX ENTERPRISE ZONES.

(a) IN GENERAL.—Subsection (c) of section 144 (relating to qualified redevelopment bonds) is amended by adding at the end thereof the following new paragraph:

"(9) SPECIAL RULES FOR TAX ENTERPRISE ZONES.—For purposes of this subsection, in the case of bonds issued during the 60-month period beginning on the date a tax enterprise zone is designated—

"(A) TREATMENT AS DESIGNATED BLIGHTED AREA.—Such tax enterprise zone shall be treated as a designated blighted area during such 60-month period (or, if shorter, the period such designation is in effect). Any area designated by reason of the preceding sentence shall not be taken into account in applying paragraph (4)(C).

"(B) SECURITY FOR BONDS.—The requirements of paragraph (2)(B) shall be treated as met with respect to a financed area that is within a tax enterprise zone if the general purpose governmental unit guarantees the payment of principal and interest on the issue either directly or through insurance, a letter of credit, or a similar agreement but only if the cost thereof is financed other than with proceeds of any tax-exempt private activity bond or earnings on such proceeds.

"(C) EXPANSION OF REDEVELOPMENT PURPOSES.—

"(i) IN GENERAL.—The term 'redevelopment purposes' includes the making of loans to any enterprise zone business (as defined in section 1397B) for—

"(I) the acquisition of land within the tax enterprise zone for use in such business, or

"(II) the acquisition, construction, reconstruction, or improvement by such business of land, or property of a character subject to the allowance for depreciation, for use in such business.

"(ii) $2,500,000 LIMITATION.—Clause (i) shall apply to loans made to any enterprise zone business only if the aggregate principal amount of such loans (whether or not financed by the same issue) does not exceed $2,500,000. For purposes of the preceding sentence, all persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as 1 person.

"(iii) LOANS MUST BE MADE WITHIN 18 MONTHS AFTER BONDS ISSUED; REPAYMENTS MUST BE USED FOR REDEMPTIONS.—Clause (i) shall apply only to loans—

"(I) made during the 18-month period beginning on the date of issuance of the issue financing such loan,

"(II) repayments of principal on which are used not later than the close of the 1st semiannual period beginning after the date the repayment is received to redeem bonds which are part of such issue, and

"(III) the effective rate of interest on which does not exceed the yield on the issue by more than 0.125 percentage points.

In determining the effective rate of interest for purposes of subclause (III), there shall be taken into account all fees, charges, and other amounts (other than amounts for any credit report) borne by the borrower which are attributable to the loan or the bond issue.

"(iv) HOUSING LOANS EXCLUDED.—Clause (i) shall not apply to any loan to be used directly or indirectly to provide residential real property.

"(v) COORDINATION WITH RESTRICTIONS ON USE OF PROCEEDS.—Paragraphs (6) and (8) shall apply notwithstanding clause (i); except that in applying paragraph (6), subsection (a)(8) shall be treated as not including a reference to a facility the primary purpose of which is retail food services.

"(D) ISSUER TO DESIGNATE AMOUNT OF ISSUE TO BE USED FOR LOANS.—Subparagraph (C) shall not apply with respect to any issue unless the issuer designates before the date of issuance the amount of the proceeds of such issue which is to be used for loans to which subparagraph (C)(i) applies. If such amount exceeds the principal amount of loans to which subparagraph (C)(i) applies, an amount of proceeds equal to such excess shall be used not later than the close of the 1st semiannual period beginning after the close of the 18-month period referred to in subparagraph (C)(iii) to redeem bonds which are part of such issue.

"(E) DE MINIMIS REDEMPTIONS NOT REQUIRED.—Subparagraphs (C)(iii) and (D) shall not be construed to require amounts of less than $250,000 to be used to redeem bonds. The Secretary may by regulation treat related issues as 1 issue for purposes of the preceding sentence.

"(F) PENALTY.—

"(i) IN GENERAL.—In the case of property with respect to which financing was provided under this paragraph, if at any time during the 10-period beginning on the date such financing was provided—

"(I) such property ceases to be in used in an enterprise zone business (as defined in section 1397B), or

"(I) substantially all of the use of such property ceases to be in a tax enterprise zone,

there is hereby imposed on the trade or business to which such financing was provided a penalty equal to 1.25 percent of so much of the face amount of all financing provided (whether or not from the same issue and whether or not such issue is outstanding) before such cessation to the trade or business using such property.

"(ii) NO PENALTY BY REASON OF ZONE TERMINATION.—No penalty shall be imposed under clause (i) solely by reason of the termination or revocation of a tax enterprise zone designation.

"(iii) EXCEPTION FOR BANKRUPTCY.—Clause (i) shall not apply to any cessation resulting from bankruptcy."

(b) VOLUME CAP ONLY CHARGED WITH 50 PERCENT OF TAX ENTERPRISE ZONE REDEVELOPMENT BONDS.—Subsection (g) of section 146 is amended by striking "and" at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting ", and", and by adding at the end thereof the following new paragraph:

"(5) 50 percent of any qualified redevelopment bond issued—

"(A) as part of an issue 95 percent or more of the net proceeds of which are to be used for 1 or more redevelopment purposes (as defined in section 144(c)) in a tax enterprise zone, and

"(B) during the 60-month period beginning on the date of the designation of such zone."

(c) PENALTIES FOR LOANS MADE TO BUSINESSES THAT CEASE TO BE ENTERPRISE ZONE BUSINESSES, ETC.—Subsection (b) of section 150 is amended by adding at the end thereof the following new paragraph:

"(6) ENTERPRISE ZONE REDEVELOPMENT BONDS.—In the case of any financing provided by an issue the interest on which is exempt from tax by reason of section 144(c)(9)—

"(A) IN GENERAL.—No deduction shall be allowed under this chapter for interest on such financing which accrues during the period beginning on the first day of the calendar year which includes the date on which—

"(i) the trade or business to which the financing was provided ceases to be an enterprise zone business (as defined in section 1397B), or

"(ii) substantially all of the use of the property (determined in accordance with subchapter U) with respect to which the financing was provided ceases to be in a tax enterprise zone.

The preceding sentence shall not apply solely by reason of the termination or revocation of a tax enterprise zone designation.

"(B) EXCEPTION FOR BANKRUPTCY.—This paragraph shall not apply to any cessation resulting from bankruptcy."

PART III—CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS

SEC. 1121. CREDIT FOR CONTRIBUTIONS TO CERTAIN COMMUNITY DEVELOPMENT CORPORATIONS.

(a) IN GENERAL.—For purposes of section 38 of the Internal Revenue Code of 1986, the current year business credit shall include the credit determined under this section.

(b) DETERMINATION OF CREDIT.—The credit determined under this section for each taxable year in the credit period with respect to any qualified CDC contribution made by the taxpayer is an amount equal to 5 percent of such contribution.

(c) CREDIT PERIOD.—For purposes of this section, the credit period with respect to any qualified CDC contribution is the period of 10 taxable years beginning with the taxable year during which such contribution was made.

(d) QUALIFIED CDC CONTRIBUTION.—For purposes of this section—

(1) IN GENERAL.—The term "qualified CDC contribution" means any transfer of cash—

(A) which is made to a selected community development corporation during the 5-year period beginning on the date such corporation was selected for purposes of this section,

(B) the amount of which is available for use by such corporation for at least 10 years,

(C) which is to be used by such corporation for qualified low-income assistance within its operational area, and

(D) which is designated by such corporation for purposes of this section.

(2) LIMITATIONS ON AMOUNT DESIGNATED.—The aggregate amount of contributions to a selected community development corpora-

tion which may be designated by such corporation shall not exceed $2,000,000.

(e) SELECTED COMMUNITY DEVELOPMENT CORPORATIONS.—

(1) IN GENERAL.—For purposes of this section, the term "selected community development corporation" means any corporation—

(A) which is described in section 501(c)(3) of such Code and exempt from tax under section 501(a) of such Code,

(B) the principal purposes of which include promoting employment of, and business opportunities for, low-income individuals who are residents of the operational area, and

(C) which is selected by the Secretary of Housing and Urban Development for purposes of this section.

(2) ONLY 10 CORPORATIONS MAY BE SELECTED.—

(A) IN GENERAL.—The Secretary of Housing and Urban Development may select 10 corporations for purposes of this section, subject to the availability of eligible corporations. Such selections may be made only before January 1, 1994. At least 4 of the operational areas of the corporations selected must be rural areas (as defined by 1393(6) of such Code).

(B) PRIORITY OF DESIGNATIONS.—In selecting corporations for purposes of this section, such Secretary shall give priority to corporations with a demonstrated record of performance in administering community development programs which target at least 75 percent of the jobs emanating from their investment funds to low income or unemployed individuals.

(3) OPERATIONAL AREAS MUST HAVE CERTAIN CHARACTERISTICS.—A corporation may be selected for purposes of this section only if its operational area meets the following criteria:

(A) The area meets the size requirements under paragraph (1)(C) or (2)(C) of section 1391(b) which would apply if such area were to be designated as a tax enterprise zone.

(B) The unemployment rate (as determined by the appropriate available data) is not less than the national unemployment rate.

(C) The median family income of residents of such area does not exceed 80 percent of the median gross income of residents of the jurisdiction of the local government which includes such area.

(f) QUALIFIED LOW-INCOME ASSISTANCE.—For purposes of this section, the term "qualified low-income assistance" means assistance—

(1) which is designed to provide employment of, and business opportunities for, low-income individuals who are residents of the operational area of the community development corporation, and

(2) which is approved by the Secretary of Housing and Urban Development.

PART IV—STUDIES

SEC. 1131. STUDIES OF EFFECTIVENESS OF TAX ENTERPRISE ZONE INCENTIVES.

(a) IN GENERAL.—The Secretary of the Treasury and the Comptroller General shall each conduct studies of the effectiveness of the incentives provided by this subtitle in achieving the purposes of this subtitle in tax enterprise zones.

(b) REPORTS.—The Secretary of the Treasury and the Comptroller General shall each submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

(1) not later than July 1, 1997, an interim report setting forth the findings as a result of such studies, and

(2) not later than July 1, 2002, a final report setting forth the findings as a result of such studies.

Subtitle B—Permanent Extension of Certain Expiring Tax Provisions Primarily Affecting Urban Areas

SEC. 1201. LOW-INCOME HOUSING CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Section 42 (relating to low-income housing credit) is amended by striking subsection (o).

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to periods after June 30, 1992.

(b) ELECTION TO DETERMINE RENT LIMITATION BASED ON NUMBER OF BEDROOMS.—In the case of a building to which the amendments made by section 7108(e)(1) of the Revenue Reconciliation Act of 1989 did not apply, the taxpayer may elect to have such amendments apply to such building but only with respect to tenants first occupying any unit in the building after the date of the election. Such an election may be made only during the 180 day period beginning on the date of the enactment of this Act, and, once made, shall be irrevocable.

SEC. 1202. TARGETED JOBS CREDIT.

(a) IN GENERAL.—Subsection (c) of section 51 (relating to amount of targeted jobs credit) is amended by striking paragraph (4).

(b) RESTORATION OF CREDIT FOR ECONOMICALLY DISADVANTAGED YOUTH WHO HAVE NOT ATTAINED AGE 25.—Subparagraph (B) of section 51(d)(3) is amended by striking "age 23" and inserting "age 25".

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

SEC. 1203. QUALIFIED MORTGAGE BONDS.

(a) IN GENERAL.—Paragraph (1) of section 143(a) (defining qualified mortgage bond) is amended to read as follows:

"(1) QUALIFIED MORTGAGE BOND DEFINED.—For purposes of this title, the term 'qualified mortgage bond' means a bond which is issued as part of a qualified mortgage issue."

(b) MORTGAGE CREDIT CERTIFICATES.—Section 25 is amended by striking subsection (h) and by redesignating subsection (i) as subsection (h).

(c) TREATMENT OF RESALE PRICE CONTROL AND SUBSIDY LIEN PROGRAMS.—Subsection (k) of section 143 is amended by adding at the end thereof the following new paragraph:

"(10) TREATMENT OF RESALE PRICE CONTROL AND SUBSIDY LIEN PROGRAMS.—

"(A) IN GENERAL.—In the case of a residence which is located in a high housing cost area (as defined in section 143(f)(5)), the interest of a governmental unit in such residence by reason of financing provided under any qualified program shall not be taken into account under this section (other than subsection (m)), and the acquisition cost of the residence which is taken into account under subsection (e) shall be such cost reduced by the amount of such financing.

"(B) QUALIFIED PROGRAM.—For purposes of subparagraph (A), the term 'qualified program' means any governmental program providing mortgage loans (other than 1st mortgage loans)—

"(i) which restricts (throughout the 9-year period beginning on the date the financing is provided) the resale of the residence to a purchaser qualifying under this section and to a price determined by an index that reflects less than the full amount of any appreciation in the residence's value, or

"(ii) which provides for deferred or reduced interest payments on such financing and grants the governmental unit a share in the appreciation of the residence,

but only if such financing is not provided directly or indirectly through the use of any tax-exempt private activity bond."

(d) FINANCING ALLOWED FOR CONTRACT FOR DEED AGREEMENTS.—

(1) IN GENERAL.—Paragraph (2) of section 143(d) (relating to exceptions to 3-year requirement) is amended—

(A) by striking "and" at the end of subparagraph (A),

(B) by adding "and" at the end of subparagraph (B), and

(C) by inserting after subparagraph (B) the following new subparagraph:

"(C) financing with respect to land described in subsection (i)(1)(C) and the construction of any residence thereon."

(2) EXCEPTION TO NEW MORTGAGE REQUIREMENT.—Paragraph (1) of section 143(i) (relating to mortgages must be new mortgages) is amended by adding at the end thereof the following new subparagraph:

"(C) EXCEPTION FOR CERTAIN CONTRACT FOR DEED AGREEMENTS.—

"(i) IN GENERAL.—In the case of land possessed under a contract for deed by a mortgagor—

"(I) whose principal residence (within the meaning of section 1034) is located on such land, and

"(II) whose family income (as defined in subsection (f)(2)) is not more than 50 percent of applicable median family income (as defined in subsection (f)(3)),

the contract for deed shall not be treated as an existing mortgage for purposes of subparagraph (A).

"(ii) CONTRACT FOR DEED DEFINED.—For purposes of this subparagraph, the term 'contract for deed' means a seller-financed contract for the conveyance of land under which—

"(I) legal title does not pass to the purchaser until the consideration under the contract is fully paid to the seller, and

"(II) the seller's remedy for nonpayment is forfeiture rather than judicial or nonjudicial foreclosure."

(3) ACQUISITION COST INCLUDES COST OF LAND.—Clause (iii) of section 143(k)(3)(B) is amended by inserting "(other than land described in subsection (i)(1)(C)(i))" after "cost of land".

(e) 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.

(3) PROGRAMS.—The amendment made by subsection (c) shall apply to qualified mortgage bonds issued and mortgage credit certificates provided on or after the date of the enactment of this Act.

(4) CONTRACT FOR DEED AGREEMENTS.—The amendments made by subsection (d) shall apply to loans originated after the date of the enactment of this Act.

SEC. 1204. QUALIFIED SMALL ISSUE BONDS.

(a) IN GENERAL.—Subparagraph (B) of section 144(a)(12) is amended to read as follows:

"(B) BONDS ISSUED TO FINANCE MANUFACTURING FACILITIES AND FARM PROPERTY.—Subparagraph (A) shall not apply to any bond issued as part of an issue 95 percent or more of the net proceeds of which are to be used to provide—

"(i) any manufacturing facility, or

"(ii) any land or property in accordance with section 147(c)(2)."

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

Subtitle C—Aid to Families With Dependent Children

SEC. 1301. FUNDING FOR THE JOBS PROGRAM.

(a) CARRYOVER OF UNUSED JOBS FUNDS THAT WERE AVAILABLE FOR FISCAL YEAR 1991.—Section 403 of the Social Security Act (42 U.S.C. 603) is amended by adding at the end the following:

"(o)(1) Each State with a plan approved under part F may apply to the Secretary for a payment under this subsection.

"(2) The Secretary shall make a payment under this subsection to any State which applies therefor and enters into a contract with the Secretary under which the State makes a commitment to—

"(A) use the amount so paid to carry out the program under part F;

"(B) incur obligations to expend the amount, within 1 year after the date of the enactment of this subsection; and

"(C) expend the amount in accordance with such obligations, within 2 years after such date of enactment.

"(3) The amount of the payment to any State under this subsection shall bear the same ratio to $100,000,000 as the expenditures of the State to carry out the program under part F for fiscal year 1991 bears to the aggregate expenditures of all States to carry out such program for fiscal year 1991.

"(4) $100,000,000 of the unobligated funds that were available for payments under subsection (l) for fiscal year 1991 shall be available for payments under this subsection.".

(b) ENHANCED MATCH FOR FISCAL YEAR 1993.—Section 403(1) of such Act (42 U.S.C. 603(1)) is amended—

(1) in paragraph (1)(A)—

(A) in clause (i), by striking "and";

(B) in clause (ii)—

(i) by inserting "(and, for fiscal year 1993, do not exceed such expenditures in the fiscal year 1991)" after "clause (i)"; and

(ii) by striking the period and inserting "; and"; and

(C) by adding at the end the following:

"(iii) with respect to so much of such expenditures in fiscal year 1993 as exceed such expenditures in the fiscal year 1991, 90 percent."; and

(2) in paragraph (2)(A), by adding at the end the following: "This subparagraph shall not apply to expenditures in fiscal year 1993.".

(c) CARRYOVER OF UNUSED JOBS FUNDS THAT WERE AVAILABLE FOR FISCAL YEARS 1992 AND 1993.—Section 403(k)(2) of such Act (42 U.S.C. 603(k)(2)) is amended—

(1) in subparagraph (B), by striking the period and inserting ", plus"; and

(2) by adding at the end the following:

"(C) for fiscal year 1993, the amount that bears the same ratio to 50 percent of the unobligated funds that were available for payments under subsection (l) for fiscal year 1992 as the expenditures of the State to carry out the program under part F for fiscal year 1991 bears to the aggregate expenditures of all States to carry out such programs for fiscal year 1991, plus

"(D) for fiscal year 1994, the amount that bears the same ratio to 100 percent of the unobligated funds that were available for payments under subsection (l) for fiscal year 1993 as the expenditures of the State to carry out the program under part F for fiscal year 1991 bears to the aggregate expenditures of all States to carry out such programs for fiscal year 1991.".

(d) INCREASE IN IN-KIND STATE EXPENDITURES ACCEPTED FOR THE JOBS PROGRAM.—

(1) IN GENERAL.—Section 403(l)(1)(B) of such Act (42 U.S.C. 603(l)(1)(B)) is amended by inserting "an amount equal to 125 percent of" before "the amount".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to expenditures on or after October 1, 1992.

SEC. 1302. MODIFICATION OF THE 20-HOUR RULE.

Section 403(l)(3)(D) of the Social Security Act (42 U.S.C. 603(l)(3)(D)) is amended—

(1) by inserting "(i)" after "(D)";

(2) by inserting ", and, at the option of the State, in accordance with the requirements of clause (ii) or (iii) (but not both) which the State may apply in a uniform manner or on a case-by-case basis" before the period; and

(3) by adding at the end the following:

"(ii) For purposes of this paragraph, each hour of classroom instruction of an individual who is satisfactorily participating in educational activities shall be considered 2 hours of participation in the program under part F.

"(iii)(I) For purposes of this paragraph, an individual shall be determined to have participated in the program under part F if the individual is enrolled full-time, and is making satisfactory progress, in full-time educational activities under the program.

"(II) For purposes of subclause (I), an individual shall be treated as enrolled in educational activities on a full-time basis if and only if the individual is enrolled for a sufficient number of credit hours for the educational institution involved to regard the individual as a full-time student.

"(III) For purposes of subclause (I), an individual shall be treated as making satisfactory progress in educational activities if and only if the individual is maintaining a grade point average which of not less than the minimum required by the educational institution involved, within the time frames specified by the educational institution.".

SEC. 1303. INCREASE IN AFDC RESOURCE LIMIT.

(a) INCREASE IN RESOURCE LIMIT.—Section 402(a)(7)(B) of the Social Security Act (42 U.S.C. 602(a)(7)(B)) is amended—

(1) by striking "or (iv)" and inserting "(iv)"; and

(2) by inserting ", or (v) at the option of the State, in the case of a family receiving aid under the plan (and a family not receiving such aid but which received such aid in at least 1 of the preceding 4 months or became ineligible for such aid during the preceding 12 months because of excessive earnings), resources the combined value of which is not less than $1,000 and not more than $10,000, which have been retained to improve the education, training, or employability (including self-employment) of a member of the family, or for the purchase or rental of a home for the family, but excluding any resource (or interest therein) owned by a family member within the preceding 12 months, which was disposed of for less than fair market value for the purpose of establishing eligibility for such aid, unless the family demonstrates that the exclusive purpose of the disposition was other than becoming or remaining eligible for such aid" before the semicolon.

(b) REPORT TO THE CONGRESS.—Within 3 months after the date of the enactment of this section, the Secretary of Health and Human Services shall submit to the Congress a report on—

(1) the need to revise the limitation, established in regulations pursuant to section 402(a)(7)(B)(i) of the Social Security Act, on the value of a family automobile required to be disregarded by a State in determining the eligibility of the family for aid to families with dependent children under the State plan approved under part A of title IV of such Act; and

(2) the extent to which such a revision would increase the employability of recipients of such aid.

(c) COORDINATION WITH OTHER FEDERAL MEANS-TESTED PROGRAMS.—The Secretary of Health and Human Services shall, to the maximum extent possible, coordinate any revision of the regulatory limitation described in subsection (b)(1) with other Federal programs which provide benefits based on the means of the beneficiary.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on October 1, 1992.

SEC. 1304. TREATMENT OF MICROENTERPRISES UNDER THE AFDC PROGRAM.

(a) STATE PLAN REQUIREMENTS.—Section 402(a) of the Social Security Act (42 U.S.C. 602(a)) is amended—

(1) by striking "and" at the end of paragraph (44);

(2) by striking the period at the end of paragraph (45) and inserting "; and"; and

(3) by inserting after paragraph (45) the following:

"(46) provide that the State agency—

"(A)(i) must not include as a resource of the family of which a child referred to in paragraph (7)(A) is a member, for purposes of paragraph (7)(B), the first $10,000 of the net worth (assets reduced by liabilities with respect thereto) of all microenterprises (as defined in section 406(i)(1)) owned, in whole or in part, by the child or by a relative or other individual referred to in paragraph (7)(A); and

"(ii) must take into consideration as earned income of the family of which the child is a member, only the net profits (as defined in section 406(i)(2)) of such microenterprises; and

"(B) must ensure that caseworkers are able to properly advise recipients of aid under the State plan of the option of microenterprise as a legitimate route towards self-sufficiency, and that caseworkers encourage recipients of such aid who are interested in starting a microenterprise to participate in a program designed to assist them in such effort.".

(b) DEFINITIONS.—Section 406 of such Act (42 U.S.C. 606) is amended by adding at the end the following:

"(i)(1) The term 'microenterprise' means a commercial enterprise which has 5 or fewer employees, 1 or more of whom owns the enterprise.

"(2) The term 'net profits' means, with respect to a microenterprise, the gross receipts of the business, minus—

"(A) amounts paid as principal or interest on a loan to the microenterprise;

"(B) transportation expenses;

"(C) inventory costs;

"(D) amounts expended to purchase capital equipment;

"(E) cash retained by the microenterprise for future use by the business;

"(F) taxes paid by reason of the business;

"(G) if the business is covered under a policy of insurance against loss—

"(i) the premiums paid for such insurance; and

"(ii) the losses incurred by the business that are not reimbursed by the insurer solely by reason of the existence of a deductible with respect to the insurance policy;

"(H) the reasonable costs of obtaining 1 motor vehicle necessary for the conduct of the business; and

"(I) the other expenses of the business.".

(c) INCLUSION OF MICROENTERPRISE TRAINING AND ACTIVITIES IN THE JOBS PROGRAM.—

(1) IN GENERAL.—Section 482(d)(1) of such Act (42 U.S.C. 682(d)(1)) is amended adding at the end the following:

"(C) The services and activities referred to in subparagraph (A)—

"(i) in the case that at least 3 percent of the adult recipients of aid under the State plan approved under part A (as of the close of the immediately preceding fiscal year) elect to participate in microenterprise activities, shall include programs described in paragraph (4); or

"(ii) in the case that not more than 3 percent of the adult recipients of such aid elect to participate in microenterprise activities, may include programs described in paragraph (4).".

(2) MICROENTERPRISE PROGRAMS.—Section 482(d) of such Act (42 U.S.C. 682(d)) is amended by adding at the end the following:

"(4) The programs described in this paragraph are programs of public and private organizations, agencies, and other entities (including nonprofit and for-profit entities) to enable such entities to facilitate economic development by—

"(A) providing technical assistance, advice, and business support services (including assistance, advice, and support relating to business planning, financing, marketing, and other microenterprise development activities) to owners of microenterprises and persons developing microenterprises; and

"(B) providing general support (such as peer support and self-esteem programs) to owners of microenterprises and persons developing microenterprises.".

(d) ADJUSTMENT OF PERFORMANCE STANDARDS FOR MICROENTERPRISES TO TAKE ACCOUNT OF TIME REQUIRED FOR THEIR ESTABLISHMENT.—Section 487(a)(2) of such Act (42 U.S.C. 687(a)(2)) is amended by inserting "shall be adjusted with respect to microenterprises to reflect the time required to establish, and develop a stable income from, such an enterprise as part of a plan to move toward economic self-sufficiency," after "dependency,".

(e) STUDY TO IDENTIFY ADMINISTRATIVE BARRIERS TO DEVELOPMENT OF MICROENTERPRISES AMONG INTERESTED AFDC RECIPIENTS.—The Secretary of Health and Human Services shall conduct a study to identify the administrative and bureaucratic barriers that impede the development of microenterprises by recipients of aid to families with dependent children under the State plans approved under part A of title IV of the Social Security Act who desire to move toward self-sufficiency, and, not later than 1 year after the date of the enactment of this section, shall report the results of the study to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to payments under part A of title IV of the Social Security Act for calendar quarters beginning on or after October 1, 1992.

SEC. 1305. TREATMENT OF STUDENT EARNINGS UNDER THE AFDC PROGRAM.

(a) EXEMPTION FROM RESOURCES OF EXEMPT EARNINGS OF A CHILD.—Section 402(a)(7)(B) of the Social Security Act (42 U.S.C. 602(a)(7)(B)), as amended by section 1303(a) of this Act, is amended—

(1) by striking "or" at the end of clause (iv); and

(2) by inserting ", or (vi) the earned income of any child to the extent disregarded under paragraph (8)" before the semicolon.

(b) EXEMPT EARNINGS OF A CHILD TO BE DISREGARDED IN DETERMINING WHETHER FAMILY INCOME EXCEEDS NEED STANDARD.—Section 402(a)(18) of such Act (42 U.S.C. 602(a)(18)) is amended by striking "paragraph (8)(A)(v) or 8(A)(viii)" and inserting "clause (i), (v), or (viii) of paragraph (8)(A)".

(c) DISREGARD OF EARNINGS OF STUDENTS AND INCOME OF DEPENDENT CHILD FROM A JTPA PROGRAM.—Section 402(a)(8)(A) of such Act (42 U.S.C. 602(a)(8)(A)) is amended—

(1) in clause (i), by inserting "(including a child (whether or not married) who has not attained the age of 20 years)" after "dependent child"; and

(2) in clause (v)—

(A) by striking "may" and inserting "shall";

(B) by inserting "(including any child (whether or not married) who has not attained the age of 20 years)" after "dependent child"; and

(C) by striking "time (not to exceed six months with respect to earned income)" and inserting "time,".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1992.

TITLE II—GROWTH INCENTIVES

Subtitle A—Temporary Extension of Certain Expiring Tax Provisions

SEC. 2001. 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" and inserting "December 31, 1993", and

(2) by striking "July 1, 1992" and inserting "January 1, 1994".

(b) CONFORMING AMENDMENT.—Subparagraph (D) of section 28(b)(1) is amended by striking "June 30, 1992" and inserting "December 31, 1993".

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

SEC. 2002. 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 "December 31, 1993".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 103(a) of the Tax Extension Act of 1991 is hereby repealed.

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

SEC. 2003. 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 "December 31, 1993".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 104(a) of the Tax Extension Act of 1991 is hereby repealed.

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

SEC. 2004. 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. 2005. 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".

SEC. 2006. 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 "December 31, 1992".

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 110(a) of the Tax Extension Act of 1991 is hereby repealed.

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

Subtitle B—Investment in Real Estate

PART I—MODIFICATION OF PASSIVE LOSS RULES

SEC. 2101. APPLICATION OF PASSIVE LOSS RULES TO RENTAL REAL ESTATE ACTIVITIES.

(a) RENTAL REAL ESTATE ACTIVITIES OF PERSONS IN REAL PROPERTY BUSINESS NOT AUTOMATICALLY TREATED AS PASSIVE ACTIVITIES.—Subsection (c) of section 469 (defining passive activity) is amended by adding at the end thereof the following new paragraph:

"(7) SPECIAL RULES FOR TAXPAYERS IN REAL PROPERTY BUSINESS—

"(A) IN GENERAL.—If this paragraph applies to any taxpayer for a taxable year—

"(i) paragraph (2) shall not apply to any rental real estate activity of such taxpayer for such taxable year, and

"(ii) this section shall be applied as if each interest of the taxpayer in rental real estate were a separate activity.

Notwithstanding clause (ii), a taxpayer may elect to treat all interests in rental real estate as one activity. Nothing in the preceding provisions of this subparagraph shall be construed as affecting the determination of whether the taxpayer materially participates with respect to any interest in a limited partnership as a limited partner.

"(B) TAXPAYERS TO WHOM PARAGRAPH APPLIES.—This paragraph shall apply to a taxpayer for a taxable year if more than one-half of the personal services performed in trades or businesses by the taxpayer during such taxable year are performed in real property trades or businesses in which the taxpayer materially participates.

"(C) REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term 'real property trade or business' means any real property development, redevelopment,

construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

"(D) SPECIAL RULES FOR SUBPARAGRAPH (B).—

"(i) CLOSELY HELD C CORPORATIONS.—In the case of a closely held C corporation, the requirements of subparagraph (B) shall be treated as met for any taxable year if more than 50 percent of the gross receipts of such corporation for such taxable year are derived from real property trades or businesses in which the corporation materially participates.

"(ii) PERSONAL SERVICES AS AN EMPLOYEE.—For purposes of subparagraph (B), personal services performed as an employee shall not be treated as performed in real property trades or businesses. The preceding sentence shall not apply if such employee is a 5-percent owner (as defined in section 416(i)(1)(B)) in the employer."

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 469(c) is amended by striking "The" and inserting "Except as provided in paragraph (7), the".

(2) Clause (iv) of section 469(i)(3)(E) is amended by inserting "or any loss allowable by reason of subsection (c)(7)" after "loss"

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

PART II—PROVISIONS RELATING TO REAL ESTATE INVESTMENTS BY PENSION FUNDS

SEC. 2111. REAL ESTATE PROPERTY ACQUIRED BY A QUALIFIED ORGANIZATION.

(a) MODIFICATIONS OF EXCEPTIONS.—Paragraph (9) of section 514(c) (relating to real property acquired by a qualified organization) is amended by adding at the end thereof the following new subparagraphs:

"(G) SPECIAL RULES FOR PURPOSES OF THE EXCEPTIONS.—Except as otherwise provided by regulations—

"(i) SMALL LEASES DISREGARDED.—For purposes of clauses (iii) and (iv) of subparagraph (B), a lease to a person described in such clause (iii) or (iv) shall be disregarded if no more than 25 percent of the leasable floor space in a building is covered by the lease and if the lease is on commercially reasonable terms.

"(ii) COMMERCIALLY REASONABLE FINANCING.—Clause (v) of subparagraph (B) shall not apply if the financing is on commercially reasonable terms.

"(H) QUALIFYING SALES BY FINANCIAL INSTITUTIONS.—

"(i) IN GENERAL.—In the case of a qualifying sale by a financial institution, except as provided in regulations, clauses (i) and (ii) of subparagraph (B) shall not apply with respect to financing provided by such institution for such sale.

"(ii) QUALIFYING SALE.—For purposes of this clause, there is a qualifying sale by a financial institution where—

"(I) a qualified organization acquires property described in clause (iii) from a financial institution and the property is not a capital asset in the hands of the financial institution,

"(II) the stated principal amount of the financing provided by the financial institution does not exceed the amount of the outstanding indebtedness (including accrued but unpaid interest) of the financial institution with respect to the property described in clause (iii) immediately before the acquisition referred to in clause (iii) or (v), whichever is applicable, and

"(III) the value (determined as of the time of the sale) of the amount pursuant to the financing that is determined by reference to the revenue, income, or profits derived from the property does not exceed 30 percent of the value of the property (determined as of such time).

"(iii) PROPERTY TO WHICH SUBPARAGRAPH APPLIES.—Property is described in this clause if such property is foreclosure property, or is real property which—

"(I) was acquired by the qualified organization from a financial institution which is in conservatorship or receivership, or from the conservator or receiver of such an institution, and

"(II) was held by the financial institution at the time it entered into conservatorship or receivership.

"(iv) FINANCIAL INSTITUTION.—For purposes of this subparagraph, the term 'financial institution' means—

"(I) any financial institution described in section 581 or 591(a),

"(II) any other corporation which is a direct or indirect subsidiary of an institution referred to in subclause (I) but only if, by virtue of being affiliated with such institution, such other corporation is subject to supervision and examination by a Federal or State agency which regulates institutions referred to in subclause (I), and

"(III) any person acting as a conservator or receiver of an entity referred to in subclause (I) or (II).

"(v) FORECLOSURE PROPERTY.—For purposes of this subparagraph, the term 'foreclosure property' means any real property acquired by the financial institution as the result of having bid on such property at foreclosure, or by operation of an agreement or process of law, after there was a default (or a default was imminent) on indebtedness which such property secured."

(b) CONFORMING AMENDMENT.—Paragraph (9) of section 514(c) is amended—

(1) by adding the following new sentence at the end of subparagraph (A): "For purposes of this paragraph, an interest in a mortgage shall in no event be treated as real property.", and

(2) by striking the last sentence of subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to acquisitions on or after June 25, 1992.

SEC. 2112. SPECIAL RULES FOR INVESTMENTS IN PARTNERSHIPS.

(a) MODIFICATION TO ANTI-ABUSE RULES.—Paragraph (9) of section 514(c) (as amended by section 2211) is amended by adding at the end thereof the following new subparagraph:

"(J) PARTNERSHIPS NOT INVOLVING TAX AVOIDANCE.—

"(i) DE MINIMIS RULE FOR CERTAIN LARGE PARTNERSHIPS.—The provisions of subparagraph (B) shall not apply to an investment in a partnership having at least 250 partners if—

"(I) interests in such partnership were offered for sale in an offering registered with the Securities and Exchange Commission,

"(II) at least 50 percent of each class of interests in such partnership is owned by individuals who are not disqualified persons, and

"(III) the principal purpose of partnership allocations is not tax avoidance.

The Secretary may disregard inadvertent failures to meet the requirements of subclause (II).

"(ii) DISQUALIFIED PERSONS.—For purposes of this subparagraph, the term 'disqualified person' means any person described in clause (iii) or (iv) of subparagraph (B) and any person who is not a United States person."

(b) REPEAL OF SPECIAL TREATMENT OF PUBLICLY TRADED PARTNERSHIPS.—Subsection (c) of section 512 is amended—

(1) by striking paragraph (2),

(2) by redesignating paragraph (3) as paragraph (2), and

(3) by striking "paragraph (1) or (2)" in paragraph (2) (as so redesignated) and inserting "paragraph (1)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership interests acquired on or after June 25, 1992.

SEC. 2113. TITLE-HOLDING COMPANIES PERMITTED TO RECEIVE SMALL AMOUNTS OF UNRELATED BUSINESS TAXABLE INCOME.

(a) GENERAL RULE.—Paragraph (25) of section 501(c) is amended by adding at the end thereof the following new subparagraph:

"(G)(i) An organization shall not be treated as failing to be described in this paragraph merely by reason of the receipt of any income which is incidentally derived from the holding of real property.

"(ii) Clause (i) shall not apply if the amount of gross income described in such clause exceeds 10 percent of the organization's gross income for the taxable year unless the organization establishes to the satisfaction of the Secretary that the receipt of gross income described in clause (i) in excess of such limitation was inadvertent and reasonable steps are being taken to correct the circumstances giving rise to such income."

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 501(c) is amended by adding at the end thereof the following new sentence: "Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 2114. EXCLUSION FROM UNRELATED BUSINESS TAX OF GAINS FROM CERTAIN PROPERTY.

(a) GENERAL RULE.—Subsection (b) of section 512 (relating to modifications) is amended by adding at the end thereof the following new paragraph:

"(16)(A) Notwithstanding paragraph (5)(B), there shall be excluded all gains or losses from the sale, exchange, or other disposition of any real property described in subparagraph (B) if—

"(i) such property was acquired by the organization from—

"(I) a financial institution described in section 581 or 591(a) which is in conservatorship or receivership, or

"(II) the conservator or receiver of such an institution,

"(ii) such property is designated by the organization within the 6-month period beginning on the date of its acquisition as property held for sale, except that not more than one-third (by value determined as of such date) of property acquired in a single transaction may be so designated,

"(iii) such sale, exchange, or disposition occurs before the later of—

"(I) the date which is 30 months after the date of the acquisition of such property, or

"(II) the date specified by the Secretary in order to assure an orderly disposition of property held by persons described in subparagraph (A), and

"(iv) while such property was held by the organization, such property was not substantially improved or renovated and there were no significant development activities with respect to such property.

"(B) Property is described in this subparagraph if it is real property which—

"(i) was held by the financial institution at the time it entered into conservatorship or receivership, or

"(ii) was foreclosure property (as defined in section 514(c)(9)(H)(v)) which secured indebtedness held by the financial institution at such time.

For purposes of this subparagraph, real property includes an interest in a mortgage."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to property acquired on or after June 25, 1992.

SEC. 2115. EXCLUSION FROM UNRELATED BUSINESS TAX OF CERTAIN FEES AND OPTION PREMIUMS.

(a) LOAN COMMITMENT FEES.—Paragraph (1) of section 512(b) (relating to modifications) is amended by inserting "amounts received or accrued as consideration for entering into agreements to make loans," before "and annuities".

(b) OPTION PREMIUMS.—The second sentence of section 512(b)(5) is amended by inserting "or real property" before the period.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received on or after June 25, 1992.

SEC. 2116. TREATMENT OF PENSION FUND INVESTMENTS IN REAL ESTATE INVESTMENT TRUSTS.

(a) GENERAL RULE.—Subsection (h) of section 856 (relating to closely held determinations) is amended by adding at the end thereof the following new paragraph:

"(3) TREATMENT OF TRUSTS DESCRIBED IN SECTION 401(a).—

"(A) LOOK-THRU TREATMENT.—

"(i) IN GENERAL.—Except as provided in clause (ii), in determining whether the stock ownership requirement of section 542(a)(2) is met for purposes of paragraph (1)(A), any stock held by a qualified trust shall be treated as held directly by its beneficiaries in proportion to their actuarial interests in such trust and shall not be treated as held by such trust.

"(ii) CERTAIN RELATED TRUSTS NOT ELIGIBLE.—Clause (i) shall not apply to any qualified trust if one or more disqualified persons (as defined in section 4975(e)(2), without regard to subparagraphs (B) and (I) thereof) with respect to such qualified trust hold in the aggregate 5 percent or more in value of the interests in the real estate investment trust and such real estate investment trust has accumulated earnings and profits attributable to any period for which it did not qualify as a real estate investment trust.

"(B) COORDINATION WITH PERSONAL HOLDING COMPANY RULES.—If any entity qualifies as a real estate investment trust for any taxable year by reason of subparagraph (A), such entity shall not be treated as a personal holding company for such taxable year for purposes of part II of subchapter G of this chapter.

"(C) TREATMENT FOR PURPOSES OF UNRELATED BUSINESS TAX.—If any qualified trust holds more than 10 percent (by value) of the interests in any pension-held REIT at any time during a taxable year, the trust shall be treated as having for such taxable year gross income from an unrelated trade or business in an amount which bears the same ratio to the aggregate dividends paid (or treated as paid) by the REIT to the trust for the taxable year of the REIT with or within which the taxable year of the trust ends (the 'REIT year') as—

"(i) the gross income of the REIT for the REIT year from unrelated trades or businesses (determined as if the REIT were a qualified trust), bears to

"(ii) the gross income of the REIT for the REIT year.

This subparagraph shall apply only if the ratio determined under the preceding sentence is at least 5 percent.

"(D) PENSION-HELD REIT.—The purposes of subparagraph (C)—

"(i) IN GENERAL.—A real estate investment trust is a pension-held REIT if such trust would not have qualified as a real estate investment trust but for the provisions of this paragraph and if such trust is predominantly held by qualified trusts.

"(ii) PREDOMINANTLY HELD.—For purposes of clause (i), a real estate investment trust is predominantly held by qualified trusts if—

"(I) at least 1 qualified trust holds more than 25 percent (by value) of the interests in such real estate investment trust, or

"(II) 1 or more qualified trusts (each of whom owns more than 10 percent by value of the interests in such real estate investment trust) hold in the aggregate more than 50 percent (by value) of the interests in such real estate investment trust.

"(E) QUALIFIED TRUST.—For purposes of this paragraph, the term 'qualified trust' means any trust described in section 401(a) and exempt from tax under section 501(a)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1991.

Subtitle C—Modifications to Minimum Tax

SEC. 2201. 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) APPPLICATION OF PARAGRAPH.—This paragraph shall not apply to any contribution made after December 31, 1991, and before January 1, 1994."

(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) ADVANCE DETERMINATION OF VALUE OF CHARITABLE GIFTS.—

(1) IN GENERAL.—The Secretary of the Treasury or his delegate shall develop 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.

(2) REPORT.—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 the procedure referred to in paragraph (1), including 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, and recommendations for legislative action needed to implement the proposed procedure.

(c) STUDY OF SPONSORSHIP PAYMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury or his delegate shall conduct a study of the tax treatment of sponsorship payments received by tax-exempt organizations from corporations and other sponsors in connection with athletic and other events, including the ramifications of Announcement 92-15, 1992—5 I.R.B. 51.

(2) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the study under paragraph (1).

SEC. 2202. ELIMINATION OF ACE DEPRECIATION ADJUSTMENT.

(a) IN GENERAL.—Clause (i) of section 56(g)(4)(A) (relating to depreciation adjustments for computing adjusted current earnings) is amended by adding at the end the following new sentence: "The preceding sentence shall not apply to property placed in service in a taxable year beginning after the date of the enactment of the Revenue Act of 1992, and the depreciation deduction with respect to such property shall be determined under the rules of subsection (a)(1)(A)."

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to property placed in service in taxable years beginning after the date of the enactment of this Act.

(2) COORDINATION WITH TRANSITIONAL RULES.—The amendments made by this section shall not apply to any property to which paragraph (1) of section 56(a) of the Internal Revenue Code of 1986 does not apply by reason of subparagraph (C)(i) of such paragraph (1).

Subtitle D—Repeal of Certain Luxury Excise Taxes; Imposition of Tax on Diesel Fuel Used in Noncommercial Boats

SEC. 2301. REPEAL OF LUXURY EXCISE TAXES OTHER THAN ON PASSENGER VEHICLES.

(a) IN GENERAL.—Subchapter A of chapter 31 (relating to retail excise taxes) is amended to read as follows:

"Subchapter A—Luxury Passenger Automobiles

"Sec. 4001. Imposition of tax.

"Sec. 4002. 1st retail sale; uses, etc. treated as sales; determination of price.

"Sec. 4003. Special rules.

"SEC. 4001. IMPOSITION OF TAX.

"(a) IMPOSITION OF TAX.—There is hereby imposed on the 1st retail sale of any passenger vehicle a tax equal to 10 percent of the price for which so sold to the extent such price exceeds $30,000.

"(b) PASSENGER VEHICLE.—

"(1) IN GENERAL.—For purposes of this subchapter, the term 'passenger vehicle' means any 4-wheeled vehicle—

"(A) which is manufactured primarily for use on public streets, roads, and highways, and

"(B) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

"(2) SPECIAL RULES.—

"(A) TRUCKS AND VANS.—In the case of a truck or van, paragraph (1)(B) shall be applied by substituting 'gross vehicle weight' for 'unloaded gross vehicle weight'.

"(B) LIMOUSINES.—In the case of a limousine, paragraph (1) shall be applied without regard to subparagraph (B) thereof.

"(c) EXCEPTIONS FOR TAXICABS, ETC.—The tax imposed by this section shall not apply to the sale of any passenger vehicle for use by the purchaser exclusively in the active conduct of a trade or business of transporting persons or property for compensation or hire.

"(d) EXEMPTION FOR LAW ENFORCEMENT USES, ETC.—No tax shall be imposed by this section on the sale of any passenger vehicle—

"(1) to the Federal Government, or a State or local government, for use exclusively in

police, firefighting, search and rescue, or other law enforcement or public safety activities, or in public works activities, or

"(2) to any person for use exclusively in providing emergency medical services.

"(e) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any calendar year after 1991, the $30,000 amount in subsection (a) and section 4003(a) shall be increased by an amount equal to—

"(A) $30,000, multiplied by

"(B) the cost-of-living adjustment under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 1990' for 'calendar year 1989' in subparagraph (B) thereof.

"(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $100, such amount shall be rounded to the nearest multiple of $100 (or, if such amount is a multiple of $50 and not of $100, such amount shall be rounded to the next highest multiple of $100).

"(f) TERMINATION.—The tax imposed by this section shall not apply to any sale or use after December 31, 1999.

"SEC. 4002. 1ST RETAIL SALE; USES, ETC. TREATED AS SALES; DETERMINATION OF PRICE.

"(a) 1ST RETAIL SALE.—For purposes of this subchapter, the term '1st retail sale' means the 1st sale, for a purpose other than resale, after manufacture, production, or importation.

"(b) USE TREATED AS SALE.—

"(1) IN GENERAL.—If any person uses a passenger vehicle (including any use after importation) before the 1st retail sale of such vehicle, then such person shall be liable for tax under this subchapter in the same manner as if such vehicle were sold at retail by him.

"(2) EXEMPTION FOR FURTHER MANUFACTURE.—Paragraph (1) shall not apply to use of a vehicle as material in the manufacture or production of, or as a component part of, another vehicle taxable under this subchapter to be manufactured or produced by him.

"(3) EXEMPTION FOR DEMONSTRATION USE.—Paragraph (1) shall not apply to any use of a passenger vehicle as a demonstrator for a potential customer while the potential customer is in the vehicle.

"(4) EXCEPTION FOR USE AFTER IMPORTATION OF CERTAIN VEHICLES.—Paragraph (1) shall not apply to the use of a vehicle after importation if the user or importer establishes to the satisfaction of the Secretary that the 1st use of the vehicle occurred before January 1, 1991, outside the United States.

"(5) COMPUTATION OF TAX.—In the case of any person made liable for tax by paragraph (1), the tax shall be computed on the price at which similar vehicles are sold at retail in the ordinary course of trade, as determined by the Secretary.

"(c) LEASES CONSIDERED AS SALES.—For purposes of this subchapter—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the lease of a vehicle (including any renewal or any extension of a lease or any subsequent lease of such vehicle) by any person shall be considered a sale of such vehicle at retail.

"(2) SPECIAL RULES FOR LONG-TERM LEASES.—

"(A) TAX NOT IMPOSED ON SALE FOR LEASING IN A QUALIFIED LEASE.—The sale of a passenger vehicle to a person engaged in a passenger vehicle leasing or rental trade or business for leasing by such person in a long-term lease shall not be treated as the 1st retail sale of such vehicle.

"(B) LONG-TERM LEASE.—For purposes of subparagraph (A), the term 'long-term lease' means any long-term lease (as defined in section 4052).

"(C) SPECIAL RULES.—In the case of a long-term lease of a vehicle which is treated as the 1st retail sale of such vehicle—

"(i) DETERMINATION OF PRICE.—The tax under this subchapter shall be computed on the lowest price for which the vehicle is sold by retailers in the ordinary course of trade.

"(ii) PAYMENT OF TAX.—Rules similar to the rules of section 4217(e)(2) shall apply.

"(iii) NO TAX WHERE EXEMPT USE BY LESSEE.—No tax shall be imposed on any lease payment under a long-term lease if the lessee's use of the vehicle under such lease is an exempt use (as defined in section 4003(b)) of such vehicle.

"(d) DETERMINATION OF PRICE.—

"(1) IN GENERAL.—In determining price for purposes of this subchapter—

"(A) there shall be included any charge incident to placing the article in condition ready for use,

"(B) there shall be excluded—

"(i) the amount of the tax imposed by this subchapter,

"(ii) if stated as a separate charge, the amount of any retail sales tax imposed by any State or political subdivision thereof or the District of Columbia, whether the liability for such tax is imposed on the vendor or vendee, and

"(iii) the value of any component of such article if—

"(I) such component is furnished by the 1st user of such article, and

"(II) such component has been used before such furnishing, and

"(C) the price shall be determined without regard to any trade-in.

"(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (4) of section 4052(b) shall apply for purposes of this subchapter.

"SEC. 4003. SPECIAL RULES.

"(a) SEPARATE PURCHASE OF VEHICLE AND PARTS AND ACCESSORIES THEREFOR.—Under regulations prescribed by the Secretary—

"(1) IN GENERAL.—Except as provided in paragraph (2), if—

"(A) the owner, lessee, or operator of any passenger vehicle installs (or causes to be installed) any part or accessory on such vehicle, and

"(B) such installation is not later than the date 6 months after the date the vehicle was 1st placed in service,

then there is hereby imposed on such installation a tax equal to 10 percent of the price of such part or accessory and its installation.

"(2) LIMITATION.—The tax imposed by paragraph (1) on the installation of any part or accessory shall not exceed 10 percent of the excess (if any) of—

"(A) the sum of—

"(i) the price of such part or accessory and its installation,

"(ii) the aggregate price of the parts and accessories (and their installation) installed before such part or accessory, plus

"(iii) the price for which the passenger vehicle was sold, over

"(B) $30,000.

"(3) EXCEPTIONS.—Paragraph (1) shall not apply if—

"(A) the part or accessory installed is a replacement part or accessory,

"(B) the part or accessory is installed to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or

"(C) the aggregate price of the parts and accessories (and their installation) described in paragraph (1) with respect to the vehicle does not exceed $200 (or such other amount or amounts as the Secretary may by regulation prescribe).

"(4) INSTALLERS SECONDARILY LIABLE FOR TAX.—The owners of the trade or business installing the parts or accessories shall be secondarily liable for the tax imposed by this subsection.

"(b) IMPOSITION OF TAX ON SALES, ETC., WITHIN 2 YEARS OF VEHICLES PURCHASED TAX-FREE.—

"(1) IN GENERAL.—If—

"(A) no tax was imposed under this subchapter on the 1st retail sale of any passenger vehicle by reason of its exempt use, and

"(B) within 2 years after the date of such 1st retail sale, such vehicle is resold by the purchaser or such purchaser makes a substantial nonexempt use of such vehicle,

then such sale or use of such vehicle by such purchaser shall be treated as the 1st retail sale of such vehicle for a price equal to its fair market value at the time of such sale or use.

"(2) EXEMPT USE.—For purposes of this subsection, the term 'exempt use' means any use of a vehicle if the 1st retail sale of such vehicle is not taxable under this subchapter by reason of such use.

"(c) PARTS AND ACCESSORIES SOLD WITH TAXABLE ARTICLE.—Parts and accessories sold on, in connection with, or with the sale of any passenger vehicle shall be treated as part of the vehicle.

"(d) PARTIAL PAYMENTS, ETC.—In the case of a contract, sale, or arrangement described in paragraph (2), (3), or (4) of section 4216(c), rules similar to the rules of section 4217(e)(2) shall apply for purposes of this subchapter."

(b) TECHNICAL AMENDMENTS.—

(1) Subsection (c) of section 4221 is amended by striking "4002(b), 4003(c), 4004(a)" and inserting "4001(d)".

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

(3) The table of subchapters for chapter 31 is amended by striking the item relating to subchapter A and inserting the following:

"Subchapter A. Luxury passenger vehicles."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1992, except that section 4001(e) of the Internal Revenue Code of 1986 (as amended by this section) shall take effect on July 1, 1992.

SEC. 2302. TAX ON DIESEL FUEL USED IN NONCOMMERCIAL BOATS.

(a) GENERAL RULE.—

(1) Paragraph (2) of section 4092(a) (defining diesel fuel) is amended—

(A) by striking "or a diesel-powered train" and inserting ", a diesel-powered train, or a diesel-powered boat", and

(B) by adding at the end thereof the following new sentence: "Effective on and after October 1, 1997, the preceding sentence shall be applied as if it did not include a reference to a diesel-powered boat."

(2) Paragraph (1) of section 4041(a) is amended—

(A) by striking "diesel-powered highway vehicle" each place it appears and inserting "diesel-powered highway vehicle or diesel-powered boat", and

(B) by striking "such vehicle" and inserting "such vehicle or boat".

(3) Subparagraph (B) of section 4092(b)(1) is amended by striking "commercial and non-

commercial vessels" each place it appears and inserting "vessels for use in an off-highway business use (as defined in section 6421(e)(2)(B))".

(b) EXEMPTION FOR USE IN FISHERIES OR COMMERCIAL NAVIGATION.—Subparagraph (B) of section 6421(e)(2) is amended to read as follows:

"(B) USES IN BOATS.—The term 'off-highway business use' does not include any use in a motorboat; except that such term shall include any use in—

"(i) a vessel employed in the fisheries or in the whaling business, and

"(ii) in the case of diesel fuel, a boat in the active conduct of—

"(I) a trade or business of commercial fishing or transporting persons or property for compensation or hire, or

"(II) any other trade or business unless the boat is used predominantly in any activity which is of a type generally considered to constitute entertainment, amusement or recreation."

(c) RETENTION OF TAXES IN GENERAL FUND.—

(1) TAXES IMPOSED AT HIGHWAY TRUST FUND FINANCING RATE.—Paragraph (4) of section 9503(b) (relating to transfers to Highway Trust Fund) is amended—

(A) by striking "and" at the end of subparagraph (A),

(B) by striking the period at the end of subparagraph (B) and inserting ", and", and

(C) by adding at the end thereof the following new subparagraph:

"(C) there shall not be taken into account the taxes imposed by sections 4041 and 4091 on diesel fuel sold for use or used as fuel in a diesel-powered boat."

(2) TAXES IMPOSED AT LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—Subsection (b) of section 9508 (relating to transfers to Leaking Underground Storage Tank Trust Fund) is amended by adding at the end thereof the following new sentence: "For purposes of this subsection, there shall not be taken into account the taxes imposed by sections 4041 and 4091 on diesel fuel sold for use or used as fuel in a diesel-powered boat."

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1992.

Subtitle E—Credit for Portion of Employer Social Security Taxes Paid With Respect to Employee Cash Tips

SEC. 2401. CREDIT FOR PORTION OF EMPLOYER SOCIAL SECURITY TAXES PAID WITH RESPECT TO EMPLOYEE CASH TIPS.

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

"SEC. 45. CREDIT FOR PORTION OF EMPLOYER SOCIAL SECURITY TAXES PAID WITH RESPECT TO EMPLOYEE CASH TIPS.

"(a) GENERAL RULE.—For purposes of section 38, the employer social security credit determined under this section for the taxable year is an amount equal to the excess employer social security tax paid or incurred by the taxpayer during the taxable year.

"(b) EXCESS EMPLOYER SOCIAL SECURITY TAX.—For purposes of this section, the term 'excess employer social security tax' means any tax paid by an employer under section 3111 with respect to tips received by an employee during any month, to the extent such tips—

"(1) are deemed to have been paid by the employer to the employee pursuant to section 3121(q), and

"(2) exceed the amount by which the wages (excluding tips) paid by the employer to the employee during such month are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 6(a)(1) of the Fair Labor Standards Act of 1938 (determined without regard to section 3(m) of such Act).

"(c) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any amount taken into account in determining the credit under this section."

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 38 (relating to current year business credit) is amended by striking "plus" at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting ", plus", and by adding at the end the following new paragraph:

"(9) the employer social security credit determined under section 45(a)."

(2) LIMITATION ON CARRYBACKS.—Subsection (d) of section 39 (relating to transitional rules) is amended by adding at the end the following new paragraph:

"(4) NO CARRYBACK OF SECTION 45 CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the employer social security credit determined under section 45 may be carried back to a taxable year ending before the date of the enactment of section 45."

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

"Sec. 45. employer social security credit."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to tips received (and wages paid) after the date of the enactment of this Act.

TITLE III—OFFSETTING REVENUE INCREASES

Subtitle A—General Provisions

SEC. 3001. 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 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 (C) 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), or (C) 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. Market 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)(i) 17 percent of 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 for the taxpayer's 1st taxable year ending on or after December 31, 1992,

(ii) 10 percent of such net amount shall be taken into account for each of the next 7 taxable years following the 1st taxable year referred to in clause (i), and

(iii) 6½ percent of such net amount shall be taken into account for each of the next 2 taxable years following the last taxable year referred to in clause (ii).

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 not apply to such excess and such excess shall be taken into account ratably over the 4-taxable year period beginning with the 1st taxable year ending on or after December 31, 1992.

(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. 3002. 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 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. 3003. INCREASE IN RECOVERY PERIOD FOR NONRESIDENTIAL REAL PROPERTY.

(a) GENERAL RULE.—Paragraph (1) of section 168(c) (relating to applicable recovery period) is amended by striking the item relating to nonresidential real property and inserting the following:

"Nonresidential real property ..... 40 years."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by subsection (a) shall apply to property placed in service by the taxpayer on or after June 25, 1992.

(2) EXCEPTION.—The amendments made by this section shall not apply to property placed in service by the taxpayer before January 1, 1995, if—

(A) the taxpayer or a qualified person entered into a binding written contract to purchase or construct such property before June 25, 1992, or

(B) the construction of such property was commenced by or for the taxpayer or a qualified person before June 25, 1992.

For purposes of this paragraph, the term "qualified person" means any person who transfers his rights in such a contract or such property to the taxpayer but only if the property is not placed in service by such person before such rights are transferred to the taxpayer.

SEC. 3004. TAXATION OF PRECONTRIBUTION GAIN IN CASE OF CERTAIN DISTRIBUTIONS TO CONTRIBUTING PARTNER.

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

"SEC. 737. RECOGNITION OF PRECONTRIBUTION GAIN IN CASE OF CERTAIN DISTRIBUTIONS TO CONTRIBUTING PARTNER.

"(a) GENERAL RULE.—In the case of any distribution by a partnership to a partner, such partner shall be treated as recognizing gain in an amount equal to the lesser of—

"(1) the excess (if any) of (A) the fair market value of property (other than money) received in the distribution over (B) the adjusted basis of such partner's interest in the partnership immediately before the distribution reduced (but not below zero) by the amount of money received in the distribution, or

"(2) the net precontribution gain of the partner.

Gain recognized under the preceding sentence shall be in addition to any gain recognized under section 731. The character of such gain shall be determined by reference to the proportionate character of the net precontribution gain.

"(b) NET PRECONTRIBUTION GAIN.—For purposes of this section, the term 'net precontribution gain' means the net gain (if any) which would have been recognized by the distributee partner under section 704(c)(1)(B) if all property which—

"(1) had been contributed to the partnership by the distributee partner within 5 years of the distribution, and

"(2) is held by such partnership immediately before the distribution,

had been distributed by such partnership to another partner.

"(c) BASIS RULES.—

"(1) PARTNER'S INTEREST.—The adjusted basis of a partner's interest in a partnership shall be increased by the amount of any gain recognized by such partner under subsection (a). Except for purposes of determining the amount recognized under subsection (a), such increase shall be treated as occurring immediately before the distribution.

"(2) PARTNERSHIP'S BASIS IN CONTRIBUTED PROPERTY.—Appropriate adjustments shall

be made to the adjusted basis of the partnership in the contributed property referred to in subsection (b) to reflect gain recognized under subsection (a).

"(d) EXCEPTIONS.—

"(1) DISTRIBUTIONS OF PREVIOUSLY CONTRIBUTED PROPERTY.—If any portion of the property distributed consists of property which had been contributed by the distributee partner to the partnership, such property shall not be taken into account under subsection (a)(1) and shall not be taken into account in determining the amount of the net precontribution gain. If the property distributed consists of an interest in an entity, the preceding sentence shall not apply to the extent that the value of such interest is attributable to property contributed to such entity after such interest had been contributed to the partnership.

"(2) COORDINATION WITH SECTION 751.—This section shall not apply to the extent section 751(b) applies to such distribution."

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 704(c)(1) is amended by striking out "is distributed" in the material preceding clause (i) and inserting "is distributed (directly or indirectly)".

(2) Subsection (c) of section 731 is amended—

(A) by striking "and section 751" and inserting ", section 751", and

(B) by inserting before the period at the end thereof the following: ", and section 737 (relating to recognition of precontribution gain in case of certain distributions)".

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

"Sec. 737. Recognition of precontribution gain in case of certain distributions to contributing partner."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions on or after June 25, 1992.

SEC. 3005. ELIMINATION OF DEDUCTION FOR CLUB MEMBERSHIP FEES.

(a) IN GENERAL.—Subsection (a) of section 274 (relating to disallowance of certain entertainment, etc., expenses) is amended by adding at the end thereof the following new paragraph:

"(3) DENIAL OF DEDUCTION FOR CLUB DUES.—Notwithstanding the preceding provisions of this subsection, no deduction shall be allowed under this chapter for amounts paid or incurred for membership in any club organized for business, pleasure, recreation, or other social purpose."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 3006. EXTENSION OF TOP ESTATE AND GIFT TAX RATES.

(a) GENERAL RULE.—

(1) Subparagraph (A) of section 2001(c)(2) (relating to rate schedule) is amended by striking "1993" and inserting "1998".

(2) Subparagraph (D) of section 2001(c)(2) is amended by striking "1993" each place it appears (including in the subparagraph heading) and inserting "1998".

(3) Paragraph (3) of section 2001(c) is amended by striking "1992" and inserting "1997".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply in the case of decedents dying, and gifts made, after December 31, 1992.

SEC. 3007. MODIFICATIONS TO DEDUCTION FOR MOVING EXPENSES.

(a) DOLLAR LIMITATIONS.—

(1) IN GENERAL.—Paragraph (3) of section 217(b) is amended by striking subparagraphs (A) and (B) and inserting the following:

"(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work shall not exceed $5,000. The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C), (D), or (E) of paragraph (1) shall not exceed $3,000.

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only 1 commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '$2,500' for '$5,000' and by substituting '$1,500' for '$3,000'."

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 217(h) is amended by inserting "and" at the end of subparagraph (A) and by striking subparagraphs (B) and (C) and inserting the following:

"(B) subsection (b)(3)(A) shall be applied as if it did not contain the last sentence thereof."

(b) REIMBURSED MOVING EXPENSES ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—

(1) IN GENERAL.—Subsection (a) of section 62 is amended by inserting after paragraph (13) the following new paragraph:

"(14) REIMBURSED MOVING EXPENSES.—The deduction allowed under section 217 for expenses in connection with any commencement of work by the taxpayer to the extent that the deduction so allowed for such expenses does not exceed the reimbursements (or other payments) included in gross income under section 82 with respect to expenses in connection with such commencement of work."

(2) UNREIMBURSED EXPENSES SUBJECT TO 2 PERCENT FLOOR.—Subsection (b) of section 67 is amended by striking paragraph (6) and redesignating the following paragraphs accordingly.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

Subtitle B—Estimated Tax Provisions

SEC. 3101. INDIVIDUAL ESTIMATED TAX PROVISIONS.

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

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

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

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 6654(i)(1) is amended by striking "and without regard to subparagraph (C) of subsection (d)(1)".

(2) Subparagraph (A) of section 6654(j)(3) is amended by striking "and subsection (d)(1)(C)(iii) shall not apply".

(3) Paragraph (4) of section 6654(l) is amended by striking "paragraphs (1)(C)(iv) and (2)(B)(i) of subsection (d)" and inserting "subsection (d)(2)(B)(i)".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1992.

(2) ELECTION TO APPLY AMENDMENTS TO 1992 YEAR.—An individual may elect to have the amendments made by subsection (a) apply to such individual's taxable year beginning in 1992.

SEC. 3102. CORPORATE ESTIMATED TAX PROVISIONS.

(a) PERMANENT EXTENSION OF 95 PERCENT RULE.—

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

(A) by striking "90 percent" each place it appears in paragraph (1)(B)(i) and inserting "95 percent",

(B) by striking "90 PERCENT" in the heading of paragraph (2) and inserting "95 PERCENT", and

(C) by striking paragraph (3).

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 6655(e)(2)(B) is amended by striking the table contained therein and inserting in lieu thereof:

"In the case of the following required installments:	The applicable percentage is:
1st	23.75
2nd	47.5
3rd	71.25
4th	95."

(B) Clause (i) of section 6655(e)(3)(A) is amended by striking "90 percent" and inserting "95 percent".

(b) MODIFICATION OF PERIODS FOR APPLYING ANNUALIZATION.—

(1) Clause (i) of section 6655(e)(2)(A) is amended—

(A) by striking "or for the first 5 months" in subclause (II),

(B) by striking "or for the first 8 months" in subclause (III), and

(C) by striking "or for the first 11 months" in subclause (IV).

(2) Paragraph (2) of section 6655(e) is amended by adding at the end thereof the following new subparagraph:

"(C) ELECTION FOR DIFFERENT ANNUALIZATION PERIODS.—

"(i) If the taxpayer makes an election under this clause—

"(I) subclause (II) of subparagraph (A)(i) shall be applied by substituting '4 months' for '3 months',

"(II) subclause (III) of subparagraph (A)(i) shall be applied by substituting '7 months' for '6 months', and

"(III) subclause (IV) of subparagraph (A)(i) shall be applied by substituting '10 months' for '9 months'.

"(ii) If the taxpayer makes an election under this clause—

"(I) subclause (II) of subparagraph (A)(i) shall be applied by substituting '5 months' for '3 months',

"(II) subclause (III) of subparagraph (A)(i) shall be applied by substituting '8 months' for '6 months', and

"(III) subclause (IV) of subparagraph (A)(i) shall be applied by substituting '11 months' for '9 months'.

"(iii) An election under clause (i) or (ii) shall apply to the taxable year for which made and such an election shall be effective only if made on or before the date required for the payment of the second required installment for such taxable year."

(3) The last sentence of section 6655(f)(3)(A) is amended by striking "and subsection (e)(2)(A)" and inserting "and, except in the case of an election under subsection (e)(2)(C), subsection (e)(2)(A)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

Subtitle C—Alternative Taxable Years

SEC. 3201. 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. 3202. 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:

"(2) 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 therefor 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 is 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. 3203. LIMITATION ON CERTAIN AMOUNTS PAID TO EMPLOYEE-OWNERS OF PERSONAL SERVICE CORPORATIONS.

(a) CARRYOVER OF NONDEDUCTIBLE AMOUNTS.—Subsection (b) of section 280H (re-

lating 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. 3204. EFFECTIVE DATE.

The amendments made by this subtitle shall apply to taxable years beginning after December 31, 1992.

TITLE IV—SIMPLIFICATION PROVISIONS

Subtitle A—Provisions Relating to Individuals

SEC. 4101. SIMPLIFICATION OF EARNED INCOME CREDIT.

(a) GENERAL RULE.—Section 32 (relating to earned income credit) is amended by striking subsections (a) and (b) and inserting the following:

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the credit percentage of so much of the taxpayer's earned income for the taxable year as does not exceed $5,714.

"(2) LIMITATION.—The amount of the credit allowable to a taxpayer under paragraph (1) for any taxable year shall not exceed the excess (if any) of—

"(A) the credit percentage of $5,714, over

"(B) the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $9,000.

"(b) PERCENTAGES.—For purposes of subsection (a)—

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

"In the case of an eligible individual +with:	The credit percentage is:	The phase-out percentage is:
"1 qualifying child	23	16.43
"2 or more qualifying children	28.8	20.58.

"(2) TRANSITIONAL PERCENTAGES.—

"(A) In the case of a taxable year beginning in 1992:

"In the case of an eligible individual with:	The credit percentage is:	The phase-out percentage is:
"1 qualifying child	17.6	12.57
"2 or more qualifying children	22.2	15.84.

"(B) In the case of a taxable year beginning in 1993:

"In the case of an eligible individual with:	The credit percentage is:	The phase-out percentage is:
"1 qualifying child	18.5	13.21
"2 or more qualifying children	23.3	16.64."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 32(i)(2) is amended—

(A) by striking "subsection (b)(1)" in clause (i) and inserting "subsection (a)", and

(B) by striking "subsection (b)(1)(B)(ii)" in clause (ii) and inserting "subsection (a)(2)".

(2) Paragraph (3) of section 162(l) is amended to read as follows:

"(3) COORDINATION WITH MEDICAL DEDUCTION.—Any amount paid by a taxpayer for insurance to which paragraph (1) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a)."

(3) Section 213 is amended by striking subsection (f).

(4) Subparagraph (B) of section 3507(c)(2) is amended by striking clauses (i) and (ii) and inserting the following:

"(i) of not more than the percentage (in effect under section 32(a)(1) for an eligible individual with 1 qualifying child) of earned income not in excess of the amount of earned income taken into account under section 32(a)(1), which

"(ii) phases out between the amount of earned income at which the phaseout begins under subsection (a)(2) of section 32 and the amount of earned income at which the credit under section 32 is phased out under such subsection for an individual with 1 qualifying child, or".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4102. SIMPLIFICATION OF RULES ON ROLLOVER OF GAIN ON SALE OF PRINCIPAL RESIDENCE.

(a) RULES RELATING TO MULTIPLE SALES WITHIN ROLLOVER PERIOD.—

(1) Section 1034 (relating to rollover of gain on sale of principal residence) is amended by striking subsection (d).

(2) Paragraph (4) of section 1034(c) is amended to read as follows:

"(4) If the taxpayer, during the period described in subsection (a), purchases more than 1 residence which is used by him as his principal residence at some time within 2 years after the date of the sale of the old residence, only the first of such residences so used by him after the date of such sale shall constitute the new residence."

(3) Subsections (h)(1) and (k) of section 1034 are each amended by striking "(other than the 2 years referred to in subsection (c)(4))".

(b) TREATMENT IN CASE OF DIVORCES.—Subsection (c) of section 1034 is amended by adding at the end thereof the following new paragraph:

"(5) If—

"(A) a residence is sold by an individual pursuant to a divorce or marital separation, and

"(B) the taxpayer used such residence as his principal residence at any time during the 2-year period ending on the date of such sale,

for purposes of this section, such residence shall be treated as the taxpayer's principal residence at the time of such sale."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales of old residences (within the meaning of section 1034 of the Internal Revenue Code of 1986) after the date of the enactment of this Act.

SEC. 4103. DE MINIMIS EXCEPTION TO PASSIVE LOSS RULES.

(a) GENERAL RULE.—Section 469 (relating to passive activity losses and credits limited) is amended—

(1) by striking subsection (m),

(2) by redesignating subsection (l) as subsection (m), and

(3) by inserting after subsection (k) the following new subsection:

"(l) DE MINIMIS EXCEPTION.—

"(1) IN GENERAL.—In the case of a natural person, subsection (a) shall not apply to the passive activity loss for any taxable year if the amount of such loss does not exceed $200.

"(2) EXCEPTION FOR ITEMS ATTRIBUTABLE TO PUBLICLY TRADED PARTNERSHIPS.—This subsection shall not apply to items treated separately under subsection (k) (and such items shall not be taken into account in determining whether paragraph (1) applies to the taxpayer for the taxable year with respect to other items).

"(3) ESTATES ELIGIBLE.—For purposes of this subsection, an estate shall be treated as a natural person with respect to any taxable year ending less than 2 years after the death of the decedent.

"(4) MARRIED INDIVIDUALS FILING SEPARATELY.—

"(A) IN GENERAL.—This subsection shall not apply to a taxpayer who—

"(i) is a married individual filing a separate return for the taxable year, and

"(ii) does not live apart from his spouse at all times during such taxable year.

"(B) LIMITATION.—Paragraph (1) shall be applied by substituting '$100' for '$200' in the case of a married individual who files a separate return for the taxable year and to whom this subsection applies after the application of subparagraph (A)."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 56(b)(1) is amended by striking clause (ii) and redesignating the following clauses accordingly.

(2) Subsection (b) of section 58 is amended by inserting "and" at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(2) Paragraph (4) of section 163(d) is amended by striking subparagraph (E).

(4) Subsection (d) of section 163 is amended by striking paragraph (6).

(5) Subsection (h) of section 163 is amended by striking paragraph (5).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4104. PAYMENT OF TAX BY CREDIT CARD.

(a) GENERAL RULE.—Section 6311 is amended to read as follows:

"SEC. 6311. PAYMENT BY CHECK, MONEY ORDER, OR OTHER MEANS.

"(a) AUTHORITY TO RECEIVE.—It shall be lawful for the Secretary to receive for internal revenue taxes (or in payment for internal revenue stamps) checks, money orders, or any other commercially acceptable means that the Secretary deems appropriate, including payment by use of credit cards, to the extent and under the conditions provided in regulations prescribed by the Secretary.

"(b) ULTIMATE LIABILITY.—If a check, money order, or other method of payment so received is not duly paid, the person by whom such check, or money order, or other method of payment has been tendered shall remain liable for the payment of the tax or for the stamps, and for all legal penalties and additions, to the same extent as if such check, money order, or other method of payment had not been tendered.

"(c) LIABILITY OF BANKS AND OTHERS.—If any certified, treasurer's, or cashier's check (or other guaranteed draft), or any money order, or any other means of payment that has been guaranteed by a financial institution (such as a guaranteed credit card transaction) so received is not duly paid, the United States shall, in addition to its right to exact payment from the party originally indebted therefor, have a lien for—

"(1) the amount of such check (or draft) upon all assets of the financial institution on which drawn,

"(2) the amount of such money order upon all the assets of the issuer thereof, or

"(3) the guaranteed amount of any other transaction upon all the assets of the institution making such guarantee,

and such amount shall be paid out of such assets in preference to any other claims whatsoever against such financial institution, issuer, or guaranteeing institution, except the necessary costs and expenses of administration and the reimbursement of the United States for the amount expended in the redemption of the circulating notes of such financial institution.

"(d) PAYMENT BY OTHER MEANS.—

"(1) AUTHORITY TO PRESCRIBE REGULATIONS.—The Secretary shall prescribe such regulations as the Secretary deems necessary to receive payment by commercially acceptable means, including regulations that—

"(A) specify which methods of payment by commercially acceptable means will be acceptable,

"(B) specify when payment by such means will be considered received,

"(C) identify types of nontax matters related to payment by such means that are to be resolved by persons ultimately liable for payment and financial intermediaries, without the involvement of the Secretary, and

"(D) ensure that tax matters will be resolved by the Secretary, without the involvement of financial intermediaries.

"(2) AUTHORITY TO ENTER INTO CONTRACTS.—Notwithstanding section 3718(f) of title 31, United States Code, the Secretary is authorized to enter into contracts to obtain services related to receiving payment by other means where cost beneficial to the government and is further authorized to pay any fees required by such contracts.

"(3) SPECIAL PROVISIONS FOR USE OF CREDIT CARDS.—If use of credit cards is accepted as a method of payment of taxes pursuant to subsection (a)—

"(A) except as provided by regulations, subject to the provisions of section 6402, any refund due a person who makes a payment by use of a credit card shall be made directly to such person, notwithstanding any other provision of law or any contract made pursuant to paragraph (2),

"(B) any credit card transaction shall not be considered a 'sales transaction' under the Federal Truth-in-Lending Act (15 U.S.C. 1601 et seq.),

"(C) all nontax matters as defined by regulations prescribed under paragraph (1)(C), including billing errors as defined in section 161(b) of such Act, shall be resolved by the person tendering the credit card and the credit card issuer, without the involvement of the Secretary, and

"(D) the provisions of sections 161(e) and 170 of such Act shall not apply."

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 64 is amended by striking the item relating to section 6311 and inserting the following:

"Sec. 6311. Payment by check, money order, or other means."

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

SEC. 4105. MODIFICATIONS TO ELECTION TO INCLUDE CHILD'S INCOME ON PARENT'S RETURN.

(a) ELIGIBILITY FOR ELECTION.—Clause (ii) of section 1(g)(7)(A) (relating to election to include certain unearned income of child on parent's return) is amended to read as follows:

"(i) such gross income is more than the amount described in paragraph (4)(A)(ii)(I) and less than 10 times the amount so described,".

(b) COMPUTATION OF TAX.—Subparagraph (B) of section 1(g)(7) (relating to income included on parent's return) is amended—

(1) by striking "$1,000" in clause (i) and inserting "twice the amount described in paragraph (4)(A)(ii)(I)", and

(2) by amending subclause (II) of clause (ii) to read as follows:

"(II) for each such child, 15 percent of the lesser of the amount described in paragraph (4)(A)(ii)(I) or the excess of the gross income of such child over the amount so described, and".

(c) MINIMUM TAX.—Subparagraph (B) of section 59(j)(1) is amended by striking "$1,000" and inserting "twice the amount in effect for the taxable year under section 63(c)(5)(A)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4106. SIMPLIFIED FOREIGN TAX CREDIT LIMITATION FOR INDIVIDUALS.

(a) GENERAL RULE.—Section 904 (relating to limitations on foreign tax credit) is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

"(j) SIMPLIFIED LIMITATION FOR CERTAIN INDIVIDUALS.—

"(1) IN GENERAL.—In the case of an individual to whom this subsection applies for any taxable year, the limitation of subsection (a) shall be the lesser of—

"(A) 25 percent of such individual's gross income for the taxable year from sources without the United States, or

"(B) the amount of the creditable foreign taxes paid or accrued by the individual during the taxable year (determined without regard to subsection (c)).

No taxes paid or accrued by the individual during such taxable year may be deemed paid or accrued in any other taxable year under subsection (c).

"(2) INDIVIDUALS TO WHOM SUBSECTION APPLIES.—This subsection shall apply to an individual for any taxable year if—

"(A) the entire amount of such individual's gross income for the taxable year from sources without the United States consists of qualified passive income,

"(B) the amount of the creditable foreign taxes paid or accrued by the individual during the taxable year does not exceed $200, and

"(C) such individual elects to have this subsection apply for the taxable year.

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

"(A) QUALIFIED PASSIVE INCOME.—The term 'qualified passive income' means any item of gross income if—

"(i) such item of income is passive income (as defined in subsection (d)(2)(A) without regard to clause (iii) thereof), and

"(ii) such item of income is shown on a payee statement furnished to the individual.

"(B) CREDITABLE FOREIGN TAXES.—The term 'creditable foreign taxes' means any taxes for which a credit is allowable under section 901; except that such term shall not include any tax unless such tax is shown on a payee statement furnished to such individual.

"(C) PAYEE STATEMENT.—The term 'payee statement' has the meaning given to such term by section 6724(d)(2).

"(D) ESTATES AND TRUSTS NOT ELIGIBLE.—This subsection shall not apply to any estate or trust."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1991.

SEC. 4107. TREATMENT OF PERSONAL TRANSACTIONS BY INDIVIDUALS UNDER FOREIGN CURRENCY RULES.

(a) GENERAL RULE.—Subsection (e) of section 988 (relating to application to individuals) is amended to read as follows:

"(e) APPLICATION TO INDIVIDUALS.—

"(1) IN GENERAL.—The preceding provisions of this section shall not apply to any section 988 transaction entered into by an individual which is a personal transaction.

"(2) EXCLUSION FOR CERTAIN PERSONAL TRANSACTIONS.—If—

"(A) nonfunctional currency is disposed of by an individual in any transaction, and

"(B) such transaction is a personal transaction,

no gain shall be recognized for purposes of this subtitle by reason of changes in exchange rates after such currency was acquired by such individual and before such disposition. The preceding sentence shall not apply if the gain which would otherwise be recognized exceeds $200.

"(3) PERSONAL TRANSACTIONS.—For purposes of this subsection, the term 'personal transaction' means any transaction entered into by an individual, except that such term shall not include any transaction to the extent that expenses properly allocable to such transaction meet the requirements of section 162 or 212 (other than that part of section 212 dealing with expenses incurred in connection with taxes)."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4108. EXCLUSION OF COMBAT PAY FROM WITHHOLDING LIMITED TO AMOUNT EXCLUDABLE FROM GROSS INCOME.

(a) IN GENERAL.—Paragraph (1) of section 3401(a) (defining wages) is amended by inserting before the semicolon the following: "to the extent remuneration for such service is excludable from gross income under such section".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to remuneration paid after December 31, 1992.

SEC. 4109. EXPANDED ACCESS TO SIMPLIFIED INCOME TAX RETURNS.

(a) GENERAL RULE.—The Secretary of the Treasury or his delegate shall take such actions as may be appropriate to expand access to simplified individual income tax returns and otherwise simplify the individual income tax returns.

(b) REPORT.—Not later than the date 1 year after the date of the enactment of this Act,

the Secretary of the Treasury or his delegate shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, a report on his actions under subsection (a), together with such recommendations as he may deem advisable.

SEC. 4110. TREATMENT OF CERTAIN REIMBURSED EXPENSES OF RURAL MAIL CARRIERS.

(a) IN GENERAL.—Section 162 (relating to trade or business expenses) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

"(m) TREATMENT OF CERTAIN REIMBURSED EXPENSES OF RURAL MAIL CARRIERS.—

"(1) GENERAL RULE.—In the case of any employee of the United States Postal Service who performs services involving the collection and delivery of mail on a rural route and who receives qualified reimbursements for the expenses incurred by such employee for the use of a vehicle in performing such services—

"(A) the amount allowable as a deduction under this chapter for the use of a vehicle in performing such services shall be equal to the amount of such qualified reimbursements; and

"(B) such qualified reimbursements shall be treated as paid under a reimbursement or other expense allowance arrangement for purposes of section 62(a)(2)(A) (and section 62(c) shall not apply to such qualified reimbursements).

"(2) DEFINITION OF QUALIFIED REIMBURSEMENTS.—For purposes of this subsection, the term 'qualified reimbursements' means the amounts paid by the United States Postal Service to employees as an equipment maintenance allowance under the 1991 collective bargaining agreement between the United States Postal Service and the National Rural Letter Carriers' Association. Amounts paid as an equipment maintenance allowance by such Postal Service under later collective bargaining agreements that supersede the 1991 agreement shall be considered qualified reimbursements if such amounts do not exceed the amounts that would have been paid under the 1991 agreement, adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991."

(b) TECHNICAL AMENDMENT.—Section 6008 of the Technical and Miscellaneous Revenue Act of 1988 is hereby repealed.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4111. EXEMPTION FROM LUXURY EXCISE TAX FOR CERTAIN EQUIPMENT INSTALLED ON PASSENGER VEHICLES FOR USE BY DISABLED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (3) of section 4004(b) (relating to separate purchase of article and parts and accessories therefor) is amended—

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

(2) by redesignating subparagraph (B) as subparagraph (C), and

(3) by inserting after subparagraph (A) the following new subparagraph:

"(B) the part or accessory is installed on a passenger vehicle to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, by compensating for the effect of such disability, or".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 11221(a) of the Omnibus Budget Reconciliation Act of 1990.

59-059 O—97 Vol. 138 (Pt. 13) 4

Subtitle B—Pension Simplification

PART I—SIMPLIFIED DISTRIBUTION RULES

SEC. 4201. TAXABILITY OF BENEFICIARY OF QUALIFIED PLAN.

(a) IN GENERAL.—So much of section 402 (relating to taxability of beneficiary of employees' trust) as precedes subsection (g) thereof is amended to read as follows:

"SEC. 402. TAXABILITY OF BENEFICIARY OF EMPLOYEES' TRUST.

"(a) TAXABILITY OF BENEFICIARY OF EXEMPT TRUST.—Except as otherwise provided in this section, any amount actually distributed to any distributee by any employees' trust described in section 401(a) which is exempt from tax under section 501(a) shall be taxable to the distributee, in the taxable year of the distributee in which distributed, under section 72 (relating to annuities).

"(b) TAXABILITY OF BENEFICIARY OF NONEXEMPT TRUST.—

"(1) CONTRIBUTIONS.—Contributions to an employees' trust made by an employer during a taxable year of the employer which ends with or within a taxable year of the trust for which the trust is not exempt from tax under section 501(a) shall be included in the gross income of the employee in accordance with section 83 (relating to property transferred in connection with performance of services), except that the value of the employee's interest in the trust shall be substituted for the fair market value of the property for purposes of applying such section.

"(2) DISTRIBUTIONS.—The amount actually distributed or made available to any distributee by any trust described in paragraph (1) shall be taxable to the distributee, in the taxable year in which so distributed or made available, under section 72 (relating to annuities), except that distributions of income of such trust before the annuity starting date (as defined in section 72(c)(4)) shall be included in the gross income of the employee without regard to section 72(e)(5) (relating to amounts not received as annuities).

"(3) GRANTOR TRUSTS.—A beneficiary of any trust described in paragraph (1) shall not be considered the owner of any portion of such trust under subpart E of part I of subchapter J (relating to grantors and others treated as substantial owners).

"(4) FAILURE TO MEET REQUIREMENTS OF SECTION 410(b).—

"(A) HIGHLY COMPENSATED EMPLOYEES.—If 1 of the reasons a trust is not exempt from tax under section 501(a) is the failure of the plan of which it is a part to meet the requirements of section 401(a)(26) or 410(b), then a highly compensated employee shall, in lieu of the amount determined under this subsection, include in gross income for the taxable year with or within which the taxable year of the trust ends an amount equal to the vested accrued benefit of such employee (other than the employee's investment in the contract) as of the close of such taxable year of the trust.

"(B) FAILURE TO MEET COVERAGE TESTS.—If a trust is not exempt from tax under section 501(a) for any taxable year solely because such trust is part of a plan which fails to meet the requirements of section 401(a)(26) or 410(b), this subsection shall not apply by reason of such failure to any employee who was not a highly compensated employee during—

"(i) such taxable year, or

"(ii) any preceding period for which service was creditable to such employee under the plan.

"(C) HIGHLY COMPENSATED EMPLOYEE.—For purposes of this paragraph, the term 'highly compensated employee' has the meaning given such term by section 414(q).

"(c) RULES APPLICABLE TO ROLLOVERS FROM EXEMPT TRUSTS.—

"(1) EXCLUSION FROM INCOME.—If—

"(A) any portion of the balance to the credit of an employee in a qualified trust is paid to the employee in an eligible rollover distribution,

"(B) the distributee transfers any portion of the property received in such distribution to an eligible retirement plan, and

"(C) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

"(2) MAXIMUM AMOUNT WHICH MAY BE ROLLED OVER.—In the case of any eligible rollover distribution, the maximum amount transferred to which paragraph (1) applies shall not exceed the portion of such distribution which is includible in gross income (determined without regard to paragraph (1)).

"(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—Paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

"(4) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' means any distribution to an employee of all or any portion of the balance to the credit of the employee in a qualified trust; except that such term shall not include—

"(A) any distribution which is one of a series of substantially equal periodic payments (not less frequently than annually) made—

"(i) for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and the employee's designated beneficiary, or

"(ii) for a specified period of 10 years or more, and

"(B) any distribution to the extent such distribution is required under section 401(a)(9).

"(5) TRANSFER TREATED AS ROLLOVER CONTRIBUTION UNDER SECTION 408.—For purposes of this title, a transfer resulting in any portion of a distribution being excluded from gross income under paragraph (1) to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B) shall be treated as a rollover contribution described in section 408(d)(3).

"(6) SALES OF DISTRIBUTED PROPERTY.—For purposes of this subsection—

"(A) TRANSFER OF PROCEEDS FROM SALE OF DISTRIBUTED PROPERTY TREATED AS TRANSFER OF DISTRIBUTED PROPERTY.—The transfer of an amount equal to any portion of the proceeds from the sale of property received in the distribution shall be treated as the transfer of property received in the distribution.

"(B) PROCEEDS ATTRIBUTABLE TO INCREASE IN VALUE.—The excess of fair market value of property on sale over its fair market value on distribution shall be treated as property received in the distribution.

"(C) DESIGNATION WHERE AMOUNT OF DISTRIBUTION EXCEEDS ROLLOVER CONTRIBUTION.—In any case where part or all of the distribution consists of property other than money—

"(i) the portion of the money or other property which is to be treated as attributable to amounts not included in gross income, and

"(ii) the portion of the money or other property which is to be treated as included in the rollover contribution,

shall be determined on a ratable basis unless the taxpayer designates otherwise. Any designation under this subparagraph for a taxable year shall be made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). Any such designation, once made, shall be irrevocable.

"(D) NONRECOGNITION OF GAIN OR LOSS.—In the case of any sale described in subparagraph (A), to the extent that an amount equal to the proceeds is transferred pursuant to paragraph (1), neither gain nor loss on such sale shall be recognized.

"(7) SPECIAL RULE FOR FROZEN DEPOSITS.—

"(A) IN GENERAL.—The 60-day period described in paragraph (3) shall not—

"(i) include any period during which the amount transferred to the employee is a frozen deposit, or

"(ii) end earlier than 10 days after such amount ceases to be a frozen deposit.

"(B) FROZEN DEPOSITS.—For purposes of this subparagraph, the term 'frozen deposit' means any deposit which may not be withdrawn because of—

"(i) the bankruptcy or insolvency of any financial institution, or

"(ii) any requirement imposed by the State in which such institution is located by reason of the bankruptcy or insolvency (or threat thereof) of 1 or more financial institutions in such State.

A deposit shall not be treated as a frozen deposit unless on at least 1 day during the 60-day period described in paragraph (3) (without regard to this paragraph) such deposit is described in the preceding sentence.

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

"(A) QUALIFIED TRUST.—The term 'qualified trust' means an employees' trust described in section 401(a) which is exempt from tax under section 501(a).

"(B) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' means—

"(i) an individual retirement account described in section 408(a),

"(ii) an individual retirement annuity described in section 408(b) (other than an endowment contract),

"(iii) a qualified trust, and

"(iv) an annuity plan described in section 403(a).

"(9) ROLLOVER WHERE SPOUSE RECEIVES DISTRIBUTION AFTER DEATH OF EMPLOYEE.—If any distribution attributable to an employee is paid to the spouse of the employee after the employee's death, the preceding provisions of this subsection shall apply to such distribution in the same manner as if the spouse were the employee; except that a trust or plan described in clause (iii) or (iv) of paragraph (8)(B) shall not be treated as an eligible retirement plan with respect to such distribution.

"(d) TAXABILITY OF BENEFICIARY OF CERTAIN FOREIGN SITUS TRUSTS.—For purposes of subsections (a), (b), and (c), a stock bonus, pension, or profit-sharing trust which would qualify for exemption from tax under section 501(a) except for the fact that it is a trust created or organized outside the United States shall be treated as if it were a trust exempt from tax under section 501(a).

"(e) OTHER RULES APPLICABLE TO EXEMPT TRUSTS.—

"(1) ALTERNATE PAYEES.—

"(A) ALTERNATE PAYEE TREATED AS DISTRIBUTEE.—For purposes of subsection (a) and section 72, an alternate payee who is the spouse or former spouse of the participant shall be treated as the distributee of any distribution or payment made to the alternate payee under a qualified domestic relations order (as defined in section 414(p)).

"(B) ROLLOVERS.—If any amount is paid or distributed to an alternate payee who is the spouse or former spouse of the participant by reason of any qualified domestic relations order (within the meaning of section 414(p)), subsection (c) shall apply to such distribution in the same manner as if such alternate payee were the employee.

"(2) DISTRIBUTIONS BY UNITED STATES TO NONRESIDENT ALIENS.—The amount includible under subsection (a) in the gross income of a nonresident alien with respect to a distribution made by the United States in respect of services performed by an employee of the United States shall not exceed an amount which bears the same ratio to the amount includible in gross income without regard to this paragraph as—

"(A) the aggregate basic pay paid by the United States to such employee for such services, reduced by the amount of such basic pay which was not includible in gross income by reason of being from sources without the United States, bears to

"(B) the aggregate basic pay paid by the United States to such employee for such services.

In the case of distributions under the civil service retirement laws, the term 'basic pay' shall have the meaning provided in section 8331(3) of title 5, United States Code.

"(3) CASH OR DEFERRED ARRANGEMENTS.—For purposes of this title, contributions made by an employer on behalf of an employee to a trust which is a part of a qualified cash or deferred arrangement (as defined in section 401(k)(2)) shall not be treated as distributed or made available to the employee nor as contributions made to the trust by the employee merely because the arrangement includes provisions under which the employee has an election whether the contribution will be made to the trust or received by the employee in cash.

"(4) NET UNREALIZED APPRECIATION.—

"(A) AMOUNTS ATTRIBUTABLE TO EMPLOYEE CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of a distribution other than a lump sum distribution, the amount actually distributed to any distributee from a trust described in subsection (a) shall not include any net unrealized appreciation in securities of the employer corporation attributable to amounts contributed by the employee (other than deductible employee contributions within the meaning of section 72(o)(5)). This subparagraph shall not apply to a distribution to which subsection (c) applies.

"(B) AMOUNTS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS.—For purposes of subsection (a) and section 72, in the case of any lump sum distribution which includes securities of the employer corporation, there shall be excluded from gross income the net unrealized appreciation attributable to that part of the distribution which consists of securities of the employer corporation. In accordance with rules prescribed by the Secretary, a taxpayer may elect, on the return of tax on which a lump sum distribution is required to be included, not to have this subparagraph apply to such distribution.

"(C) DETERMINATION OF AMOUNTS AND ADJUSTMENTS.—For purposes of subparagraphs (A) and (B), net unrealized appreciation and the resulting adjustments to basis shall be determined in accordance with regulations prescribed by the Secretary.

"(D) LUMP SUM DISTRIBUTION.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'lump sum distribution' means the distribution or payment within one taxable year of the recipient of the balance to the credit of an employee which becomes payable to the recipient—

"(I) on account of the employee's death,

"(II) after the employee attains age 59½,

"(III) on account of the employee's separation from service, or

"(IV) after the employee has become disabled (within the meaning of section 72(m)(7)),

from a trust which forms a part of a plan described in section 401(a) and which is exempt from tax under section 501 or from a plan described in section 403(a). Subclause (III) of this clause shall be applied only with respect to an individual who is an employee without regard to section 401(c)(1), and subclause (IV) shall be applied only with respect to an employee within the meaning of section 401(c)(1). For purposes of this clause, a distribution to two or more trusts shall be treated as a distribution to one recipient. For purposes of this paragraph, the balance to the credit of the employee does not include the accumulated deductible employee contributions under the plan (within the meaning of section 72(o)(5)).

"(ii) AGGREGATION OF CERTAIN TRUSTS AND PLANS.—For purposes of determining the balance to the credit of an employee under clause (i)—

"(I) all trusts which are part of a plan shall be treated as a single trust, all pension plans maintained by the employer shall be treated as a single plan, all profit-sharing plans maintained by the employer shall be treated as a single plan, and all stock bonus plans maintained by the employer shall be treated as a single plan, and

"(II) trusts which are not qualified trusts under section 401(a) and annuity contracts which do not satisfy the requirements of section 404(a)(2) shall not be taken into account.

"(iii) COMMUNITY PROPERTY LAWS.—The provisions of this paragraph shall be applied without regard to community property laws.

"(iv) AMOUNTS SUBJECT TO PENALTY.—This paragraph shall not apply to amounts described in subparagraph (A) of section 72(m)(5) to the extent that section 72(m)(5) applies to such amounts.

"(v) BALANCE TO CREDIT OF EMPLOYEE NOT TO INCLUDE AMOUNTS PAYABLE UNDER QUALIFIED DOMESTIC RELATIONS ORDER.—For purposes of this paragraph, the balance to the credit of an employee shall not include any amount payable to an alternate payee under a qualified domestic relations order (within the meaning of section 414(p)).

"(vi) TRANSFERS TO COST-OF-LIVING ARRANGEMENT NOT TREATED AS DISTRIBUTION.—For purposes of this paragraph, the balance to the credit of an employee under a defined contribution plan shall not include any amount transferred from such defined contribution plan to a qualified cost-of-living arrangement (within the meaning of section 415(k)(2)) under a defined benefit plan.

"(vii) LUMP-SUM DISTRIBUTIONS OF ALTERNATE PAYEES.—If any distribution or payment of the balance to the credit of an employee would be treated as a lump-sum distribution, then, for purposes of this paragraph, the payment under a qualified domestic relations order (within the meaning of section 414(p)) of the balance to the credit of an alternate payee who is the spouse or former spouse of the employee shall be treated as a lump-sum distribution. For purposes

of this clause, the balance to the credit of the alternate payee shall not include any amount payable to the employee.

"(E) DEFINITIONS.—For purposes of this paragraph—

"(i) SECURITIES.—The term 'securities' means only shares of stock and bonds or debentures issued by a corporation with interest coupons or in registered form.

"(ii) SECURITIES OF THE EMPLOYER.—The term 'securities of the employer corporation' includes securities of a parent or subsidiary corporation (as defined in subsections (e) and (f) of section 425) of the employer corporation.

"(f) WRITTEN EXPLANATION TO RECIPIENTS OF DISTRIBUTIONS ELIGIBLE FOR ROLLOVER TREATMENT.—

"(1) IN GENERAL.—The plan administrator of any plan shall, when making an eligible rollover distribution, provide a written explanation to the recipient of the provisions under which such distribution will not be subject to tax if transferred to an eligible retirement plan within 60 days after the date on which the recipient received the distribution.

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

"(A) ELIGIBLE ROLLOVER DISTRIBUTION.—The term 'eligible rollover distribution' has the same meaning as when used in subsection (c) of this section or paragraph (4) of section 403(a).

"(B) ELIGIBLE RETIREMENT PLAN.—The term 'eligible retirement plan' has the meaning given such term by subsection (c)(8)(B)."

(b) REPEAL OF $5,000 EXCLUSION OF EMPLOYEES' DEATH BENEFITS.—Subsection (b) of section 101 is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 55(c) is amended by striking "shall not include any tax imposed by section 402(e) and".

(2) Paragraph (8) of section 62(a) (relating to certain portion of lump-sum distributions from pension plans taxed under section 402(e)) is hereby repealed.

(3) Paragraph (4) of section 72(o) (relating to special rule for treatment of rollover amount) is amended by striking "sections 402(a)(5), 402(a)(7)" and inserting "sections 402(c)".

(4) Paragraph (2) of section 219(d) (relating to recontributed amount) is amended by striking "section 402(a)(5), 402(a)(7)" and inserting "section 402(c)".

(5) Paragraph (20) of section 401(a) is amended—

(A) by striking "a qualified total distribution described in section 402(a)(5)(E)(i)(I)" and inserting "1 or more distributions within 1 taxable year to a distributee on account of a termination of the plan of which the trust is a part, or in the case of a profit-sharing or stock bonus plan, a complete discontinuance of contributions under such plan", and

(B) by adding at the end the following new sentence: "For purposes of this paragraph, rules similar to the rules of section 402(a)(6)(B) (as in effect before its repeal by the Revenue Act of 1992) shall apply."

(6) Section 401(a)(28)(B) (relating to coordination with distribution rules) is amended by striking clause (v).

(7) Subclause (IV) of section 401(k)(2)(B)(i) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(8) Subparagraph (B)(ii) of section 401(k)(10) (relating to distributions that must be lump-sum distributions) is amended to read as follows:

"(ii) LUMP SUM DISTRIBUTION.—For purposes of this subparagraph, the term 'lump sum distribution' means any distribution of the balance to the credit of an employee immediately before the distribution."

(9) Section 402(g)(1) is amended by striking "subsections (a)(8)" and inserting "subsections (e)(3)".

(10) Section 402(i) is amended by striking ", except as otherwise provided in subparagraph (A) of subsection (e)(4)".

(11) Subsection (j) of section 402 is amended by striking "(a)(1) or (e)(4)(J)" and inserting "(e)(4)".

(12)(A) Clause (i) of section 403(a)(4)(A) is amended by inserting "in an eligible rollover distribution (within the meaning of section 402(c)(4))" before the comma at the end thereof.

(B) Subparagraph (B) of section 403(a)(4) is amended to read as follows:

"(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A)."

(13)(A) Clause (i) of section 403(b)(8)(A) is amended by inserting "in an eligible rollover distribution (within the meaning of section 402(c)(4))" before the comma at the end thereof.

(B) Paragraph (8) of section 403(b) is amended by striking subparagraphs (B), (C), and (D) and inserting the following:

"(B) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) through (7) of section 402(c) shall apply for purposes of subparagraph (A)."

(14) Section 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is hereby repealed.

(15) Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of limitation of tax) is hereby repealed.

(16) Paragraph (1) of section 408(a) is amended by striking "section 402(a)(5), 402(a)(7)" and inserting "section 402(c)".

(17) Clause (ii) of section 408(d)(3)(A) is amended to read as follows:

"(ii) no amount in the account and no part of the value of the annuity is attributable to any source other than a rollover contribution (as defined in section 402) from an employee's trust described in section 401(a) which is exempt from tax under section 501(a) or from an annuity plan described in section 403(a) (and any earnings on such contribution), and the entire amount received (including property and other money) is paid (for the benefit of such individual) into another such trust or annuity plan not later than the 60th day on which the individual receives the payment or the distribution; or".

(18) Subparagraph (B) of section 408(d)(3) (relating to limitations) is amended by striking the second sentence thereof.

(19) Subparagraph (F) of section 408(d)(3) (relating to frozen deposits) is amended by striking "section 402(a)(6)(H)" and inserting "section 402(c)(7)".

(20) Subclause (I) of section 414(n)(5)(C)(iii) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(21) Clause (i) of section 414(q)(7)(B) is amended by striking "402(a)(8)" and inserting "402(e)(3)".

(22) Paragraph (2) of section 414(s) (relating to employer may elect to treat certain deferrals as compensation) is amended by striking "402(a)(8)" and inserting "402(e)(3)".

(23) Subparagraph (A) of section 415(b)(2) (relating to annual benefit in general) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(24) Subparagraph (B) of section 415(b)(2) (relating to adjustment for certain other forms of benefit) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(25) Paragraph (2) of section 415(c) (relating to annual addition) is amended by striking "sections 402(a)(5)" and inserting "sections 402(c)".

(26) Subparagraph (B) of section 457(c)(2) is amended by striking "section 402(a)(8)" in clause (i) thereof and inserting "section 402(e)(3)".

(27) Section 691(c) (relating to coordination with section 402(e)) is amended by striking paragraph (5).

(28) Subparagraph (B) of section 871(a)(1) (relating to income other than capital gains) is amended by striking "402(a)(2), 403(a)(2), or".

(29) Paragraph (1) of section 871(b) (relating to imposition of tax) is amended by striking "section 1, 55, or 402(e)(1)" and inserting "section 1 or 55".

(30) Paragraph (1) of section 871(k) is amended by striking "section 402(a)(4)" and inserting "section 402(e)(2)".

(31) Subsection (b) of section 877 (relating to alternative tax) is amended by striking "section 1, 55, or 402(e)(1)" and inserting "section 1 or 55".

(32) Subsection (b) of section 1441 (relating to income items) is amended by striking "402(a)(2), 403(a)(2), or".

(33) Paragraph (5) of section 1441(c) (relating to special items) is amended by striking "402(a)(2), 403(a)(2), or".

(34) Subparagraph (A) of section 3121(v)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(35) Subparagraph (A) of section 3306(r)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(36) Subsection (a) of section 3405 is amended by striking "PENSIONS, ANNUITIES, ETC.—" from the heading thereof and inserting "PERIODIC PAYMENTS.—".

(37) Subsection (b) of section 3405 (relating to nonperiodic distribution) is amended—

(A) by striking "the amount determined under paragraph (2)" from paragraph (1) thereof and inserting "an amount equal to 10 percent of such distribution"; and

(B) by striking paragraph (2) (relating to amount of withholding) and redesignating paragraph (3) as paragraph (2).

(38) Paragraph (4) of section 3405(d) (relating to qualified total distributions) is hereby repealed.

(39) Paragraph (8) of section 3405(d) (relating to maximum amounts withheld) is amended to read as follows:

"(8) MAXIMUM AMOUNT WITHHELD.—The maximum amount to be withheld under this section on any designated distribution shall not exceed the sum of the amount of money and the fair market value of other property (other than securities of the employer corporation) received in the distribution. No amount shall be required to be withheld under this section in the case of any designated distribution which consists only of securities of the employer corporation and cash (not in excess of $200) in lieu of fractional shares. For purposes of this paragraph, the term 'securities of the employer corporation' has the meaning given such term by section 402(e)(4)(E)."

(40) Subparagraph (A) of section 4973(b)(1) is amended by striking "sections 402(a)(5), 402(a)(7)" and inserting "sections 402(c)".

(41) Paragraph (4) of section 4980A(c) (relating to special rule where taxpayer elects income averaging) is amended by striking "section 402(e)(4)(B)" and inserting "section 402(d)(4)(B)".

(42) Subparagraph (C) of section 7701(j)(1) is amended by striking "section 402(a)(8)" and inserting "section 402(e)(3)".

(43) Section 411(d)(3) is amended by adding at the end the following new sentence: "For purposes of this paragraph, in the case of the complete discontinuance of contributions under a profit-sharing or stock bonus plan, such plan shall be treated as having terminated on the day on which the plan administrator notifies the Secretary (in accordance with regulations) of the discontinuance."

(d) EFFECTIVE DATES.—

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

(2) RETENTION OF CERTAIN TRANSITION RULES.—Notwithstanding any other provision of this section, the amendments made by this section shall not apply to any distribution for which the taxpayer elects the benefits of section 1122 (h)(3) or (h)(5) of the Tax Reform Act of 1986. For purposes of the preceding sentence, rules similar to the rules of paragraphs (5)(C)(iii) and (6)(C) of section 402(a) (as in effect before the date of the enactment of this Act) shall apply.

SEC. 4202. SIMPLIFIED METHOD FOR TAXING ANNUITY DISTRIBUTIONS UNDER CERTAIN EMPLOYER PLANS.

(a) GENERAL RULE.—Subsection (d) of section 72 (relating to annuities; certain proceeds of endowment and life insurance contracts) is amended to read as follows:

"(d) SPECIAL RULES FOR QUALIFIED EMPLOYER RETIREMENT PLANS.—

"(1) SIMPLIFIED METHOD OF TAXING ANNUITY PAYMENTS.—

"(A) IN GENERAL.—In the case of any amount received as an annuity under a qualified employer retirement plan—

"(i) subsection (b) shall not apply, and

"(ii) the investment in the contract shall be recovered as provided in this paragraph.

"(B) METHOD OF RECOVERING INVESTMENT IN CONTRACT.—

"(i) IN GENERAL.—Gross income shall not include so much of any monthly annuity payment under a qualified employer retirement plan as does not exceed the amount obtained by dividing—

"(I) the investment in the contract (as of the annuity starting date), by

"(II) the number of anticipated payments determined under the table contained in clause (iii) (or, in the case of a contract to which subsection (c)(3)(B) applies, the number of monthly annuity payments under such contract).

"(ii) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2) and (3) of subsection (b) shall apply for purposes of this paragraph.

"(iii) NUMBER OF ANTICIPATED PAYMENTS.—

"If the age of the primary annuitant on the annuity starting date is: | The number of anticipated payments is:

Not more than 55	300
More than 55 but not more than 60	260
More than 60 but not more than 65	240
More than 65 but not more than 70	170
More than 70	120

"(C) ADJUSTMENT FOR REFUND FEATURE NOT APPLICABLE.—For purposes of this paragraph, investment in the contract shall be determined under subsection (c)(1) without regard to subsection (c)(2).

"(D) SPECIAL RULE WHERE LUMP SUM PAID IN CONNECTION WITH COMMENCEMENT OF ANNUITY PAYMENTS.—If, in connection with the commencement of annuity payments under any qualified employer retirement plan, the taxpayer receives a lump sum payment—

"(i) such payment shall be taxable under subsection (e) as if received before the annuity starting date, and

"(ii) the investment in the contract for purposes of this paragraph shall be determined as if such payment had been so received.

"(E) EXCEPTION.—This paragraph shall not apply in any case where the primary annuitant has attained age 75 on the annuity starting date unless there are fewer than 5 years of guaranteed payments under the annuity.

"(F) ADJUSTMENT WHERE ANNUITY PAYMENTS NOT ON MONTHLY BASIS.—In any case where the annuity payments are not made on a monthly basis, appropriate adjustments in the application of this paragraph shall be made to take into account the period on the basis of which such payments are made.

"(G) QUALIFIED EMPLOYER RETIREMENT PLAN.—For purposes of this paragraph, the term 'qualified employer retirement plan' means any plan or contract described in paragraph (1), (2), or (3) of section 4974(c).

"(2) TREATMENT OF EMPLOYEE CONTRIBUTIONS UNDER DEFINED CONTRIBUTION PLANS.—For purposes of this section, employee contributions (and any income allocable thereto) under a defined contribution plan may be treated as a separate contract."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply in cases where the annuity starting date is after December 31, 1992.

SEC. 4203. REQUIREMENT THAT QUALIFIED PLANS INCLUDE OPTIONAL TRUSTEE-TO-TRUSTEE TRANSFERS OF ELIGIBLE ROLLOVER DISTRIBUTIONS.

(a) GENERAL RULE.—Subsection (a) of section 401 (relating to requirements for qualification) is amended by inserting after paragraph (30) the following new paragraph:

"(31) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—

"(A) IN GENERAL.—A trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if the distributee of any eligible rollover distribution—

"(i) elects to have such distribution paid directly to an eligible retirement plan, and

"(ii) specifies the eligible retirement plan to which such distribution is to be paid (in such form and at such time as the plan administrator may prescribe),

such distribution shall be made in the form of a direct trustee-to-trustee transfer to the eligible retirement plan so specified.

"(B) LIMITATION.—Subparagraph (A) shall apply only to the extent that the eligible rollover distribution would be includible in gross income if not transferred as provided in subparagraph (A) (determined without regard to sections 402(c) and 403(a)(4)).

"(C) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this paragraph, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).

"(D) ELIGIBLE RETIREMENT PLAN.—For purposes of this paragraph, the term 'eligible retirement plan' has the meaning given such term by section 402(c)(8)(B), except that a qualified trust shall be considered an eligible retirement plan only if it is a defined contribution plan, the terms of which permit the acceptance of rollover distributions."

(b) EMPLOYEE'S ANNUITIES.—Paragraph (2) of section 404(a) (relating to employee's annuities) is amended by striking "and (27)" and inserting "(27), and (31)".

(c) EXCLUSION FROM INCOME.—

(1) QUALIFIED TRUSTS.—Subsection (e) of section 402 (relating to taxability of beneficiary of employees' trust), as amended by section 4201, is amended by adding at the end the following new paragraph:

"(4) DIRECT TRUSTEE-TO-TRUSTEE TRANSFERS.—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer."

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

"(5) DIRECT TRUSTEE-TO-TRUSTEE TRANSFER.—Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of such transfer."

(d) WRITTEN EXPLANATION.—Paragraph (1) of section 402(f) (as amended by section 4201) is amended to read as follows:

"(1) IN GENERAL.—The plan administrator of any plan shall, before making an eligible rollover distribution, provide a written explanation to the recipient of—

"(A) the optional direct transfer provisions provided pursuant to section 401(a)(31), and

"(B) the provisions under which such distribution will not be subject to tax if transferred to an eligible retirement plan within 60 days after the date on which the recipient received the distribution."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions in plan years beginning after December 31, 1992.

PART II—INCREASED ACCESS TO PENSION PLANS

SEC. 4211. TAX EXEMPT ORGANIZATIONS ELIGIBLE UNDER SECTION 401(k).

(a) GENERAL RULE.—Subparagraph (B) of section 401(k)(4) is amended to read as follows:

"(B) STATE AND LOCAL GOVERNMENTS NOT ELIGIBLE.—A cash or deferred arrangement shall not be treated as a qualified cash or deferred arrangement if it is part of a plan maintained by a State or local government or political subdivision thereof, or any agency or instrumentality thereof. This subparagraph shall not apply to a rural cooperative plan."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to plan years beginning on or after December 31, 1992, but shall not apply to any cash or deferred arrangement to which clause (i) of section 1116(f)(2)(B) of the Tax Reform Act of 1986 applies.

SEC. 4212. DUTIES OF SPONSORS OF CERTAIN PROTOTYPE PLANS.

(a) IN GENERAL.—The Secretary of the Treasury may, as a condition of sponsorship, prescribe rules defining the duties and responsibilities of sponsors of master and prototype plans, regional prototype plans, and other Internal Revenue Service preapproved plans.

(b) DUTIES RELATING TO PLAN AMENDMENT, NOTIFICATION OF ADOPTERS, AND PLAN ADMINISTRATION.—The duties and responsibilities referred to in subsection (a) may include—

(1) the maintenance of lists of persons adopting the sponsor's plans, including the updating of such lists not less frequently than annually,

(2) the furnishing of notices at least annually to such persons and to the Secretary or his delegate, in such form and at such time as the Secretary shall prescribe,

(3) duties relating to administrative services to such persons in the operation of their plans, and

(4) other duties that the Secretary considers necessary to ensure that—

(A) the master and prototype, regional prototype, and other preapproved plans of adopting employers are timely amended to meet the requirements of the Internal Revenue Code of 1986 or of any rule or regulation of the Secretary, and

(B) adopting employers receive timely notification of amendments and other actions taken by sponsors with respect to their plans.

PART III—MISCELLANEOUS SIMPLIFICATION

SEC. 4221. MODIFICATION TO DEFINITION OF LEASED EMPLOYEE.

(a) GENERAL RULE.—Subparagraph (C) of section 414(n)(2) (defining leased employee) is amended to read as follows:

"(C) such services are performed under any significant direction or control by the recipient."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 1992, but shall not apply to any relationship determined under an Internal Revenue Service ruling issued before the date of the enactment of this Act pursuant to section 414(n)(2)(C) of the Internal Revenue Code of 1986 (as in effect on the day before such date) not to involve a leased employee.

SEC. 4222. SIMPLIFICATION OF NONDISCRIMINATION TESTS APPLICABLE UNDER SECTIONS 401(k) AND 401(m).

(a) CASH OR DEFERRED ARRANGEMENTS.—Clause (ii) of section 401(k)(3)(A) is amended—

(1) by striking "such year" and inserting "the plan year", and

(2) by striking "for such plan year" and inserting "the preceding plan year".

(b) MATCHING AND EMPLOYEE CONTRIBUTIONS.—Section 401(m)(2)(A) is amended—

(1) by inserting "for such plan year" after "highly compensated employee", and

(2) by inserting "for the preceding plan year" after "eligible employees" each place it appears in clause (i) and clause (ii).

(c) SPECIAL RULE FOR DETERMINING AVERAGE DEFERRAL PERCENTAGE FOR FIRST PLAN YEAR, ETC.—

(1) Paragraph (3) of section 401(k) is amended by adding at the end thereof the following new subparagraph:

"(E) For purposes of this paragraph, in the case of the first plan year of any plan, the amount taken into account as the average deferral percentage of nonhighly compensated employees for the preceding plan year shall be—

"(i) 3 percent, or

"(ii) if the employer makes an election under this subclause, the average deferral percentage of nonhighly compensated employees determined for such first plan year."

(2) Paragraph (3) of section 401(m) is amended by adding at the end thereof the following: "Rules similar to the rules of subsection (k)(3)(E) shall apply for purposes of this subsection.".

(d) ALTERNATIVE METHODS OF SATISFYING SECTION 401(k) AND 401(m) NONDISCRIMINATION TESTS.—

(1) SECTION 401(k).—Section 401(k) (relating to cash or deferred arrangements) is amended by adding at the end thereof the following new paragraph:

"(11) ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—

"(A) IN GENERAL.—A cash or deferred arrangement shall be treated as meeting the requirements of paragraph (3)(A)(ii) if such arrangement—

"(i) meets the contribution requirements of subparagraph (B) or (C), and

"(ii) meets the notice requirements of subparagraph (D).

"(B) MATCHING CONTRIBUTIONS.—

"(i) IN GENERAL.—The requirements of this subparagraph are met if, under the arrangement, the employer makes matching contributions on behalf of each employee who is not a highly compensated employee in an amount not less than—

"(I) 100 percent of the elective contributions of the employee to the extent such elective contributions do not exceed 3 percent of the employee's compensation, and

"(II) 50 percent of the elective contributions of the employee to the extent that such elective contributions exceed 3 percent but do not exceed 5 percent of the employee's compensation.

"(ii) RATE FOR HIGHLY COMPENSATED EMPLOYEES.—The requirements of this subparagraph are not met if, under the arrangement, the matching contribution with respect to any elective contribution of a highly compensated employee at any level of compensation is greater than that with respect to an employee who is not a highly compensated employee.

"(iii) ALTERNATIVE PLAN DESIGNS.—If the matching contribution with respect to any elective contribution at any specific level of compensation is not equal to the percentage required under clause (i), an arrangement shall not be treated as failing to meet the requirements of clause (i) if—

"(I) the level of an employer's matching contribution does not increase as an employee's elective contributions increase, and

"(II) the aggregate amount of matching contributions with respect to elective contributions not in excess of such level of compensation is at least equal to the amount of matching contributions which would be made if matching contributions were made on the basis of the percentages described in clause (i).

"(C) NONELECTIVE CONTRIBUTIONS.—The requirements of this subparagraph are met if, under the arrangement, the employer is required, without regard to whether the employee makes an elective contribution or employee contribution, to make a contribution to a defined contribution plan on behalf of each employee who is not a highly compensated employee and who is eligible to participate in the arrangement in an amount equal to at least 3 percent of the employee's compensation.

"(D) NOTICE REQUIREMENT.—An arrangement meets the requirements of this paragraph if, under the arrangement, each employee eligible to participate is, within a reasonable period before any year, given written notice of the employee's rights and obligations under the arrangement which—

"(i) is sufficiently accurate and comprehensive to appraise the employee of such rights and obligations, and

"(ii) is written in a manner calculated to be understood by the average employee eligible to participate.

"(E) OTHER REQUIREMENTS.—

"(i) WITHDRAWAL AND VESTING RESTRICTIONS.—An arrangement shall not be treated as meeting the requirements of subparagraph (B) or (C) unless the requirements of subparagraphs (B) and (C) of paragraph (2) are met with respect to employer contributions.

"(ii) SOCIAL SECURITY AND SIMILAR CONTRIBUTIONS NOT TAKEN INTO ACCOUNT.—An arrangement shall not be treated as meeting the requirements of subparagraph (B) or (C) unless such requirements are met without regard to subsection (l), and, for purposes of subsection (l), employer contributions under subparagraph (B) or (C) shall not be taken into account.

"(F) OTHER PLANS.—An arrangement shall be treated as meeting the requirements under subparagraph (A)(i) if any other qualified plan maintained by the employer meets such requirements with respect to employees eligible under the arrangement."

(2) SECTION 401(m).—Section 401(m) (relating to nondiscrimination test for matching contributions and employee contributions) is amended by redesignating paragraph (10) as paragraph (11) and by adding after paragraph (9) the following new paragraph:

"(10) ALTERNATIVE METHOD OF SATISFYING TESTS.—

"(A) IN GENERAL.—A defined contribution plan shall be treated as meeting the requirements of paragraph (2) with respect to matching contributions if the plan—

"(i) meets the contribution requirements of subparagraph (B) or (C) of subsection (k)(11),

"(ii) meets the notice requirements of subsection (k)(11)(D), and

"(iii) meets the requirements of subparagraph (B).

"(B) LIMITATION ON MATCHING CONTRIBUTIONS.—The requirements of this subparagraph are met if—

"(i) matching contributions on behalf of any employee may not be made with respect to an employee's contributions or elective deferrals in excess of 6 percent of the employee's compensation,

"(ii) the level of an employer's matching contribution does not increase as an employee's contributions or elective deferrals increase, and

"(iii) the matching contribution with respect to any highly compensated employee at a specific level of compensation is not greater than that with respect to an employee who is not a highly compensated employee."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 1992.

SEC. 4223. DEFINITION OF HIGHLY COMPENSATED EMPLOYEE.

(a) GENERAL RULE.—Subsection (q) of section 414 (defining highly compensated employee) is amended to read as follows:

"(q) HIGHLY COMPENSATED EMPLOYEE.—

"(1) IN GENERAL.—The term 'highly compensated employee' means any employee who, during the year or the preceding year—

"(A) was a 5-percent owner, or

"(B) received compensation from the employer in excess of $50,000.

The Secretary shall adjust the $50,000 amount specified in subparagraph (B) at the same time and in the same manner as under section 415(d).

"(2) SPECIAL RULE FOR CURRENT YEAR.—In the case of the year for which the relevant determination is being made, an employee not described in subparagraph (B) of paragraph (1) for the preceding year (without regard to this paragraph) shall not be treated as described in such subparagraph for the year for which the determination is being made unless such employee is a member of the group consisting of the 100 employees paid the highest compensation during the year for which such determination is being made.

"(3) 5-PERCENT OWNER.—An employee shall be treated as a 5-percent owner for any year if at any time during such year such employee was a 5-percent owner (as defined in section 416(i)(1)) of the employer.

"(4) SPECIAL RULE IF NO EMPLOYEE DESCRIBED IN PARAGRAPH (1).—

"(A) IN GENERAL.—If no employee is treated as a highly compensated employee under paragraph (1), the employee who has the highest compensation for the year shall be treated as a highly compensated employee.

"(B) EXCEPTION.—This paragraph shall not apply to any plan—

"(i) which is maintained by an organization exempt from tax under this subtitle,

"(ii) which provides a nonforfeitable right to 100 percent of an employee's accrued benefit,

"(iii) which covers a fair cross section of employees, determined on the basis of their compensation, and

"(iv) which was in effect on February 1, 1992, and at all times thereafter.

"(5) COMPENSATION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'compensation' means compensation within the meaning of section 415(c)(3).

"(B) CERTAIN PROVISIONS NOT TAKEN INTO ACCOUNT.—The determination under subparagraph (A) shall be made—

"(i) without regard to sections 125, 402(e)(3), 402(h)(1)(B), and 414(h)(2), and

"(ii) in the case of employer contributions made pursuant to a salary reduction agreement, without regard to sections 403(b) and 457.

"(6) FORMER EMPLOYEES.—A former employee shall be treated as a highly compensated employee if—

"(A) such employee was a highly compensated employee when such employee separated from service, or

"(B) such employee was a highly compensated employee at any time after attaining age 55.

"(7) COORDINATION WITH OTHER PROVISIONS.—Subsections (b), (c), (m), (n), and (o) shall be applied before the application of this section.

"(8) SPECIAL RULE FOR NONRESIDENT ALIENS.—For purposes of this subsection, any employee described in subsection (r)(9)(F) shall not be treated as an employee."

(b) CONFORMING AMENDMENTS.—

(1)(A) Section 414(r) is amended by adding at the end thereof the following new paragraph:

"(9) EXCLUDED EMPLOYEES.—For purposes of this subsection, the following employees shall be excluded:

"(A) Employees who have not completed 6 months of service.

"(B) Employees who normally work less than 17½ hours per week.

"(C) Employees who normally work not more than 6 months during any year.

"(D) Employees who have not attained the age of 21.

"(E) Except to the extent provided in regulations, employees who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and the employer.

"(F) Employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3)).

Except as provided by the Secretary, the employer may elect to apply subparagraph (A), (B), (C), or (D) by substituting a shorter period of service, smaller number of hours or months, or lower age for the period of service, number of hours or months, or age (as the case may be) specified in such subparagraph."

(B) Subparagraph (A) of section 414(r)(2) is amended by striking "subsection (q)(8)" and inserting "paragraph (9)".

(2) Paragraph (2) of section 414(s) is amended to read as follows:

"(2) EMPLOYER MAY ELECT TO TREAT CERTAIN DEFERRALS AS COMPENSATION.—An employer may elect to include all of the following amounts as compensation:

"(A) Amounts not includible in the gross income of the employee under section 125, 402(e)(3), 402(h)(1)(B), or 414(h)(2).

"(B) Amounts contributed by the employer under a salary reduction agreement and not includible in gross income under section 403(b) or 457".

(3) Paragraph (17) of section 401(a) is amended by striking the last sentence.

(4) Subsection (l) of section 404 is amended by striking the last sentence.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 1992.

SEC. 4224. MODIFICATIONS OF COST-OF-LIVING ADJUSTMENTS.

(a) IN GENERAL.—Section 415(d) (relating to cost-of-living adjustments) is amended to read as follows:

"(d) COST-OF-LIVING ADJUSTMENTS.—

"(1) IN GENERAL.—The Secretary shall adjust annually—

"(A) the $90,000 amount in subsection (b)(1)(A), and

"(B) in the case of a participant who separated from service, the amount taken into account under subsection (b)(1)(B),

for increases in the cost-of-living in accordance with regulations prescribed by the Secretary.

"(2) METHOD.—

"(A) IN GENERAL.—The regulations prescribed under paragraph (1) shall provide for adjustment procedures which are similar to the procedures used to adjust benefit amounts under section 215(i)(2)(A) of the Social Security Act.

"(B) PERIODS FOR ADJUSTMENT OF DOLLAR AMOUNT.—For purposes of paragraph (1)—

"(i) IN GENERAL.—The adjustment with respect to any calendar year shall be based on the increase in the applicable index as of the close of the calendar quarter ending September 30 of the preceding calendar year over such index as of the close of the base period.

"(ii) BASE PERIOD.—For purposes of clause (i), the base period taken into account is—

"(I) for purposes of subparagraph (A) of paragraph (1), the calendar quarter beginning October 1, 1986, and

"(II) for purposes of paragraph (1)(B), the last calendar quarter of the calendar year preceding the calendar year in which the participant separated from service.

"(3) ROUNDING.—Any amount determined under paragraph (1) (or by reference to this subsection) shall be rounded to the nearest $1,000, except that the amounts under sections 402(g)(1), 408(k)(8)(A)(i) and (iii), and 457(e)(14) shall be rounded to the nearest $100."

(b) EFFECTIVE DATE.—The amendments made by this section apply to adjustments with respect to calendar years beginning after December 31, 1992.

SEC. 4225. PLANS COVERING SELF-EMPLOYED INDIVIDUALS.

(a) AGGREGATION RULES.—Section 401(d) (relating to additional requirements for qualification of trusts and plans benefiting owner-employees) is amended to read as follows:

"(d) CONTRIBUTION LIMIT ON OWNER-EMPLOYEES.—A trust forming part of a pension or profit-sharing plan which provides contributions or benefits for employees some or all of whom are owner-employees shall constitute a qualified trust under this section only if, in addition to meeting the requirements of subsection (a), the plan provides that contributions on behalf of any owner-employee may be made only with respect to the earned income of such owner-employee which is derived from the trade or business with respect to which such plan is established."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 1992.

SEC. 4226. ALTERNATIVE FULL-FUNDING LIMITATION.

(a) IN GENERAL.—Subsection (c) of section 412 (relating to minimum funding standards) is amended by redesignating paragraphs (8) through (11) as paragraphs (9) through (12), respectively, and by adding after paragraph (7) the following new paragraph:

"(8) ALTERNATIVE FULL-FUNDING LIMITATION.—

"(A) GENERAL RULE.—An employer may elect the full-funding limitation under this paragraph with respect to any defined benefit plan of the employer in lieu of the full-funding limitation determined under paragraph (7) if the requirements of subparagraphs (C) and (D) are met.

"(B) ALTERNATIVE FULL-FUNDING LIMITATION.—The full-funding limitation under this paragraph is the full-funding limitation determined under paragraph (7) without regard to subparagraph (A)(i)(I) thereof.

"(C) REQUIREMENTS RELATING TO PLAN ELIGIBILITY.—

"(i) IN GENERAL.—The requirements of this subparagraph are met with respect to a defined benefit plan if—

"(I) as of the 1st day of the election period, the average accrued liability of participants accruing benefits under the plan for the 5 immediately preceding plan years is at least 80 percent of the plan's total accrued liability,

"(II) the plan is not a top-heavy plan (as defined in section 416(g)) for the 1st plan year of the election period or either of the 2 preceding plan years, and

"(III) each defined benefit plan of the employer (and each defined benefit plan of each employer who is a member of any controlled group which includes such employer) meets the requirements of subclauses (I) and (II).

"(ii) FAILURE TO CONTINUE TO MEET REQUIREMENTS.—

"(I) If any plan fails to meet the requirement of clause (i)(I) for any plan year during an election period, the benefits of the election under this paragraph shall be phased out under regulations prescribed by the Secretary.

"(II) If any plan fails to meet the requirement of clause (i)(II) for any plan year during an election period, such plan shall be treated as not meeting the requirements of clause (i) for the remainder of the election period.

If there is a failure described in subclause (I) or (II) with respect to any plan, such plan (and each plan described in clause (i)(III) with respect to such plan) shall be treated as not meeting the requirements of clause (i) for any of the 10 plan years beginning after the election period.

"(D) REQUIREMENTS RELATING TO ELECTION.—

"(i) IN GENERAL.—The requirements of this subparagraph are met with respect to an election if—

"(I) FILING DATE.—Notice of such election is filed with the Secretary (in such form and

manner and containing such information as the Secretary may provide) by January 1 of any calendar year, and is effective as of the 1st day of the election period beginning on or after January 1 of the following calendar.

"(II) CONSISTENT ELECTION.—Such an election is made for all defined benefit plans maintained by the employer or by any member of a controlled group which includes the employer.

"(ii) TRANSITION PERIOD.—In the case of any election period beginning on or after July 1, 1992, and before January 1, 1994, the requirements of clause (i) shall not apply and the requirements of this subparagraph are met with respect to such election period if—

"(I) FILING DATE.—Notice of election is filed with the Secretary by October 1, 1992.

"(II) INFORMATION.—The notice sets forth the name and tax identification number of the plan sponsor, the names and tax identification numbers of the plans to which the election applies, the limitation under paragraph (7) (determined with and without regard to this paragraph), and a signed certification by an officer of the employer stating that the requirements of this paragraph have been met.

"(iii) REVENUE OFFSET PROCEDURES.—The Secretary shall, by January 1, 1993, notify defined benefit plans that have not made an election under this paragraph for the transition period described in clause (ii) of the adjustment required by subparagraph (H). The revenue offset for the transition period shall apply to plan years beginning on or after July 1, 1992, and before January 1, 1994.

"(iv) EXCESS CONTRIBUTIONS MADE BY NON-ELECTING PLANS.—To the extent a defined benefit plan sponsor makes a contribution to a defined benefit plan with respect to the transition period described in clause (ii) which exceeds the limitation of paragraph (7), as adjusted by the Secretary for the transition period, the sponsor shall offset the excess contribution against allowable contributions to the plan in subsequent quarters in the taxable year of the sponsor. If no subsequent contributions may be made for the taxable year, the trustee of the defined benefit plan shall return the excess contribution to the sponsor in that taxable year or the following taxable year. Notwithstanding any other provision of this title, no deduction shall be allowed for any contribution made in excess of the limitation of paragraph (7), as adjusted by the Secretary for the transition period, and no penalty shall apply with respect to contributions made in excess of such limitation to the extent such excess contributions are either used to offset subsequent contributions, or returned to the plan sponsor, as provided in this clause.

"(E) TERM OF ELECTION.—Any election made under this paragraph shall apply for the election period.

"(F) OTHER CONSEQUENCES OF ELECTION.—

"(i) NO FUNDING WAIVERS.—In the case of a plan with respect to which an election is made under this paragraph, no waiver may be granted under subsection (d) for any plan year beginning after the date the election was made and ending at the close of the election period with respect thereto.

"(ii) FAILURE TO MAKE SUCCESSIVE ELECTIONS.—If an election is made under this paragraph with respect to any plan and such an election does not apply for each successive plan year of such plan, such plan shall be treated as not meeting the requirements of subparagraph (C) for the period of 10 plan years beginning after the close of the last election period for such plan.

"(G) DEFINITIONS.—For purposes of this paragraph—

"(i) ELECTION PERIOD.—The term 'election period' means the period of 5 consecutive plan years beginning with the 1st plan year for which the election is made.

"(ii) CONTROLLED GROUP.—The term 'controlled group' means all persons who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414.

"(H) PROCEDURES IF ALTERNATIVE FUNDING LIMITATION REDUCES NET FEDERAL REVENUES.—

"(i) IN GENERAL.—At least once with respect to each fiscal year, the Secretary shall estimate whether the application of this paragraph will result in a net reduction in Federal revenues for such fiscal year.

"(ii) ADJUSTMENT OF FULL-FUNDING LIMITATION IF REVENUE SHORTFALL.—If the Secretary estimates that the application of this paragraph will result in a more than insubstantial net reduction in Federal revenues for any fiscal year, the Secretary—

"(I) shall make the adjustment described in clause (iii), and

"(II) to the extent such adjustment is not sufficient to reduce such reduction to an insubstantial amount, shall make the adjustment described in clause (iv).

Such adjustments shall apply only to defined benefit plans with respect to which an election under this paragraph is not in effect.

"(iii) REDUCTION IN LIMITATION BASED ON 150 PERCENT OF CURRENT LIABILITY.—The adjustment described in this clause is an adjustment which substitutes a percentage (not lower than 140 percent) for the percentage described in paragraph (7)(A)(i)(I) determined by reducing the percentage of current liability taken into account with respect to participants who are not accruing benefits under the plan.

"(iv) REDUCTION IN LIMITATION BASED ON ACCRUED LIABILITY.—The adjustment described in this clause is an adjustment which reduces the percentage of accrued liability taken into account under paragraph (7)(A)(i)(II). In no event may the amount of accrued liability taken into account under such paragraph after the adjustment be less than 140 percent of current liability."

(b) ALTERATION OF DISCRETIONARY REGULATORY AUTHORITY.—Subparagraph (D) of section 412(c)(7) is amended by striking "provide—" and all that follows through "(iii) for" and inserting "provide for".

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

SEC. 4227. DISTRIBUTIONS UNDER RURAL COOPERATIVE PLANS.

(a) DISTRIBUTIONS AFTER AGE 59½.—Section 401(k)(7) is amended by adding at the end thereof the following new subparagraph:

"(C) SPECIAL RULE FOR CERTAIN DISTRIBUTIONS.—A rural cooperative plan which includes a qualified cash or deferred arrangement shall not be treated as violating the requirements of section 401(a) merely by reason of a distribution to a participant after attainment of age 59½."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

SEC. 4228. SPECIAL RULES FOR PLANS COVERING PILOTS.

(a) GENERAL RULE.—

(1) Subparagraph (B) of section 410(b)(3) is amended to read as follows:

"(B) in the case of a plan established or maintained by one or more employers to provide contributions or benefits for air pilots employed by one or more common carriers engaged in interstate or foreign commerce or air pilots employed by carriers transporting mail for or under contract with the United States Government, all employees who are not air pilots."

(2) Paragraph (3) of section 410(b) is amended by striking the last sentence and inserting the following new sentence: "Subparagraph (B) shall not apply in the case of a plan which provides contributions or benefits for employees who are not air pilots or for air pilots whose principal duties are not customarily performed aboard aircraft in flight."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to years beginning after December 31, 1992.

SEC. 4229. ELIMINATION OF SPECIAL VESTING RULE FOR MULTIEMPLOYER PLANS.

(a) IN GENERAL.—Paragraph (2) of section 411(a) of the Internal Revenue Code of 1986 (relating to minimum vesting standards) is amended—

(1) by striking "subparagraph (A), (B), or (C)" and inserting "subparagraph (A) or (B)"; and

(2) by striking subparagraph (C).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning on or after the earlier of—

(1) the later of—

(A) January 1, 1993, or

(B) the date on which the last of the collective bargaining agreements pursuant to which the plan is maintained terminates (determined without regard to any extension thereof after the date of the enactment of this Act), or

(2) January 1, 1995.

Such amendments shall not apply to any individual who does not have more than 1 hour of service under the plan on or after the 1st day of the 1st plan year to which such amendments apply.

SEC. 4230. TREATMENT OF DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) SPECIAL RULES FOR PLAN DISTRIBUTIONS.—Paragraph (9) of section 457(e) (relating to other definitions and special rules) is amended to read as follows:

"(9) BENEFITS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—

"(A) TOTAL AMOUNT PAYABLE IS $3,500 OR LESS.—The total amount payable to a participant under the plan shall not be treated as made available merely because the participant may elect to receive such amount (or the plan may distribute such amount without the participant's consent) if—

"(i) such amount does not exceed $3,500, and

"(ii) such amount may be distributed only if—

"(I) no amount has been deferred under the plan with respect to such participant during the 2-year period ending on the date of the distribution, and

"(II) there has been no prior distribution under the plan to such participant to which this subparagraph applied.

A plan shall not be treated as failing to meet the distribution requirements of subsection (d) by reason of a distribution to which this subparagraph applies.

"(B) ELECTION TO DEFER COMMENCEMENT OF DISTRIBUTIONS.—The total amount payable to a participant under the plan shall not be treated as made available merely because the participant may elect to defer commencement of distributions under the plan if—

"(i) such election is made after amounts may be available under the plan in accord-

ance with subsection (d)(1)(A) and before commencement of such distributions, and

"(ii) the participant may make only 1 such election."

(b) COST-OF-LIVING ADJUSTMENT OF MAXIMUM DEFERRAL AMOUNT.—Subsection (e) of section 457 is amended by adding at the end thereof the following new paragraph:

"(14) COST-OF-LIVING ADJUSTMENT OF MAXIMUM DEFERRAL AMOUNT.—The Secretary shall adjust the $7,500 amount specified in subsections (b)(2) and (c)(1) at the same time and in the same manner as under section 415(d) with respect to months after 1991."

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

SEC. 4231. TREATMENT OF GOVERNMENTAL PLANS UNDER SECTION 415.

(a) DEFINITION OF COMPENSATION.—Subsection (k) of section 415 (regarding limitations on benefits and contributions under qualified plans) is amended by adding immediately after paragraph (2) thereof the following new paragraph:

"(3) DEFINITION OF COMPENSATION FOR GOVERNMENTAL PLANS.—For purposes of this section, in the case of a governmental plan (as defined in section 414(d)), the term 'compensation' includes, in addition to the amounts described in subsection (c)(3)—

"(A) any elective deferral (as defined in section 402(g)(3)), and

"(B) any amount which is contributed by the employer at the election of the employee and which is not includible in the gross income of an employee under section 125 or 457."

(b) COMPENSATION LIMIT.—Subsection (b) of section 415 is amended by adding immediately after paragraph (10) the following new paragraph:

"(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL PLANS.—In the case of a governmental plan (as defined in section 414(d)), subparagraph (B) of paragraph (1) shall not apply."

(c) TREATMENT OF CERTAIN EXCESS BENEFIT PLANS.—

(1) IN GENERAL.—Section 415 is amended by adding at the end thereof the following new subsection:

"(m) TREATMENT OF QUALIFIED GOVERNMENTAL EXCESS BENEFIT ARRANGEMENTS.—

"(1) GOVERNMENTAL PLAN NOT AFFECTED.—In determining whether a governmental plan (as defined in section 414(d)) meets the requirements of this section, benefits provided under a qualified governmental excess benefit arrangement shall not be taken into account. Income accruing to a governmental plan (or to a trust that is maintained solely for the purpose of providing benefits under a qualified governmental excess benefit arrangement) in respect of a qualified governmental excess benefit arrangement shall constitute income derived from the exercise of an essential governmental function upon which such governmental plan (or trust) shall be exempt from tax under section 115.

"(2) TAXATION OF PARTICIPANT.—For purposes of this chapter—

"(A) the taxable year or years for which amounts in respect of a qualified governmental excess benefit arrangement are includible in gross income by a participant, and

"(B) the treatment of such amounts when so includible by the participant,

shall be determined as if such qualified governmental excess benefit arrangement were treated as a plan for the deferral of compensation which is maintained by a corporation not exempt from tax under this chapter and which does not meet the requirements for qualification under section 401.

"(3) QUALIFIED GOVERNMENTAL EXCESS BENEFIT ARRANGEMENT.—For purposes of this subsection, the term 'qualified governmental excess benefit arrangement' means a portion of a governmental plan if—

"(A) such portion is maintained solely for the purpose of providing to participants in the plan that part of the participant's annual benefit otherwise payable under the terms of the plan that exceeds the limitations on benefits imposed by this section,

"(B) under such portion no election is provided at any time to the participant (directly or indirectly) to defer compensation, and

"(C) benefits described in subparagraph (A) are not paid from a trust forming a part of such governmental plan unless such trust is maintained solely for the purpose of providing such benefits."

(2) COORDINATION WITH SECTION 457.—Subsection (e) of section 457 is amended by adding at the end thereof the following new paragraph:

"(15) TREATMENT OF QUALIFIED GOVERNMENTAL EXCESS BENEFIT ARRANGEMENTS.—Subsections (b)(2) and (c)(1) shall not apply to any qualified governmental excess benefit arrangement (as defined in section 415(m)(3)), and benefits provided under such an arrangement shall not be taken into account in determining whether any other plan is an eligible deferred compensation plan."

(3) CONFORMING AMENDMENT.—Paragraph (2) of section 457(f) is amended by striking the word "and" at the end of subparagraph (C), by striking the period after subparagraph (D) and inserting the words ", and", and by inserting immediately thereafter the following new subparagraph:

"(E) a qualified governmental excess benefit arrangement described in section 415(m)."

(d) EXEMPTION FOR SURVIVOR AND DISABILITY BENEFITS.—Paragraph (2) of section 415(b) is amended by adding at the end thereof the following new subparagraph:

"(I) EXEMPTION FOR SURVIVOR AND DISABILITY BENEFITS PROVIDED UNDER GOVERNMENTAL PLANS.—Subparagraph (B) of paragraph (1), subparagraph (C) of this paragraph, and paragraph (5) shall not apply to—

"(i) income received from a governmental plan (as defined in section 414(d)) as a pension, annuity, or similar allowance as the result of the recipient becoming disabled by reason of personal injuries or sickness, or

"(ii) amounts received from a governmental plan by the beneficiaries, survivors, or the estate of an employee as the result of the death of the employee."

(e) REVOCATION OF GRANDFATHER ELECTION.—Subparagraph (C) of section 415(b)(10) is amended by adding at the end thereof the following new sentence: "An election made pursuant to the preceding sentence to have the provisions of this paragraph applied to the plan may be revoked not later than the last day of the 3rd plan year beginning after the date of enactment with respect to all plan years as to which such election has been applicable and all subsequent plan years; provided that any amount paid by the plan in a taxable year ending after revocation of such election in respect of benefits attributable to a taxable year during which such election was in effect shall be includible in income by the recipient in accordance with the rules of this chapter in the taxable year in which such amount is received (except that such amount shall be treated as received for purposes of the limitations imposed by this section in the earlier taxable year or years to which such amount is attributable)."

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsections (a), (b), (c), and (d) shall apply to taxable years beginning on or after the date of the enactment of this Act. The amendments made by subsection (e) shall apply with respect to election revocations adopted after the date of the enactment of this Act.

(2) TREATMENT FOR YEARS BEGINNING BEFORE DATE OF ENACTMENT.—In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), such plan shall be treated as satisfying the requirements of section 415 of such Code for all taxable years beginning before the date of the enactment of this Act.

SEC. 4232. USE OF EXCESS ASSETS OF BLACK LUNG BENEFIT TRUSTS FOR HEALTH CARE BENEFITS.

(a) GENERAL RULE.—Paragraph (21) of section 501(c) is amended to read as follows:

"(21)(A) A trust or trusts established in writing, created or organized in the United States, and contributed to by any person (except an insurance company) if—

"(i) the purpose of such trust or trusts is exclusively—

"(I) to satisfy, in whole or in part, the liability of such person for, or with respect to, claims for compensation for disability or death due to pneumoconiosis under Black Lung Acts,

"(II) to pay premiums for insurance exclusively covering such liability,

"(III) to pay administrative and other incidental expenses of such trust in connection with the operation of the trust and the processing of claims against such person under Black Lung Acts, and

"(IV) to pay accident or health benefits for retired miners and their spouses and dependents (including administrative and other incidental expenses of such trust in connection therewith) or premiums for insurance exclusively covering such benefits; and

"(ii) no part of the assets of the trust may be used for, or diverted to, any purpose other than—

"(I) the purposes described in clause (i),

"(II) investment (but only to the extent that the trustee determines that a portion of the assets is not currently needed for the purposes described in clause (i)) in qualified investments, or

"(III) payment into the Black Lung Disability Trust Fund established under section 9501, or into the general fund of the United States Treasury (other than in satisfaction of any tax or other civil or criminal liability of the person who established or contributed to the trust).

"(B) No deduction shall be allowed under this chapter for any payment described in subparagraph (A)(i)(IV) from such trust.

"(C) Payments described in subparagraph (A)(i)(IV) may be made from such trust during a taxable year only to the extent that the aggregate amount of such payments during such taxable year does not exceed the lesser of—

"(i) the excess (if any) (as of the close of the preceding taxable year) of—

"(I) the fair market value of the assets of the trust, over

"(II) 110 percent of the present value of the liability described in subparagraph (A)(i)(I) of such person, or

"(ii) the excess (if any) of—

"(I) the sum of a similar excess determined as of the close of the last taxable year ending before the date of the enactment of this sub-

paragraph plus earnings thereon as of the close of the taxable year preceding the taxable year involved, over

"(II) the aggregate payments described in subparagraph (A)(i)(IV) made from the trust during all taxable years beginning after the date of the enactment of this subparagraph.

The determinations under the preceding sentence shall be made by an independent actuary using actuarial methods and assumptions (not inconsistent with the regulations prescribed under section 192(c)(1)(A)) each of which is reasonable and which are reasonable in the aggregate.

"(D) For purposes of this paragraph:

"(i) The term 'Black Lung Acts' means part C of title IV of the Federal Mine Safety and Health Act of 1977, and any State law providing compensation for disability or death due to that pneumoconiosis.

"(ii) The term 'qualified investments' means—

"(I) public debt securities of the United States,

"(II) obligations of a State or local government which are not in default as to principal or interest, and

"(III) time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(6) of the Federal Credit Union Act, 12 U.S.C. 1752(6)) located in the United States.

"(iii) The term 'miner' has the same meaning as such term has when used in section 402(d) of the Black Lung Benefits Act (30 U.S.C. 902(d)).

"(iv) The term 'incidental expenses' includes legal, accounting, actuarial, and trustee expenses."

(b) EXCEPTION FROM TAX ON SELF-DEALING.—Section 4951(f) is amended by striking "clause (i) of section 501(c)(21)(A)" and inserting "subclause (I) or (IV) of section 501(c)(21)(A)(i)".

(c) TECHNICAL AMENDMENT.—Paragraph (4) of section 192(c) is amended by striking "clause (ii) of section 501(c)(21)(B)" and inserting "subclause (II) of section 501(c)(21)(A)(ii)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

SEC. 4233. TREATMENT OF EMPLOYER REVERSIONS REQUIRED BY CONTRACT TO BE PAID TO THE UNITED STATES.

(a) IN GENERAL.—Subparagraph (B) of section 4980(c)(2) (defining employer reversion) is amended by striking "or" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", or", and by adding at the end thereof the following new clause:

"(iii) any distribution to the employer to the extent that the distribution is paid within a reasonable period to the United States in satisfaction of a Federal claim for an equitable share of the plan's surplus assets, as determined pursuant to Federal contracting regulations."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to reversions on or after the date of the enactment of this Act.

SEC. 4234. CONTINUATION HEALTH COVERAGE FOR EMPLOYEES OF FAILED FINANCIAL INSTITUTIONS.

(a) ENFORCEMENT OF CONTINUATION OF HEALTH PLAN REQUIREMENTS OF SUCCESSORS OF FAILED DEPOSITORY INSTITUTIONS.—Subsection (f) of section 4980B (relating to continuation of coverage requirements of group health plans) is amended by adding after paragraph (8) the following new paragraph:

"(9) SPECIAL RULES FOR SUCCESSORS OF FAILED DEPOSITORY INSTITUTIONS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), any successor of a failed depository institution—

"(i) shall have the same obligation to provide a group health plan meeting the requirements of this subsection with respect to qualified individuals of such institution in the same manner as the failed depository institution would have had but for its failure, and

"(ii) shall be treated as the employer of such qualified individuals of this section.

"(B) TAX NOT TO APPLY IF FDIC OR RTC PROVIDE CONTINUATION COVERAGE.—Subparagraph (A) shall not apply if the Federal Deposit Insurance Corporation or the Resolution Trust Corporation are, outside of their respective capacities as successors of a failed depository institution, providing a group health plan meeting the requirements of this subsection to qualified individuals of a failed depository institution.

"(C) SUCCESSOR.—For purposes of this paragraph, an entity is a successor of a failed depository institution during any period if—

"(i) such entity holds substantially all of the assets or liabilities of such institution, and

"(ii)(I) such entity is a bridge bank, or

"(II) such entity acquired such assets or liabilities from the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, or a bridge bank.

"(D) FAILED DEPOSITORY INSTITUTION.—For purposes of this section, the term 'failed depository institution' means any depository institution (as defined in section 3(c) of the Federal Deposit Insurance Act) for which a receiver or conservator has been appointed.

"(E) QUALIFIED INDIVIDUAL.—For purposes of this section, the term 'qualified individual' means any individual who was provided coverage under a group health plan of the failed depository institution by reason of the performance of services for such institution, and the spouse and any dependent child of such individual."

(b) TREATMENT OF DEPOSITORY INSTITUTION FAILURES AS QUALIFYING EVENTS FOR RETIREES OF SUCH INSTITUTIONS.—

(1) IN GENERAL.—Subparagraph (F) of section 4908B(f)(3) is amended—

(A) by striking "A proceeding" and inserting "(i) A proceeding",

(B) by striking the period at the end and inserting ", or", and

(C) by inserting after clause (i) the following new clause:

"(ii) the appointment of a receiver or conservator for a failed depository institution from whose employment the covered employee retired at any time."

(2) CONFORMING AMENDMENT.—Subclause (III) of section 4980B(f)(2)(B)(i) is amended—

(A) by inserting "OR FAILURES OF DEPOSITORY INSTITUTIONS" after "PROCEEDINGS" in the heading, and

(B) by inserting "and failures of depository institutions" after "proceedings".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply as if included in section 451 of the Federal Deposit Insurance Corporation Improvement Act of 1991 as of the date of the enactment of such Act.

(2) SPECIAL RULE FOR FDIC PLAN.—The health care continuation plan maintained by the Federal Deposit Insurance Corporation on June 25, 1992, and any other substantially similar plan maintained by such Corporation, shall be deemed to satisfy the requirements of section 4980B(f) of the Internal Revenue Code of 1986 with respect to qualified individuals of failed depository institutions.

Subtitle C—Treatment of Large Partnerships

PART I—GENERAL PROVISIONS

SEC. 4301. SIMPLIFIED FLOW-THROUGH FOR LARGE PARTNERSHIPS.

(a) GENERAL RULE.—Subchapter K (relating to partners and partnerships) is amended by adding at the end thereof the following new part:

"PART IV—SPECIAL RULES FOR LARGE PARTNERSHIPS

"Sec. 771. Application of subchapter to large partnerships.
"Sec. 772. Simplified flow-through.
"Sec. 773. Computations at partnership level.
"Sec. 774. Other modifications.
"Sec. 775. Large partnership defined.
"Sec. 776. Special rules for partnerships holding oil and gas properties.
"Sec. 777. Regulations.

"SEC. 771. APPLICATION OF SUBCHAPTER TO LARGE PARTNERSHIPS.

"The preceding provisions of this subchapter to the extent inconsistent with the provisions of this part shall not apply to a large partnership and its partners.

"SEC. 772. SIMPLIFIED FLOW-THROUGH.

"(a) GENERAL RULE.—In determining the income tax of a partner of a large partnership, such partner shall take into account separately such partner's distributive share of the partnership's—

"(1) taxable income or loss from passive loss limitation activities,

"(2) taxable income or loss from other activities,

"(3) net capital gain (or net capital loss)—

"(A) to the extent allocable to passive loss limitation activities, and

"(B) to the extent allocable to other activities,

"(4) tax-exempt interest,

"(5) applicable net AMT adjustment separately computed for—

"(A) passive loss limitation activities, and

"(B) other activities,

"(6) general credits,

"(7) low-income housing credit determined under section 42,

"(8) rehabilitation credit determined under section 47,

"(9) foreign income taxes, and

"(10) the credit allowable under section 29.

"(b) SEPARATE COMPUTATIONS.—In determining the amounts required under subsection (a) to be separately taken into account by any partner, this section and section 773 shall be applied separately with respect to such partner by taking into account such partner's distributive share of the items of income, gain, loss, deduction, or credit of the partnership.

"(c) TREATMENT AT PARTNER LEVEL.—

"(1) IN GENERAL.—Except as provided in this subsection, rules similar to the rules of section 702(b) shall apply to any partner's distributive share of the amounts referred to in subsection (a).

"(2) INCOME OR LOSS FROM PASSIVE LOSS LIMITATION ACTIVITIES.—For purposes of this chapter, any partner's distributive share of any income or loss described in subsection (a)(1) shall be treated as an item of income or loss (as the case may be) from the conduct of a trade or business which is a single passive activity (as defined in section 469). A similar rule shall apply to a partner's distributive share of amounts referred to in paragraphs (3)(A) and (5)(A) of subsection (a).

"(3) INCOME OR LOSS FROM OTHER ACTIVITIES.—

"(A) IN GENERAL.—For purposes of this chapter, any partner's distributive share of

any income or loss described in subsection (a)(2) shall be treated as an item of income or expense (as the case may be) with respect to property held for investment.

"(B) DEDUCTIONS FOR LOSS NOT SUBJECT TO SECTION 67.—The deduction under section 212 for any loss described in subparagraph (A) shall not be treated as a miscellaneous itemized deduction for purposes of section 67.

"(4) TREATMENT OF NET CAPITAL GAIN OR LOSS.—For purposes of this chapter, any partner's distributive share of any gain or loss described in subsection (a)(3) shall be treated as a long-term capital gain or loss, as the case may be.

"(5) MINIMUM TAX TREATMENT.—In determining the alternative minimum taxable income of any partner, such partner's distributive share of any applicable net AMT adjustment shall be taken into account in lieu of making the separate adjustments provided in sections 56, 57, and 58 with respect to the items of the partnership. Except as provided in regulations, the applicable net AMT adjustment shall be treated, for purposes of section 53, as an adjustment or item of tax preference not specified in section 53(d)(1)(B)(ii).

"(6) GENERAL CREDITS.—A partner's distributive share of the amount referred to in paragraph (6) of subsection (a) shall be taken into account as a current year business credit.

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

"(1) PASSIVE LOSS LIMITATION ACTIVITY.—The term 'passive loss limitation activity' means—

"(A) any activity which involves the conduct of a trade or business, and

"(B) any rental activity.

For purposes of the preceding sentence, the term 'trade or business' includes any activity treated as a trade or business under paragraph (5) or (6) of section 469(c).

"(2) TAX-EXEMPT INTEREST.—The term 'tax-exempt interest' means interest excludable from gross income under section 103.

"(3) APPLICABLE NET AMT ADJUSTMENT.—

"(A) IN GENERAL.—The applicable net AMT adjustment is—

"(i) with respect to taxpayers other than corporations, the net adjustment determined by using the adjustments applicable to individuals, and

"(ii) with respect to corporations, the net adjustment determined by using the adjustments applicable to corporations.

"(B) NET ADJUSTMENT.—The term 'net adjustment' means the net adjustment in the items attributable to passive loss activities or other activities (as the case may be) which would result if such items were determined with the adjustments of sections 56, 57, and 58.

"(4) TREATMENT OF CAPITAL GAINS AND LOSSES.—

"(A) EXCLUSION FOR CERTAIN PURPOSES.—In determining the amounts referred to in paragraphs (1) and (2) of subsection (a), any net capital gain or net capital loss (as the case may be) shall be excluded.

"(B) ALLOCATION RULES.—The net capital gain shall be treated—

"(i) as allocable to passive loss limitation activities to the extent the net capital gain does not exceed the net capital gain determined by only taking into account gains and losses from sales and exchanges of property used in connection with such activities, and

"(ii) as allocable to other activities to the extent such gain exceeds the amount allocated under clause (i).

A similar rule shall apply for purposes of allocating any net capital loss.

"(C) NET CAPITAL LOSS.—The term 'net capital loss' means the excess of the losses from sales or exchanges of capital assets over the gains from sales or exchange of capital assets.

"(5) GENERAL CREDITS.—The term 'general credits' means any credit other than the low-income housing credit, the rehabilitation credit, the foreign tax credit, and the credit allowable under section 29.

"(6) FOREIGN INCOME TAXES.—The term 'foreign income taxes' means taxes described in section 901 which are paid or accrued to foreign countries and to possessions of the United States.

"(e) SPECIAL RULE FOR UNRELATED BUSINESS TAX.—In the case of a partner which is an organization subject to tax under section 511, such partner's distributive share of any items shall be taken into account separately to the extent necessary to comply with the provisions of section 512(c)(1).

"(f) SPECIAL RULES FOR APPLYING PASSIVE LOSS LIMITATIONS.—If any person holds an interest in a large partnership other than as a limited partner—

"(1) paragraph (2) of subsection (c) shall not apply to such partner, and

"(2) such partner's distributive share of the partnership items allocable to passive loss limitation activities shall be taken into account separately to the extent necessary to comply with the provisions of section 469.

The preceding sentence shall not apply to any items allocable to an interest held as a limited partner.

"SEC. 773. COMPUTATIONS AT PARTNERSHIP LEVEL.

"(a) GENERAL RULE.—

"(1) TAXABLE INCOME.—The taxable income of a large partnership shall be computed in the same manner as in the case of an individual except that—

"(A) the items described in section 772(a) shall be separately stated, and

"(B) the modifications of subsection (b) shall apply.

"(2) ELECTIONS.—All elections affecting the computation of the taxable income of a large partnership or the computation of any credit of a large partnership shall be made by the partnership; except that the election under section 901 shall be made by each partner separately.

"(3) LIMITATIONS, ETC.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), all limitations and other provisions affecting the computation of the taxable income of a large partnership or the computation of any credit of a large partnership shall be applied at the partnership level (and not at the partner level).

"(B) CERTAIN LIMITATIONS APPLIED AT PARTNER LEVEL.—The following provisions shall be applied at the partner level (and not at the partnership level):

"(i) Section 68 (relating to overall limitation on itemized deductions).

"(ii) Sections 49 and 465 (relating to at risk limitations).

"(iii) Section 469 (relating to limitation on passive activity losses and credits).

"(iv) Any other provision specified in regulations.

"(4) COORDINATION WITH OTHER PROVISIONS.—Paragraphs (2) and (3) shall apply notwithstanding any other provision of this chapter other than this part.

"(b) MODIFICATIONS TO DETERMINATION OF TAXABLE INCOME.—In determining the taxable income of a large partnership—

"(1) CERTAIN DEDUCTIONS NOT ALLOWED.—The following deductions shall not be allowed:

"(A) The deduction for personal exemptions provided in section 151.

"(B) The net operating loss deduction provided in section 172.

"(C) The additional itemized deductions for individuals provided in part VII of subchapter B (other than section 212 thereof).

"(2) CHARITABLE DEDUCTIONS.—In determining the amount allowable under section 170, the limitation of section 170(b)(2) shall apply.

"(3) COORDINATION WITH SECTION 67.—In lieu of applying section 67, 70 percent of the amount of the miscellaneous itemized deductions shall be disallowed.

"(c) SPECIAL RULES FOR INCOME FROM DISCHARGE OF INDEBTEDNESS.—If a large partnership has income from the discharge of any indebtedness—

"(1) such income shall be excluded in determining the amounts referred to in section 772(a), and

"(2) in determining the income tax of any partner of such partnership—

"(A) such income shall be treated as an item required to be separately taken into account under section 772(a), and

"(B) the provisions of section 108 shall be applied without regard to this part.

"SEC. 774. OTHER MODIFICATIONS.

"(a) TREATMENT OF CERTAIN OPTIONAL ADJUSTMENTS, ETC.—In the case of a large partnership—

"(1) computations under section 773 shall be made without regard to any adjustment under section 743(b) or 108(b), but

"(2) a partner's distributive share of any amount referred to in section 772(a) shall be appropriately adjusted to take into account any adjustment under section 743(b) or 108(b) with respect to such partner.

"(b) DEFERRED SALE TREATMENT OF CONTRIBUTED PROPERTY.—

"(1) TREATMENT OF PARTNERSHIP.—In the case of any contribution of property to which this subsection applies—

"(A) the basis of such property to the partnership shall be its fair market value as of the time of such contribution, and

"(B) section 704(c) shall not apply to such property.

"(2) TREATMENT OF CONTRIBUTING PARTNER.—

"(A) IN GENERAL.—In the case of any partner who makes a contribution of property to which this subsection applies—

"(i) such partner shall recognize the precontribution gain or loss from such property as provided in this paragraph, and

"(ii) appropriate adjustments to the basis of such partner's interest in the partnership shall be made for the amounts recognized under this paragraph.

"(B) CHARACTER.—The character of any gain or loss recognized under this paragraph shall be determined by reference to the character which would have resulted if the property had been sold to the partnership at the time of the contributions; except that any gain or loss recognized under subparagraph (C)(i) shall be treated as ordinary income or loss, as the case may be.

"(C) TRANSACTIONS AT PARTNERSHIP LEVEL.—

"(i) DEPRECIATION, ETC.—If any partnership deduction for depreciation, depletion, or amortization is increased by reason of an increase in the basis of any property under paragraph (1), the contributing partner shall recognize so much of the precontribution gain with respect to such property as does not exceed the increase in such deduction. If there is a precontribution loss, a similar rule shall apply to any decrease in such a deduction.

"(ii) DISPOSITIONS.—

"(I) IN GENERAL.—Except as otherwise provided in this clause, any precontribution gain or loss with respect to any property (to the extent not previously taken into account under this paragraph) shall be recognized by the contributing partner if the partnership makes any disposition of the property.

"(II) DISTRIBUTIONS TO CONTRIBUTING PARTNER.—No gain or loss shall be recognized under subclause (I) by reason of any distribution of the contributed property to the contributing partner (and subparagraph (D)(ii) shall not apply to any such distribution). In any such case, no adjustment shall be made under section 734 on account of such distribution and the adjusted basis of such property in the hands of the contributing partner shall be its adjusted basis immediately before the contribution properly adjusted for gain or loss previously recognized under this paragraph.

"(iii) YEAR FOR WHICH AMOUNT TAKEN INTO ACCOUNT.—Any amount recognized under this subparagraph shall be taken into account for the partner's taxable year in which or with which ends the partnership taxable year of the deduction or disposition.

"(D) TRANSACTIONS AT PARTNER LEVEL.—

"(i) IN GENERAL.—If the contributing partner makes a disposition of any portion of his interest in the partnership, a corresponding portion of any precontribution gain or loss which was not previously taken into account under this paragraph shall be recognized for the partner's taxable year in which the disposition occurs. The preceding sentence shall not apply to a disposition at death.

"(ii) TREATMENT OF CERTAIN DISTRIBUTIONS.—If—

"(I) the amount of cash and the fair market value of property distributed to a partner, exceeds

"(II) the adjusted basis of such partner's interest in the partnership immediately before the distribution (determined without regard to any adjustment under subparagraph (A)(ii) resulting from such distribution),

the contributing partner shall recognize so much of any precontribution gain as does not exceed such excess.

"(iii) SPECIAL RULE.—Except as provided in clause (ii)(II), any basis adjustment under subparagraph (A)(ii) resulting from any gain or loss recognized under this subparagraph shall be treated as occurring immediately before the disposition or distribution involved.

"(E) SECTION 267 AND 707(b) PRINCIPLES TO APPLY.—No loss shall be recognized under subparagraph (C)(ii) or (D) by reason of any disposition (directly or indirectly) to a person related (within the meaning of section 267(b) or 707(b)(1)) to the contributing partner.

"(F) TREATMENT OF CERTAIN NONTAXABLE EXCHANGES.—

"(i) SECTION 1031 AND 1033 TRANSACTIONS.—If the disposition referred to in subclause (I) of subparagraph (C)(ii) is an exchange described in section 1031 or a compulsory or involuntary conversion within the meaning of section 1033—

"(I) the amount of gain or loss recognized by the contributing partner under such subclause (I) shall not exceed the gain or loss recognized by the partnership on the disposition, and

"(II) the replacement property shall be treated as the contributed property for purposes of this paragraph.

For purposes of the preceding sentence, the term 'replacement property' means the property the basis of which is determined under section 1031(d) or 1033(b), whichever is applicable.

"(ii) CONTRIBUTIONS TO CONTROLLED PARTNERSHIP.—If the disposition referred to in subclause (I) of subparagraph (C)(ii) is a contribution of the property to another partnership which is a controlled partnership—

"(I) the rules of subclause (I) of clause (i) shall apply, and

"(II) the partnership shall be treated as continuing to hold the contributed property so long as the other partnership continues to be a controlled partnership and continues to hold such property.

For purposes of the preceding sentence, the term 'controlled partnership' means any partnership in which the partnership making the disposition owns more than 50 percent of the capital interest or profits interest.

"(3) PRECONTRIBUTION GAIN OR LOSS.—For purposes of this subsection—

"(A) PRECONTRIBUTION GAIN.—The term 'precontribution gain' means the excess (if any) of—

"(i) the fair market value of the contributed property as of the time of the contribution, over

"(ii) the adjusted basis of such property immediately before such contribution.

"(B) PRECONTRIBUTION LOSS.—The term 'precontribution loss' means the excess (if any) of the amount referred to in clause (ii) of subparagraph (A) over the amount referred to in clause (i) of subparagraph (A).

"(4) CONTRIBUTIONS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any contribution of property (other than cash) which is made by any partner to a partnership if—

"(A) as of the time of such contribution, such partnership is a large partnership, or

"(B) such contribution is to a partnership reasonably expected to become a large partnership.

This subsection shall not apply to any contribution made before the date of the enactment of this part.

"(c) CREDIT RECAPTURE DETERMINED AT PARTNERSHIP LEVEL.—

"(1) IN GENERAL.—In the case of a large partnership—

"(A) any credit recapture shall be taken into account by the partnership, and

"(B) the amount of such recapture shall be determined as if the credit with respect to which the recapture is made had been fully utilized to reduce tax.

"(2) METHOD OF TAKING RECAPTURE INTO ACCOUNT.—A large partnership shall take into account a credit recapture by reducing the amount of the appropriate current year credit to the extent thereof, and if such recapture exceeds the amount of such current year credit, the partnership shall be liable to pay such excess.

"(3) DISPOSITIONS NOT TO TRIGGER RECAPTURE.—No credit recapture shall be required by reason of any transfer of an interest in a large partnership.

"(4) CREDIT RECAPTURE.—For purposes of this subsection, the term 'credit recapture' means any increase in tax under section 42(j) or 50(a).

"(d) PARTNERSHIP NOT TERMINATED BY REASON OF CHANGE IN OWNERSHIP.—Subparagraph (B) of section 708(b)(1) shall not apply to a large partnership.

"(e) PARTNERSHIP ENTITLED TO CERTAIN CREDITS.—The following shall be allowed to a large partnership and shall not be taken into account by the partners of such partnership:

"(1) The credit provided by section 34.

"(2) Any credit or refund under section 852(b)(3)(D).

"(f) TREATMENT OF REMIC RESIDUALS.—For purposes of applying section 860E(e)(6) to any large partnership—

"(1) all interests in such partnership shall be treated as held by disqualified organizations,

"(2) in lieu of applying subparagraph (C) of section 860E(e)(6), the amount subject to tax under section 860E(e)(6) shall be excluded from the gross income of such partnership, and

"(3) subparagraph (D) of section 860E(e)(6) shall not apply.

"(g) SPECIAL RULES FOR APPLYING CERTAIN INSTALLMENT SALE RULES.—In the case of a large partnership—

"(1) the provisions of sections 453(l)(3) and 453A shall be applied at the partnership level, and

"(2) in determining the amount of interest payable under such sections, such partnership shall be treated as subject to tax under this chapter at the highest rate of tax in effect under section 1 or 11.

"SEC. 775. LARGE PARTNERSHIP.

"(a) GENERAL RULE.—For purposes of this part—

"(1) IN GENERAL.—Except as otherwise provided in this section or section 776, the term 'large partnership' means, with respect to any partnership taxable year, any partnership if the number of persons who were partners in such partnership in such taxable year or any preceding partnership taxable year beginning after December 31, 1992, equaled or exceeded 250. To the extent provided in regulations, a partnership shall cease to be treated as a large partnership for any partnership taxable year if in such taxable year fewer than 100 persons were partners in such partnership.

"(2) ELECTION FOR PARTNERSHIPS WITH AT LEAST 100 PARTNERS.—If a partnership makes an election under this paragraph, paragraph (1) shall be applied by substituting '100' for '250'. Such an election shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.

"(b) SPECIAL RULES FOR CERTAIN SERVICE PARTNERSHIPS.—

"(1) CERTAIN PARTNERS NOT COUNTED.—For purposes of this section, the term 'partner' does not include any individual performing substantial services in connection with the activities of the partnership and holding an interest in such partnership, or an individual who formerly performed substantial services in connection with such activities and who held an interest in such partnership at the time the individual performed such services.

"(2) EXCLUSION.—For purposes of this part, the term 'large partnership' does not include any partnership if substantially all the partners of such partnership—

"(A) are individuals performing substantial services in connection with the activities of such partnership or are personal service corporations (as defined in section 269A(b)) the owner-employees (as defined in section 269A(b)) of which perform such substantial services,

"(B) are retired partners who had performed such substantial services, or

"(C) are spouses of partners who are performing (or had previously performed) such substantial services.

"(3) SPECIAL RULE FOR LOWER TIER PARTNERSHIPS.—For purposes of this subsection, the activities of a partnership shall include the activities of any other partnership in which the partnership owns directly an interest in the capital and profits of at least 80 percent.

"(c) EXCLUSION OF COMMODITY POOLS.—For purposes of this part, the term 'large partnership' does not include any partnership the principal activity of which is the buying and selling of commodities (not described in section 1221(1)), or options, futures, or forwards with respect to such commodities.

"(d) SECRETARY MAY RELY ON TREATMENT ON RETURN.—If, on the partnership return of any partnership, such partnership is treated as a large partnership, such treatment shall be binding on such partnership and all partners of such partnership but not on the Secretary.

"SEC. 776. SPECIAL RULES FOR PARTNERSHIPS HOLDING OIL AND GAS PROPERTIES.

"(a) EXCEPTION FOR PARTNERSHIPS HOLDING SIGNIFICANT OIL AND GAS PROPERTIES.—

"(1) IN GENERAL.—For purposes of this part, the term 'large partnership' shall not include any partnership if the average percentage of assets (by value) held by such partnership during the taxable year which are oil or gas properties is at least 25 percent. For purposes of the preceding sentence, any interest held by a partnership in another partnership shall be disregarded, except that the partnership shall be treated as holding its proportionate share of the assets of such other partnership.

"(2) ELECTION TO WAIVE EXCEPTION.—Any partnership may elect to have paragraph (1) not apply. Such an election shall apply to the partnership taxable year for which made and all subsequent partnership taxable years unless revoked with the consent of the Secretary.

"(b) SPECIAL RULES WHERE PART APPLIES.—

"(1) COMPUTATION OF PERCENTAGE DEPLETION.—In the case of a large partnership, except as provided in paragraph (2)—

"(A) the allowance for depletion under section 611 with respect to any partnership oil or gas property shall be computed at the partnership level without regard to any provision of section 613A requiring such allowance to be computed separately by each partner,

"(B) such allowance shall be determined without regard to the provisions of section 613A(c) limiting the amount of production for which percentage depletion is allowable and without respect to paragraph (1) of section 613A(d), and

"(C) paragraph (3) of section 705(a) shall not apply.

"(2) TREATMENT OF CERTAIN PARTNERS.—

"(A) IN GENERAL.—In the case of a disqualified person, the treatment under this chapter of such person's distributive share of any item of income, gain, loss, deduction, or credit attributable to any partnership oil or gas property shall be determined without regard to this part. Such person's distributive share of any such items shall be excluded for purposes of making determinations under sections 772 and 773.

"(B) DISQUALIFIED PERSON.—For purposes of subparagraph (A), the term 'disqualified person' means, with respect to any partnership taxable year—

"(i) any person referred to in paragraph (2) or (4) of section 613A(d) for such person's taxable year in which such partnership taxable year ends, and

"(ii) any other person if such person's average daily production of domestic crude oil and natural gas for such person's taxable year in which such partnership taxable year ends exceeds 500 barrels.

"(C) AVERAGE DAILY PRODUCTION.—For purposes of subparagraph (B), a person's average daily production of domestic crude oil and natural gas for any taxable year shall be computed as provided in section 613A(c)(2)—

"(i) by taking into account all production of domestic crude oil and natural gas (including such person's proportionate share of any production of a partnership),

"(ii) by treating 6,000 cubic feet of natural gas as a barrel of crude oil, and

"(iii) by treating as 1 person all persons treated as 1 taxpayer under section 613A(c)(8) or among whom allocations are required under such section.

"SEC. 777. REGULATIONS.

"The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this part."

(b) CLERICAL AMENDMENT.—The table of parts for subchapter K of chapter 1 is amended by adding at the end thereof the following new item:

"Part IV. Special rules for large partnerships."

SEC. 4302. SIMPLIFIED AUDIT PROCEDURES FOR LARGE PARTNERSHIPS.

(a) GENERAL RULE.—Chapter 63 is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER D—TREATMENT OF LARGE PARTNERSHIPS

"Part I. Treatment of partnership items and adjustments.

"Part II. Partnership level adjustments.

"Part III. Definitions and special rules.

"PART I—TREATMENT OF PARTNERSHIP ITEMS AND ADJUSTMENTS

"Sec. 6240. Application of subchapter.

"Sec. 6241. Partner's return must be consistent with partnership return.

"Sec. 6242. Procedures for taking partnership adjustments into account.

"SEC. 6240. APPLICATION OF SUBCHAPTER.

"(a) GENERAL RULE.—This subchapter shall only apply to large partnerships and partners in such partnerships.

"(b) COORDINATION WITH OTHER PARTNERSHIP AUDIT PROCEDURES.—

"(1) IN GENERAL.—Subchapter C of this chapter shall not apply to any large partnership other than in its capacity as a partner in another partnership which is not a large partnership.

"(2) TREATMENT WHERE PARTNER IN OTHER PARTNERSHIP.—If a large partnership is a partner in another partnership which is not a large partnership—

"(A) subchapter C of this chapter shall apply to items of such large partnership which are partnership items with respect to such other partnership, but

"(B) any adjustment under such subchapter C shall be taken into account in the manner provided by section 6242.

"SEC. 6241. PARTNER'S RETURN MUST BE CONSISTENT WITH PARTNERSHIP RETURN.

"(a) GENERAL RULE.—A partner of any large partnership shall, on the partner's return, treat each partnership item attributable to such partnership in a manner which is consistent with the treatment of such partnership item on the partnership return.

"(b) UNDERPAYMENT DUE TO INCONSISTENT TREATMENT ASSESSED AS MATH ERROR.—Any underpayment of tax by a partner by reason of failing to comply with the requirements of subsection (a) shall be assessed and collected in the same manner as if such underpayment were on account of a mathematical or clerical error appearing on the partner's return. Paragraph (2) of section 6213(b) shall not apply to any assessment of an underpayment referred to in the preceding sentence.

"(c) ADJUSTMENTS NOT TO AFFECT PRIOR YEAR OF PARTNERS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), subsections (a) and (b) shall apply without regard to any adjustment to the partnership item under part II.

"(2) CERTAIN CHANGES IN DISTRIBUTIVE SHARE TAKEN INTO ACCOUNT BY PARTNER.—

"(A) IN GENERAL.—To the extent that any adjustment under part II involves a change under section 704 in a partner's distributive share of the amount of any partnership item shown on the partnership return, such adjustment shall be taken into account in applying this title to such partner for the partner's taxable year for which such item was required to be taken into account.

"(B) COORDINATION WITH DEFICIENCY PROCEDURES.—

"(i) IN GENERAL.—Subchapter B shall not apply to the assessment or collection of any underpayment of tax attributable to an adjustment referred to in subparagraph (A).

"(ii) ADJUSTMENT NOT PRECLUDED.—Notwithstanding any other law or rule of law, nothing in subchapter B (or in any proceeding under subchapter B) shall preclude the assessment or collection of any underpayment of tax (or the allowance of any credit or refund of any overpayment of tax) attributable to an adjustment referred to in subparagraph (A) and such assessment or collection or allowance (or any notice thereof) shall not preclude any notice, proceeding, or determination under subchapter B.

"(C) PERIOD OF LIMITATIONS.—The period for—

"(i) assessing any underpayment of tax, or

"(ii) filing a claim for credit or refund of any overpayment of tax,

attributable to an adjustment referred to in subparagraph (A) shall not expire before the close of the period prescribed by section 6248 for making adjustments with respect to the partnership taxable year involved.

"(D) TIERED STRUCTURES.—If the partner referred to in subparagraph (A) is another partnership or an S corporation, the rules of this paragraph shall also apply to persons holding interests in such partnership or S corporation (as the case may be); except that, if such partner is a large partnership, the adjustment referred to in subparagraph (A) shall be taken into account in the manner provided by section 6242.

"(d) ADDITION TO TAX FOR FAILURE TO COMPLY WITH SECTION.—

"For addition to tax in case of partner's disregard of requirements of this section, see part II of subchapter A of chapter 68.

"SEC. 6242. PROCEDURES FOR TAKING PARTNERSHIP ADJUSTMENTS INTO ACCOUNT.

"(a) ADJUSTMENTS FLOW THROUGH TO PARTNERS FOR YEAR IN WHICH ADJUSTMENT TAKES EFFECT.—

"(1) IN GENERAL.—If any partnership adjustment with respect to any partnership item takes effect (within the meaning of subsection (d)(2)) during any partnership taxable year and if an election under paragraph (2) does not apply to such adjustment, such adjustment shall be taken into account in determining the amount of such item for the partnership taxable year in which such adjustment takes effect. In applying this title to any person who is (directly or indirectly) a partner in such partnership during such partnership taxable year, such adjustment shall be treated as an item actually arising during such taxable year.

"(2) PARTNERSHIP LIABLE IN CERTAIN CASES.—If—

"(A) a partnership elects under this paragraph to not take an adjustment into account under paragraph (1),

"(B) a partnership does not make such an election but in filing its return for any partnership taxable year fails to take fully into account any partnership adjustment as required under paragraph (1), or

"(C) any partnership adjustment involves a reduction in a credit which exceeds the amount of such credit determined for the partnership taxable year in which the adjustment takes effect,

the partnership shall pay to the Secretary an amount determined by applying the rules of subsection (b)(4) to the adjustments not so taken into account and any excess referred to in subparagraph (C).

"(3) OFFSETTING ADJUSTMENTS TAKEN INTO ACCOUNT.—If a partnership adjustment requires another adjustment in a taxable year after the adjusted year and before the partnership taxable year in which such partnership adjustment takes effect, such other adjustment shall be taken into account under this subsection for the partnership taxable year in which such partnership adjustment takes effect.

"(4) COORDINATION WITH PART II.—Amounts taken into account under this subsection for any partnership taxable year shall continue to be treated as adjustments for the adjusted year for purposes of determining whether such amounts may be readjusted under part II.

"(b) PARTNERSHIP LIABLE FOR INTEREST AND PENALTIES.—

"(1) IN GENERAL.—If a partnership adjustment takes effect during any partnership taxable year and such adjustment results in an imputed underpayment for the adjusted year, the partnership—

"(A) shall pay to the Secretary interest computed under paragraph (2), and

"(B) shall be liable for any penalty, addition to tax, or additional amount as provided in paragraph (3).

"(2) DETERMINATION OF AMOUNT OF INTEREST.—The interest computed under this paragraph with respect to any partnership adjustment is the interest which would be determined under chapter 67—

"(A) on the imputed underpayment determined under paragraph (4) with respect to such adjustment, or

"(B) for the period beginning on the day after the return due date for the adjusted year and ending on the return due date for the partnership taxable year in which such adjustment takes effect (or, if earlier, in the case of any adjustment to which subsection (a)(2) applies, the date on which the payment under subsection (a)(2) is made).

Proper adjustments in the amount determined under the preceding sentence shall be made for adjustments required for partnership taxable years after the adjusted year and before the year in which the partnership adjustment takes effect by reason of such partnership adjustment.

"(3) PENALTIES.—A partnership shall be liable for any penalty, addition to tax, or additional amount for which it would have been liable if such partnership had been an individual subject to tax under chapter 1 for the adjusted year and the imputed underpayment determined under paragraph (4) were an actual underpayment (or understatement) for such year.

"(4) IMPUTED UNDERPAYMENT.—For purposes of this subsection, the imputed underpayment determined under this paragraph with respect to any partnership adjustment is the underpayment (if any) which would result—

"(A) by netting all adjustments to items of income, gain, loss, or deduction and—

"(i) if such netting results in a net increase in income, by treating such net increase as an underpayment equal to the amount of such net increase multiplied by the highest rate of tax in effect under section 1 or 11 for the adjusted year, or

"(ii) if such netting results in a net decrease in income, by treating such net decrease as an overpayment equal to such net decrease multiplied by such highest rate, and

"(B) by taking adjustments to credits into account as increases or decreases (whichever is appropriate) in the amount of tax.

For purposes of the preceding sentence, any net decrease in a loss shall be treated as an increase in income and a similar rule shall apply to a net increase in a loss.

"(c) ADMINISTRATIVE PROVISIONS.—

"(1) IN GENERAL.—Any payment required by subsection (a)(2) or (b)(1)(A)—

"(A) shall be assessed and collected in the same manner as if it were a tax imposed by subtitle C, and

"(B) shall be paid on or before the return due date for the partnership taxable year in which the partnership adjustment takes effect.

"(2) INTEREST.—For purposes of determining interest, any payment required by subsection (a)(2) or (b)(1)(A) shall be treated as an underpayment of tax.

"(3) PENALTIES.—

"(A) IN GENERAL.—In the case of any failure by any partnership to pay on the date prescribed therefor any amount required by subsection (a)(2) or (b)(1)(A), there is hereby imposed on such partnership a penalty of 10 percent of the underpayment. For purposes of the preceding sentence, the term 'underpayment' means the excess of any payment required under this section over the amount (if any) paid on or before the date prescribed therefor.

"(B) ACCURACY-RELATED AND FRAUD PENALTIES MADE APPLICABLE.—For purposes of part II of subchapter A of chapter 68, any payment required by subsection (a)(2) shall be treated as an underpayment of tax.

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

"(1) PARTNERSHIP ADJUSTMENT.—The term 'partnership adjustment' means any adjustment in the amount of any partnership item of a large partnership.

"(2) WHEN ADJUSTMENT TAKES EFFECT.—A partnership adjustment takes effect—

"(A) in the case of an adjustment pursuant to the decision of a court in a proceeding brought under part II, when such decision becomes final,

"(B) in the case of an adjustment pursuant to any administrative adjustment request under section 6251, when such adjustment is allowed by the Secretary, or

"(C) in any other case, when such adjustment is made.

"(3) ADJUSTED YEAR.—The term 'adjusted year' means the partnership taxable year to which the item being adjusted relates.

"(4) RETURN DUE DATE.—The term 'return due date' means, with respect to any taxable year, the date prescribed for filing the partnership return for such taxable year (determined without regard to extensions).

"(5) ADJUSTMENTS INVOLVING CHANGES IN CHARACTER.—Under regulations, appropriate adjustments in the application of this section shall be made for purposes of taking into account partnership adjustments which involve a change in the character of any item of income, gain, loss, or deduction.

"(e) PAYMENTS NONDEDUCTIBLE.—No deduction shall be allowed under subtitle A for any payment required to be made by a large partnership under this section.

"PART II—PARTNERSHIP LEVEL ADJUSTMENTS

"Subpart A. Adjustments by Secretary.
"Subpart B. Claims for adjustments by partnership.

"Subpart A—Adjustments by Secretary

"Sec. 6245. Secretarial authority.
"Sec. 6246. Restrictions on partnership adjustments.
"Sec. 6247. Judicial review of partnership adjustment.
"Sec. 6248. Period of limitations for making adjustments.

"SEC. 6245. SECRETARIAL AUTHORITY.

"(a) GENERAL RULE.—The Secretary is authorized and directed to make adjustments at the partnership level in any partnership item to the extent necessary to have such item be treated in the manner required.

"(b) NOTICE OF PARTNERSHIP ADJUSTMENT.—

"(1) IN GENERAL.—If the Secretary determines that a partnership adjustment is required, the Secretary is authorized to send notice of such adjustment to the partnership by certified mail or registered mail. Such notice shall be sufficient if mailed to the partnership at its last known address even if the partnership has terminated its existence.

"(2) FURTHER NOTICES RESTRICTED.—If the Secretary mails a notice of a partnership adjustment to any partnership for any partnership taxable year and the partnership files a petition under section 6247 with respect to such notice, in the absence of a showing of fraud, malfeasance, or misrepresentation of a material fact, the Secretary shall not mail another such notice to such partnership with respect to such taxable year.

"(3) AUTHORITY TO RESCIND NOTICE WITH PARTNERSHIP CONSENT.—The Secretary may, with the consent of the partnership, rescind any notice of a partnership adjustment mailed to such partnership. Any notice so rescinded shall not be treated as a notice of a partnership adjustment, for purposes of this section, section 6246, and section 6247, and the taxpayer shall have no right to bring a proceeding under section 6247 with respect to such notice. Nothing in this subsection shall affect any suspension of the running of any period of limitations during any period during which the rescinded notice was outstanding.

"SEC. 6246. RESTRICTIONS ON PARTNERSHIP ADJUSTMENTS.

"(a) GENERAL RULE.—Except as otherwise provided in this chapter, no adjustment to any partnership item may be made (and no levy or proceeding in any court for the collection of any amount resulting from such adjustment may be made, begun or prosecuted) before—

"(1) the close of the 90th day after the day on which a notice of a partnership adjustment was mailed to the partnership, and

"(2) if a petition is filed under section 6247 with respect to such notice, the decision of the court has become final.

"(b) PREMATURE ACTION MAY BE ENJOINED.—Notwithstanding section 7421(a), any action which violates subsection (a) may be enjoined in the proper court, including the Tax Court. The Tax Court shall have no jurisdiction to enjoin any action under this subsection unless a timely petition has been filed under section 6247 and then only in respect of the adjustments that are the subject of such petition.

"(c) EXCEPTIONS TO RESTRICTIONS ON ADJUSTMENTS.—

"(1) ADJUSTMENTS ARISING OUT OF MATH OR CLERICAL ERRORS.—

"(A) IN GENERAL.—If the partnership is notified that, on account of a mathematical or clerical error appearing on the partnership return, an adjustment to a partnership item is required, rules similar to the rules of paragraphs (1) and (2) of section 6213(b) shall apply to such adjustment.

"(B) SPECIAL RULE.—If a large partnership is a partner in another large partnership, any adjustment on account of such partnership's failure to comply with the requirements of section 6241(a) with respect to its interest in such other partnership shall be treated as an adjustment referred to in subparagraph (A), except that paragraph (2) of section 6213(b) shall not apply to such adjustment.

"(2) PARTNERSHIP MAY WAIVE RESTRICTIONS.—The partnership shall at any time (whether or not a notice of partnership adjustment has been issued) have the right, by a signed notice in writing filed with the Secretary, to waive the restrictions provided in subsection (a) on the making of any partnership adjustment.

"(d) LIMIT WHERE NO PROCEEDING BEGUN.—If no proceeding under section 6247 is begun with respect to any notice of a partnership adjustment during the 90-day period described in subsection (a), the amount for which the partnership is liable under section 6242 (and any increase in any partner's liability for tax under chapter 1 by reason of any adjustment under section 6242(a)) shall not exceed the amount determined in accordance with such notice.

"SEC. 6247. JUDICIAL REVIEW OF PARTNERSHIP ADJUSTMENT.

"(a) GENERAL RULE.—Within 90 days after the date on which a notice of a partnership adjustment is mailed to the partnership with respect to any partnership taxable year, the partnership may file a petition for a readjustment of the partnership items for such taxable year with—

"(1) the Tax Court,

"(2) the district court of the United States for the district in which the partnership's principal place of business is located, or

"(3) the Claims Court.

"(b) JURISDICTIONAL REQUIREMENT FOR BRINGING ACTION IN DISTRICT COURT OR CLAIMS COURT.—

"(1) IN GENERAL.—A readjustment petition under this section may be filed in a district court of the United States or the Claims Court only if the partnership filing the petition deposits with the Secretary, on or before the date the petition is filed, the amount for which the partnership would be liable under section 6242(b) (as of the date of the filing of the petition) if the partnership items were adjusted as provided by the notice of partnership adjustment. The court may by order provide that the jurisdictional requirements of this paragraph are satisfied where there has been a good faith attempt to satisfy such requirement and any shortfall of the amount required to be deposited is timely corrected.

"(2) INTEREST PAYABLE.—Any amount deposited under paragraph (1), while deposited, shall not be treated as a payment of tax for purposes of this title (other than chapter 67).

"(c) SCOPE OF JUDICIAL REVIEW.—A court with which a petition is filed in accordance with this section shall have jurisdiction to determine all partnership items of the partnership for the partnership taxable year to which the notice of partnership adjustment relates and the proper allocation of such items among the partners (and the applicability of any penalty, addition to tax, or additional amount for which the partnership may be liable under section 6242(b)).

"(d) DETERMINATION OF COURT REVIEWABLE.—Any determination by a court under this section shall have the force and effect of a decision of the Tax Court or a final judgment or decree of the district court or the Claims Court, as the case may be, and shall be reviewable as such. The date of any such determination shall be treated as being the date of the court's order entering the decision.

"(e) EFFECT OF DECISION DISMISSING ACTION.—If an action brought under this section is dismissed other than by reason of a rescission under section 6245(b)(3), the decision of the court dismissing the action shall be considered as its decision that the notice of partnership adjustment is correct, and an appropriate order shall be entered in the records of the court.

"SEC. 6248. PERIOD OF LIMITATIONS FOR MAKING ADJUSTMENTS.

"(a) GENERAL RULE.—Except as otherwise provided in this section, no adjustment under this subpart to any partnership item for any partnership taxable year may be made after the date which is 3 years after the later of—

"(1) the date on which the partnership return for such taxable year was filed, or

"(2) the last day for filing such return for such year (determined without regard to extensions).

"(b) EXTENSION BY AGREEMENT.—The period described in subsection (a) (including an extension period under this subsection) may be extended by an agreement entered into by the Secretary and the partnership before the expiration of such period.

"(c) SPECIAL RULE IN CASE OF FRAUD, ETC.—

"(1) FALSE RETURN.—In the case of a false or fraudulent partnership return with intent to evade tax, the adjustment may be made at any time.

"(2) SUBSTANTIAL OMISSION OF INCOME.—If any partnership omits from gross income an amount properly includible therein which is in excess of 25 percent of the amount of gross income stated in its return, subsection (a) shall be applied by substituting '6 years' for '3 years'.

"(3) NO RETURN.—In the case of a failure by a partnership to file a return for any taxable year, the adjustment may be made at any time.

"(4) RETURN FILED BY SECRETARY.—For purposes of this section, a return executed by the Secretary under subsection (b) of section 6020 on behalf of the partnership shall not be treated as a return of the partnership.

"(d) SUSPENSION WHEN SECRETARY MAILS NOTICE OF ADJUSTMENT.—If notice of a partnership adjustment with respect to any taxable year is mailed to the partnership, the running of the period specified in subsection (a) (as modified by the other provisions of this section) shall be suspended—

"(1) for the period during which an action may be brought under section 6247 (and, if a petition is filed under section 6247 with respect to such notice, until the decision of the court becomes final), and

"(2) for 1 year thereafter.

"Subpart B—Claims for Adjustments by Partnership

"Sec. 6251. Administrative adjustment requests.

"Sec. 6252. Judicial review where administrative adjustment request is not allowed in full.

"SEC. 6251. ADMINISTRATIVE ADJUSTMENT REQUESTS.

"(a) GENERAL RULE.—A partnership may file a request for an administrative adjustment of partnership items for any partnership taxable year at any time which is—

"(1) within 3 years after the later of—

"(A) the date on which the partnership return for such year is filed, or

"(B) the last day for filing the partnership return for such year (determined without regard to extensions), and

"(2) before the mailing to the partnership of a notice of a partnership adjustment with respect to such taxable year.

"(b) SECRETARIAL ACTION.—If a partnership files an administrative adjustment request under subsection (a), the Secretary may allow any part of the requested adjustments.

"(c) SPECIAL RULE IN CASE OF EXTENSION UNDER SECTION 6248.—If the period described in section 6248(a) is extended pursuant to an agreement under section 6248(b), the period prescribed by subsection (a)(1) shall not expire before the date 6 months after the expiration of the extension under section 6248(b).

"SEC. 6252. JUDICIAL REVIEW WHERE ADMINISTRATIVE ADJUSTMENT REQUEST IS NOT ALLOWED IN FULL.

"(a) IN GENERAL.—If any part of an administrative adjustment request filed under section 6251 is not allowed by the Secretary, the partnership may file a petition for an adjustment with respect to the partnership items to which such part of the request relates with—

"(1) the Tax Court,

"(2) the district court of the United States for the district in which the principal place of business of the partnership is located, or

"(3) the Claims Court.

"(b) PERIOD FOR FILING PETITION.—A petition may be filed under subsection (a) with respect to partnership items for a partnership taxable year only—

"(1) after the expiration of 6 months from the date of filing of the request under section 6251, and

"(2) before the date which is 2 years after the date of such request.

The 2-year period set forth in paragraph (2) shall be extended for such period as may be agreed upon in writing by the partnership and the Secretary.

"(c) COORDINATION WITH SUBPART A.—

"(1) NOTICE OF PARTNERSHIP ADJUSTMENT BEFORE FILING OF PETITION.—No petition may be filed under this section after the Secretary mails to the partnership a notice of a partnership adjustment for the partnership taxable year to which the request under section 6251 relates.

"(2) NOTICE OF PARTNERSHIP ADJUSTMENT AFTER FILING BUT BEFORE HEARING OF PETITION.—If the Secretary mails to the partnership a notice of a partnership adjustment for the partnership taxable year to which the request under section 6251 relates after the filing of a petition under this subsection but before the hearing of such petition, such petition shall be treated as an action brought under section 6247 with respect to such notice, except that subsection (b) of section 6247 shall not apply.

"(3) NOTICE MUST BE BEFORE EXPIRATION OF STATUTE OF LIMITATIONS.—A notice of a partnership adjustment for the partnership taxable year shall be taken into account under paragraphs (1) and (2) only if such notice is mailed before the expiration of the period prescribed by section 6248 for making adjustments to partnership items for such taxable year.

"(d) SCOPE OF JUDICIAL REVIEW.—Except in the case described in paragraph (2) of sub-

section (c), a court with which a petition is filed in accordance with this section shall have jurisdiction to determine only those partnership items to which the part of the request under section 6251 not allowed by the Secretary relates and those items with respect to which the Secretary asserts adjustments as offsets to the adjustments requested by the partnership.

"(e) DETERMINATION OF COURT REVIEWABLE.—Any determination by a court under this subsection shall have the force and effect of a decision of the Tax Court or a final judgment or decree of the district court or the Claims Court, as the case may be, and shall be reviewable as such. The date of any such determination shall be treated as being the date of the court's order entering the decision.

"PART III—DEFINITIONS AND SPECIAL RULES.

"Sec. 6255. Definitions and special rules.

"SEC. 6255. DEFINITIONS AND SPECIAL RULES.

"(a) DEFINITIONS.—For purposes of this subchapter—

"(1) LARGE PARTNERSHIP.—The term 'large partnership' has the meaning given to such term by section 775 without regard to section 776(a).

"(2) PARTNERSHIP ITEM.—The term 'partnership item' has the meaning given to such term by section 6231(a)(3).

"(b) PARTNERS BOUND BY ACTIONS OF PARTNERSHIP, ETC.—

"(1) DESIGNATION OF PARTNER.—Each large partnership shall designate (in the manner prescribed by the Secretary) a partner (or other person) who shall have the sole authority to act on behalf of such partnership under this subchapter. In any case in which such a designation is not in effect, the Secretary may select any partner as the partner with such authority.

"(2) BINDING EFFECT.—A large partnership and all partners of such partnership shall be bound—

"(A) by actions taken under this subchapter by the partnership, and

"(B) by any decision in a proceeding brought under this subchapter.

"(c) PARTNERSHIPS HAVING PRINCIPAL PLACE OF BUSINESS OUTSIDE THE UNITED STATES.—For purposes of sections 6247 and 6252, a principal place of business located outside the United States shall be treated as located in the District of Columbia.

"(d) TREATMENT WHERE PARTNERSHIP CEASES TO EXIST.—If a partnership ceases to exist before a partnership adjustment under this subchapter takes effect, such adjustment shall be taken into account by the former partners of such partnership under regulations prescribed by the Secretary.

"(e) DATE DECISION BECOMES FINAL.—For purposes of this subchapter, the principles of section 7481(a) shall be applied in determining the date on which a decision of a district court or the Claims Court becomes final.

"(f) PARTNERSHIPS IN CASES UNDER TITLE 11 OF THE UNITED STATES CODE.—The running of any period of limitations provided in this subchapter on making a partnership adjustment (or provided by section 6501 or 6502 on the assessment or collection of any amount required to be paid under section 6242) shall, in a case under title 11 of the United States Code, be suspended during the period during which the Secretary is prohibited by reason of such case from making the adjustment (or assessment or collection) and—

"(1) for adjustment or assessment, 60 days thereafter, and

"(2) for collection, 6 months thereafter.

"(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this subchapter, including regulations—

"(1) to prevent abuse through manipulation of the provisions of this subchapter, and

"(2) providing that this subchapter shall not apply to any case described in section 6231(c)(1) (or the regulations prescribed thereunder) where the application of this subchapter to such a case would interfere with the effective and efficient enforcement of this title.

In any case to which this subchapter does not apply by reason of paragraph (2), rules similar to the rules of sections 6229(f) and 6255(f) shall apply."

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 63 is amended by adding at the end thereof the following new item:

"SUBCHAPTER D. Treatment of large partnerships."

SEC. 4303. DUE DATE FOR FURNISHING INFORMATION TO PARTNERS OF LARGE PARTNERSHIPS.

(a) GENERAL RULE.—Subsection (b) of section 6031 (relating to copies to partners) is amended by adding at the end thereof the following new sentence: "In the case of a large partnership (as defined in sections 775 and 776(a)), such information shall be furnished on or before the first March 15 following the close of such taxable year."

(b) TREATMENT AS INFORMATION RETURN.—Section 6724 is amended by adding at the end thereof the following new subsection:

"(e) SPECIAL RULE FOR CERTAIN PARTNERSHIP RETURNS.—If any partnership return under section 6031(a) is required under section 6011(e) to be filed on magnetic media or in other machine-readable form, for purposes of this part, each schedule required to be included with such return with respect to each partner shall be treated as a separate information return."

SEC. 4304. RETURNS MAY BE REQUIRED ON MAGNETIC MEDIA.

Paragraph (2) of section 6011(e) (relating to returns on magnetic media) is amended by adding at the end thereof the following new sentence:

"The preceding sentence shall not apply in the case of the partnership return of a large partnership (as defined in sections 775 and 776(a)) or any other partnership with 250 or more partners."

SEC. 4305. EFFECTIVE DATE.

(a) GENERAL RULE.—Except as provided in subsection (b), the amendments made by this part shall apply to partnership taxable years ending on or after December 31, 1992.

(b) SPECIAL RULE FOR SECTION 4304.—In the case of a partnership which is not a large partnership (as defined in sections 775 and 776(a) of the Internal Revenue Code of 1986, as added by this part), the amendment made by section 4304 shall only apply to partnership taxable years ending on or after December 31, 1993.

PART II—PROVISIONS RELATED TO TEFRA PARTNERSHIP PROCEEDINGS

SEC. 4311. TREATMENT OF PARTNERSHIP ITEMS IN DEFICIENCY PROCEEDINGS.

(a) IN GENERAL.—Subchapter C of chapter 63 is amended by adding at the end thereof the following new section:

"SEC. 6234. DECLARATORY JUDGMENT RELATING TO TREATMENT OF ITEMS OTHER THAN PARTNERSHIP ITEMS WITH RESPECT TO AN OVERSHELTERED RETURN.

"(a) GENERAL RULE.—If—

"(1) a taxpayer files an oversheltered return for a taxable year,

"(2) the Secretary makes a determination with respect to the treatment of items (other than partnership items) of such taxpayer for such taxable year, and

"(3) the adjustments resulting from such determination do not give rise to a deficiency (as defined in section 6211) but would give rise to a deficiency if there were no net loss from partnership items,

the Secretary is authorized to send a notice of adjustment reflecting such determination to the taxpayer by certified or registered mail.

"(b) OVERSHELTERED RETURN.—For purposes of this section, the term 'oversheltered return' means an income tax return which—

"(1) shows no taxable income for the taxable year, and

"(2) shows a net loss from partnership items.

"(c) JUDICIAL REVIEW IN THE TAX COURT.—Within 90 days, or 150 days if the notice is addressed to a person outside the United States, after the day on which the notice of adjustment authorized in subsection (a) is mailed to the taxpayer, the taxpayer may file a petition with the Tax Court for redetermination of the adjustments. Upon the filing of such a petition, the Tax Court shall have jurisdiction to make a declaration with respect to all items (other than partnership items and affected items which require partner level determinations as described in section 6230(a)(2)(A)(i)) for the taxable year to which the notice of adjustment relates, in accordance with the principles of section 6214(a). Any such declaration shall have the force and effect of a decision of the Tax Court and shall be reviewable as such.

"(d) FAILURE TO FILE PETITION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), if the taxpayer does not file a petition with the Tax Court within the time prescribed in subsection (c), the determination of the Secretary set forth in the notice of adjustment that was mailed to the taxpayer shall be deemed to be correct.

"(2) EXCEPTION.—Paragraph (1) shall not apply after the date that the taxpayer—

"(A) files a petition with the Tax Court within the time prescribed in subsection (c) with respect to a subsequent notice of adjustment relating to the same taxable year, or

"(B) files a claim for refund of an overpayment of tax under section 6511 for the taxable year involved.

If a claim for refund is filed by the taxpayer, then solely for purposes of determining (for the taxable year involved) the amount of any computational adjustment in connection with a partnership proceeding under this subchapter (other than under this section) or the amount of any deficiency attributable to affected items in a proceeding under section 6230(a)(2), the items that are the subject of the notice of adjustment shall be presumed to have been correctly reported on the taxpayer's return during the pendency of the refund claim (and, if within the time prescribed by section 6532 the taxpayer commences a civil action for refund under section 7422, until the decision in the refund action becomes final).

"(e) LIMITATIONS PERIOD.—

"(1) IN GENERAL.—Any notice to a taxpayer under subsection (a) shall be mailed before the expiration of the period prescribed by section 6501 (relating to the period of limitations on assessment).

"(2) SUSPENSION WHEN SECRETARY MAILS NOTICE OF ADJUSTMENT.—If the Secretary mails a notice of adjustment to the taxpayer for a taxable year, the period of limitations on the

making of assessments shall be suspended for the period during which the Secretary is prohibited from making the assessment (and, in any event, if a proceeding in respect of the notice of adjustment is placed on the docket of the Tax Court, until the decision of the Tax Court becomes final), and for 60 days thereafter.

"(3) RESTRICTIONS ON ASSESSMENT.—Except as otherwise provided in section 6851, 6852, or 6861, no assessment of a deficiency with respect to any tax imposed by subtitle A attributable to any item (other than a partnership item or any item affected by a partnership item) shall be made—

"(A) until the expiration of the applicable 90-day or 150-day period set forth in subsection (c) for filing a petition with the Tax Court, or

"(B) if a petition has been filed with the Tax Court, until the decision of the Tax Court has become final.

"(f) FURTHER NOTICES OF ADJUSTMENT RESTRICTED.—If the Secretary mails a notice of adjustment to the taxpayer for a taxable year and the taxpayer files a petition with the Tax Court within the time prescribed in subsection (c), the Secretary may not mail another such notice to the taxpayer with respect to the same taxable year in the absence of a showing of fraud, malfeasance, or misrepresentation of a material fact.

"(g) COORDINATION WITH OTHER PROCEEDINGS UNDER THIS SUBCHAPTER.—

"(1) IN GENERAL.—The treatment of any item that has been determined pursuant to subsection (c) or (d) shall be taken into account in determining the amount of any computational adjustment that is made in connection with a partnership proceeding under this subchapter (other than under this section), or the amount of any deficiency attributable to affected items in a proceeding under section 6230(a)(2), for the taxable year involved. Notwithstanding any other law or rule of law pertaining to the period of limitations on the making of assessments, for purposes of the preceding sentence, any adjustment made in accordance with this section shall be taken into account regardless of whether any assessment has been made with respect to such adjustment.

"(2) SPECIAL RULE IN CASE OF COMPUTATIONAL ADJUSTMENT.—In the case of a computational adjustment that is made in connection with a partnership proceeding under this subchapter (other than under this section), the provisions of paragraph (1) shall apply only if the computational adjustment is made within the period prescribed by section 6229 for assessing any tax under subtitle A which is attributable to any partnership item or affected item for the taxable year involved.

"(3) CONVERSION TO DEFICIENCY PROCEEDING.—If—

"(A) after the notice referred to in subsection (a) is mailed to a taxpayer for a taxable year but before the expiration of the period for filing a petition with the Tax Court under subsection (c) (or, if a petition is filed with the Tax Court, before the Tax Court makes a declaration for that taxable year), the treatment of any partnership item for the taxable year is finally determined, or any such item ceases to be a partnership item pursuant to section 6231(b), and

"(B) as a result of that final determination or cessation, a deficiency can be determined with respect to the items that are the subject of the notice of adjustment,

the notice of adjustment shall be treated as a notice of deficiency under section 6212 and any petition filed in respect of the notice shall be treated as an action brought under section 6213.

"(4) FINALLY DETERMINED.—For purposes of this subsection, the treatment of partnership items shall be treated as finally determined if—

"(A) the Secretary enters into a settlement agreement (within the meaning of section 6224) with the taxpayer regarding such items,

"(B) a notice of final partnership administrative adjustment has been issued and—

"(i) no petition has been filed under section 6226 and the time for doing so has expired, or

"(ii) a petition has been filed under section 6226 and the decision of the court has become final, or

"(C) the period within which any tax attributable to such items may be assessed against the taxpayer has expired.

"(h) SPECIAL RULES IF SECRETARY INCORRECTLY DETERMINES APPLICABLE PROCEDURE.—

"(1) SPECIAL RULE IF SECRETARY ERRONEOUSLY MAILS NOTICE OF ADJUSTMENT.—If the Secretary erroneously determines that subchapter B does not apply to a taxable year of a taxpayer and consistent with that determination timely mails a notice of adjustment to the taxpayer pursuant to subsection (a) of this section, the notice of adjustment shall be treated as a notice of deficiency under section 6212 and any petition that is filed in respect of the notice shall be treated as an action brought under section 6213.

"(2) SPECIAL RULE IF SECRETARY ERRONEOUSLY MAILS NOTICE OF DEFICIENCY.—If the Secretary erroneously determines that subchapter B applies to a taxable year of a taxpayer and consistent with that determination timely mails a notice of deficiency to the taxpayer pursuant to section 6212, the notice of deficiency shall be treated as a notice of adjustment under subsection (a) and any petition that is filed in respect of the notice shall be treated as an action brought under subsection (c)."

(b) TREATMENT OF PARTNERSHIP ITEMS IN DEFICIENCY PROCEEDINGS.—Section 6211 (defining deficiency) is amended by adding at the end thereof the following new subsection:

"(c) COORDINATION WITH SUBCHAPTER C.—In determining the amount of any deficiency for purposes of this subchapter, adjustments to partnership items shall be made only as provided in subchapter C."

(c) CLERICAL AMENDMENT.—The table of sections for subchapter C of chapter 63 is amended by adding at the end thereof the following new item:

"Sec. 6234. Declaratory judgment relating to treatment of items other than partnership items with respect to an oversheltered return.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years ending after the date of the enactment of this Act.

SEC. 4312. PARTNERSHIP RETURN TO BE DETERMINATIVE OF AUDIT PROCEDURES TO BE FOLLOWED.

(a) IN GENERAL.—Section 6231 (relating to definitions and special rules) is amended by adding at the end thereof the following new subsection:

"(g) PARTNERSHIP RETURN TO BE DETERMINATIVE OF WHETHER SUBCHAPTER APPLIES.—

"(1) DETERMINATION THAT SUBCHAPTER APPLIES.—If, on the basis of a partnership return for a taxable year, the Secretary reasonably determines that this subchapter applies to such partnership for such year but such determination is erroneous, then the provisions of this subchapter are hereby extended to such partnership (and its items) for such taxable year and to partners of such partnership.

"(2) DETERMINATION THAT SUBCHAPTER DOES NOT APPLY.—If, on the basis of a partnership return for a taxable year, the Secretary reasonably determines that this subchapter does not apply to such partnership for such year but such determination is erroneous, then the provisions of this subchapter shall not apply to such partnership (and its items) for such taxable year or to partners of such partnership."

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

SEC. 4313. PROVISIONS RELATING TO STATUTE OF LIMITATIONS.

(a) SUSPENSION OF STATUTE WHERE UNTIMELY PETITION FILED.—Paragraph (1) of section 6229(d) (relating to suspension where Secretary makes administrative adjustment) is amended by striking all that follows "section 6226" and inserting the following: "(and, if a petition is filed under section 6226 with respect to such administrative adjustment, until the decision of the court becomes final), and".

(b) SUSPENSION OF STATUTE DURING BANKRUPTCY PROCEEDING.—Section 6229 is amended by adding at the end thereof the following new subsection:

"(h) SUSPENSION DURING PENDENCY OF BANKRUPTCY PROCEEDING.—If a petition is filed naming a partner as a debtor in a bankruptcy proceeding under title 11 of the United States Code, the running of the period of limitations provided in this section with respect to such partner shall be suspended—

"(1) for the period during which the Secretary is prohibited by reason of such bankruptcy proceeding from making an assessment, and

"(2) for 60 days thereafter."

(c) TAX MATTERS PARTNER IN BANKRUPTCY.—Section 6229(b) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

"(2) SPECIAL RULE WITH RESPECT TO DEBTORS IN TITLE 11 CASES.—Notwithstanding any other law or rule of law, if an agreement is entered into under paragraph (1)(B) and the agreement is signed by a person who would be the tax matters partner but for the fact that, at the time that the agreement is executed, the person is a debtor in a bankruptcy proceeding under title 11 of the United States Code, such agreement shall be binding on all partners in the partnership unless the Secretary has been notified of the bankruptcy proceeding in accordance with regulations prescribed by the Secretary."

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to partnership taxable years with respect to which the period under section 6229 of the Internal Revenue Code of 1986 for assessing tax has not expired on or before the date of the enactment of this Act.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to agreements entered into after the date of the enactment of this Act.

SEC. 4314. EXPANSION OF SMALL PARTNERSHIP EXCEPTION.

(a) IN GENERAL.—Clause (i) of section 6231(a)(1)(B) (relating to exception for small partnerships) is amended to read as follows:

"(i) IN GENERAL.—The term 'partnership' shall not include any partnership having 10 or fewer partners each of whom is an individual (other than a nonresident alien), a C corporation, or an estate of a deceased partner. For purposes of the preceding sentence, a husband and wife (and their estates) shall be treated as 1 partner."

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

SEC. 4315. EXCLUSION OF PARTIAL SETTLEMENTS FROM 1 YEAR LIMITATION ON ASSESSMENT.

(a) IN GENERAL.—Subsection (f) of section 6229 (relating to items becoming nonpartnership items) is amended—

(1) by striking "(f) ITEMS BECOMING NONPARTNERSHIP ITEMS.—If" and inserting the following:

"(f) SPECIAL RULES.—

"(1) ITEMS BECOMING NONPARTNERSHIP ITEMS.—If",

(2) by moving the text of such subsection 2 ems to the right, and

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

"(2) SPECIAL RULE FOR PARTIAL SETTLEMENT AGREEMENTS.—If a partner enters into a settlement agreement with the Secretary with respect to the treatment of some of the partnership items in dispute for a partnership taxable year but other partnership items for such year remain in dispute, the period of limitations for assessing any tax attributable to the settled items shall be determined as if such agreement had not been entered into."

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

SEC. 4316. EXTENSION OF TIME FOR FILING A REQUEST FOR ADMINISTRATIVE ADJUSTMENT.

(a) IN GENERAL.—Section 6227 (relating to administrative adjustment requests) is amended by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and by inserting after subsection (a) the following new subsection:

"(b) SPECIAL RULE IN CASE OF EXTENSION OF PERIOD OF LIMITATIONS UNDER SECTION 6229.—The period prescribed by subsection (a)(1) for filing of a request for an administrative adjustment shall be extended—

"(1) for the period within which an assessment may be made pursuant to an agreement (or any extension thereof) under section 6229(b), and

"(2) for 6 months thereafter."

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 402 of the Tax Equity and Fiscal Responsibility Act of 1982.

SEC. 4317. AVAILABILITY OF INNOCENT SPOUSE RELIEF IN CONTEXT OF PARTNERSHIP PROCEEDINGS.

(a) IN GENERAL.—Subsection (a) of section 6230 is amended by adding at the end thereof the following new paragraph:

"(3) SPECIAL RULE IN CASE OF ASSERTION BY PARTNER'S SPOUSE OF INNOCENT SPOUSE RELIEF.—

"(A) Notwithstanding section 6404(b), if the spouse of a partner asserts that section 6013(e) applies with respect to a liability that is attributable to any adjustment to a partnership item, then such spouse may file with the Secretary within 60 days after the notice and demand (or notice of computational adjustment) is mailed to the spouse a request for abatement of the assessment specified in such notice. Upon receipt of such request, the Secretary shall abate the assessment. Any reassessment of the tax with respect to which an abatement is made under this subparagraph shall be subject to the deficiency procedures prescribed by subchapter B. The period for making any such reassessment shall not expire before the expiration of 60 days after the date of such abatement.

"(B) If the spouse files a petition with the Tax Court pursuant to section 6213 with respect to the request for abatement described in subparagraph (A), the Tax Court shall only have jurisdiction pursuant to this section to determine whether the requirements of section 6013(e) have been satisfied. For purposes of such determination, the treatment of partnership items under the settlement, the final partnership administrative adjustment, or the decision of the court (whichever is appropriate) that gave rise to the liability in question shall be conclusive.

"(C) Rules similar to the rules contained in subparagraphs (B) and (C) of paragraph (2) shall apply for purposes of this paragraph."

(b) CLAIMS FOR REFUND.—Subsection (c) of section 6230 is amended by adding at the end thereof the following new paragraph:

"(5) RULES FOR SEEKING INNOCENT SPOUSE RELIEF.—

"(A) IN GENERAL.—The spouse of a partner may file a claim for refund on the ground that the Secretary failed to relieve the spouse under section 6013(e) from a liability that is attributable to an adjustment to a partnership item.

"(B) TIME FOR FILING CLAIM.—Any claim under subparagraph (A) shall be filed within 6 months after the day on which the Secretary mails to the spouse the notice and demand (or notice of computational adjustment) referred to in subsection (a)(3)(A).

"(C) SUIT IF CLAIM NOT ALLOWED.—If the claim under subparagraph (B) is not allowed, the spouse may bring suit with respect to the claim within the period specified in paragraph (3).

"(D) PRIOR DETERMINATIONS ARE BINDING.—For purposes of any claim or suit under this paragraph, the treatment of partnership items under the settlement, the final partnership administrative adjustment, or the decision of the court (whichever is appropriate) that gave rise to the liability in question shall be conclusive."

(c) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 6230(a) is amended by striking "paragraph (2)" and inserting "paragraph (2) or (3)".

(2) Subsection (a) of section 6503 is amended by striking "section 6230(a)(2)(A)" and inserting "paragraph (2)(A) or (3) of section 6230(a)".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 402 of the Tax Equity and Fiscal Responsibility Act of 1982.

SEC. 4318. DETERMINATION OF PENALTIES AT PARTNERSHIP LEVEL.

(a) IN GENERAL.—Section 6221 (relating to tax treatment determined at partnership level) is amended by striking "item" and inserting "item (and the applicability of any penalty, addition to tax, or additional amount which relates to an adjustment to a partnership item)".

(b) CONFORMING AMENDMENTS.—

(1) Subsection (f) of section 6226 is amended—

(A) by striking "relates and" and inserting "relates,", and

(B) by inserting before the period ", and the applicability of any penalty, addition to tax, or additional amount which relates to an adjustment to a partnership item".

(2) Clause (i) of section 6230(a)(2)(A) is amended to read as follows:

"(i) affected items which require partner level determinations (other than penalties, additions to tax, and additional amounts that relate to adjustments to partnership items), or".

(3)(A) Subparagraph (A) of section 6230(a)(3), as added by section 3317, is amended by inserting "(including any liability for any penalty, addition to tax, or additional amount relating to such adjustment)" after "partnership item".

(B) Subparagraph (B) of such section is amended by inserting "(and the applicability of any penalties, additions to tax, or additional amounts)" after "partnership items".

(C) Subparagraph (A) of section 6230(c)(5), as added by section 3317, is amended by inserting before the period "(including any liability for any penalties, additions to tax, or additional amounts relating to such adjustment)".

(D) Subparagraph (D) of section 6230(c)(5), as added by section 3317, is amended by inserting "(and the applicability of any penalties, additions to tax, or additional amounts)" after "partnership items".

(4) Paragraph (1) of section 6230(c) is amended by striking "or" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ", or", and by adding at the end thereof the following new subparagraph:

"(C) the Secretary erroneously imposed any penalty, addition to tax, or additional amount which relates to an adjustment to a partnership item."

(5) So much of subparagraph (A) of section 6230(c)(2) as precedes "shall be filed" is amended to read as follows:

"(A) UNDER PARAGRAPH (1) (A) OR (C).—Any claim under subparagraph (A) or (C) of paragraph (1)".

(6) Paragraph (4) of section 6230(c) is amended by adding at the end thereof the following: "In addition, the determination under the final partnership administrative adjustment or under the decision of the court (whichever is appropriate) concerning the applicability of any penalty, addition to tax, or additional amount which relates to an adjustment to a partnership item shall also be conclusive.

Notwithstanding the preceding sentence, the partner shall be allowed to assert any partner level defenses that may apply or to challenge the amount of the computational adjustment."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years ending after the date of the enactment of this Act.

SEC. 4319. PROVISIONS RELATING TO COURT JURISDICTION, ETC.

(a) TAX COURT JURISDICTION TO ENJOIN PREMATURE ASSESSMENTS OF DEFICIENCIES ATTRIBUTABLE TO PARTNERSHIP ITEMS.—Subsection (b) of section 6225 is amended by striking "the proper court." and inserting "the proper court, including the Tax Court. The Tax Court shall have no jurisdiction to enjoin any action or proceeding under this subsection unless a timely petition for a readjustment of the partnership items for the taxable year has been filed and then only in respect of the adjustments that are the subject of such petition."

(b) JURISDICTION TO CONSIDER STATUTE OF LIMITATIONS WITH RESPECT TO PARTNERS.—Paragraph (1) of section 6226(d) is amended by adding at the end thereof the following new sentence:

"Notwithstanding subparagraph (B), any person treated under subsection (c) as a party to an action shall be permitted to participate in such action (or file a readjustment petition under subsection (b) or paragraph (2) of this subsection) solely for the purpose of asserting that the period of limitations for assessing any tax attributable to partnership items has expired with respect to such person, and the court having jurisdiction of such action shall have jurisdiction to consider such assertion."

(c) TAX COURT JURISDICTION TO DETERMINE OVERPAYMENTS ATTRIBUTABLE TO AFFECTED ITEMS.—

(1) Paragraph (6) of section 6230(d) is amended by striking "(or an affected item)".

(2) Paragraph (3) of section 6512(b) is amended by adding at the end thereof the following new sentence:

"In the case of a credit or refund relating to an affected item (within the meaning of section 6229), the preceding sentence shall be applied by substituting the periods under sections 6229 and 6230(d) for the periods under section 6511(b)(2), (c), and (d)."

(d) VENUE ON APPEAL.—

(1) Paragraph (1) of section 7482(b) is amended by striking "or" at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting ", or", and by inserting after subparagraph (E) the following new subparagraph:

"(F) in the case of a petition under section 6234(c)—

"(i) the legal residence of the petitioner if the petitioner is not a corporation, and

"(ii) the place or office applicable under subparagraph (B) if the petitioner is a corporation."

(2) The last sentence of section 7482(b) is amended by striking "or 6228(a)" and inserting ", 6228(a), or 6234(c)".

(e) OTHER PROVISIONS.—

(1) Subsection (c) of section 7459 is amended by striking "or section 6228(a)" and inserting ", 6228(a), or 6234(c)".

(2) Subsection (o) of section 6501 is amended by adding at the end thereof the following new paragraph:

"(3) For declaratory judgment relating to treatment of items other than partnership items with respect to an oversheltered return, see section 6234."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years ending after the date of the enactment of this Act.

SEC. 4320. TREATMENT OF PREMATURE PETITIONS FILED BY NOTICE PARTNERS OR 5-PERCENT GROUPS.

(a) IN GENERAL.—Subsection (b) of section 6226 (relating to judicial review of final partnership administrative adjustments) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) TREATMENT OF PREMATURE PETITIONS.—If—

"(A) a petition for a readjustment of partnership items for the taxable year involved is filed by a notice partner (or a 5-percent group) during the 90-day period described in subsection (a), and

"(B) no action is brought under paragraph (1) during the 60-day period described therein with respect to such taxable year which is not dismissed,

such petition shall be treated for purposes of paragraph (1) as filed on the last day of such 60-day period."

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

SEC. 4321. BONDS IN CASE OF APPEALS FROM TEFRA PROCEEDING.

(a) IN GENERAL.—Subsection (b) of section 7485 (relating to bonds to stay assessment of collection) is amended—

(1) by inserting "penalties," after "any interest,", and

(2) by striking "aggregate of such deficiencies" and inserting "aggregate liability of the parties to the action".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 402 of the Tax Equity and Fiscal Responsibility Act of 1982.

SEC. 4322. SUSPENSION OF INTEREST WHERE DELAY IN COMPUTATIONAL ADJUSTMENT RESULTING FROM TEFRA SETTLEMENTS.

(a) IN GENERAL.—Subsection (c) of section 6601 (relating to interest on underpayment, nonpayment, or extension of time for payment, of tax) is amended by adding at the end thereof the following new sentence: "In the case of a settlement under section 6224(c) which results in the conversion of partnership items to nonpartnership items pursuant to section 6231(b)(1)(C), the preceding sentence shall apply to a computational adjustment resulting from such settlement in the same manner as if such adjustment were a deficiency and such settlement were a waiver referred to in the preceding sentence."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to settlements entered into after the date of the enactment of this Act.

Subtitle D—Foreign Provisions

PART I—SIMPLIFICATION OF TREATMENT OF PASSIVE FOREIGN CORPORATIONS

SEC. 4401. REPEAL OF FOREIGN PERSONAL HOLDING COMPANY RULES AND FOREIGN INVESTMENT COMPANY RULES.

(a) GENERAL RULE.—The following provisions are hereby repealed:

(1) Part III of subchapter G of chapter 1 (relating to foreign personal holding companies).

(2) Section 1246 (relating to gain on foreign investment company stock).

(3) Section 1247 (relating to election by foreign investment companies to distribute income currently).

(b) EXEMPTION OF FOREIGN CORPORATIONS FROM ACCUMULATED EARNINGS TAX AND PERSONAL HOLDING COMPANY RULES.—

(1) ACCUMULATED EARNINGS TAX.—Subsection (b) of section 532 (relating to exceptions) is amended—

(A) by striking paragraph (2) and inserting the following:

"(2) a foreign corporation, or",

(B) by striking ", or" at the end of paragraph (3) and inserting a period, and

(C) by striking paragraph (4).

(2) PERSONAL HOLDING COMPANY RULES.—Subsection (c) of section 542 (relating to exceptions) is amended—

(A) by striking paragraph (5) and inserting the following:

"(5) a foreign corporation,",

(B) by striking paragraphs (7) and (10) and by redesignating paragraphs (8) and (9) as paragraphs (7) and (8), respectively,

(C) by inserting "and" at the end of paragraph (7) (as so redesignated), and

(D) by striking "; and" at the end of paragraph (8) (as so redesignated) and inserting a period.

(c) TREATMENT OF CERTAIN SERVICE CONTRACTS UNDER SUBPART F.—

(1) Paragraph (1) of section 954(c) (defining foreign personal holding company income) is amended by adding at the end thereof the following new subparagraph:

"(F) PERSONAL SERVICE CONTRACTS.—

"(i) Amounts received under a contract under which the corporation is to furnish personal services, if some person other than the corporation has the right to designate (by name or by description) the individual who is to perform the services, or if the individual who is to perform the services is designated (by name or by description) in the contract.

"(ii) Amounts received from the sale or other disposition of such contract.

This subparagraph shall apply with respect to amounts received for services under a particular contract only if at some time during the taxable year 25 percent or more in value of the outstanding stock of the corporation is owned, directly or indirectly, by or for the individual who has performed, is to perform, or may be designated (by name or by description) as the one to perform, such services. For purposes of the preceding sentence, the attribution rules of section 544 shall apply, determined as if any reference to section 543(a)(7) were a reference to this subparagraph."

(2) Clause (iii) of section 904(d)(2)(A) is amended by striking "and" at the end of subclause (III), by striking the period at the end of subclause (IV) and inserting ", and", and by adding at the end thereof the following new subclause:

"(V) any income described in section 954(c)(1)(F) (relating to personal service contracts)."

SEC. 4402. REPLACEMENT FOR PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) GENERAL RULE.—Part VI of subchapter P of chapter 1 (relating to treatment of certain passive foreign investment companies) is amended to read as follows:

"PART VI—TREATMENT OF PASSIVE FOREIGN CORPORATIONS

"Subpart A. Current taxation rules.

"Subpart B. Interest on holdings to which subpart A does not apply.

"Subpart C. General provisions.

"Subpart A—Current Taxation Rules

"Sec. 1291. Stock in certain passive foreign corporations marked to market.

"Sec. 1292. Inclusion of income of certain passive foreign corporations.

"SEC. 1291. STOCK IN CERTAIN PASSIVE FOREIGN CORPORATIONS MARKED TO MARKET.

"(a) GENERAL RULE.—In the case of marketable stock in a passive foreign corporation which is owned (or treated under subsection (g) as owned) by a United States person at the close of any taxable year of such person—

"(1) If the fair market value of such stock as of the close of such taxable year exceeds its adjusted basis, such United States person shall include in gross income for such taxable year an amount equal to the amount of such excess.

"(2) If the adjusted basis of such stock exceeds the fair market value of such stock as of the close of such taxable year, such United States person shall be allowed a deduction for such taxable year equal to the lesser of—

"(A) the amount of such excess, or

"(B) the unreversed inclusions with respect to such stock.

"(b) BASIS ADJUSTMENTS.—

"(1) IN GENERAL.—The adjusted basis of stock in a passive foreign corporation—

"(A) shall be increased by the amount included in the gross income of the United

States person under subsection (a)(1) with respect to such stock, and

"(B) shall be decreased by the amount allowed as a deduction to the United States person under subsection (a)(2) with respect to such stock.

"(2) SPECIAL RULE FOR STOCK CONSTRUCTIVELY OWNED.—In the case of stock in a passive foreign corporation which the United States person is treated as owning under subsection (g)—

"(A) the adjustments under paragraph (1) shall apply to such stock in the hands of the person actually holding such stock but only for purposes of determining the subsequent treatment under this chapter of the United States person with respect to such stock, and

"(B) similar adjustments shall be made to the adjusted basis of the property by reason of which the United States person is treated as owning such stock.

"(c) CHARACTER AND SOURCE RULES.—

"(1) ORDINARY TREATMENT.—

"(A) GAIN.—Any amount included in gross income under subsection (a)(1), and any gain on the sale or other disposition of marketable stock in a passive foreign corporation, shall be treated as ordinary income.

"(B) LOSS.—Any—

"(i) amount allowed as a deduction under subsection (a)(2), and

"(ii) loss on the sale or other disposition of marketable stock in a passive foreign corporation to the extent that the amount of such loss does not exceed the unreversed inclusions with respect to such stock,

shall be treated as an ordinary loss. The amount so treated shall be treated as a deduction allowable in computing adjusted gross income.

"(2) SOURCE.—The source of any amount included in gross income under subsection (a)(1) (or allowed as a deduction under subsection (a)(2)) shall be determined in the same manner as if such amount were gain or loss (as the case may be) from the sale of stock in the passive foreign corporation.

"(d) UNREVERSED INCLUSIONS.—For purposes of this section, the term 'unreversed inclusions' means, with respect to any stock in a passive foreign corporation, the excess (if any) of—

"(1) the amount included in gross income of the taxpayer under subsection (a)(1) with respect to such stock for prior taxable years, over

"(2) the amount allowed as a deduction under subsection (a)(2) with respect to such stock for prior taxable years.

The amount referred to in paragraph (1) shall include any amount which would have been included in gross income under subsection (a)(1) with respect to such stock for any prior taxable year but for section 1293.

"(e) COORDINATION WITH SECTION 1292.—This section shall not apply with respect to any stock in a passive foreign corporation—

"(1) which is U.S. controlled,

"(2) which is a qualified electing fund with respect to the United States person for the taxable year, or

"(3) in which the United States person is a 25-percent shareholder.

"(f) TREATMENT OF CONTROLLED FOREIGN CORPORATIONS WHICH ARE SHAREHOLDERS IN PASSIVE FOREIGN CORPORATIONS.—In the case of a foreign corporation which is a controlled foreign corporation (or is treated as a controlled foreign corporation under section 1292) and which owns (or is treated under subsection (g) as owning) stock in a passive foreign corporation—

"(1) this section (other than subsection (c)(2) thereof) shall apply to such foreign corporation in the same manner as if such corporation were a United States person, and

"(2) for purposes of subpart F of part III of subchapter N—

"(A) any amount included in gross income under subsection (a)(1) shall be treated as foreign personal holding company income described in section 954(c)(1)(A), and

"(B) any amount allowed as a deduction under subsection (a)(2) shall be treated as a deduction allocable to foreign personal holding company income so described.

"(g) STOCK OWNED THROUGH CERTAIN FOREIGN ENTITIES.—Except as provided in regulations—

"(1) IN GENERAL.—For purposes of this section, stock owned, directly or indirectly, by or for a foreign partnership or foreign trust or foreign estate shall be considered as being owned proportionately by its partners or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"(2) TREATMENT OF CERTAIN DISPOSITIONS.—In any case in which a United States person is treated as owning stock in a passive foreign corporation by reason of paragraph (1)—

"(A) any disposition by the United States person or by any other person which results in the United States person being treated as no longer owning such stock, and

"(B) any disposition by the person owning such stock,

shall be treated as a disposition by the United States person of the stock in the passive foreign corporation.

"(h) COORDINATION WITH SECTION 851(b).—For purposes of paragraphs (2) and (3) of section 851(b), any amount included in gross income under subsection (a) shall be treated as a dividend.

"(i) TRANSITION RULES.—

"(1) INDIVIDUALS BECOMING SUBJECT TO U.S. TAX.—If any individual becomes a United States person in a taxable year beginning after December 31, 1992, solely for purposes of this section, the adjusted basis (before adjustments under subsection (b)) of any marketable stock in a passive foreign corporation owned (or treated as owned under subsection (g)) by such individual on the first day of such taxable year shall be treated as being the greater of its fair market value on such first day or its adjusted basis on such first day.

"(2) MARKETABLE STOCK HELD BEFORE EFFECTIVE DATE.—

"(A) IN GENERAL.—If any marketable stock in a passive foreign corporation is owned (or treated under subsection (g) as owned) by a United States person on the first day of such person's first taxable year, beginning after December 31, 1992—

"(i) paragraph (2) of section 1294(a) shall apply to such stock as if it became marketable during such first taxable year; except that—

"(I) section 1293 shall not apply to the amount included in gross income under subsection (a) to the extent such amount is attributable to increases in fair market value during such first taxable year, and

"(II) the taxpayer's holding period shall be treated as having ended on the last day of the preceding taxable year for purposes of allocating amounts under section 1293(a)(1)(A), and

"(ii) such person may elect to extend the time for the payment of the applicable section 1293 deferred tax as provided in subparagraph (B).

"(B) ELECTION TO EXTEND TIME FOR PAYMENT.—

"(i) IN GENERAL.—At the election of the taxpayer, the time for the payment of the applicable section 1293 deferred tax shall be extended to the extent and subject to the limitations provided in this subparagraph.

"(ii) TERMINATION OF EXTENSION.—

"(I) DISTRIBUTIONS.—If any distribution is received with respect to any stock to which an extension under clause (i) relates and such distribution would be an excess distribution within the meaning of section 1293 if such section applied to such stock, then the extension under clause (i) for the appropriate portion (as determined under regulations) of the applicable section 1293 deferred tax shall expire on the last day prescribed by law (determined without regard to extensions) for filing the return of tax for the taxable year in which the distribution is received.

"(II) REVERSAL OF INCLUSION.—If an amount is allowable as a deduction under subsection (a)(2) with respect to any stock to which an extension under clause (i) relates and the amount so allowable is allocable to the amount which gave rise to the applicable section 1293 deferred tax, then the extension under clause (i) for the appropriate portion (as determined under regulations) of the applicable section 1293 deferred tax shall expire on the last day prescribed by law (determined without regard to extensions) for filing the return of the tax for the taxable year for which such deduction is allowed.

"(III) DISPOSITIONS, ETC.—If stock in a passive foreign corporation is disposed of during the taxable year, all extensions under clause (i) for payment of the applicable section 1293 deferred tax attributable to such stock which have not expired before the date of such disposition shall expire on the last date prescribed by law (determined without regard to extensions) for filing the return of tax for the taxable year in which such disposition occurs. To the extent provided in regulations, the preceding sentence shall not apply in the case of a disposition in a transaction with respect to which gain or loss is not recognized (in whole or in part), and the person acquiring such stock in such transaction shall succeed to the treatment under this section of the person making such disposition.

"(iii) OTHER RULES.—

"(I) ELECTION.—The election under clause (i) shall be made not later than the time prescribed by law (including extensions) for filing the return of tax imposed by this chapter for the first taxable year referred to in subparagraph (A).

"(II) TREATMENT OF LOANS TO SHAREHOLDER.—For purposes of this subparagraph, any loan by a passive foreign corporation (directly or indirectly) to a shareholder of such corporation shall be treated as a distribution to such shareholder.

"(C) CROSS REFERENCE.—

"For provisions providing for interest for the period of the extension under this paragraph, see section 6601.

"(D) APPLICABLE SECTION 1293 DEFERRED TAX.—For purposes of this paragraph, the term 'applicable section 1293 deferred tax' means the deferred tax amount determined under section 1293 with respect to the amount which, but for section 1293, would have been included in gross income for the first taxable year referred to in subparagraph (A). Such term also includes the tax imposed by this chapter for such first taxable year to the extent attributable to the amounts allocated under section 1293(a)(1)(A) to a period described in section 1293(a)(1)(B)(ii).

"(3) SPECIAL RULES FOR REGULATED INVESTMENT COMPANIES.—

"(A) IN GENERAL.—If any marketable stock in a passive foreign corporation is owned (or treated under subsection (g) as owned) by a regulated investment company on the first day of such company's first taxable year beginning after December 31, 1992—

"(i) section 1293 shall not apply to such stock with respect to any distribution or disposition during, or amount included in gross income under this section for, such first taxable year, but

"(ii) such company's tax under this chapter for such first taxable year shall be increased by the aggregate amount of interest which would have been determined under section 1293(c)(3) if section 1293 were applied without regard to this subparagraph.

"(B) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed to any regulated investment company for the increase in tax under subparagraph (A)(ii).

"SEC. 1292. CURRENT INCLUSION OF INCOME OF CERTAIN PASSIVE FOREIGN CORPORATIONS.

"(a) PASSIVE FOREIGN CORPORATIONS WHICH ARE U.S. CONTROLLED.—

"(1) TREATMENT UNDER SUBPART F.—

"(A) IN GENERAL.—If a passive foreign corporation is United States controlled, then for purposes of subpart F of part III of subchapter N—

"(i) such corporation, if not otherwise a controlled foreign corporation, shall be treated as a controlled foreign corporation,

"(ii) the term 'United States shareholder' means, with respect to such corporation, any United States person who owns (within the meaning of section 958(a)) any stock in such corporation,

"(iii) the entire gross income of such corporation shall, after being reduced under the principles of paragraph (5) of section 954(b), be treated as foreign base company income, and

"(iv) sections 970 and 971 shall not apply.

Except as provided in regulations, the preceding sentence shall also apply for purposes of section 904(d).

"(B) SPECIAL RULES.—If any taxpayer is treated as being a United States shareholder in a controlled foreign corporation solely by reason of this section—

"(i) section 954(b)(4) (relating to exception for certain income subject to high foreign taxes) shall not apply for purposes of determining the amount included in the gross income of such taxpayer under section 951 by reason of being so treated with respect to such corporation, and

"(ii) the amount so included in the gross income of such taxpayer under section 951 with respect to such corporation shall be treated as long-term capital gain to the extent attributable to the net capital gain of such corporation.

"(2) U.S. CONTROLLED.—For purposes of this subpart, a passive foreign corporation is United States controlled if—

"(A) such corporation is a controlled foreign corporation determined without regard to this subsection, or

"(B) at any time during the taxable year more than 50 percent of—

"(i) the total combined voting power of all classes of stock of such corporation entitled to vote, or

"(ii) the total value of the stock of such corporation,

is owned directly or indirectly by 5 or fewer United States persons.

"(3) CONSTRUCTIVE OWNERSHIP RULES FOR PURPOSES OF PARAGRAPH (2)(B).—For purposes of paragraph (2)(B), the attribution rules provided in section 544 shall apply, determined as if any reference to a personal holding company were a reference to a corporation described in paragraph (2)(B) (and any reference to the stock ownership requirement provided in section 542(a)(2) were a reference to the requirement of paragraph (2)(B)); except that—

"(A) subsection (a)(4) of such section shall be applied by substituting 'Paragraphs (1), (2), and (3)' for 'Paragraphs (2) and (3)',

"(B) stock owned by a nonresident alien individual shall not be considered by reason of attribution through family membership as owned by a citizen or resident alien individual who is not the spouse of the nonresident alien individual and who does not otherwise own stock in the foreign corporation (determined after the application of such attribution rules other than attribution through family membership), and

"(C) stock of a corporation owned by any foreign person shall not be considered by reason of attribution through partners as owned by a citizen or resident of the United States who does not otherwise own stock in the foreign corporation (determined after the application of such attribution rules and subparagraph (A), other than attribution through partners).

"(b) TAXPAYERS ELECTING CURRENT INCLUSION AND 25-PERCENT SHAREHOLDERS.—

"(1) IN GENERAL.—If a passive foreign corporation which is not United States controlled is a qualified electing fund with respect to any taxpayer or the taxpayer is a 25-percent shareholder in such corporation, then for purposes of subpart F of part III of subchapter N—

"(A) such passive foreign corporation shall be treated as a controlled foreign corporation with respect to such taxpayer,

"(B) such taxpayer shall be treated as a United States shareholder in such corporation, and

"(C) the modifications of clauses (iii) and (iv) of subsection (a)(1)(A) and of subparagraph (B) of subsection (a)(1) shall apply in determining the amount included under such subpart F in the gross income of such taxpayer (and the character of the amount so included).

For purposes of section 904(d), any amount included in the gross income of the taxpayer under the preceding sentence shall be treated as a dividend from a foreign corporation which is not a controlled foreign corporation.

"(2) QUALIFIED ELECTING FUND.—For purposes of this subpart, the term 'qualified electing fund' means any passive foreign corporation if—

"(A) an election by the taxpayer under paragraph (3) applies to such corporation for the taxable year of the taxpayer, and

"(B) such corporation complies with such requirements as the Secretary may prescribe for purposes of carrying out the purposes of this subpart.

"(3) ELECTION.—

"(A) IN GENERAL.—A taxpayer may make an election under this paragraph with respect to any passive foreign corporation for any taxable year of the taxpayer. Such an election, once made with respect to any corporation, shall apply to all subsequent taxable years of the taxpayer with respect to such corporation unless revoked by the taxpayer with the consent of the Secretary.

"(B) WHEN MADE.—An election under this subsection may be made for any taxable year of the taxpayer at any time on or before the due date (determined with regard to extensions) for filing the return of the tax imposed by this chapter for such taxable year. To the extent provided in regulations, such an election may be made later than as required in the preceding sentence where the taxpayer fails to make a timely election because the taxpayer reasonably believes that the corporation was not a passive foreign corporation.

"(4) 25-PERCENT SHAREHOLDER.—For purposes of this subpart, the term '25-percent shareholder' means, with respect to any passive foreign corporation, any United States person who owns (within the meaning of section 958(a)), or is considered as owning by applying the rules of section 958(b), 25 percent or more (by vote or value) of the stock of such corporation.

"SUBPART B—INTEREST ON HOLDINGS TO WHICH SUBPART A DOES NOT APPLY

"Sec. 1293. Interest on tax deferral.

"Sec. 1294. Definitions and special rules.

"SEC. 1293. INTEREST ON TAX DEFERRAL.

"(a) TREATMENT OF DISTRIBUTIONS AND STOCK DISPOSITIONS.—

"(1) DISTRIBUTIONS.—If a United States person receives an excess distribution in respect of stock to which this section applies, then—

"(A) the amount of the excess distribution shall be allocated ratably to each day in the taxpayer's holding period for the stock,

"(B) with respect to such excess distribution, the taxpayer's gross income for the current year shall include (as ordinary income) only the amounts allocated under subparagraph (A) to—

"(i) the current year, or

"(ii) any period in the taxpayer's holding period before the first day of the first taxable year of the corporation which begins after December 31, 1986, and for which it was a passive foreign corporation, and

"(C) the tax imposed by this chapter for the current year shall be increased by the deferred tax amount (determined under subsection (c)).

"(2) DISPOSITIONS.—If the taxpayer disposes of stock to which this section applies, then the rules of paragraph (1) shall apply to any gain recognized on such disposition in the same manner as if such gain were an excess distribution.

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

"(A) HOLDING PERIOD.—The taxpayer's holding period shall be determined under section 1223; except that—

"(i) for purposes of applying this section to an excess distribution, such holding period shall be treated as ending on the date of such distribution, and

"(ii) if section 1291 applied to such stock with respect to the taxpayer for any prior taxable year, such holding period shall be treated as beginning on the first day of the first taxable year beginning after the last taxable year for which section 1291 so applied.

"(B) CURRENT YEAR.—The term 'current year' means the taxable year in which the excess distribution or disposition occurs.

"(b) EXCESS DISTRIBUTION.—

"(1) IN GENERAL.—For purposes of this section, the term 'excess distribution' means any distribution in respect of stock received during any taxable year to the extent such distribution does not exceed its ratable portion of the total excess distribution (if any) for such taxable year.

"(2) TOTAL EXCESS DISTRIBUTION.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'total excess distribution' means the excess (if any) of—

"(i) the amount of the distributions in respect of the stock received by the taxpayer during the taxable year, over

"(ii) 125 percent of the average amount received in respect of such stock by the taxpayer during the 3 preceding taxable years (or, if shorter, the portion of the taxpayer's holding period before the taxable year).

For purposes of clause (ii), any excess distribution received during such 3-year period shall be taken into account only to the extent it was included in gross income under subsection (a)(1)(B).

"(B) NO EXCESS FOR FIRST YEAR.—The total excess distributions with respect to any stock shall be zero for the taxable year in which the taxpayer's holding period in such stock begins.

"(3) ADJUSTMENTS.—Under regulations prescribed by the Secretary—

"(A) determinations under this subsection shall be made on a share-by-share basis, except that shares with the same holding period may be aggregated,

"(B) proper adjustments shall be made for stock splits and stock dividends,

"(C) if the taxpayer does not hold the stock during the entire taxable year, distributions received during such year shall be annualized,

"(D) if the taxpayer's holding period includes periods during which the stock was held by another person, distributions received by such other person shall be taken into account as if received by the taxpayer,

"(E) if the distributions are received in a foreign currency, determinations under this subsection shall be made in such currency and the amount of any excess distribution determined in such currency shall be translated into dollars,

"(F) proper adjustment shall be made for amounts not includible in gross income by reason of section 959(a) or for which a deduction is allowable under section 245(c), and

"(G) if a charitable deduction was allowable under section 642(c) to a trust for any distribution of its income, proper adjustments shall be made for the deduction so allowable to the extent allocable to distributions or gain in respect of stock in a passive foreign corporation.

For purposes of subparagraph (F), any amount not includible in gross income by reason of section 551(d) (as in effect on January 1, 1992) or 1293(c) (as so in effect) shall be treated as an amount not includible in gross income by reason of section 959(a).

"(c) DEFERRED TAX AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'deferred tax amount' means, with respect to any distribution or disposition to which subsection (a) applies, an amount equal to the sum of—

"(A) the aggregate increases in taxes described in paragraph (2), plus

"(B) the aggregate amount of interest (determined in the manner provided under paragraph (3)) on such increases in tax.

Any increase in the tax imposed by this chapter for the current year under subsection (a) to the extent attributable to the amount referred to in subparagraph (B) shall be treated as interest paid under section 6601 on the due date for the current year.

"(2) AGGREGATE INCREASES IN TAXES.—For purposes of paragraph (1)(A), the aggregate increases in taxes shall be determined by multiplying each amount allocated under subsection (a)(1)(A) to any taxable year (other than the current year) by the highest rate of tax in effect for such taxable year under section 1 or 11, whichever applies.

"(3) COMPUTATION OF INTEREST.—

"(A) IN GENERAL.—The amount of interest referred to in paragraph (1)(B) on any increase determined under paragraph (2) for any taxable year shall be determined for the period—

"(i) beginning on the due date for such taxable year, and

"(ii) ending on the due date for the taxable year with or within which the distribution or disposition occurs,

by using the rates and method applicable under section 6621 for underpayments of tax for such period.

"(B) DUE DATE.—For purposes of this subsection, the term 'due date' means the date prescribed by law (determined without regard to extensions) for filing the return of the tax imposed by this chapter for the taxable year.

"(C) SPECIAL RULE.—For purposes of determining the amount of interest referred to in paragraph (1)(B), the amount of any increase in tax determined under paragraph (2) shall be determined without regard to any reduction under section 1294(d) for a tax described in paragraph (2)(A)(ii) thereof.

"SEC. 1294. DEFINITIONS AND SPECIAL RULES.

"(a) STOCK TO WHICH SECTION 1293 APPLIES.—

"(1) IN GENERAL.—Except as otherwise provided in this paragraph, section 1293 shall apply to any stock in a passive foreign corporation unless—

"(A) such stock is marketable stock as of the time of the distribution or disposition involved, or

"(B)(i) with respect to each of such corporation's taxable years which begin after December 31, 1992, and include any portion of the taxpayer's holding period in such stock—

"(I) such corporation was U.S. controlled (within the meaning of section 1292(a)(2)), or

"(II) such corporation was treated as a controlled foreign corporation under section 1292(b) with respect to the taxpayer, and

"(ii) with respect to each of such corporation's taxable years which begin after December 31, 1986, and before January 1, 1993, and include any portion of the taxpayer's holding period in such stock, such corporation was treated as a qualified electing fund under this part (as in effect on January 1, 1992) with respect to the taxpayer.

"(2) TREATMENT WHERE STOCK BECOMES MARKETABLE.—If any stock in a passive foreign corporation becomes marketable stock after the beginning of the taxpayer's holding period in such stock, section 1293 shall apply to—

"(A) any distributions with respect to, or disposition of, such stock in the taxable year of the taxpayer in which it becomes so marketable, and

"(B) any amount which, but for section 1293, would have been included in gross income under section 1291(a) with respect to such stock for such taxable year in the same manner as if such amount were gain on the disposition of such stock.

"(3) ELECTION TO RECOGNIZE GAIN WHERE COMPANY BECOMES SUBJECT TO CURRENT INCLUSIONS.—

"(A) IN GENERAL.—If—

"(i) a passive foreign corporation first meets the requirements of clause (i) of paragraph (1)(B) with respect to the taxpayer for a taxable year of such taxpayer which begins after December 31, 1992,

"(ii) the taxpayer holds stock in such company on the first day of such taxable year, and

"(iii) the taxpayer establishes to the satisfaction of the Secretary the fair market value of such stock on such first day,

the taxpayer may elect to recognize gain as if he sold such stock on such first day for such fair market value.

"(B) ADDITIONAL ELECTION FOR SHAREHOLDER OF CONTROLLED FOREIGN CORPORATIONS.—

"(i) IN GENERAL.—If—

"(I) a passive foreign corporation first meets the requirements of subclause (I) of paragraph (1)(B)(i) with respect to the taxpayer for a taxable year of such taxpayer which begins after December 31, 1992,

"(II) the taxpayer holds stock in such corporation on the first day of such taxable year, and

"(III) such corporation is a controlled foreign corporation without regard to this part, the taxpayer may elect to be treated as receiving a dividend on such first day in an amount equal to the portion of the post-1986 earnings and profits of such corporation attributable (under regulations prescribed by the Secretary) to the stock in such corporation held by the taxpayer on such first day. The amount treated as a dividend under the preceding sentence shall be treated as an excess distribution and shall be allocated under section 1293(a)(1)(A) only two days during periods taken into account in determining the post-1986 earnings and profits so attributable.

"(ii) POST-1986 EARNINGS AND PROFITS.—For purposes of clause (i), the term 'post-1986 earnings and profits' means earnings and profits which were accumulated in taxable years of the corporation beginning after December 31, 1986, and during the period or periods the stock was held by the taxpayer while the corporation was a passive foreign corporation.

"(iii) COORDINATION WITH SECTION 959(E).—For purposes of section 959(e), any amount treated as a dividend under this subparagraph shall be treated as included in gross income under section 1248(a).

"(C) ADJUSTMENTS.—In the case of any stock to which subparagraph (A) or (B) applies—

"(i) the adjusted basis of such stock shall be increased by the gain recognized under subparagraph (A) or the amount treated as a dividend under subparagraph (B), as the case may be, and

"(ii) the taxpayer's holding period in such stock shall be treated as beginning on the first day referred to in such subparagraph.

"(b) RULES RELATING TO STOCK ACQUIRED FROM A DECEDENT.—

"(1) BASIS.—In the case of stock of a passive foreign corporation acquired by bequest, devise, or inheritance (or by the decedent's estate), notwithstanding section 1014, the basis of such stock in the hands of the person so acquiring it shall be the adjusted basis of such stock in the hands of the decedent immediately before his death (or, if lesser, the basis which would have been determined under section 1014 without regard to this paragraph).

"(2) DEDUCTION FOR ESTATE TAX.—If stock in a passive foreign corporation is acquired from a decedent, the taxpayer shall, under regulations prescribed by the Secretary, be allowed (for the taxable year of the sale or exchange) a deduction from gross income equal to that portion of the decedent's estate tax deemed paid which is attributable to the excess of (A) the value at which such stock was taken into account for purposes of determining the value of the decedent's gross estate, over (B) the basis determined under paragraph (1).

"(3) EXCEPTIONS.—This subsection shall not apply to any stock in a passive foreign corporation if—

"(A) section 1293 would not have applied to a disposition of such stock by the decedent immediately before his death, or

"(B) the decedent was a nonresident alien at all times during his holding period in such stock.

"(c) RECOGNITION OF GAIN.—Except as otherwise provided in regulations, in the case of any transfer of stock in a passive foreign company to which section 1293 applies, where (but for this subsection) there is not full recognition of gain, the excess (if any) of—

"(1) the fair market value of such stock, or

"(2) its adjusted basis,

shall be treated as gain from the sale or exchange of such stock and shall be recognized notwithstanding any provision of law. Proper adjustment shall be made to the basis of property for gain recognized under the preceding sentence.

"(d) COORDINATION WITH FOREIGN TAX CREDIT RULES.—

"(1) IN GENERAL.—If there are creditable foreign taxes with respect to any distribution in respect of stock in a passive foreign corporation—

"(A) the amount of such distribution shall be determined for purposes of section 1293 with regard to section 78,

"(B) the excess distribution taxes shall be allocated ratably to each day in the taxpayer's holding period for the stock, and

"(C) to the extent—

"(i) that such excess distribution taxes are allocated to a taxable year referred to in section 1293(a)(1)(B), such taxes shall be taken into account under section 901 for the current year, and

"(ii) that such excess distribution taxes are allocated to any other taxable year, such taxes shall reduce (subject to the principles of section 904 and not below zero) the increase in tax determined under section 1293(c)(2) for such taxable year by reason of such distribution (but such taxes shall not be taken into account under section 901).

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

"(A) CREDITABLE FOREIGN TAXES.—The term 'creditable foreign taxes' means, with respect to any distribution—

"(i) any foreign taxes deemed paid under section 902 with respect to such distribution, and

"(ii) any withholding tax imposed with respect to such distribution,

but only if the taxpayer chooses the benefits of section 901 and such taxes are creditable under section 901 (determined without regard to paragraph (1)(C)(ii)).

"(B) EXCESS DISTRIBUTION TAXES.—The term 'excess distribution taxes' means, with respect to any distribution, the portion of the creditable foreign taxes with respect to such distribution which is attributable (on a pro rata basis) to the portion of such distribution which is an excess distribution.

"(C) SECTION 1248 GAIN.—The rules of this subsection also shall apply in the case of any gain which but for this section would be includible in gross income as a dividend under section 1248.

"(e) ATTRIBUTION OF OWNERSHIP.—For purposes of this subpart—

"(1) ATTRIBUTION TO UNITED STATES PERSONS.—This subsection—

"(A) shall apply to the extent that the effect is to treat stock of a passive foreign corporation as owned by a United States person, and

"(B) except as provided in paragraph (3) or in regulations, shall not apply to treat stock owned (or treated as owned under this subsection) by a United States person as owned by any other person.

"(2) CORPORATIONS.—

"(A) IN GENERAL.—If 50 percent or more in value of the stock of a corporation (other than an S corporation) is owned, directly or indirectly, by or for any person, such person shall be considered as owning the stock owned directly or indirectly by or for such corporation in that proportion which the value of the stock which such person so owns bears to the value of all stock in the corporation.

"(B) 50-PERCENT LIMITATION NOT TO APPLY IN CERTAIN CASES.—For purposes of determining whether a shareholder of a passive foreign corporation (or whether a United States shareholder of a controlled foreign corporation which is not a passive foreign corporation) is treated as owning stock owned directly or indirectly by or for such corporation, subparagraph (A) shall be applied without regard to the 50-percent limitation contained therein.

"(C) FAMILY AND PARTNER ATTRIBUTION FOR 50-PERCENT LIMITATION.—For purposes of determining whether the 50-percent limitation of subparagraph (A) is met, the constructive ownership rules of section 544(a)(2) shall apply in addition to the other rules of this subsection.

"(3) PARTNERSHIPS, ETC.—Except as provided in regulations, stock owned, directly or indirectly, by or for a partnership, S corporation, estate, or trust shall be considered as being owned proportionately by its partners, shareholders, or beneficiaries (as the case may be).

"(4) OPTIONS.—To the extent provided in regulations, if any person has an option to acquire stock, such stock shall be considered as owned by such person. For purposes of this paragraph, an option to acquire such an option, and each one of a series of such options, shall be considered as an option to acquire such stock.

"(5) SUCCESSIVE APPLICATION.—Stock considered to be owned by a person by reason of the application of paragraph (2), (3), or (4) shall, for purposes of applying such paragraphs, be considered as actually owned by such person.

"(f) OTHER SPECIAL RULES.—For purposes of this subpart—

"(1) TIME FOR DETERMINATION.—Stock held by a taxpayer shall be treated as stock in a passive foreign corporation if, at any time during the holding period of the taxpayer with respect to such stock, such corporation (or any predecessor) was a passive foreign corporation. The preceding sentence shall not apply if the taxpayer elects to recognize gain (as of the last day of the last taxable year for which the company was a passive foreign corporation) under rules similar to the rules of subsection (a)(3)(A).

"(2) APPLICATION OF SUBPART WHERE STOCK HELD BY OTHER ENTITY.—Under regulations—

"(A) IN GENERAL.—In any case in which a United States person is treated as owning stock in a passive foreign corporation by reason of subsection (e)—

"(i) any transaction which results in the United States person being treated as no longer owning such stock,

"(ii) any disposition of such stock by the person owning such stock, and

"(iii) any distribution of property in respect of such stock to the person holding such stock,

shall be treated as a disposition by, or distribution to, the United States person with respect to the stock in the passive foreign corporation.

"(B) AMOUNT TREATED IN SAME MANNER AS PREVIOUSLY TAXED INCOME.—Rules similar to the rules of section 959(b) shall apply to any amount described in subparagraph (A) in respect of stock which the taxpayer is treated as owning under subsection (e).

"(C) COORDINATION WITH SECTION 951.—If, but for this subparagraph, an amount would be taken into account under section 1293 by reason of subparagraph (A) and such amount would also be included in the gross income of the taxpayer under section 951, such amount shall only be taken into account under section 1293.

"(3) DISPOSITIONS.—Except as provided in regulations, if a taxpayer uses any stock in a passive foreign corporation as security for a loan, the taxpayer shall be treated as having disposed of such stock.

"SUBPART C—GENERAL PROVISIONS

"Sec. 1296. Passive foreign corporation.

"Sec. 1297. Special rules.

"SEC. 1296. PASSIVE FOREIGN CORPORATION.

"(a) IN GENERAL.—For purposes of this part, except as otherwise provided in this subpart, the term 'passive foreign corporation' means any foreign corporation if—

"(1) 60 percent or more of the gross income of such corporation for the taxable year is passive income,

"(2) the average percentage of assets (by value) held by such corporation during the taxable year which produce passive income or which are held for the production of passive income is at least 50 percent, or

"(3) such corporation is registered under the Investment Company Act of 1940, as amended (15 U.S.C. 80a-1 to 80b-2), either as a management company or as a unit investment trust.

A foreign corporation may elect to have the determination under paragraph (2) based on the adjusted bases of its assets in lieu of their value. Such an election, once made, may be revoked only with the consent of the Secretary.

"(b) PASSIVE INCOME.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'passive income' means any income which is of a kind which would be foreign personal holding company income as defined in section 954(c) without regard to paragraph (3) thereof.

"(2) EXCEPTIONS.—Except as provided in regulations, the term 'passive income' does not include any income—

"(A) derived in the active conduct of a banking business by an institution licensed to do business as a bank in the United States (or, to the extent provided in regulations, by any other corporation),

"(B) derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business and which would be subject to tax under subchapter L if it were a domestic corporation,

"(C) which is interest, a dividend, or a rent or royalty, which is received or accrued from a related person (within the meaning of section 954(d)(3)) to the extent such amount is properly allocable (under regulations prescribed by the Secretary) to income of such related person which is not passive income, or

"(D) any foreign trade income of a FSC.

For purposes of subparagraph (C), the term 'related person' has the meaning given such term by section 954(d)(3) determined by substituting 'foreign corporation' for 'controlled foreign corporation' each place it appears in section 954(d)(3).

"(3) TREATMENT OF INCOME FROM CERTAIN ASSETS.—To the extent that any asset is

properly treated as not held for the production of passive income for purposes of subsection (a)(2), all income from such asset shall be treated as income which is not passive income.

"(c) LOOK-THROUGH IN CASE OF 25-PERCENT OWNED CORPORATION.—If a foreign corporation owns (directly or indirectly) at least 25 percent (by value) of the stock of another corporation, for purposes of determining whether such foreign corporation is a passive foreign corporation, such foreign corporation shall be treated as if it—

"(1) held its proportionate share of the assets of such other corporation, and

"(2) received directly its proportionate share of the income of such other corporation.

"SEC. 1297. SPECIAL RULES.

"(a) UNITED STATES PERSON.—For purposes of this part, the term 'United States person' has the meaning given to such term by section 7701(a)(30).

"(b) CONTROLLED FOREIGN CORPORATION.—For purposes of this part, the term 'controlled foreign corporation' has the meaning given such term by section 957(a).

"(c) MARKETABLE STOCK.—For purposes of this part—

"(1) IN GENERAL.—The term 'marketable stock' means—

"(A) any stock which is regularly traded on—

"(i) a national securities exchange which is registered with the Securities and Exchange Commission or the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or

"(ii) any exchange or other market which the Secretary determines has rules adequate to carry out the purposes of this part, and

"(B) to the extent provided in regulations, stock in any foreign corporation which is comparable to a regulated investment company and which offers for sale or has outstanding any stock of which it is the issuer and which is redeemable at its net asset value.

"(2) SPECIAL RULE FOR REGULATED INVESTMENT COMPANIES.—In the case of any regulated investment company which is offering for sale or has outstanding any stock of which it is the issuer and which is redeemable at its net asset value, all stock in a passive foreign corporation which it owns (or is treated under section 1291(g) as owning) shall be treated as marketable stock for purposes of this part. Except as provided in regulations, a similar rule shall apply in the case of any other regulated investment company.

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

"(1) CERTAIN CORPORATIONS NOT TREATED AS PASSIVE.—A corporation shall not be treated as a passive foreign corporation for the 1st taxable year such corporation has gross income (hereinafter in this paragraph referred to as the 'start-up year') if—

"(A) no predecessor of such corporation was a passive foreign corporation,

"(B) it is established to the satisfaction of the Secretary that such corporation will not be a passive foreign corporation for either of the 1st 2 taxable years following the start-up year, and

"(C) such corporation is not a passive foreign corporation for either of the 1st 2 taxable years following the start-up year.

"(2) CERTAIN CORPORATIONS CHANGING BUSINESSES.—A corporation shall not be treated as a passive foreign corporation for any taxable year if—

"(A) neither such corporation (nor any predecessor) was a passive foreign corporation for any prior taxable year,

"(B) it is established to the satisfaction of the Secretary that—

"(i) substantially all of the passive income of the corporation for the taxable year is attributable to proceeds from the disposition of 1 or more active trades or businesses, and

"(ii) such corporation will not be a passive foreign corporation for either of the 1st 2 taxable years following the taxable year, and

"(C) such corporation is not a passive foreign corporation for either of such 2 taxable years.

For purposes of section 1296(c), any passive income referred to in subparagraph (B)(i) shall be treated as income which is not passive income and any assets which produce income so described shall be treated as assets producing income other than passive income.

"(3) TREATMENT OF CERTAIN FOREIGN CORPORATIONS OWNING STOCK IN 25-PERCENT OWNED DOMESTIC CORPORATION.—

"(A) IN GENERAL.—If a foreign corporation owns at least 25 percent (by value) of the stock of a domestic corporation, for purposes of determining whether such foreign corporation is a passive foreign corporation, any qualified stock held by such domestic corporation shall be treated as an asset which does not produce passive income (and is not held for the production of passive income) and any amount included in gross income with respect to such stock shall not be treated as passive income.

"(B) QUALIFIED STOCK.—For purposes of subparagraph (A), the term 'qualified stock' means any stock in a C corporation which is a domestic corporation and which is not a regulated investment company or real estate investment trust.

"(4) TREATMENT OF CORPORATION WHICH WAS A PFIC.—A corporation shall be treated as a passive foreign corporation for any taxable year beginning before January 1, 1993, if and only if such corporation was a passive foreign investment company under this part as in effect for such taxable year.

"(5) SEPARATE INTERESTS TREATED AS SEPARATE CORPORATIONS.—Under regulations prescribed by the Secretary, where necessary to carry out the purposes of this part, separate classes of stock (or other interests) in a corporation shall be treated as interests in separate corporations.

"(e) TREATMENT OF CERTAIN LEASED PROPERTY.—For purposes of section 1296(a)(2)—

"(1) IN GENERAL.—Any tangible personal property with respect to which the foreign corporation is the lessee under a lease with a term of at least 12 months shall be treated as an asset actually held by such corporation.

"(2) DETERMINATION OF VALUE.—

"(A) IN GENERAL.—The value of any asset to which paragraph (1) applies shall be the lesser of—

"(i) the fair market value of such property, or

"(ii) the unamortized portion (as determined under regulations prescribed by the Secretary) of the present value of the payments under the lease for the use of such property.

"(B) PRESENT VALUE.—For purposes of subparagraph (A), the present value of payments described in subparagraph (A)(ii) shall be determined in the manner provided in regulations prescribed by the Secretary—

"(i) as of the beginning of the lease term, and

"(ii) except as provided in such regulations, by using a discount rate equal to the applicable Federal rate determined under section 1274(d)—

"(I) by substituting the lease term for the term of the debt instrument, and

"(II) without regard to paragraph (2) or (3) thereof.

"(3) EXCEPTIONS.—This subsection shall not apply in any case where—

"(A) the lessor is a related person (as defined in the last sentence of section 1296(b)(2)) with respect to the foreign corporation, or

"(B) a principal purpose of leasing the property was to avoid the provisions of this part.

"(f) ELECTION BY CERTAIN PASSIVE FOREIGN CORPORATIONS TO BE TREATED AS A DOMESTIC CORPORATION.—

"(1) IN GENERAL.—For purposes of this title, if—

"(A) a passive foreign corporation would qualify as a regulated investment company under part I of subchapter M if such passive foreign corporation were a domestic corporation,

"(B) such passive foreign corporation meets such requirements as the Secretary shall prescribe to ensure that the taxes imposed by this title on such passive foreign corporation are paid, and

"(C) such passive foreign corporation makes an election to have this paragraph apply and waives all benefits which are granted by the United States under any treaty and to which such corporation would otherwise be entitled by reason of being a resident of another country,

such corporation shall be treated as a domestic corporation.

"(2) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (2), (3), (4)(A), and (5) of section 953(d) shall apply with respect to any corporation making an election under paragraph (1).

"(g) SPECIAL RULES FOR CERTAIN TAXPAYERS.—

"(1) TAX-EXEMPT ORGANIZATIONS.—In the case of any organization exempt from tax under section 501—

"(A) this part shall apply to any stock in a passive foreign corporation owned (or treated as owned under section 1294(e)) by such organization only to the extent that a dividend on such stock would be taken into account in determining the unrelated business taxable income of such organization, and

"(B) to the extent that this part applies to any such stock, this part shall be applied in the same manner as if such organization were not exempt from tax under section 501(a).

"(2) TREATMENT OF STOCK HELD BY POOLED INCOME FUND.—If stock in a passive foreign corporation is owned (or treated as owned under section 1294(e)) by a pooled income fund (as defined in section 642(c)(5)) and no portion of any gain from a disposition of such stock may be allocated to income under the terms of the governing instrument of such fund—

"(A) section 1293 shall not apply to any gain on a disposition of such stock by such fund if (without regard to section 1293) a deduction would be allowable with respect to such gain under section 642(c)(3),

"(B) subpart A shall not apply with respect to such stock, and

"(C) in determining whether section 1293 applies to any distribution in respect of such stock, such stock shall be treated as failing to qualify for the exceptions under section 1294(a)(1).

"(h) INFORMATION FROM SHAREHOLDERS.—Every United States person who owns stock in any passive foreign corporation shall fur-

nish with respect to such corporation such information as the Secretary may prescribe.

"(i) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this part, including regulations—

"(1) providing that gross income shall be determined without regard to section 1293 for such purposes as may be specified in such regulations, and

"(2) to prevent avoidance of the provisions of this part through changes in citizenship or residence status.".

(b) INSTALLMENT SALES TREATMENT NOT AVAILABLE.—Paragraph (2) of section 453(k) is amended by striking "or" at the end of subparagraph (A), by inserting "or" at the end of subparagraph (B), and by adding at the end thereof the following new subparagraph:

"(C) stock in a passive foreign corporation (as defined in section 1296) if section 1293 applies to such sale,".

(c) TREATMENT OF MARK-TO-MARKET GAIN UNDER SECTION 4982.—

(1) Subsection (e) of section 4982 is amended by adding at the end thereof the following new paragraph:

"(6) TREATMENT OF GAIN RECOGNIZED UNDER SECTION 1291.—For purposes of determining a regulated investment company's ordinary income—

"(A) notwithstanding paragraph (1)(C), section 1291 shall be applied as if such company's taxable year ended on October 31, and

"(B) any ordinary gain or loss from an actual disposition of stock in a passive foreign corporation during the portion of the calendar year after October 31 shall be taken into account in determining such company's ordinary income for the following calendar year.

In the case of a company making an election under paragraph (4), the preceding sentence shall be applied by substituting the last day of the company's taxable year for October 31.".

(2) Subsection (b) of section 852 is amended by adding at the end thereof the following new paragraph:

"(10) SPECIAL RULE FOR CERTAIN LOSSES ON STOCK IN PASSIVE FOREIGN CORPORATIONS.—To the extent provided in regulations, the taxable income of a regulated investment company (other than a company to which an election under section 4982(e)(4) applies) shall be computed without regard to any net reduction in the value of any stock of a passive foreign corporation to which section 1291 applies occurring after October 31 of the taxable year, and any such reduction shall be treated as occurring on the first day of the following taxable year.".

(3) Subsection (c) of section 852 is amended by inserting after "October 31 of such year" the following: ", without regard to any net reduction in the value of any stock of a passive foreign corporation to which section 1291 applies occurring after October 31 of such year,".

(d) TREATMENT OF CERTAIN PREVIOUSLY TAXED AMOUNTS.—Subsection (e) of section 959 is amended—

(1) by adding at the end thereof the following new sentence: "A similar rule shall apply in the case of amounts included in gross income under section 1293 (as in effect on January 1, 1992).", and

(2) by striking "AMOUNTS PREVIOUSLY TAXED UNDER SECTION 1248" in the subsection heading and inserting "CERTAIN PREVIOUSLY TAXED AMOUNTS".

SEC. 4403. TECHNICAL AND CONFORMING AMENDMENTS.

(a) GENERAL RULE.—

(1) Paragraph (2) of section 171(c) is amended—

(A) by striking ", or by a foreign personal holding company, as defined in section 552", and

(B) by striking ", or a foreign personal holding company".

(2) Section 312 is amended by striking subsection (j).

(3) Subsection (m) of section 312 is amended by striking ", a foreign investment company (within the meaning of section 1246(b)), or a foreign personal holding company (within the meaning of section 552)" and inserting "or a passive foreign corporation (as defined in section 1296)".

(4) Subsection (e) of section 443 is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(5) Clause (ii) of section 465(c)(7)(B) is amended to read as follows:

"(ii) a passive foreign corporation with respect to which the stock ownership requirements of section 1292(a)(2)(B) are met, or".

(6) Subsection (b) of section 535 is amended by striking paragraph (9).

(7) Subsection (d) of section 535 is hereby repealed.

(8) Paragraph (1) of section 543(b) is amended by inserting "and" at the end of subparagraph (A), by striking ", and" at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

(9) Paragraph (1) of section 562(b) is amended by striking "or a foreign personal holding company described in section 552".

(10) Section 563 is amended—

(A) by striking subsection (c),

(B) by redesignating subsection (d) as subsection (c), and

(C) by striking "subsection (a), (b), or (c)" in subsection (c) (as so redesignated) and inserting "subsection (a) or (b)".

(11) Paragraph (2) of section 751(d) is amended by striking "subsection (a) of section 1246 (relating to gain on foreign investment company stock)" and inserting "section 1291 (relating to stock in certain passive foreign corporations marked to market)".

(12) Subsection (b) of section 851 is amended by striking the sentence following paragraph (4)(B) which contains a reference to section 1293(a).

(13) Clause (ii) of section 864(b)(2)(A) is amended by striking "(other than" and all that follows down through "holding company)" and inserting "(other than a corporation which would be a personal holding company but for section 542(c)(5) and which is not United States controlled (as defined in section 1292(a)(2))".

(14) Subsection (d) of section 904 is amended by striking paragraphs (2)(A)(ii), (2)(E)(iii), and (3)(I).

(15)(A) Subparagraph (A) of section 904(g)(1) is amended to read as follows:

"(A) Any amount included in gross income under section 951(a) (relating to amounts included in gross income of United States shareholders)."

(B) The paragraph heading of paragraph (2) of section 904(g) is amended by striking "AND FOREIGN PERSONAL HOLDING OR PASSIVE FOREIGN INVESTMENT COMPANY".

(16) Section 951 is amended by striking subsections (c), (d), and (f), and by redesignating subsection (e) as subsection (c).

(17) Paragraph (1) of section 986(c) is amended by striking "or 1293(c)".

(18) Paragraph (3) of section 989(b) is amended by striking ", 551(a), or 1293(a)".

(19) Paragraph (5) of section 1014(b) is hereby repealed.

(20) Subsection (a) of section 1016 is amended by striking paragraph (13) and by redesignating the following paragraphs accordingly.

(21) Paragraph (3) of section 1212(a) is amended—

(A) by striking subparagraph (A),

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

(C) by amending subparagraph (D) to read as follows:

"(C) for which it is a passive foreign corporation."

(22) Section 1223 is amended by striking paragraph (10) and by redesignating the following paragraphs accordingly.

(23) Subsection (d) of section 1248 is amended by striking paragraphs (5) and (7).

(24)(A) Subsection (a) of section 6035 is amended by striking "foreign personal holding company (as defined in section 552)" and inserting "passive foreign corporation with respect to which the stock ownership requirements of section 1292(a)(2)(B) are met".

(B) The section heading for section 6035 is amended by striking "**foreign personal holding companies**" and inserting "**closely held passive foreign corporations**",.

(C) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by striking "foreign personal holding companies" in the item relating to section 6035 and inserting "closely-held passive foreign corporations".

(25) Subparagraph (D) of section 6103(e)(1) is amended by striking clause (iv) and redesignating clauses (v) and (vi) as clauses (iv) and (v), respectively.

(26) Subparagraph (B) of section 6501(e)(1) is amended to read as follows:

"(B) CONSTRUCTIVE DIVIDENDS.—If the taxpayer omits from gross income an amount properly includible therein under section 951(a), the tax may be assessed, or a proceeding in court for the collection of such tax may be done without assessing, at any time within 6 years after the return was filed."

(27) Section 4947 and section 4948(c)(4) are each amended by striking "556(b)(2)," each place it appears.

(b) CLERICAL AMENDMENTS.—

(1) The table of parts for subchapter G of chapter 1 is amended by striking the item relating to part III.

(2) The table of sections for part IV of subchapter P of chapter 1 is amended by striking the items relating to sections 1246 and 1247.

(3) The table of parts for subchapter P of chapter 1 is amended by striking the item relating to part VI and inserting the following:

"Part VI. Treatment of passive foreign corporations."

SEC. 4404. EFFECTIVE DATE.

(a) GENERAL RULE.—Except as otherwise provided in this section, the amendments made by this part shall apply to—

(1) taxable years of United States persons beginning after December 31, 1992, and

(2) taxable years of foreign corporations ending with or within such taxable years of United States persons.

(b) DENIAL OF INSTALLMENT SALES TREATMENT.—The amendment made by section 3402(b) shall apply to dispositions after December 31, 1992.

(c) BASIS RULE.—The amendments made by this part shall not affect the determination of the basis of any stock acquired from a decedent in a taxable year beginning before January 1, 1993.

PART II—TREATMENT OF CONTROLLED FOREIGN CORPORATIONS

SEC. 4411. GAIN ON CERTAIN STOCK SALES BY CONTROLLED FOREIGN CORPORATIONS TREATED AS DIVIDENDS.

(a) GENERAL RULE.—Section 964 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new subsection:

"(f) GAIN ON CERTAIN STOCK SALES BY CONTROLLED FOREIGN CORPORATIONS TREATED AS DIVIDENDS.—

"(1) IN GENERAL.—If a controlled foreign corporation sells or exchanges stock in any other foreign corporation, gain recognized on such sale or exchange shall be included in the gross income of such controlled foreign corporation as a dividend to the same extent that it would have been so included under section 1248(a) if such controlled foreign corporation were a United States person. For purposes of determining the amount which would have been so includible, the determination of whether such other foreign corporation was a controlled foreign corporation shall be made without regard to the preceding sentence.

"(2) SAME COUNTRY EXCEPTION NOT APPLICABLE.—Clause (i) of section 954(c)(3)(A) shall not apply to any amount treated as a dividend by reason of paragraph (1).

"(3) CLARIFICATION OF DEEMED SALES.—For purposes of this subsection, a controlled foreign corporation shall be treated as having sold or exchanged any stock if, under any provision of this subtitle, such controlled foreign corporation is treated as having gain from the sale or exchange of such stock.".

(b) AMENDMENT OF SECTION 904(d).—Clause (i) of section 904(d)(2)(E) is amended by striking "and except as provided in regulations, the taxpayer was a United States shareholder in such corporation".

(c) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply to gain recognized on transactions occurring after the date of the enactment of this Act.

(2) The amendment made by subsection (b) shall apply to distributions after the date of the enactment of this Act.

SEC. 4412. AUTHORITY TO PRESCRIBE SIMPLIFIED METHOD FOR APPLYING SECTION 960(b)(2).

(a) GENERAL RULE.—Paragraph (2) of section 960(b) is amended by adding at the end thereof the following new sentence: "The Secretary may prescribe regulations requiring the use of simplified methods set forth in such regulations for determining the amount of the increase referred to in the preceding sentence."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 4413. MISCELLANEOUS MODIFICATIONS TO SUBPART F.

(a) SECTION 1248 GAIN TAKEN INTO ACCOUNT IN DETERMINING PRO RATA SHARE.—

(1) IN GENERAL.—Paragraph (2) of section 951(a) (defining pro rata share of subpart F income) is amended by adding at the end thereof the following new sentence: "For purposes of subparagraph (B), any gain included in the gross income of any person as a dividend under section 1248 shall be treated as a distribution received by such person with respect to the stock involved."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to dispositions after the date of the enactment of this Act.

(b) BASIS ADJUSTMENTS IN STOCK HELD BY FOREIGN CORPORATION.—

(1) IN GENERAL.—Section 961 (relating to adjustments to basis of stock in controlled foreign corporations and of other property) is amended by adding at the end thereof the following new subsection:

"(c) BASIS ADJUSTMENTS IN STOCK HELD BY FOREIGN CORPORATION.—Under regulations prescribed by the Secretary, if a United States shareholder is treated under section 958(a)(2) as owning any stock in a controlled foreign corporation which is actually owned by another controlled foreign corporation, adjustments similar to the adjustments provided by subsections (a) and (b) shall be made to the basis of such stock in the hands of such other controlled foreign corporation, but only for the purposes of determining the amount included under section 951 in the gross income of such United States shareholder (or any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder by reason of which such shareholder was treated as owning such stock, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary may prescribe by regulations)."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply for purposes of determining inclusions for taxable years of United States shareholders beginning after December 31, 1992.

(c) DETERMINATION OF PREVIOUSLY TAXED INCOME IN SECTION 304 DISTRIBUTIONS, ETC.—

(1) IN GENERAL.—Section 959 (relating to exclusion from gross income of previously taxed earnings and profits) is amended by adding at the end thereof the following new subsection:

"(f) ADJUSTMENTS FOR CERTAIN TRANSACTIONS.—If by reason of—

"(1) a transaction to which section 304 applies,

"(2) the structure of a United States shareholder's holdings in controlled foreign corporations, or

"(3) other circumstances,

there would be a multiple inclusion of any item in income (or an inclusion or exclusion without an appropriate basis adjustment) by reason of this subpart, the Secretary may prescribe regulations providing such modifications in the application of this subpart as may be necessary to eliminate such multiple inclusion or provide such basis adjustment, as the case may be."

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

(d) CLARIFICATION OF TREATMENT OF BRANCH TAX EXEMPTIONS OR REDUCTIONS.—

(1) IN GENERAL.—Subsection (b) of section 952 is amended by adding at the end thereof the following new sentence: "For purposes of this subsection, any exemption (or reduction) with respect to the tax imposed by section 884 shall not be taken into account."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1986.

SEC. 4414. INDIRECT FOREIGN TAX CREDIT ALLOWED FOR CERTAIN LOWER TIER COMPANIES.

(a) SECTION 902 CREDIT.—

(1) IN GENERAL.—Subsection (b) of section 902 (relating to deemed taxes increased in case of certain 2nd and 3rd tier foreign corporations) is amended to read as follows:

"(b) DEEMED TAXES INCREASED IN CASE OF CERTAIN LOWER TIER CORPORATIONS.—

"(1) IN GENERAL.—If—

"(A) any foreign corporation is a member of a qualified group, and

"(B) such foreign corporation owns 10 percent or more of the voting stock of another member of such group from which it receives dividends in any taxable year,

such foreign corporation shall be deemed to have paid the same proportion of such other member's post-1986 foreign income taxes as would be determined under subsection (a) if such foreign corporation were a domestic corporation.

"(2) QUALIFIED GROUP.—For purposes of paragraph (1), the term 'qualified group' means—

"(A) the foreign corporation described in subsection (a), and

"(B) any other foreign corporation if—

"(i) the domestic corporation owns at least 5 percent of the voting stock of such other foreign corporation indirectly through a chain of foreign corporations connected through stock ownership of at least 10 percent of their voting stock,

"(ii) the foreign corporation described in subsection (a) is the first tier corporation in such chain, and

"(iii) such other corporation is not below the sixth tier in such chain,

The term 'qualified group' shall not include any foreign corporation below the third tier in the chain referred to in clause (i) unless such foreign corporation is a controlled foreign corporation (as defined in section 957) and the domestic corporation is a United States shareholder (as defined in section 951(b)) in such foreign corporation. Paragraph (1) shall apply to those taxes paid by a member of the qualified group below the third tier only with respect to periods during which it was a controlled foreign corporation."

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 902(c)(3) is amended by adding "or" at the end of clause (i) and by striking clauses (ii) and (iii) and inserting the following new clause:

"(ii) the requirements of subsection (b)(2) are met with respect to such foreign corporation."

(B) Subparagraph (B) of section 902(c)(4) is amended by striking "3rd foreign corporation" and inserting "sixth tier foreign corporation".

(C) The heading for paragraph (3) of section 902(c) is amended by striking "WHERE DOMESTIC CORPORATION ACQUIRES 10 PERCENT OF FOREIGN CORPORATION" and inserting "WHERE FOREIGN CORPORATION FIRST QUALIFIES".

(D) Paragraph (3) of section 902(c) is amended by striking "ownership" each place it appears.

(b) SECTION 960 CREDIT.—Paragraph (1) of section 960(a) (relating to special rules for foreign tax credits) is amended to read as follows:

"(1) DEEMED PAID CREDIT.—For purposes of subpart A of this part, if there is included under section 951(a) in the gross income of a domestic corporation any amount attributable to earnings and profits of a foreign corporation which is a member of a qualified group (as defined in section 902(b)) with respect to the domestic corporation, then, except to the extent provided in regulations, section 902 shall be applied as if the amount so included were a dividend paid by such foreign corporation (determined by applying section 902(c) in accordance with section 904(d)(3)(B))."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxes of foreign corporations for taxable years of such corporations beginning after the date of enactment of this Act.

(2) SPECIAL RULE.—In the case of any chain of foreign corporations described in clauses (i) and (ii) of section 902(b)(2)(B) of the Internal Revenue Code of 1986 (as amended by this section), no liquidation, reorganization, or similar transaction in a taxable year beginning after the date of the enactment of this Act shall have the effect of permitting taxes to be taken into account under section 902 of the Internal Revenue Code of 1986 which could not have been taken into account under such section but for such transaction.

PART III—OTHER PROVISIONS

SEC. 4421. EXCHANGE RATE USED IN TRANSLATING FOREIGN TAXES.

(a) ACCRUED TAXES TRANSLATED BY USING AVERAGE RATE FOR YEAR TO WHICH TAXES RELATE.—

(1) IN GENERAL.—Subsection (a) of section 986 (relating to translation of foreign taxes) is amended to read as follows:

"(a) FOREIGN INCOME TAXES.—

"(1) TRANSLATION OF ACCRUED TAXES.—

"(A) IN GENERAL.—For purposes of determining the amount of the foreign tax credit, in the case of a taxpayer who takes foreign income taxes into account when accrued, the amount of any foreign income taxes (and any adjustment thereto) shall be translated into dollars by using the average exchange rate for the taxable year to which such taxes relate.

"(B) EXCEPTION FOR TAXES NOT PAID WITHIN FOLLOWING 2 YEARS.—

"(i) Subparagraph (A) shall not apply to any foreign income taxes paid after the date 2 years after the close of the taxable year to which such taxes relate.

"(ii) Subparagraph (A) shall not apply to taxes paid before the beginning of the taxable year to which such taxes relate.

"(C) EXCEPTION FOR INFLATIONARY CURRENCIES.—To the extent provided in regulations, subparagraph (A) shall not apply to any foreign income taxes the liability for which is denominated in any currency determined to be an inflationary currency under such regulations.

"(D) CROSS REFERENCE.—

"For adjustments where tax is not paid within 2 years, see section 905(c).

"(2) TRANSLATION OF TAXES TO WHICH PARAGRAPH (1) DOES NOT APPLY.—For purposes of determining the amount of the foreign tax credit, in the case of any foreign income taxes to which subparagraph (A) of paragraph (1) does not apply—

"(A) such taxes shall be translated into dollars using the exchange rates as of the time such taxes were paid to the foreign country or possession of the United States, and

"(B) any adjustment to the amount of such taxes shall be translated into dollars using—

"(i) except as provided in clause (ii), the exchange rate as of the time when such adjustment is paid to the foreign country or possession, or

"(ii) in the case of any refund or credit of foreign income taxes, using the exchange rate as of the time of the original payment of such foreign income taxes.

"(3) FOREIGN INCOME TAXES.—For purposes of this subsection, the term 'foreign income taxes' means any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States."

(2) ADJUSTMENT WHEN NOT PAID WITHIN 2 YEARS AFTER YEAR TO WHICH TAXES RELATE.—Subsection (c) of section 905 is amended to read as follows:

"(c) ADJUSTMENTS TO ACCRUED TAXES.—

"(1) IN GENERAL.—If—

"(A) accrued taxes when paid differ from the amounts claimed as credits by the taxpayer,

"(B) accrued taxes are not paid before the date 2 years after the close of the taxable year to which such taxes relate, or

"(C) any tax paid is refunded in whole or in part,

the taxpayer shall notify the Secretary, who shall redetermine the amount of the tax for the year or years affected.

"(2) SPECIAL RULE FOR TAXES NOT PAID WITHIN 2 YEARS.—In making the redetermination under paragraph (1), no credit shall be allowed for accrued taxes not paid before the date referred to in subparagraph (B) of paragraph (1). Any such taxes if subsequently paid shall be taken into account for the taxable year in which paid and no redetermination under this section shall be made on account of such payment.

"(3) ADJUSTMENTS.—The amount of tax due on any redetermination under paragraph (1) (if any) shall be paid by the taxpayer on notice and demand by the Secretary, and the amount of tax overpaid (if any) shall be credited or refunded to the taxpayer in accordance with subchapter B of chapter 66 (section 6511 et seq.).

"(4) BOND REQUIREMENTS.—In the case of any tax accrued but not paid, the Secretary, as a condition precedent to the allowance of the credit provided in this subpart, may require the taxpayer to give a bond, with sureties satisfactory to and approved by the Secretary, in such sum as the Secretary may require, conditioned on the payment by the taxpayer of any amount of tax found due on any such redetermination. Any such bond shall contain such further conditions as the Secretary may require.

"(5) OTHER SPECIAL RULES.—In any redetermination under paragraph (1) by the Secretary of the amount of tax due from the taxpayer for the year or years affected by a refund, the amount of the taxes refunded for which credit has been allowed under this section shall be reduced by the amount of any tax described in section 901 imposed by the foreign country or possession of the United States with respect to such refund; but no credit under this subpart, or deduction under section 164, shall be allowed for any taxable year with respect to any such tax imposed on the refund. No interest shall be assessed or collected on any amount of tax due on any redetermination by the Secretary, resulting from a refund to the taxpayer, for any period before the receipt of such refund, except to the extent interest was paid by the foreign country or possession of the United States on such refund for such period."

(b) AUTHORITY TO USE AVERAGE RATES.—

(1) IN GENERAL.—Subsection (a) of section 986 (relating to foreign taxes) is amended by adding at the end thereof the following new paragraph:

"(4) AUTHORITY TO PERMIT USE OF AVERAGE RATES.—To the extent prescribed in regulations, the average exchange rate for the period (specified in such regulations) during which the taxes or adjustment is paid may be used instead of the exchange rate as of the time of such payment."

(2) DETERMINATION OF AVERAGE RATES.—Subsection (c) of section 989 is amended by striking "and" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting ", and", and by adding at the end thereof the following new paragraph:

"(6) setting forth procedures for determining the average exchange rate for any period."

(3) CONFORMING AMENDMENTS.—Subsection (b) of section 989 is amended by striking "weighted" each place it appears.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxes paid or accrued in taxable years beginning after December 31, 1991.

SEC. 4422. ELECTION TO USE SIMPLIFIED SECTION 904 LIMITATION FOR ALTERNATIVE MINIMUM TAX.

(a) GENERAL RULE.—Subsection (a) of section 59 (relating to alternative minimum tax foreign tax credit) is amended by adding at the end thereof the following new paragraph:

"(3) ELECTION TO USE SIMPLIFIED SECTION 904 LIMITATION.—

"(A) IN GENERAL.—In determining the alternative minimum tax foreign tax credit for any taxable year to which an election under this paragraph applies—

"(i) subparagraph (B) of paragraph (1) shall not apply, and

"(ii) the limitation of section 904 shall be based on the proportion which—

"(I) the taxpayer's taxable income (as determined for purposes of the regular tax) from sources without the United States (but not in excess of the taxpayer's entire alternative minimum taxable income), bears to

"(II) the taxpayer's entire alternative minimum taxable income for the taxable year.

"(B) ELECTION.—

"(i) IN GENERAL.—An election under this paragraph may be made only for the taxpayer's first taxable year which begins after December 31, 1992, and for which the taxpayer claims an alternative minimum tax foreign tax credit.

"(ii) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under this paragraph, once made, shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 4423. MODIFICATION OF SECTION 1491.

(a) GENERAL RULE.—So much of chapter 5 (relating to tax on transfers to avoid income tax) as precedes section 1492 is amended to read as follows:

"CHAPTER 5—TREATMENT OF TRANSFERS TO AVOID INCOME TAX

"Sec. 1491. Recognition of gain.

"Sec. 1492. Exceptions.

"SEC. 1491. RECOGNITION OF GAIN.

"In the case of any transfer of property by a United States person to a foreign corporation as paid-in surplus or as a contribution to capital, to a foreign estate or trust, or to a foreign partnership, for purposes of this subtitle, such transfer shall be treated as a sale or exchange for an amount equal to the fair market value of the property transferred, and the transferor shall recognize as gain the excess of—

"(1) the fair market value of the property so transferred, over

"(2) the adjusted basis (for purposes of determining gain) of such property in the hands of the transferor.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1057 is hereby repealed.

(2) Section 1492 is amended to read as follows:

"SEC. 1492. EXCEPTIONS.

"The provisions of section 1491 shall not apply—

"(1) If the transferee is an organization exempt from income tax under part I of subchapter F of chapter 1 (other than an organization described in section 401(a)),

"(2) To a transfer described in section 367, or

"(3) To any other transfer, to the extent provided in regulations in accordance with principles similar to the principles of section 367 or otherwise consistent with the purpose of section 1491.".

(3) Section 1494 is hereby repealed.

(4) The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1057.

(5) The table of chapters for subtitle A is amended by striking "Tax on" in the item relating to chapter 5 and inserting "Treatment of".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

SEC. 4424. MODIFICATION OF SECTION 367(b).

(a) GENERAL RULE.—Paragraph (1) of section 367(b) is amended to read as follows:

"(1) IN GENERAL.—In the case of any transaction described in section 332, 351, 354, 355, 356, or 361 in which the status of a foreign corporation as a corporation is a general condition for nonrecognition by 1 or more of the parties to the transaction, income shall be required to be recognized to the extent provided in regulations prescribed by the Secretary which are necessary or appropriate to prevent the avoidance of Federal income taxes. This subsection shall not apply to a transaction in which the foreign corporation is not treated as a corporation under subsection (a)(1).".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to transfers after December 31, 1993.

Subtitle E—Treatment of Intangibles

SEC. 4501. 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 14-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 DEFINED.—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 operation of 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)(B):

"(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, or

"(ii) is fixed as to amount and, without regard to this section, would be amortizable under a method similar to the unit-of-production 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.

"(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 determined 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) 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 prevent avoidance of the purposes of this section through related persons or otherwise."

(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 section 197(e)(3)(B); except that such term shall not include any such software which is an amortizable section 197 intangible.

"(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 concern 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 DATE.—

(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) 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) 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.

(h) ANNUAL REPORTS.—The Secretary of the Treasury shall submit annual reports to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the implementation and effects of the amendments made by this section, including the effects of such amendments on merger and acquisition activities. The first such annual report shall be submitted on or before December 31, 1994.

SEC. 4502. 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 on or after June 25, 1992.

(2) BINDING CONTRACT EXCEPTION.—The amendments made by this section shall not apply to any partner retiring on or after June 25, 1992, if a written contract to purchase such partner's interest in the partnership was binding on June 24, 1992, and at all times thereafter before such purchase.

Subtitle F—Other Income Tax Provisions

PART I—PROVISIONS RELATING TO SUBCHAPTER S CORPORATIONS

SEC. 4601. DETERMINATION OF WHETHER CORPORATION HAS 1 CLASS OF STOCK.

(a) GENERAL RULE.—Paragraph (4) of section 1361(c) is amended to read as follows:

"(4) DETERMINATION OF WHETHER CORPORATION HAS 1 CLASS OF STOCK.—For purposes of subsection (b)(1)(D), a corporation shall be treated as having 1 class of stock if all outstanding shares of stock of the corporation confer identical rights to distributions and liquidation proceeds. The preceding sentence shall apply whether or not there are differences in voting rights among such shares."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1982.

SEC. 4602. AUTHORITY TO VALIDATE CERTAIN INVALID ELECTIONS.

(a) GENERAL RULE.—Subsection (f) of section 1362 (relating to inadvertent terminations) is amended to read as follows:

"(f) INADVERTENT INVALID ELECTIONS OR TERMINATIONS.—If—

"(1) an election under subsection (a) by any corporation—

"(A) was not effective for the taxable year for which made (determined without regard to subsection (b)(2)) by reason of a failure to meet the requirements of section 1361(b) or to obtain shareholder consents, or

"(B) was terminated under paragraph (2) or (3) of subsection (d),

"(2) the Secretary determines that the circumstances resulting in such ineffectiveness or termination were inadvertent,

"(3) no later than a reasonable period of time after discovery of the circumstances resulting in such ineffectiveness or termination, steps were taken—

"(A) so that the corporation is a small business corporation, or

"(B) to acquire the required shareholder consents, and

"(4) the corporation, and each person who was a shareholder in the corporation at any time during the period specified pursuant to this subsection, agrees to make such adjustments (consistent with the treatment of the corporation as an S corporation) as may be required by the Secretary with respect to such period,

then, notwithstanding the circumstances resulting in such ineffectiveness or termination, such corporation shall be treated as an S corporation during the period specified by the Secretary."

(b) LATE ELECTIONS.—Subsection (b) of section 1362 is amended by adding at the end thereof the following new paragraph:

"(5) AUTHORITY TO TREAT LATE ELECTIONS AS TIMELY.—If—

"(A) an election under subsection (a) is made for any taxable year (determined without regard to paragraph (3)) after the date prescribed by this subsection for making such election for such taxable year, and

"(B) the Secretary determines that there was reasonable cause for the failure to timely make such election,

the Secretary may treat such election as timely made for such taxable year (and paragraph (3) shall not apply)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to elections for taxable years beginning after December 31, 1982.

SEC. 4603. TREATMENT OF DISTRIBUTIONS DURING LOSS YEARS.

(a) ADJUSTMENTS FOR DISTRIBUTIONS TAKEN INTO ACCOUNT BEFORE LOSSES.—

(1) Subparagraph (A) of section 1366(d)(1) is amended by striking "paragraph (1)" and inserting "paragraphs (1) and (2)(A)".

(2) Subsection (d) of section 1368 is amended by adding at the end thereof the following new sentence:

"In the case of any distribution made during any taxable year, the adjusted basis of the stock shall be determined with regard to the adjustments provided in paragraph (1) of section 1367(a) for the taxable year."

(b) ACCUMULATED ADJUSTMENTS ACCOUNT.—Paragraph (1) of section 1368(e) (relating to accumulated adjustments account) is amended by adding at the end thereof the following new subparagraph:

"(C) NET LOSS FOR YEAR DISREGARDED.—

"(i) IN GENERAL.—In applying this section to distributions made during any taxable year, the amount in the accumulated adjustments account as of the close of such taxable year shall be determined without regard to any net negative adjustment for such taxable year.

"(ii) NET NEGATIVE ADJUSTMENT.—For purposes of clause (i), the term 'net negative adjustment' means, with respect to any taxable year, the excess (if any) of—

"(I) the reductions in the account for the taxable year (other than for distributions), over

"(II) the increases in such account for such taxable year."

(c) CONFORMING AMENDMENTS.—Subparagraph (A) of section 1368(e)(1) is amended—

(1) by striking "as provided in subparagraph (B)" and inserting "as otherwise provided in this paragraph", and

(2) by striking "section 1367(b)(2)(A)" and inserting "section 1367(a)(2)".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions in taxable years beginning after December 31, 1991.

SEC. 4604. OTHER MODIFICATIONS.

(a) TREATMENT OF S CORPORATIONS UNDER SUBCHAPTER C.—Subsection (a) of section 1371 (relating to application of subchapter C rules) is amended to read as follows:

"(a) APPLICATION OF SUBCHAPTER C RULES.—Except as otherwise provided in this title, and except to the extent inconsistent with this subchapter, subchapter C shall apply to an S corporation and its shareholders."

(b) S CORPORATIONS PERMITTED TO HOLD SUBSIDIARIES.—

(1) IN GENERAL.—Paragraph (2) of section 1361(b) (defining ineligible corporation) is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), (D), and (E) as subparagraphs (A), (B), (C), and (D), respectively.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (c) of section 1361 is amended by striking paragraph (6).

(B) Subsection (b) of section 1504 (defining includible corporation) is amended by adding at the end thereof the following new paragraph:

"(8) An S corporation."

(c) ELIMINATION OF PRE-1983 EARNINGS AND PROFITS.—

(1) IN GENERAL.—If—

(A) a corporation was an electing small business corporation under subchapter S of chapter 1 of the Internal Revenue Code of 1986 for any taxable year beginning before January 1, 1983, and

(B) such corporation is an S corporation under subchapter S of chapter 1 of such Code for its first taxable year beginning after December 31, 1991,

the amount of such corporation's accumulated earnings and profits (as of the beginning of such first taxable year) shall be reduced by an amount equal to the portion (if any) of such accumulated earnings and profits which were accumulated in any taxable year beginning before January 1, 1983, for which such corporation was an electing small business corporation under such subchapter S.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (3) of section 1362(d) is amended—

(i) by striking "subchapter C" in the paragraph heading and inserting "accumulated",

(ii) by striking "subchapter C" in subparagraph (A)(i)(I) and inserting "accumulated", and

(iii) by striking subparagraph (B) and redesignating the following subparagraphs accordingly.

(B)(i) Subsection (a) of section 1375 is amended by striking "subchapter C" in paragraph (1) and inserting "accumulated".

(ii) Paragraph (3) of section 1375(b) is amended to read as follows:

"(3) PASSIVE INVESTMENT INCOME, ETC.—The terms 'passive investment income' and 'gross receipts' have the same respective meanings as when used in paragraph (3) of section 1362(d)."

(iii) The section heading for section 1375 is amended by striking "**subchapter c**" and inserting "**accumulated**".

(iv) The table of sections for part III of subchapter S of chapter 1 is amended by striking "**SUBCHAPTER C**" in the item relating to section 1375 and inserting "**ACCUMULATED**".

(C) Clause (i) of section 1042(c)(4)(A) is amended by striking "section 1362(d)(3)(D)" and inserting "section 1362(d)(3)(C)".

(d) ADJUSTMENTS TO BASIS OF INHERITED S STOCK TO REFLECT CERTAIN ITEMS OF INCOME.—Subsection (b) of section 1367 (relating to adjustments to basis of stock of shareholders, etc.) is amended by adding at the end thereof the following new paragraph:

"(4) ADJUSTMENTS IN CASE OF INHERITED STOCK.—

"(A) IN GENERAL.—If any person acquires stock in an S corporation by reason of the death of a decedent or by bequest, devise, or inheritance, section 691 shall be applied with respect to any item of income of the S corporation in the same manner as if the decedent had held directly his pro rata share of such item.

"(B) ADJUSTMENTS TO BASIS.—The basis determined under section 1014 of any stock in an S corporation shall be reduced by the portion of the value of the stock which is attributable to items constituting income in respect of the decedent."

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1991.

(2) SUBSECTION (d).—The amendment made by subsection (d) shall apply in the case of decedents dying after the date of the enactment of this Act.

PART II—ACCOUNTING PROVISIONS

SEC. 4611. MODIFICATIONS TO LOOK-BACK METHOD FOR LONG-TERM CONTRACTS.

(a) LOOK-BACK METHOD NOT TO APPLY IN CERTAIN CASES.—Subsection (b) of section 460 (relating to percentage of completion method) is amended by adding at the end thereof the following new paragraph:

"(6) ELECTION TO HAVE LOOK-BACK METHOD NOT APPLY IN DE MINIMIS CASES.—

"(A) AMOUNTS TAKEN INTO ACCOUNT AFTER COMPLETION OF CONTRACT.—Paragraph (1)(B) shall not apply with respect to any taxable year (beginning after the taxable year in which the contract is completed) if—

"(i) the cumulative taxable income (or loss) under the contract as of the close of such taxable year, is within

"(ii) 10 percent of the cumulative look-back taxable income (or loss) under the contract as of the close of the most recent taxable year to which paragraph (1)(B) applied (or would have applied but for subparagraph (B)).

"(B) DE MINIMIS DISCREPANCIES.—Paragraph (1)(B) shall not apply in any case to which it would otherwise apply if—

"(i) the cumulative taxable income (or loss) under the contract as of the close of each prior contract year, is within

"(ii) 10 percent of the cumulative look-back income (or loss) under the contract as of the close of such prior contract year.

"(C) DEFINITIONS.—For purposes of this paragraph—

"(i) CONTRACT YEAR.—The term 'contract year' means any taxable year for which income is taken into account under the contract.

"(ii) LOOK-BACK INCOME OR LOSS.—The look-back income (or loss) is the amount which would be the taxable income (or loss) under the contract if the allocation method set forth in paragraph (2)(A) were used in determining taxable income.

"(iii) DISCOUNTING NOT APPLICABLE.—The amounts taken into account after the completion of the contract shall be determined without regard to any discounting under the 2nd sentence of paragraph (2).

"(D) CONTRACTS TO WHICH PARAGRAPH APPLIES.—This paragraph shall only apply if the taxpayer makes an election under this subparagraph. Unless revoked with the consent of the Secretary, such an election shall apply to all long-term contracts completed during the taxable year for which such election is made or during any subsequent taxable year."

(b) MODIFICATION OF INTEREST RATE.—

(1) IN GENERAL.—Subparagraph (C) of section 460(b)(2) is amended by striking "the overpayment rate established by section 6621" and inserting "the adjusted overpayment rate (as defined in paragraph (7))".

(2) ADJUSTED OVERPAYMENT RATE.—Subsection (b) of section 460 is amended by adding at the end thereof the following new paragraph:

"(7) ADJUSTED OVERPAYMENT RATE.—

"(A) IN GENERAL.—The adjusted overpayment rate for any interest accrual period is the overpayment rate in effect under section 6621 for the calendar quarter in which such interest accrual period begins.

"(B) INTEREST ACCRUAL PERIOD.—For purposes of subparagraph (A), the term 'interest accrual period' means the period—

"(i) beginning on the day after the return due date for any taxable year of the taxpayer, and

"(ii) ending on the return due date for the following taxable year.

For purposes of the preceding sentence, the term 'return due date' means the date prescribed for filing the return of the tax imposed by this chapter (determined without regard to extensions)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contracts completed in taxable years ending after the date of the enactment of this Act.

SEC. 4612. SIMPLIFIED METHOD FOR CAPITALIZING CERTAIN INDIRECT COSTS.

(a) GENERAL RULE.—Subsection (i) of section 263A (relating to regulations) is amended by striking "and" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", and", and by adding at the end thereof the following:

"(3) regulations providing that allocations of costs of any administrative, service, or support function or department may be made on the basis of the base period percentage of the current costs of such function or department.

For purposes of paragraph (3), the term 'base period percentage' means, with respect to any function or department, the percentage of the costs of such function or department during a base period specified in regulations which were allocable to property to which this section applies.".

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

PART III—PROVISIONS RELATING TO REGULATED INVESTMENT COMPANIES

SEC. 4621. REPEAL OF 30-PERCENT GROSS INCOME LIMITATION.

(a) GENERAL RULE.—Subsection (b) of section 851 (relating to limitations) is amended by striking paragraph (3), by adding "and" at the end of paragraph (2), and by redesignating paragraph (4) as paragraph (3).

(b) TECHNICAL AMENDMENTS.—

(1) The material following paragraph (3) of section 851 (as redesignated by subsection (a)) is amended—

(A) by striking out "paragraphs (2) and (3)" and inserting "paragraph (2)", and

(B) by striking out the last sentence thereof.

(2) Subsection (c) of section 851 is amended by striking "subsection (b)(4)" each place it appears (including the heading) and inserting "subsection (b)(3)".

(3) Subsection (d) of section 851 is amended by striking "subsections (b)(4)" and inserting "subsections (b)(3)".

(4) Paragraph (1) of section 851(e) is amended by striking "subsection (b)(4)" and inserting "subsection (b)(3)".

(5) Paragraph (4) of section 851(e) is amended by striking "subsections (b)(4)" and inserting "subsections (b)(3)".

(6) Section 851 is amended by striking subsection (g) and redesignating subsection (h) as subsection (g).

(7) Subsection (g) of section 851 (as redesignated by paragraph (6)) is amended by striking paragraph (3).

(8) Section 817(h)(2) is amended—

(A) by striking "851(b)(4)" in subparagraph (A) and inserting "851(b)(3)", and

(B) by striking "851(b)(4)(A)(i)" in subparagraph (B) and inserting "851(b)(3)(A)(i)".

(9) Section 1092(f)(2) is amended by striking "Except ior purposes of section 851(b)(3), the" and inserting "The".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 4622. BASIS RULES FOR SHARES IN OPEN-END REGULATED INVESTMENT COMPANIES.

(a) ADDITIONAL REPORTING REQUIREMENT.—Section 6045 (relating to returns of brokers) is amended by adding at the end thereof the following new subsection:

"(f) ADDITIONAL INFORMATION REQUIRED WITH RESPECT TO OPEN-END REGULATED INVESTMENT COMPANIES.—

"(1) IN GENERAL.—If any person is required under subsection (a) to make a return regarding the gross proceeds from any disposition of stock in an open-end regulated investment company, such return shall include for each such disposition—

"(A) the basis of the stock disposed of (determined by reference to the average basis of all of the stock in the account from which the disposition was made immediately before the disposition), and

"(B) the portion of such gross proceeds attributable to stock held for more than 1 year and the portion not so attributable.

Determinations under subparagraph (B) shall be made on a first-in, first-out, basis and determinations of basis and holding period shall be made in such manner as the Secretary may prescribe.

"(2) OPEN-END REGULATED INVESTMENT COMPANY.—For purposes of this subsection, the term 'open-end regulated investment company' means any regulated investment company which is offering for sale or has outstanding any redeemable security (as defined in section 2(a)(32) of the Investment Company Act of 1940) of which it is the issuer.

"(3) INFORMATION TRANSFERS.—To the extent provided in regulations, there shall be such exchanges of information between brokers as such regulations may require for purposes of enabling brokers to meet the requirements of this subsection.

"(4) APPLICATION OF SUBSECTION.—This subsection shall not apply with respect to stock in any account—

"(A) which was established before January 1, 1994, or

"(B) which includes any stock not acquired by purchase.".

(b) BASIS FOR INCOME TAX PURPOSES.—Section 1012 of such Code is amended—

(1) by striking "The basis" and inserting "(a) GENERAL RULE.—The basis", and

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

"(b) SPECIAL RULES FOR STOCK IN OPEN-END REGULATED INVESTMENT COMPANIES.—

"(1) IN GENERAL.—In the case of any disposition of stock from a covered account—

"(A) the basis of such stock shall be determined by reference to the average basis of all of the stock in such account immediately before such disposition, and

"(B) the determination of which stock in such account is so disposed of shall be made on a first-in, first-out, basis.

"(2) COVERED ACCOUNT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'covered account' means any account of stock in an open-end regulated investment company if section 6045(f) applies to such account.

"(B) ELECTION OUT.—The term 'covered account' shall not include any account if, on the taxpayer's return for his first taxable year in which a disposition from such account occurs, the taxpayer elects to have this subsection not apply to such account.".

(c) TECHNICAL AMENDMENT.—Section 6724 of such Code is amended by adding at the end thereof the following new subsection:

"(e) SPECIAL RULE FOR CERTAIN REPORTS WITH RESPECT TO STOCK IN OPEN END REGULATED INVESTMENT COMPANIES.—For purposes of sections 6721(e)(2)(B) and 6722(c)(1)(B), the amount required to be reported under section 6045 shall be determined without regard to subsection (f) thereof.".

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to returns and statements required for calendar year 1994 and subsequent calendar years.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to dispositions on or after December 31, 1993.

SEC. 4623. NONRECOGNITION TREATMENT FOR CERTAIN TRANSFERS BY COMMON TRUST FUNDS TO REGULATED INVESTMENT COMPANIES.

(a) GENERAL RULE.—Section 584 (relating to common trust funds) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) NONRECOGNITION TREATMENT FOR CERTAIN TRANSFERS TO REGULATED INVESTMENT COMPANIES.—

"(1) IN GENERAL.—If—

"(A) a common trust fund transfers substantially all of its assets to a regulated investment company in exchange solely for stock in such company, and

"(B) such stock is distributed by such common trust fund to participants in such common trust fund in exchange solely for their interests in such common trust fund,

no gain or loss shall be recognized by such common trust fund by reason of such transfer or distribution, and no gain or loss shall be recognized by any participant in such common trust fund by reason of such exchange.

"(2) BASIS RULES.—

"(A) REGULATED INVESTMENT COMPANY.—The basis of any asset received by a regulated investment company in a transfer referred to in paragraph (1)(A) shall be the same as it would be in the hands of the common trust fund.

"(B) PARTICIPANTS.—The basis of any stock in a regulated investment company which is received in an exchange referred to in paragraph (1)(B) shall be the same as that of the property exchanged.

"(3) TREATMENT OF ASSUMPTIONS OF LIABILITY.—

"(A) IN GENERAL.—In determining whether the transfer referred to in paragraph (1)(A) is in exchange solely for stock in the regulated investment company, the assumption by such company of a liability of the common trust fund, and the fact that any property transferred by the common trust fund is subject to a liability, shall be disregarded.

"(B) SPECIAL RULE WHERE ASSUMED LIABILITIES EXCEED BASIS.—

"(i) IN GENERAL.—If in any transfer referred to in paragraph (1)(A) the assumed liabilities exceed the aggregate adjusted bases (in the hands of the common trust fund) of the assets transferred to the regulated investment company—

"(I) notwithstanding paragraph (1), gain shall be recognized to the common trust fund on such transfer in an amount equal to such excess,

"(II) the basis of the assets received by the regulated investment company in such transfer shall be increased by the amount so recognized, and

"(III) any adjustment to the basis of a participant's interest in the common trust fund as a result of the gain so recognized shall be treated as occurring immediately before the exchange referred to in paragraph (1)(B).

"(ii) ASSUMED LIABILITIES.—For purposes of clause (i), the term 'assumed liabilities' means the aggregate of—

"(I) any liability of the common trust fund assumed by the regulated investment company in connection with the transfer referred to in paragraph (1)(A), and

"(II) any liability to which property so transferred is subject.

"(4) COMMON TRUST FUND MUST MEET DIVERSIFICATION RULES.—This subsection shall not apply to any common trust fund which would not meet the requirements of section 368(a)(2)(F)(ii) if it were a corporation.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to transfers after the date of the enactment of this Act.

PART IV—TAX-EXEMPT BOND PROVISIONS

SEC. 4631. REPEAL OF $100,000 LIMITATION ON UNSPENT PROCEEDS UNDER 1-YEAR EXCEPTION FROM REBATE.

Subclause (I) of section 148(f)(4)(B)(ii) (relating to additional period for certain bonds) is amended by striking "the lesser of 5 percent of the proceeds of the issue or $100,000" and inserting "5 percent of the proceeds of the issue".

SEC. 4632. EXCEPTION FROM REBATE FOR EARNINGS ON BONA FIDE DEBT SERVICE FUND UNDER CONSTRUCTION BOND RULES.

Subparagraph (C) of section 148(f)(4) is amended by adding at the end thereof the following new clause:

"(xvii) TREATMENT OF BONA FIDE DEBT SERVICE FUNDS.—If the spending requirements of clause (ii) are met with respect to the available construction proceeds of a construction issue, then paragraph (2) shall not apply to earnings on a bona fide debt service fund for such issue."

SEC. 4633. AGGREGATION OF ISSUES RULES NOT TO APPLY TO TAX OR REVENUE ANTICIPATION BONDS.

Section 150 (relating to definitions and special rules) is amended by adding at the end thereof the following new subsection:

"(f) TAX OR REVENUE ANTICIPATION BONDS TREATED AS SEPARATE ISSUES.—For purposes of this part, if—

"(1) all of the bonds which are part of an issue are qualified 501(c)(3) bonds or bonds which are not private activity bonds, and

"(2) any portion of such issue consists of tax or revenue anticipation bonds which are reasonably expected to meet the requirements of section 148(f)(4)(B)(iii),

then such portion shall, subject to appropriate allocations specified in regulations

prescribed by the Secretary, be treated as a separate issue."

SEC. 4634. REPEAL OF DISPROPORTIONATE PRIVATE BUSINESS USE TEST.

(a) IN GENERAL.—Subsection (b) of section 141 (relating to private business tests) is amended by striking paragraph (3) and by redesignating paragraphs (4) through (9) as paragraphs (3) through (8), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 141(d) is amended by striking "subsection (b)(4)" and inserting "subsection (b)(3)".

(2) Paragraph (2) of section 142(c) is amended by striking "section 141(b)(6)" and inserting "section 141(b)(5)".

(3) Subsections (k)(3) and (m)(1) of section 146 and section 149(f)(4)(B)(i) are each amended by striking "section 141(b)(5)" and inserting "section 141(b)(4)".

SEC. 4635. EXPANDED EXCEPTION FROM REBATE FOR ISSUERS ISSUING $10,000,000 OR LESS OF BONDS.

Subparagraph (D) of section 148(f) (relating to exception for governmental units issuing $5,000,000 or less of bonds) is amended by striking "$5,000,000" each place it appears (including the heading) and inserting "$10,000,000".

SEC. 4636. REPEAL OF DEBT SERVICE-BASED LIMITATION ON INVESTMENT IN CERTAIN NONPURPOSE INVESTMENTS.

Subsection (d) of section 148 (relating to special rules for reasonably required reserve or replacement fund) is amended by striking paragraph (3).

SEC. 4637. REPEAL OF EXPIRED PROVISIONS.

(a) Paragraph (2) of section 148(c) is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), and (E) as subparagraph (B), (C), and (D), respectively.

(b) Paragraph (4) of section 148(f) is amended by striking subparagraph (E).

SEC. 4638. CLARIFICATION OF INVESTMENT-TYPE PROPERTY.

Subparagraph (D) of section 148(b)(2) is amended to read as follows:

"(D) any investment-type property, or".

SEC. 4639. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this subtitle shall apply to bonds issued after the date of the enactment of this Act.

(b) SMALL ISSUER EXPANSION.—The amendment made by section 4636 shall apply to bonds issued in calendar years beginning after the date of the enactment of this Act.

(c) INVESTMENT-TYPE PROPERTY.—The amendment made by section 4639 shall take effect as if included in the amendments made by section 1301 of the Tax Reform Act of 1986.

PART V—INSURANCE PROVISIONS

SEC. 4641. TREATMENT OF CERTAIN INSURANCE CONTRACTS ON RETIRED LIVES.

(a) GENERAL RULE.—

(1) Paragraph (2) of section 817(d) (defining variable contract) is amended by striking "or" at the end of subparagraph (A), by striking "and" at the end of subparagraph (B) and inserting "or", and by inserting after subparagraph (B) the following new subparagraph:

"(C) provides for funding of insurance on retired lives as described in section 807(c)(6), and".

(2) Paragraph (3) of section 817(d) is amended by striking "or" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ", or", and by inserting after subparagraph (B) the following new subparagraph:

"(C) in the case of funds held under a contract described in paragraph (2)(C), the amounts paid in, or the amounts paid out, reflect the investment return and the market value of the segregated asset account."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to contracts issued after December 31, 1991.

(2) ELECTION.—At the election of the taxpayer, the amendment made by this section shall also apply to all contracts issued before January 1, 1992, and in a taxable year for which the period prescribed by section 6501 of the Internal Revenue Code of 1986 for the assessment of any tax for such taxable year, has not expired before the date of the enactment of this Act.

SEC. 4642. TREATMENT OF MODIFIED GUARANTEED CONTRACTS.

(a) GENERAL RULE.—Subpart E of part I of subchapter L of chapter 1 (relating to definitions and special rules) is amended by inserting after section 817 the following new section:

"SEC. 817A. SPECIAL RULES FOR MODIFIED GUARANTEED CONTRACTS.

"(a) COMPUTATION OF RESERVES.—In the case of a modified guaranteed contract, clause (ii) of section 807(e)(1)(A) shall not apply.

"(b) SEGREGATED ASSETS UNDER MODIFIED GUARANTEED CONTRACTS MARKED TO MARKET.—

"(1) IN GENERAL.—In the case of any life insurance company, for purposes of this subtitle—

"(A) Any gain or loss with respect to a segregated asset shall be treated as ordinary income or loss, as the case may be.

"(B) If any segregated asset is held by such company as of the close of any taxable year—

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

"(ii) any such 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 subparagraph at times other than the times provided in this subparagraph.

"(2) SEGREGATED ASSET.—For purposes of paragraph (1), the term 'segregated asset' means any asset held as part a segregated account referred to in subsection (d)(1) under a modified guaranteed contract.

"(c) SPECIAL RULE IN COMPUTING LIFE INSURANCE RESERVES.—For purposes of applying section 816(b)(1)(A) to any modified guaranteed contract, an assumed rate of interest shall include a rate of interest determined, from time to time, with reference to a market rate of interest.

"(d) MODIFIED GUARANTEED CONTRACT DEFINED.—For purposes of this section, the term 'modified guaranteed contract' means a contract not described in section 817—

"(1) all or part of the amounts received under which are allocated to an account which, pursuant to State law or regulation, is segregated from the general asset accounts of the company and is valued from time to time with reference to market values,

"(2) which—

"(A) provides for the payment of annuities,

"(B) is a life insurance contract, or

"(C) is a pension plan contract which is not a life, accident, or health, property, casualty, or liability contract, and

"(3) which provides for a market value adjustment.

"(e) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section and to provide for the treatment of market value adjustments under sections 72, 7702, and 7702A."

(b) CLERICAL AMENDMENT.—The table of sections for subpart E of part I of subchapter L of chapter 1 is amended by inserting after the item relating to section 817 the following new item:

"Sec. 817A. Special rules for modified guaranteed contracts."

(c) EFFECTIVE DATE.—

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

(2) TREATMENT OF NET ADJUSTMENTS.—In the case of any taxpayer required by the amendments made by this section to change its calculation of reserves to take into account market value adjustments and to mark segregated assets to market for any taxable year—

(A) such changes shall be treated as a change in method of accounting initiated by the taxpayer,

(B) such changes shall be treated as made with the consent of the Secretary, and

(C) the adjustments required by reason of section 481 of the Internal Revenue Code of 1986 shall be taken into account as ordinary income or loss by the taxpayer for the taxpayer's first taxable year beginning after December 31, 1991.

PART VI—OTHER PROVISIONS

SEC. 4651. CLOSING OF PARTNERSHIP TAXABLE YEAR WITH RESPECT TO DECEASED PARTNER, ETC.

(a) GENERAL RULE.—Subparagraph (A) of section 706(c)(2) (relating to disposition of entire interest) is amended to read as follows:

"(A) DISPOSITION OF ENTIRE INTEREST.—The taxable year of a partnership shall close with respect to a partner whose entire interest in the partnership terminates (whether by reason of death, liquidation, or otherwise)."

(b) CLERICAL AMENDMENT.—The paragraph heading for paragraph (2) of section 706(c) is amended to read as follows:

"(2) TREATMENT OF DISPOSITIONS.—".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years beginning after December 31, 1991.

SEC. 4652. REPEAL OF SPECIAL TREATMENT OF OWNERSHIP CHANGES IN DETERMINING ADJUSTED CURRENT EARNINGS.

(a) GENERAL RULE.—Paragraph (4) of section 56(g) (relating to adjustments) is amended by striking subparagraph (G) and by redesignating the following subparagraph as paragraph (G).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to ownership changes after the date of the enactment of this Act.

Subtitle G—Estate And Gift Tax Provisions

SEC. 4701. CLARIFICATION OF WAIVER OF CERTAIN RIGHTS OF RECOVERY.

(a) AMENDMENT TO SECTION 2207A.—Paragraph (2) of section 2207A(a) (relating to right of recovery in the case of certain marital deduction property) is amended to read as follows:

"(2) DECEDENT MAY OTHERWISE DIRECT.—Paragraph (1) shall not apply with respect to any property to the extent that the decedent in his will (or a revocable trust) specifically

indicates an intent to waive any right of recovery under this subchapter with respect to such property."

(b) AMENDMENT TO SECTION 2207B.—Paragraph (2) of section 2207B(a) (relating to right of recovery where decedent retained interest) is amended to read as follows:

"(2) DECEDENT MAY OTHERWISE DIRECT.—Paragraph (1) shall not apply with respect to any property to the extent that the decedent in his will (or a revocable trust) specifically indicates an intent to waive any right of recovery under this subchapter with respect to such property."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the estates of decedents dying after the date of the enactment of this Act.

SEC. 4702. ADJUSTMENTS FOR GIFTS WITHIN 3 YEARS OF DECEDENT'S DEATH.

(a) GENERAL RULE.—Section 2035 is amended to read as follows:

"SEC. 2035. ADJUSTMENTS FOR CERTAIN GIFTS MADE WITHIN 3 YEARS OF DECEDENT'S DEATH.

"(a) INCLUSION OF CERTAIN PROPERTY IN GROSS ESTATE.—If—

"(1) the decedent made a transfer (by trust or otherwise) of an interest in any property, or relinquished a power with respect to any property, during the 3-year period ending on the date of the decedent's death, and

"(2) the value of such property (or an interest therein) would have been included in the decedent's gross estate under section 2036, 2037, 2038, or 2042 if such transferred interest or relinquished power had been retained by the decedent on the date of his death,

the value of the gross estate shall include the value of any property (or interest therein) which would have been so included.

"(b) INCLUSION OF GIFT TAX ON GIFTS MADE DURING 3 YEARS BEFORE DECEDENT'S DEATH.—The amount of the gross estate (determined without regard to this subsection) shall be increased by the amount of any tax paid under chapter 12 by the decedent or his estate on any gift made by the decedent or his spouse during the 3-year period ending on the date of the decedent's death.

"(c) OTHER RULES RELATING TO TRANSFERS WITHIN 3 YEARS OF DEATH.—

"(1) IN GENERAL.—For purposes of—

"(A) section 303(b) (relating to distributions in redemption of stock to pay death taxes),

"(B) section 2032A (relating to special valuation of certain farms, etc., real property), and

"(C) subchapter C of chapter 64 (relating to lien for taxes),

the value of the gross estate shall include the value of all property to the extent of any interest therein of which the decedent has at any time made a transfer, by trust or otherwise, during the 3-year period ending on the date of the decedent's death.

"(2) COORDINATION WITH SECTION 6166.—An estate shall be treated as meeting the 35 percent of adjusted gross estate requirement of section 6166(a)(1) only if the estate meets such requirement both with and without the application of paragraph (1).

"(3) SMALL TRANSFERS.—Paragraph (1) shall not apply to any transfer (other than a transfer with respect to a life insurance policy) made during a calendar year to any donee if the decedent was not required by section 6019 (other than by reason of section 6019(a)(2)) to file any gift tax return for such year with respect to transfers to such donee.

"(d) EXCEPTION.—Subsection (a) shall not apply to any bona fide sale for an adequate and full consideration in money or money's worth.

"(e) TREATMENT OF CERTAIN REVOCABLE TRUSTS.—For purposes of this section and section 2038, any transfer from any portion of a trust with respect to which the decedent was the grantor during any period when the decedent held the power to revest in the decedent title to such portion shall be treated as a transfer made directly by the decedent."

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter A of chapter 11 is amended by striking "gifts" in the item relating to section 2035 and inserting "certain gifts".

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

SEC. 4703. CLARIFICATION OF QUALIFIED TERMINABLE INTEREST RULES.

(a) GENERAL RULE.—

(1) ESTATE TAX.—Subparagraph (B) of section 2056(b)(7) (defining qualified terminable interest property) is amended by adding at the end thereof the following new clause:

"(v)(i) TREATMENT OF CERTAIN INCOME DISTRIBUTIONS.—An income interest shall not fail to qualify as a qualified income interest for life solely because income for the period after the last distribution date and on or before the date of the surviving spouse's death is not required to be distributed to the surviving spouse or to the estate of the surviving spouse."

(2) GIFT TAX.—Paragraph (3) of section 2523(f) is amended by striking "and (iv)" and inserting ", (iv), and (vi)".

(b) CLARIFICATION OF SUBSEQUENT INCLUSIONS.—Section 2044 is amended by adding at the end thereof the following new subsection:

"(d) CLARIFICATION OF INCLUSION OF CERTAIN INCOME.—The amount included in the gross estate under subsection (a) shall include the amount of any income from the property to which this section applies for the period after the last distribution date and on or before the date of the decedent's death if such income is not otherwise included in the decedent's gross estate."

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to the estates of decedents dying, and gifts made, after the date of the enactment of this Act.

(2) APPLICATION OF SECTION 2044 TO TRANSFERS BEFORE DATE OF ENACTMENT.—In the case of the estate of any decedent dying after the date of the enactment of this Act, if there was a transfer of property on or before such date—

(A) such property shall not be included in the gross estate of the decedent under section 2044 of the Internal Revenue Code of 1986 if no prior marital deduction was allowed with respect to such a transfer of such property to the decedent, but

(B) such property shall be so included if such a deduction was allowed.

SEC. 4704. TREATMENT OF PORTIONS OF PROPERTY UNDER MARITAL DEDUCTION.

(a) ESTATE TAX.—Subsection (b) of section 2056 (relating to limitation in case of life estate or other terminable interest) is amended by adding at the end thereof the following new paragraph:

"(10) SPECIFIC PORTION.—For purposes of paragraphs (5), (6), and (7)(B)(iv), the term 'specific portion' only includes a portion determined on a fractional or percentage basis."

(b) GIFT TAX.—

(1) Subsection (e) of section 2523 is amended by adding at the end thereof the following new sentence: "For purposes of this subsection, the term 'specific portion' only includes a portion determined on a fractional or percentage basis."

(2) Paragraph (3) of section 2523(f) is amended by inserting before the period at the end thereof the following: "and the rules of section 2056(b)(10) shall apply".

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendment made by subsection (a) shall apply to the estates of decedents dying after the date of the enactment of this Act.

(B) EXCEPTION.—The amendment made by subsection (a) shall not apply to any interest in property which passes (or has passed) to the surviving spouse of the decedent pursuant to a will (or revocable trust) in existence on the date of the enactment of this Act if—

(i) the decedent dies on or before the date 3 years after such date of enactment, or

(ii) the decedent was, on such date of enactment, under a mental disability to change the disposition of his property and did not regain his competence to dispose of such property before the date of his death.

The preceding sentence shall not apply if such will (or revocable trust) is amended at any time after such date of enactment in any respect which will increase the amount of the interest which so passes or alters the terms of the transfer by which the interest so passes.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to gifts made after the date of the enactment of this Act.

SEC. 4705. TRANSITIONAL RULE UNDER SECTION 2056A.

(a) GENERAL RULE.—In the case of any trust created under an instrument executed before the date of the enactment of the Revenue Reconciliation Act of 1990, such trust shall be treated as meeting the requirements of paragraph (1) of section 2056A(a) of the Internal Revenue Code of 1986 if the trust instrument requires that all trustees of the trust be individual citizens of the United States or domestic corporations.

(b) EFFECTIVE DATE.—The provisions of subsection (a) shall take effect as if included in the provisions of section 11702(g) of the Revenue Reconciliation Act of 1990.

SEC. 4706. OPPORTUNITY TO CORRECT CERTAIN FAILURES UNDER SECTION 2032A.

(a) GENERAL RULE.—Paragraph (3) of section 2032A(d) (relating to modification of election and agreement to be permitted) is amended to read as follows:

"(3) MODIFICATION OF ELECTION AND AGREEMENT TO BE PERMITTED.—The Secretary shall prescribe procedures which provide that in any case in which the executor makes an election under paragraph (1) (and submits the agreement referred to in paragraph (2)) within the time prescribed therefor, but—

"(A) the notice of election, as filed, does not contain all required information, or

"(B) signatures of 1 or more persons required to enter into the agreement described in paragraph (2) are not included on the agreement as filed, or the agreement does not contain all required information,

the executor will have a reasonable period of time (not exceeding 90 days) after notification of such failures to provide such information or signatures."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to the estates of decedents dying after the date of the enactment of this Act.

Subtitle H—Excise Tax Simplification

PART I—FUEL TAX PROVISIONS

SEC. 4801. REPEAL OF CERTAIN RETAIL AND USE TAXES.

(a) IN GENERAL.—Section 4041 is amended to read as follows:

"SEC. 4041. SPECIAL MOTOR FUELS AND NONCOMMERCIAL AVIATION GASOLINE.

"(a) SPECIAL MOTOR FUELS.—

"(1) IN GENERAL.—There is hereby imposed a tax on benzol, benzene, naphtha, liquefied petroleum gas, casing head and natural gasoline, or any other liquid—

"(A) sold by any person to an owner, lessee, or other operator of a motor vehicle or a motorboat for use as a fuel in such motor vehicle or motorboat, or

"(B) used by any person as a fuel in a motor vehicle or motorboat unless there was a taxable sale of such liquid under subparagraph (A).

"(2) RATE OF TAX.—The rate of the tax imposed by this subsection shall be the aggregate rate of tax in effect under section 4081 at the time of such sale or use.

"(3) CERTAIN FUELS EXEMPT FROM TAX.—The tax imposed by this subsection shall not apply to gasoline (as defined in section 4082), diesel fuel (as defined in section 4092), kerosene, gas oil, or fuel oil.

"(4) REDUCED RATES OF TAX ON CERTAIN FUELS.—

"(A) QUALIFIED METHANOL AND ETHANOL FUEL.—

"(i) IN GENERAL.—In the case of any qualified methanol or ethanol fuel—

"(I) the Highway Trust Fund financing rate applicable under paragraph (2) shall be 5.4 cents per gallon less than the otherwise applicable rate (6 cents per gallon less in the case of a mixture none of the alcohol in which consists of ethanol), and

"(II) the Leaking Underground Storage Tank Trust Fund financing rate applicable under paragraph (2) shall be 0.05 cent per gallon.

"(ii) QUALIFIED METHANOL OR ETHANOL FUEL.—The term 'qualified methanol or ethanol fuel' means any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas.

"(iii) TERMINATION.—Clause (i) shall not apply to any sale or use after September 30, 2000.

"(B) NATURAL GAS-DERIVED METHANOL OR ETHANOL FUEL.—

"(i) IN GENERAL.—In the case of natural gas-derived methanol or ethanol fuel—

"(I) the Highway Trust Fund financing rate applicable under paragraph (2) shall be 5.75 cents per gallon, and

"(II) the deficit reduction rate applicable under paragraph (2) shall be 1.25 cents per gallon.

"(ii) NATURAL GAS-DERIVED METHANOL OR ETHANOL FUEL.—The term 'natural-gas derived methanol or ethanol fuel' means any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from natural gas.

"(C) OTHER FUELS CONTAINING ALCOHOL.—

"(i) IN GENERAL.—Under regulations prescribed by the Secretary, in the case of any liquid at least 10 percent of which consists of alcohol (as defined in section 4081(c)(3)), the Highway Trust Fund financing rate applicable under paragraph (2) shall be the comparable rate under section 4081.

"(ii) LATER SEPARATION.—If any person separates the liquid fuel from a mixture of the liquid fuel and alcohol to which clause (i) applies, such separation shall be treated as a sale of the liquid fuel. Any tax imposed on such sale shall be reduced by the amount (if any) of the tax imposed on the sale of such mixture.

"(iii) TERMINATION.—Clause (i) shall not apply to any sale or use after September 30, 2000.

"(D) LIQUEFIED PETROLEUM GAS.—The rate of tax applicable under paragraph (2) to liquefied petroleum gas shall be determined without regard to the Leaking Underground Storage Tank Trust Fund financing rate under section 4081.

"(5) EXEMPTION FOR OFF-HIGHWAY BUSINESS USE.—No tax shall be imposed by paragraph (1) on liquids sold for use or used in an off-highway business use (within the meaning of section 6420(f)).

"(b) NONCOMMERCIAL AVIATION GASOLINE.—

"(1) IN GENERAL.—There is hereby imposed a tax on gasoline—

"(A) sold by any person to an owner, lessee, or other operator of an aircraft for use as a fuel in such aircraft in noncommercial aviation, or

"(B) used by any person as a fuel in an aircraft in noncommercial aviation unless there was a taxable sale of such gasoline under subparagraph (A).

The tax imposed by this paragraph shall be in addition to any tax imposed by section 4081.

"(2) RATE OF TAX.—The rate of the tax imposed by paragraph (1) on any gasoline is the excess of 15 cents a gallon over the sum of the Highway Trust Fund financing rate plus the deficit reduction rate at which tax was imposed on such gasoline under section 4081.

"(3) NONCOMMERCIAL AVIATION.—For purposes of this subsection, the term 'noncommercial aviation' means any use of an aircraft other than use in a business of transporting persons or property for compensation or hire by air. Such term includes any use of an aircraft, in a business described in the preceding sentence, which is properly allocable to any transportation exempt from the taxes imposed by sections 4261 and 4271 by reason of section 4281 or 4282.

"(4) EXEMPTION FOR FUELS CONTAINING ALCOHOL.—No tax shall be imposed by this subsection on any liquid at least 10 percent of which consists of alcohol (as defined in section 4081(c)(3)).

"(5) EXEMPTION FOR CERTAIN HELICOPTER USES.—No tax shall be imposed by this subsection on gasoline sold for use or used in a helicopter for purposes of providing transportation with respect to which the requirements of subsection (e) or (f) of section 4261 are met.

"(6) REGISTRATION.—Except as provided in regulations prescribed by the Secretary, if any gasoline is sold by any person for use as a fuel in an aircraft, it shall be presumed for purposes of this subsection that a tax imposed by this subsection applies to the sale of such gasoline unless the purchaser is registered in such manner (and furnished such information in respect of the use of the gasoline) as the Secretary shall by regulations provide.

"(7) GASOLINE.—For purposes of this subsection, the term 'gasoline' has the meaning given such term by section 4082.

"(8) TERMINATION.—Paragraph (1) shall not apply to any sale or use after December 31, 1995.

"(c) EXEMPTION FOR FARM USE.—

"(1) IN GENERAL.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section on any liquid sold for use or used on a farm for farming purposes (determined in accordance with paragraphs (1), (2), and (3) of section 6420(e)).

"(2) TERMINATION.—Except with respect to so much of the tax imposed by subsection (a) as is determined by reference to the Leaking Underground Storage Tank Trust Fund financing rate under section 4081, paragraph (1) shall not apply after September 30, 1999.

"(d) EXEMPTIONS FOR STATE AND LOCAL GOVERNMENTS, SCHOOLS, EXPORTATION, AND SUPPLIES FOR VESSELS AND AIRCRAFT.—

"(1) IN GENERAL.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section on any liquid sold for use, or used, in an exempt use described in paragraph (4), (5), (6), or (7) of section 6420(b).

"(2) TERMINATION.—Except with respect to so much of the tax imposed by subsection (a) as is determined by reference to the Leaking Underground Storage Tank Trust Fund financing rate under section 4081, after September 30, 1999, paragraph (1) shall not apply to exempt uses described in paragraph (4) and (5) of section 6420(b).

"(e) EXEMPTION FOR USE BY CERTAIN AIRCRAFT MUSEUMS.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section on any liquid sold for use or used in an exempt use described in section 6420(b)(11)."

(b) CERTAIN ADDITIONAL PURCHASERS OF FUEL TREATED AS PRODUCERS.—

(1) IN GENERAL.—Subparagraph (C) of section 4092(b)(1) is amended to read as follows:

"(C) REDUCED-TAX PURCHASERS TREATED AS PRODUCERS.—Any person to whom any fuel is sold in a sale on which the amount of tax otherwise required to be paid under section 4091 is reduced under section 4093 shall be treated as the producer of such fuel. The amount of tax imposed by section 4091 on any sale of such fuel by such person shall be reduced by the amount of tax imposed under section 4091 (and not credited or refunded) on any prior sale of such fuel."

(2) CONFORMING AMENDMENT.—Subsection (b) of section 4093 is amended by inserting "(as defined in section 4092(b) without regard to paragraph (1)(C) thereof)" after "producer".

SEC. 4802. REVISION OF FUEL TAX CREDIT AND REFUND PROCEDURES.

(a) REFUNDS TO CERTAIN SELLERS OF DIESEL FUEL AND AVIATION FUEL.—

(1) IN GENERAL.—Paragraph (2) of section 6416(b) is amended by striking "4091 or 4121" and inserting "4121 or 4091; except that this paragraph shall apply to a person selling diesel fuel or aviation fuel for a use described in the first sentence if such person meets such requirements as the Secretary may by regulations prescribe".

(2) LIMITATIONS ON AMOUNT OF TAX ONLY HIGHWAY TRUST FUND FINANCING RATE TO BE REFUNDABLE.—Paragraph (2) of section 6416(b) is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to the taxes imposed by sections 4081 and 4091 with respect to any use to the same extent that section 6420(a) does not apply to such use by reason of paragraph (1) or (2) of section 6420(c)."

(b) CONSOLIDATION OF REFUND PROVISIONS; REPEAL OF CONSENT REQUIREMENT FOR REFUND OF FUEL TAXES TO CROPDUSTERS, ETC.—Section 6420 (relating to gasoline used on farms) is amended to read as follows:

"SEC. 6420. CERTAIN TAXES ON FUELS USED FOR EXEMPT PURPOSES.

"(a) IN GENERAL.—Except as otherwise provided in this section, if any fuel on which tax was imposed under section 4041, 4081, or 4091 is used in an exempt use, the Secretary shall pay (without interest) to the ultimate purchaser of such fuel the amount equal to the

aggregate tax imposed on such fuel under such sections.

"(b) EXEMPT USES.—For purposes of this section, the term 'exempt use' means—

"(1) in the case of diesel fuel, use other than as a fuel in a diesel-powered highway vehicle or a diesel-powered boat,

"(2) in the case of aviation fuel, use other than as a fuel in an aircraft,

"(3) in the case of gasoline or aviation fuel, use in an aircraft other than in noncommercial aviation (as defined in section 4041(b)),

"(4) use by any State, any political subdivision of a State, or the District of Columbia,

"(5) use by a nonprofit educational organization (as defined in section 4221(d)(5)),

"(6) export,

"(7) use as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)),

"(8) use on a farm for farming purposes (within the meaning of subsection (e)),

"(9) use in an off-highway business use (within the meaning of subsection (f)),

"(10) use in qualified bus transportation (within the meaning of subsection (g)),

"(11) use by an aircraft museum (within the meaning of subsection (h)),

"(12) use in a nonpurpose use (within the meaning of subsection (i)),

"(13) use in a helicopter for purposes of providing transportation with respect to which the requirements of subsection (e) or (f) of section 4261 are met, and

"(14) use in producing a mixture of a fuel if at least 10 percent of such mixture consists of alcohol (as defined in section 4081(c)(3)) and if such mixture is sold or used in the trade or business of the person producing such mixture.

Paragraph (14) shall not apply with respect to any mixture sold or used after September 30, 2000.

"(c) LIMITATIONS ON AMOUNT OF PAYMENT.—

"(1) NO REFUND OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAXES IN CERTAIN CASES.—Subsection (a) shall not apply to so much of the taxes imposed by sections 4081 and 4091 as are attributable to a Leaking Underground Storage Tank Trust Fund financing rate in the case of—

"(A) fuel used in a train, and

"(B) fuel used in any aircraft (except as supplies for vessels or aircraft within the meaning of section 4221(d)(3)).

"(2) NO REFUND OF DEFICIT REDUCTION TAX ON DIESEL FUEL USED IN TRAINS.—Subsection (a) shall not apply to so much of the tax imposed by section 4091 as is attributable to a deficit reduction rate in the case of diesel fuel used in a diesel-powered train.

"(3) NO REFUND OF PORTION OF TAX ON DIESEL FUEL USED IN CERTAIN BUSES.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), the rate of tax taken into account under subsection (a) with respect to diesel fuel used in qualified bus transportation (within the meaning of subsection (g)(1)) shall be 3.1 cents per gallon less than the aggregate rate of tax imposed on such fuel by section 4091.

"(B) EXCEPTION FOR SCHOOL BUS TRANSPORTATION.—Subparagraph (A) shall not apply to fuel used in an automobile bus while engaged in transportation described in subsection (g)(1)(B).

"(C) EXCEPTION FOR CERTAIN INTRACITY TRANSPORTATION.—Subparagraph (A) shall not apply to fuel used in any automobile bus while engaged in furnishing (for compensation) intracity passenger land transportation—

"(i) which is available to the general public, and

"(ii) which is scheduled and along regular routes,

but only if such bus is a qualified local bus.

"(D) QUALIFIED LOCAL BUS.—For purposes of this paragraph, the term 'qualified local bus' means any local bus—

"(i) which has a seating capacity of at least 20 adults (not including the driver), and

"(ii) which is under contract with (or is receiving more than a nominal subsidy from) any State or local government (as defined in section 4221(d)) to furnish such transportation.

"(4) ALCOHOL FUELS.—

"(A) IN GENERAL.—In the case of a fuel used as described in subsection (b)(14) and on which tax was imposed at regular tax rate, the rate of tax taken into account under subsection (a) with respect to the fuel so used shall equal the excess of the regular tax rate over the incentive tax rate.

"(B) REGULAR TAX RATE.—The term 'regular tax rate' means—

"(i) in the case of gasoline, the aggregate rate of tax imposed by section 4081 determined without regard to subsection (c) thereof,

"(ii) in the case of diesel fuel, the aggregate rate of tax imposed by section 4091 on such fuel determined without regard to subsection (c) thereof, and

"(iii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 on such fuel determined without regard to subsection (d) thereof.

"(C) INCENTIVE TAX RATE.—The term 'incentive tax rate' means—

"(i) in the case of gasoline, the aggregate rate of tax imposed by section 4081 with respect to fuel described in subsection (c)(1) thereof,

"(ii) in the case of diesel fuel, the aggregate rate of tax imposed by section 4091 with respect to fuel described in subsection (c)(1)(B) thereof, and

"(iii) in the case of aviation fuel, the aggregate rate of tax imposed by section 4091 with respect to fuel described in subsection (d)(1)(B) thereof.

"(5) GASOHOL USED IN NONCOMMERCIAL AVIATION.—If—

"(A) tax is imposed by section 4081 at the rate determined under subsection (c) thereof on gasohol (as defined in such subsection), and

"(B) such gasohol is used as a fuel in any aircraft in noncommercial aviation (as defined in section 4041(b)),

the payment under subsection (a) shall be equal to 1.4 cents (2 cents in the case of gasohol none of the alcohol in which consists of ethanol) per gallon of gasohol so used.

"(d) TIME FOR FILING CLAIMS; PERIOD COVERED.—

"(1) GENERAL RULE.—Except as provided in paragraphs (2) and (3), not more than one claim may be filed under this section by any person with respect to fuel used (or a qualified diesel powered highway vehicle purchased) during his taxable year; and no claim shall be allowed under this paragraph with respect to fuel used (or a qualified diesel powered highway vehicle purchased) during any taxable year unless filed by the purchaser not later than the time prescribed by law for filing a claim for credit or refund of overpayment of income tax for such taxable year. For purposes of this subsection, a person's taxable year shall be his taxable year for purposes of subtitle A.

"(2) EXCEPTIONS.—

"(A) IN GENERAL.—If as of the close of any quarter of a person's taxable year, $750 or more is payable under this section to such person with respect to fuel used (or a qualified diesel powered highway vehicle purchased) during such quarter or any prior quarter of such taxable year (and for which no other claim has been filed), a claim may be filed under this section with respect to fuel so used (or qualified diesel powered highway vehicles so purchased).

"(B) TIME FOR FILING CLAIM.—No claim filed under this paragraph shall be allowed unless filed during the first quarter following the last quarter included in the claim.

"(3) SPECIAL RULE FOR GASOHOL CREDIT.—

"(A) IN GENERAL.—A claim may be filed for gasoline used to produce gasohol (as defined in section 4081(c)(1)) for any period—

"(i) for which $200 or more is payable by reason of subsection (b)(14), and

"(ii) which is not less than 1 week.

"(B) PAYMENT OF CLAIM.—Notwithstanding subsection (a), if the Secretary has not paid a claim filed pursuant to subparagraph (A) within 20 days of the date of the filing of such claim, the claim shall be paid with interest from such date determined by using the overpayment rate and method under section 6621.

"(e) USE ON A FARM FOR FARMING.—For purposes of subsection (b)(8)—

"(1) IN GENERAL.—Fuel shall be treated as used on a farm for farming purposes only if used—

"(A) in carrying on a trade or business,

"(B) on a farm situated in the United States, and

"(C) for farming purposes.

"(2) FARM.—The term 'farm' includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

"(3) FARMING PURPOSES.—Fuel shall be treated as used for farming purposes only if used—

"(A) by the owner, tenant, or operator of a farm, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife, on a farm of which he is the owner, tenant, or operator;

"(B) by the owner, tenant, or operator of a farm, in handling, drying, packing, grading, or storing any agricultural or horticultural commodity in its unmanufactured state; but only if such owner, tenant, or operator produced more than one-half of the commodity which he so treated during the period with respect to which claim is filed;

"(C) by the owner, tenant, or operator of a farm, in connection with—

"(i) the planting, cultivating, caring for, or cutting of trees, or

"(ii) the preparation (other than milling) of trees for market, incidental to farming operations; or

"(D) by the owner, tenant, or operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment.

"(4) CERTAIN FARMING USE OTHER THAN BY OWNER, ETC.—In applying paragraph (3)(A) to a use on a farm for any purpose described in paragraph (3)(A) by any person other than the owner, tenant, or operator of such farm—

"(A) the owner, tenant, or operator of such farm shall be treated as the user and ultimate purchaser of the fuel, except that

"(B) if the person so using the fuel is an aerial or other applicator of fertilizers or

other substances and is the ultimate purchaser of the fuel, then subparagraph (A) of this paragraph shall not apply and the aerial or other applicator shall be treated as having used such fuel on a farm for farming purposes.

"(f) OFF-HIGHWAY BUSINESS USE.—For purposes of subsection (b)(9)—

"(1) IN GENERAL.—The term 'off-highway business use' means any use by a person in a trade or business of such person or in an activity of such person described in section 212 (relating to production of income) otherwise than as a fuel in a highway vehicle—

"(A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or

"(B) which, in the case of a highway vehicle owned by the United States, is used on the highway.

"(2) USES IN MOTORBOATS.—The term 'off-highway business use' does not include any use in a motorboat; except that such term shall include any use in—

"(A) a vessel employed in the fisheries or in the whaling business, and

"(B) in the case of diesel fuel, a boat in the active conduct of—

"(i) a trade or business of commercial fishing or transporting persons or property for compensation or hire, or

"(ii) any other trade or business unless the boat is used predominantly in any activity which is of a type generally considered to constitute entertainment, amusement or recreation.

"(g) QUALIFIED BUS TRANSPORTATION.—For purposes of subsection (b)(10)—

"(1) IN GENERAL.—Fuel is used in qualified bus transportation if it is used in an automobile bus while engaged in—

"(A) furnishing (for compensation) passenger land transportation available to the general public, or

"(B) the transportation of students and employees of schools (as defined in the last sentence of section 4221(d)(7)(C)).

"(2) LIMITATION IN THE CASE OF NONSCHEDULED INTERCITY OR LOCAL BUSES.—Paragraph (1)(A) shall not apply in respect of fuel used in any automobile bus while engaged in furnishing transportation which is not along regular routes unless the seating capacity of such bus is at least 20 adults (not including the driver).

"(h) USE BY AN AIRCRAFT MUSEUM.—For purposes of subsection (b)(11)—

"(1) IN GENERAL.—Fuel is used by an aircraft museum if it is used in an aircraft or vehicle owned by such museum and used exclusively for purposes set forth in paragraph (2)(C).

"(2) AIRCRAFT MUSEUM.—For purposes of this subsection, the term 'aircraft museum' means an organization—

"(A) described in section 501(c)(3) which is exempt from income tax under section 501(a),

"(B) operated as a museum under charter by a State or the District of Columbia, and

"(C) operated exclusively for the procurement, care, and exhibition of aircraft of the type used for combat or transport in World War II.

"(i) USE IN A NONPURPOSE USE.—For purposes of subsection (b)(12), fuel is used in a nonpurpose use if—

"(1) tax was imposed by section 4041 on the sale thereof and the purchaser—

"(A) uses such fuel other than for the use for which it is sold, or

"(B) resells such fuel, or

"(2) tax was imposed by section 4081 on any gasoline blend stock or product commonly used as an additive in gasoline and the purchaser establishes that the ultimate use of such blend stock or product is not to produce gasoline.

"(j) ADVANCE REPAYMENT OF INCREASED DIESEL FUEL TAX TO ORIGINAL PURCHASERS OF DIESEL-POWERED AUTOMOBILES AND LIGHT TRUCKS.—

"(1) IN GENERAL.—Except as provided in subsection (d), the Secretary shall pay (without interest) to the original purchaser of any qualified diesel-powered highway vehicle an amount equal to the diesel fuel differential amount.

"(2) QUALIFIED DIESEL-POWERED HIGHWAY VEHICLE.—For purposes of this subsection, the term 'qualified diesel-powered highway vehicle' means any diesel-powered highway vehicle which—

"(A) has at least 4 wheels,

"(B) has a gross vehicle weight rating of 10,000 pounds or less, and

"(C) is registered for highway use in the United States under the laws of any State.

"(3) DIESEL FUEL DIFFERENTIAL AMOUNT.—For purposes of this subsection, the term 'diesel fuel differential amount' means—

"(A) except as provided in subparagraph (B), $102, or

"(B) in the case of a truck or van, $198.

"(4) ORIGINAL PURCHASER.—For purposes of this subsection—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'original purchaser' means the first person to purchase the qualified diesel-powered vehicle for use other than resale.

"(B) EXCEPTION FOR CERTAIN PERSONS NOT SUBJECT TO FUELS TAX.—The term 'original purchaser' shall not include any State or local government (as defined in section 4221(d)(4)) or any nonprofit educational organization (as defined in section 4221(d)(5)).

"(C) TREATMENT OF DEMONSTRATION USE BY DEALER.—For purposes of subparagraph (A), use as a demonstrator by a dealer shall not be taken into account.

"(5) VEHICLES TO WHICH SUBSECTION APPLIES.—This subsection shall only apply to qualified diesel-powered highway vehicles originally purchased after January 1, 1985, and before January 1, 1999.

"(6) BASIS REDUCTION.—For the purposes of subtitle A, the basis of any qualified diesel-powered highway vehicle shall be reduced by the amount payable under this subsection with respect to such vehicle.

"(k) INCOME TAX CREDIT IN LIEU OF PAYMENT; OTHER SPECIAL RULES.—

"(1) INCOME TAX CREDIT IN LIEU OF PAYMENT.—

"(A) PERSONS NOT SUBJECT TO INCOME TAX.—Payment shall be made under this section only to—

"(i) the United States or an agency or instrumentality thereof, a State, a political subdivision of a State, or any agency or instrumentality of one or more States or political subdivisions, or

"(ii) an organization exempt from tax under section 501(a) (other than an organization required to make a return of the tax imposed under subtitle A for its taxable year).

"(B) EXCEPTION.—Subparagraph (A) shall not apply to a payment of a claim filed under paragraph (2) or (3) of subsection (d).

"(C) ALLOWANCE OF CREDIT AGAINST INCOME TAX.—

"For allowances of credit against the income tax imposed by subtitle A for fuel used by the purchaser in an exempt use, see section 34.

"(2) APPLICABLE LAWS.—

"(A) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax with respect to which a payment is claimed under this section shall, insofar as applicable and not inconsistent with this section, apply in respect of such payment to the same extent as if such payment constituted a refund of overpayments of such tax.

"(B) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary shall have the authority granted by paragraphs (1), (2), and (3) of section 7602(a) (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

"(3) COORDINATION WITH SECTION 6416, ETC.—No amount shall be payable under this section to any person with respect to any fuel if the Secretary determines that the amount of tax for which such payment is sought was not included in the price paid by such person for such fuel. The amount which would (but for this sentence) be payable under this section with respect to any fuel shall be reduced by any other amount which the Secretary determines is payable under this section, or is refundable under any other provision of this title, to any person with respect to such fuel.

"(4) REGULATIONS.—The Secretary may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

"(l) FUELS.—For purposes of this section, the terms 'gasoline', 'diesel fuel', and 'aviation fuel' have the respective meanings given such terms by sections 4082 and 4092.

"(m) TERMINATION.—Except as otherwise provided in this section, this section shall not apply to any liquid purchased after September 30, 1999. The preceding sentence shall not apply to taxes attributable to any Leaking Underground Storage Tank Trust Fund financing rate."

SEC. 4803. AUTHORITY TO PROVIDE EXCEPTIONS FROM INFORMATION REPORTING WITH RESPECT TO DIESEL FUEL AND AVIATION FUEL.

(a) RETURNS BY PRODUCERS AND IMPORTERS.—Subparagraph (A) of section 4093(c)(4) (relating to returns by producers and importers) is amended by striking "Each producer" and inserting "Except as provided by the Secretary by regulations, each producer".

(b) RETURNS BY PURCHASERS.—Subparagraph (C) of section 4093(c)(4) (relating to returns by purchasers) is amended by striking "Each person" and inserting "Except as provided by the Secretary by regulations, each person".

SEC. 4804. TECHNICAL AND CONFORMING AMENDMENTS.

(1) Sections 6421 and 6427 are hereby repealed.

(2) Section 34 is amended to read as follows:

"SEC. 34. EXCISE TAXES ON FUEL USED FOR EXEMPT PURPOSES.

"There shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the excess of—

"(1) the aggregate amount payable to the taxpayer under section 6420 (determined without regard to section 6420(k)(1)) with respect to—

"(A) exempt uses (as defined in section 6420(b)) during such taxable year, and

"(B) qualified diesel-powered highway vehicles purchased during such taxable year, over

"(2) the portion of such amount for which a claim payable under section 6420(d) is timely filed."

(3)(A) Subsection (c) of section 40 is amended by striking "subsection (b)(2), (k), or (m)" and inserting "subsection (a)(4) or (b)(4)".

(B) Subparagraph (B) of section 40(d)(4) is amended by striking "section 4041(k) or 4081(c)" and inserting "subsection (a) or (b) of section 4041 or under section 4081(c)".

(4) Paragraph (2) of section 451(e) is amended by striking "section 6420(c)(3)" and inserting "section 6420(e)(3)".

(5) Clause (i) of section 1274(c)(3)(A) is amended by striking "section 6420(c)(2)" and inserting "section 6420(e)(2)".

(6) Sections 874(a) and 1366(f)(1) are each amended by striking "gasoline and special" and inserting "taxable".

(7) Paragraph (2) of section 882(c) is amended by striking "gasoline" and inserting "taxable fuels".

(8) Subsection (b) of section 4042 is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(9) Subsection (b) of section 4082 is amended by striking "special fuels referred to in section 4041" and inserting "special motor fuels referred to in section 4041(a)".

(10) Section 4083 is amended to read as follows:

"SEC. 4083. CROSS REFERENCE.

"For provision allowing a credit or refund for gasoline used for exempt purposes, see section 6420."

(11) Subsections (c)(2) and (d)(2) of section 4091 are each amended by striking "section 6427(f)(1)" and inserting "section 6420(b)(14)".

(12) Paragraph (1) of section 4093(c) is amended by striking "by the purchaser" and all that follows and inserting "by the purchaser in an exempt use (as defined in section 6420(b) other than paragraph (14) thereof)."

(13) Subparagraph (C) of section 4093(c)(2) is amended by striking "section 6427(b)(2)(A)" and inserting "section 6420(c)(3)(A)".

(14) Clause (i) of section 4093(c)(4)(C) is amended to read as follows:

"(i) whether such use was an exempt use (as defined in section 6420(b)) and the amount of fuel so used,".

(15) Section 4093 is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

"(e) USE BY PRODUCER OR IMPORTER.—If any producer or importer uses any taxable fuel, then such producer or importer shall be liable for tax under section 4091 in the same manner as if such fuel were sold by him for such use."

(16) Subsection (f) of section 4093, as redesignated by paragraph (15), is amended to read as follows:

"(f) CROSS REFERENCE.—

"For provision allowing a credit or refund for fuel used for exempt purposes, see section 6420."

(17) Section 6206 is amended to read as follows:

"SEC. 6206. SPECIAL RULES APPLICABLE TO EXCESSIVE FUEL TAX REFUND CLAIMS.

"Any portion of a payment made under section 6420 which constitutes an excessive amount (as defined in section 6675(b)), and any civil penalty provided by section 6675, may be assessed and collected as if—

"(1) it were a tax imposed by the section to which the claim relates, and

"(2) the person making the claim were liable for such tax.

The period for assessing any such portion, and for assessing any such penalty, shall be 3 years from the last day prescribed for filing the claim under section 6420."

(18) Subparagraph (A) of section 6416(a)(2) is amended by striking "(relating to tax on special fuels)" and inserting "(relating to special motor fuels and noncommercial aviation gasoline)".

(19) Paragraph (2) of section 6416(b) is amended—

(A) in the matter preceding subparagraph (A) by striking "subsection (a) or (d) of section 4041" and inserting "section 4041(a)", and

(B) in subparagraph (F) by striking "special fuels referred to in section 4041" and inserting "special motor fuels referred to in section 4041(a)".

(20) Paragraph (9) of section 6504 is amended to read as follows:

"(9) Assessments to recover excessive amounts paid under section 6420 (relating to certain taxes on fuels used for exempt purposes) and assessments of civil penalties under section 6675 for excessive claims under section 6420, see section 6206."

(21) Subsection (h) of section 6511 is amended by striking paragraphs (5) and (6), by redesignating paragraph (7) as paragraph (6), and by inserting after paragraph (4) the following new paragraph:

"(5) For limitations in the case of payments under section 6420 (relating to certain taxes on fuels used for exempt purposes), see section 6420(d)."

(22) Subsection (c) of section 6612 is amended by striking "6420 (relating to payments in the case of gasoline used on the farm for farming purposes) and 6421 (relating to payments in the case of gasoline used for certain nonhighway purposes or by local transit systems)" and inserting "and 6420 (relating to certain taxes on fuels used for exempt purposes)".

(23) Subsection (a) of section 6675 is amended by striking "section 6420 (relating to gasoline used on farms), 6421 (relating to gasoline used for certain nonhighway purposes or by local transit systems), or 6427 (relating to fuels not used for taxable purposes)" and inserting "section 6420 (relating to certain taxes on fuels used for exempt purposes)".

(24) Paragraph (1) of section 6675(b) is amended by striking ", 6421, or 6427, as the case may be,".

(25) Section 7210 is amended by striking "sections 6420(e)(2), 6421(g)(2), 6427(j)(2)" and inserting "sections 6420(k)(2)(B)".

(26) Section 7603, subsections (b) and (c)(2) of section 7604, section 7605, and 7610(c) are each amended by striking "section 6420(e)(2), 6421(g)(2), 6427(j)(2)," each place it appears and inserting "section 6420(k)(2)(B)".

(27) Sections 7605 and 7609(c)(1) are each amended by striking "section 6420(e)(2), 6421(g)(2), or 6427(j)(2)" and inserting "section 6420(k)(2)(B)".

(28) Paragraph (1) of section 9502(b) is amended by striking "subsections (c) and (e) of section 4041 (taxes on aviation fuel)" and inserting "section 4041(b) (relating to taxes on noncommercial aviation gasoline)".

(29) Paragraph (2) of section 9502(d) is amended by striking "fuel used in aircraft" and all that follows and inserting "fuel used in aircraft, under section 6420 (relating to certain taxes on fuels used for exempt purposes)."

(30) Paragraph (1) of section 9502(e) is amended by striking "4041(c)(1) and".

(31) Subparagraph (A) of section 9503(b)(1) is amended to read as follows:

"(A) section 4041 (relating to special motor fuels and noncommercial aviation gasoline),".

(32) Paragraph (4) of section 9503(b) is amended to read as follows:

"(4) CERTAIN ADDITIONAL TAXES NOT TRANSFERRED TO HIGHWAY TRUST FUND.—For purposes of paragraphs (1) and (2), the taxes imposed by sections 4041, 4081, and 4091 shall be taken into account only to the extent attributable to the Highway Trust Fund financing rates under such sections."

(33)(A) Clause (i) of section 9503(c)(2)(A) is amended to read as follows:

"(i) the amounts paid before July 1, 2000, under section 6420 (relating to certain taxes on fuels used for exempt purposes) on the basis of claims filed for periods ending before October 1, 1999, and".

(B) For purposes of section 9503(c)(2)(A)(i) of the Internal Revenue Code of 1986, the reference to section 6420 shall be treated as including a reference to sections 6420, 6421, and 6427 of such Code as in effect before the enactment of this Act.

(34) Clause (ii) of section 9503(c)(2)(A) is amended by striking "gasoline, special fuels, and lubricating oil" each place it appears and inserting "taxable fuels".

(35) Subparagraph (D) of section 9503(c)(4) is amended by striking "section 4041(a)(2)" and inserting "section 4041(a)".

(36) Subparagraph (A) of section 9503(e)(5) is amended by striking "section 6427(g)" and inserting "section 6420(j)".

(37) Paragraph (1) of section 9508(b) is amended to read as follows:

"(1) taxes received in the Treasury under section 4041 (relating to special motor fuels and noncommercial aviation gasoline) to the extent attributable to the Leaking Underground Storage Tank Trust Fund financing rates applicable under such section,".

(38) Subparagraph (A) of section 9508(c)(2) is amended by striking "equivalent to—" and all that follows and inserting the following: "equivalent to—

"(i) amounts paid under section 6420 (relating to certain taxes on fuels used for exempt purposes), and

"(ii) credits allowed under section 34,

with respect to so much of the taxes imposed by sections 4041, 4081, and 4091 as are attributable to the Leaking Underground Storage Tank Trust Fund financing rates applicable under such sections."

(39) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 34 and inserting the following:

"Sec. 34. Excise taxes on fuels used for exempt purposes."

(40) The table of sections for subchapter B of chapter 31 is amended by striking the item relating to section 4041 and inserting the following:

"Sec. 4041. Special motor fuels and noncommercial aviation gasoline."

(41) The table of sections for subpart A of part III of subchapter A of chapter 32 is amended by striking the item relating to section 4083 and inserting the following:

"Sec. 4083. Cross reference."

(42) The table of sections for subchapter B of chapter 65 is amended by striking the items relating to sections 6421 and 6427 and by striking the item relating to section 6420 and inserting the following new item:

"Sec. 6420. Certain taxes on fuels used for exempt purposes."

(43) The table of sections for subchapter A of chapter 63 is amended by striking the item relating to section 6206 and inserting the following new item:

"Sec. 6206. Special rules applicable to excessive fuel tax refund claims."

SEC. 4805. EFFECTIVE DATE.

The amendments made by this part shall take effect on January 1, 1993.

PART II—PROVISIONS RELATED TO DISTILLED SPIRITS, WINES, AND BEER

SEC. 4811. CREDIT OR REFUND FOR IMPORTED BOTTLED DISTILLED SPIRITS RETURNED TO DISTILLED SPIRITS PLANT.

(a) IN GENERAL.—Paragraph (1) of section 5008(c) (relating to distilled spirits returned to bonded premises) is amended by striking "withdrawn from bonded premises on payment or determination of tax" and inserting "on which tax has been determined or paid".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4812. AUTHORITY TO CANCEL OR CREDIT EXPORT BONDS WITHOUT SUBMISSION OF RECORDS.

(a) IN GENERAL.—Subsection (c) of section 5175 (relating to export bonds) is amended by striking "on the submission of" and all that follows and inserting "if there is such proof of exportation as the Secretary may by regulations require."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4813. REPEAL OF REQUIRED MAINTENANCE OF RECORDS ON PREMISES OF DISTILLED SPIRITS PLANT.

(a) IN GENERAL.—Subsection (c) of section 5207 (relating to records and reports) is amended by striking "shall be kept on the premises where the operations covered by the record are carried on and".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4814. FERMENTED MATERIAL FROM ANY BREWERY MAY BE RECEIVED AT A DISTILLED SPIRITS PLANT.

(a) IN GENERAL.—Paragraph (2) of section 5222(b) (relating to production, receipt, removal, and use of distilling materials) is amended to read as follows:

"(2) beer conveyed without payment of tax from brewery premises, beer which has been lawfully removed from brewery premises upon determination of tax, or".

(b) CLARIFICATION OF AUTHORITY TO PERMIT REMOVAL OF BEER WITHOUT PAYMENT OF TAX FOR USE AS DISTILLING MATERIAL.—Section 5053 (relating to exemptions) is amended by redesignating subsection (f) as subsection (i) and by inserting after subsection (e) the following new subsection:

"(f) REMOVAL FOR USE AS DISTILLING MATERIAL.—Subject to such regulations as the Secretary may prescribe, beer may be removed from a brewery without payment of tax to any distilled spirits plant for use as distilling material."

(c) CLARIFICATION OF REFUND AND CREDIT OF TAX.—Section 5056 (relating to refund and credit of tax, or relief from liability) is amended—

(1) by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) BEER RECEIVED AT A DISTILLED SPIRITS PLANT.—Any tax paid by any brewer on beer produced in the United States may be refunded or credited to the brewer, without interest, or if the tax has not been paid, the brewer may be relieved of liability therefor, under regulations as the Secretary may prescribe, if such beer is received on the bonded premises of a distilled spirits plant pursuant to the provisions of section 5222(b)(2), for use in the production of distilled spirits.", and

(2) by striking "or rendering unmerchantable" in subsection (d) (as so redesignated) and inserting "rendering unmerchantable, or receipt on the bonded premises of a distilled spirits plant".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4815. REPEAL OF REQUIREMENT FOR WHOLESALE DEALERS IN LIQUORS TO POST SIGN.

(a) IN GENERAL.—Section 5115 (relating to sign required on premises) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) section 5681 is amended by striking ", and every wholesale dealer in liquors," and by striking "section 5115(a) or".

(2) Subsection (c) of section 5681 is amended—

(A) by striking "or wholesale liquor establishment, on which no sign required by section 5115(a) or" and inserting "on which no sign required by", and

(B) by striking "or wholesale liquor establishment, or who" and inserting "or who".

(3) The table of sections for subpart D of part II of subchapter A of chapter 51 is amended by striking the item relating to section 5115.

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

SEC. 4816. REFUND OF TAX TO WINE RETURNED TO BOND NOT LIMITED TO UNMERCHANTABLE WINE.

(a) IN GENERAL.—Subsection (a) of section 5044 (relating to refund of tax on unmerchantable wine) is amended by striking "as unmerchantable".

(b) CONFORMING AMENDMENTS.—

(1) Section 5361 is amended by striking "unmerchantable".

(2) The section heading for section 5044 is amended by striking "UNMERCHANTABLE".

(3) The item relating to section 5044 in the table of sections for subpart C of part I of subchapter A of chapter 51 is amended by striking "unmerchantable".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4817. USE OF ADDITIONAL AMELIORATING MATERIAL IN CERTAIN WINES.

(a) IN GENERAL.—Subparagraph (D) of section 5384(b)(2) (relating to ameliorated fruit and berry wines) is amended by striking "loganberries, currants, or gooseberries," and inserting "any fruit or berry with a natural fixed acid of 20 parts per thousand or more (before any correction of such fruit or berry)".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4818. DOMESTICALLY-PRODUCED BEER MAY BE WITHDRAWN FREE OF TAX FOR USE OF FOREIGN EMBASSIES, LEGATIONS, ETC.

(a) IN GENERAL.—Section 5053 (relating to exemptions) is amended by inserting after subsection (f) the following new subsection:

"(g) REMOVALS FOR USE OF FOREIGN EMBASSIES, LEGATIONS, ETC.—

"(1) IN GENERAL.—Subject to such regulations as the Secretary may prescribe—

"(A) beer may be withdrawn from the brewery without payment of tax for transfer to any customs bonded warehouse for entry pending withdrawal therefrom as provided in subparagraph (B), and

"(B) beer entered into any customs bonded warehouse under subparagraph (A) may be withdrawn for consumption in the United States by, and for the official and family use of, such foreign governments, organizations, and individuals as are entitled to withdraw imported beer from such warehouses free of tax.

Beer transferred to any customs bonded warehouse under subparagraph (A) shall be entered, stored, and accounted for in such warehouse under such regulations and bonds as the Secretary may prescribe, and may be withdrawn therefrom by such governments, organizations, and individuals free of tax under the same conditions and procedures as imported beer.

"(2) OTHER RULES TO APPLY.—Rules similar to the rules of paragraphs (2) and (3) of section 5362(e) of such section shall apply for purposes of this subsection."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4819. BEER MAY BE WITHDRAWN FREE OF TAX FOR DESTRUCTION.

(a) IN GENERAL.—Section 5053 is amended by inserting after subsection (g) the following new subsection:

"(h) REMOVALS FOR DESTRUCTION.—Subject to such regulations as the Secretary may prescribe, beer may be removed from the brewery without payment of tax for destruction."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4820. AUTHORITY TO ALLOW DRAWBACK ON EXPORTED BEER WITHOUT SUBMISSION OF RECORDS.

(a) IN GENERAL.—The first sentence of section 5055 (relating to drawback of tax on beer) is amended by striking "found to have been paid" and all that follows and inserting "paid on such beer if there is such proof of exportation as the Secretary may by regulations require."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 180th day after the date of the enactment of this Act.

SEC. 4821. TRANSFER TO BREWERY OF BEER IMPORTED IN BULK WITHOUT PAYMENT OF TAX.

(a) IN GENERAL.—Part II of subchapter G of chapter 51 is amended by adding at the end thereof the following new section:

"SEC. 5418. BEER IMPORTED IN BULK.

"Beer imported or brought into the United States in bulk containers may, under such regulations as the Secretary may prescribe, be withdrawn from customs custody and transferred in such bulk containers to the premises of a brewery without payment of the internal revenue tax imposed on such beer. The proprietor of a brewery to which such beer is transferred shall become liable for the tax on the beer withdrawn from customs custody under this section upon release of the beer from customs custody, and the importer, or the person bringing such beer into the United States, shall thereupon be relieved of the liability for such tax."

(b) CLERICAL AMENDMENT.—The table of sections for such part II is amended by adding at the end thereof the following new item:

"Sec. 5418. Beer imported in bulk."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the 180th day after the date of the enactment of this Act.

PART III—OTHER EXCISE TAX PROVISIONS

SEC. 4831. AUTHORITY TO GRANT EXEMPTIONS FROM REGISTRATION REQUIREMENTS.

(a) IN GENERAL.—The first sentence of section 4222 (relating to registration) is amended to read as follows: "Except as provided in subsection (b), section 4221 shall not apply with respect to the sale of any article by or to any person who is required by the Secretary to be registered under this section and who is not so registered."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to sales after the 180th day after the date of the enactment of this Act.

SEC. 4832. REPEAL OF EXPIRED PROVISIONS.

(a) PIGGY-BACK TRAILERS.—Section 4051 is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) DEEP SEABED MINING.—

(1) Subchapter F of chapter 36 (relating to tax on removal of hard mineral resources from deep seabed) is hereby repealed.

(2) The table of subchapters for chapter 36 is amended by striking the item relating to subchapter F.

Subtitle I—Administrative Provisions

PART I—GENERAL PROVISIONS

SEC. 4901. SIMPLIFICATION OF DEPOSIT REQUIREMENTS FOR SOCIAL SECURITY, RAILROAD RETIREMENT, AND WITHHELD INCOME TAXES.

(a) IN GENERAL.—Subsection (g) of section 6302 (relating to deposits of social security taxes and withheld income taxes) is amended to read as follows:

"(g) DEPOSITS OF SOCIAL SECURITY, RAILROAD RETIREMENT, AND WITHHELD INCOME TAXES.—

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

"(A) employment taxes attributable to payments on Wednesday, Thursday, or Friday of any week shall be deposited on or before the following Tuesday, and

"(B) employment taxes attributable to payments on Saturday, Sunday, Monday, or Tuesday of any week shall be deposited on or before the following Friday.

"(2) SMALL DEPOSITORS.—

"(A) IN GENERAL.—If any person is a small depositor for any calendar quarter, such person shall make deposits of employment taxes attributable to payments during any month in such quarter on or before the 15th day of the following month.

"(B) SMALL DEPOSITOR.—For purposes of this subsection, a person is a small depositor for any calendar quarter if, for each calendar quarter in the base period, the amount of employment taxes attributable to payments made by such person during such calendar quarter was $12,000 or less. For purposes of the preceding sentence, the base period for any calendar quarter is the 4 calendar quarters ending with the second preceding calendar quarter.

"(C) CESSATION AS SMALL DEPOSITOR.—A person shall cease to be treated as a small depositor for a calendar quarter after any day on which such person is required to make a deposit under paragraph (3).

"(3) LARGE DEPOSITORS.—Notwithstanding paragraphs (1) and (2), if, on any day, any person has $100,000 or more of employment taxes for deposit, such taxes shall be deposited on or before the next day.

"(4) SAFE HARBOR.—

"(A) IN GENERAL.—A person shall be treated as depositing the required amount of employment taxes in any deposit if the shortfall does not exceed the greater of—

"(i) $100, or

"(ii) 2 percent of the amount of employment taxes required to be deposited in such deposit (determined without regard to this paragraph).

Such shortfall shall be deposited as required by the Secretary by regulations.

"(B) SHORTFALL.—For purposes of this paragraph, the term 'shortfall' means, with respect to any deposit, the excess of the amount of employment taxes required to be deposited in such deposit (determined without regard to this paragraph) over the amount (if any) thereof deposited on or before the last date prescribed therefor.

"(5) DEPOSIT REQUIRED ONLY ON BANKING DAYS.—If taxes are required to be deposited under this subsection on any day which is not a banking day, such taxes shall be treated as timely deposited if deposited on the first banking day thereafter.

"(6) EMPLOYMENT TAXES.—For purposes of this subsection, the term 'employment taxes' means the taxes imposed by chapters 21, 22, and 24.

"(7) SUBSECTION TO APPLY ONLY TO REQUIRED DEPOSITS.—This subsection shall not apply to employment taxes which are not required to be deposited under the regulations prescribed by the Secretary under this section.

"(8) REGULATIONS.—The Secretary may prescribe regulations—

"(A) specifying employment tax deposit requirements for persons who fail to comply with the requirements of this subsection,

"(B) specifying circumstances under which a person shall be treated as a small depositor for purposes of this subsection notwithstanding that such person is not described in paragraph (2)(B),

"(C) specifying modifications to the provisions of this subsection for end-of-quarter periods, and

"(D) establishing deposit requirements for taxes imposed by section 3406 which apply in lieu of the requirements of this subsection."

(b) CONFORMING AMENDMENT.—Section 226 of the Railroad Retirement Solvency Act of 1983 is hereby repealed.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts attributable to payments made after December 31, 1992.

SEC. 4902. SIMPLIFICATION OF EMPLOYMENT TAXES ON DOMESTIC SERVICES.

(a) THRESHOLD REQUIREMENT FOR SOCIAL SECURITY TAXES.—

(1) Subparagraph (B) of section 3121(a)(7) (defining wages) is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such year by the employer to the employee for such service is less than $300. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in subsection (g)(5);"

(2) Subparagraph (B) of section 209(a)(6) of the Social Security Act is amended to read as follows:

"(B) Cash remuneration paid by an employer in any calendar year to an employee for domestic service in a private home of the employer, if the cash remuneration paid in such year by the employer to the employee for such service is less than $300. As used in this subparagraph, the term 'domestic service in a private home of the employer' does not include service described in section 210(f)(5)."

(3) The second sentence of section 3102(a) is amended—

(A) by striking "calendar quarter" each place it appears and inserting "calendar year", and

(B) by striking "$50" and inserting "$300".

(b) COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT WITH COLLECTION OF INCOME TAXES.—

(1) IN GENERAL.—Chapter 25 (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

"SEC. 3510. COORDINATION OF COLLECTION OF DOMESTIC SERVICE EMPLOYMENT TAXES WITH COLLECTION OF INCOME TAXES.

"(a) GENERAL RULE.—Except as otherwise provided in this section—

"(1) returns with respect to domestic service employment taxes shall be made on a calendar year basis,

"(2) any such return for any calendar year shall be filed on or before the due date (including extensions) of the income tax return for the employer's taxable year which begins in such calendar year, and

"(3) no requirement to make deposits (or to pay installments under section 6157) shall apply with respect to such taxes.

"(b) DOMESTIC SERVICE EMPLOYMENT TAXES SUBJECT TO ESTIMATED TAX PROVISIONS.—

"(1) IN GENERAL.—Solely for purposes of section 6654, domestic service employment taxes imposed with respect to any calendar year shall be treated as a tax imposed by chapter 2 for the taxable year of the employer which begins in such calendar year.

"(2) ANNUALIZATION.—Under regulations prescribed by the Secretary, appropriate adjustments shall be made in the application of section 6654(d)(2) in respect of the amount treated as tax under paragraph (1).

"(3) TRANSITIONAL RULE.—For purposes of applying section 6654 to a taxable year beginning in 1993, the amount referred to in clause (ii) of section 6654(d)(1)(B) shall be increased by 90 percent of the amount treated as tax under paragraph (1) for such taxable year.

"(c) DOMESTIC SERVICE EMPLOYMENT TAXES.—For purposes of this section, the term 'domestic service employment taxes' means—

"(1) any taxes imposed by chapter 21 or 23 on remuneration paid for domestic service in a private home of the employer, and

"(2) any amount withheld from such remuneration pursuant to an agreement under section 3402(p).

For purposes of this subsection, the term 'domestic service in a private home of the employer' does not include service described in section 3121(g)(5).

"(d) EXCEPTION WHERE EMPLOYER LIABLE FOR OTHER EMPLOYMENT TAXES.—To the extent provided in regulations prescribed by the Secretary, this section shall not apply to any employer for any calendar year if such employer is liable for any tax under this subtitle with respect to remuneration for services other than domestic service in a private home of the employer.

"(e) AUTHORITY TO ENTER INTO AGREEMENTS TO COLLECT STATE UNEMPLOYMENT TAXES.—

"(1) IN GENERAL.—The Secretary is hereby authorized to enter into an agreement with any State to collect, as the agent of such State, such State's unemployment taxes im-

posed on remuneration paid for domestic service in a private home of the employer. Any taxes to be collected by the Secretary pursuant to such an agreement shall be treated as domestic service employment taxes for purposes of this section.

"(2) TRANSFERS TO STATE ACCOUNT.—Any amount collected under an agreement referred to in paragraph (1) shall be transferred by the Secretary to the account of the State in the Unemployment Trust Fund.

"(3) SUBTITLE F MADE APPLICABLE.—For purposes of subtitle F, any amount required to be collected under an agreement under paragraph (1) shall be treated as a tax imposed by chapter 23.

"(4) STATE.—For purposes of this subsection, the term 'State' has the meaning given such term by section 3306(j)(1)."

(2) CLERICAL AMENDMENT.—The table of sections for chapter 25 is amended by adding at the end thereof the following:

"Sec. 3510. Coordination of collection of domestic service employment taxes with collection of income taxes."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid in calendar years after 1992.

SEC. 4903. CERTAIN NOTICES DISREGARDED UNDER PROVISION INCREASING INTEREST RATE ON LARGE CORPORATE UNDERPAYMENTS.

(a) GENERAL RULE.—Subparagraph (B) of section 6621(c)(2) (defining applicable date) is amended by adding at the end thereof the following new clause:

"(iii) EXCEPTION FOR LETTERS OR NOTICES INVOLVING SMALL AMOUNTS.—For purposes of this paragraph, any letter or notice shall be disregarded if the amount of the deficiency or proposed deficiency (or the assessment or proposed assessment) set forth in such letter or notice is not greater than $100,000 (determined by not taking into account any interest, penalties, or additions to tax)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply for purposes of determining interest for periods after December 31, 1990.

SEC. 4904. USE OF REPRODUCTIONS OF RETURNS STORED IN DIGITAL IMAGE FORMAT.

(a) IN GENERAL.—Paragraph (2) of section 6103(p) (relating to procedure and recordkeeping) is amended by adding at the end thereof the following new subparagraph:

"(D) REPRODUCTION FROM DIGITAL IMAGES.—For purposes of this paragraph, the term 'reproduction' includes a reproduction from digital images."

(b) STUDY.—The Comptroller General of the United States shall conduct a study of available digital image technology for the purpose of determining the extent to which reproductions of documents stored using that technology accurately reflect the data on the original document and the appropriate period for retaining the original document. Not later than 1 year after the date of the enactment of this Act, a report on the results of such study shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

SEC. 4905. REPEAL OF AUTHORITY TO DISCLOSE WHETHER PROSPECTIVE JUROR HAS BEEN AUDITED.

(a) IN GENERAL.—Subsection (h) of section 6103 (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).

(b) CONFORMING AMENDMENT.—Paragraph (4) of section 6103(p) is amended by striking "(h)(6)" each place it appears and inserting "(h)(5)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to judicial proceedings pending on, or commenced after, the date of the enactment of this Act.

SEC. 4906. REPEAL OF SPECIAL AUDIT PROVISIONS FOR SUBCHAPTER S ITEMS.

(a) GENERAL RULE.—Subchapter D of chapter 63 (relating to tax treatment of subchapter S items) is hereby repealed.

(b) CONSISTENT TREATMENT REQUIRED.—Section 6037 (relating to return of S corporation) is amended by adding at the end thereof the following new subsection:

"(c) SHAREHOLDER'S RETURN MUST BE CONSISTENT WITH CORPORATE RETURN OR SECRETARY NOTIFIED OF INCONSISTENCY.—

"(1) IN GENERAL.—A shareholder of an S corporation shall, on such shareholder's return, treat a subchapter S item in a manner which is consistent with the treatment of such item on the corporate return.

"(2) NOTIFICATION OF INCONSISTENT TREATMENT.—

"(A) IN GENERAL.—In the case of any subchapter S item, if—

"(i)(I) the corporation has filed a return but the shareholder's treatment on his return is (or may be) inconsistent with the treatment of the item on the corporate return, or

"(II) the corporation has not filed a return, and

"(ii) the shareholder files with the Secretary a statement identifying the inconsistency,

paragraph (1) shall not apply to such item.

"(B) SHAREHOLDER RECEIVING INCORRECT INFORMATION.—A shareholder shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a subchapter S item if the shareholder—

"(i) demonstrates to the satisfaction of the Secretary that the treatment of the subchapter S item on the shareholder's return is consistent with the treatment of the item on the schedule furnished to the shareholder by the corporation, and

"(ii) elects to have this paragraph apply with respect to that item.

"(3) EFFECT OF FAILURE TO NOTIFY.—In any case—

"(A) described in subparagraph (A)(i)(I) of paragraph (2), and

"(B) in which the shareholder does not comply with subparagraph (A)(ii) of paragraph (2),

any adjustment required to make the treatment of the items by such shareholder consistent with the treatment of the items on the corporate return shall be treated as arising out of mathematical or clerical errors and assessed according to section 6213(b)(1). Paragraph (2) of section 6213(b) shall not apply to any assessment referred to in the preceding sentence.

"(4) SUBCHAPTER S ITEM.—For purposes of this subsection, the term 'subchapter S item' means any item of an S corporation to the extent that regulations prescribed by the Secretary provide that, for purposes of this subtitle, such item is more appropriately determined at the corporation level than at the shareholder level.

"(5) ADDITION TO TAX FOR FAILURE TO COMPLY WITH SECTION.—

"For addition to tax in the case of a shareholder's negligence in connection with, or disregard of, the requirements of this section, see part II of subchapter A of chapter 68."

(c) CONFORMING AMENDMENTS.—

(1) Section 1366 is amended by striking subsection (g).

(2) Subsection (b) of section 6233 is amended to read as follows:

"(b) SIMILAR RULES IN CERTAIN CASES.—If a partnership return is filed for any taxable year but it is determined that there is no entity for such taxable year, to the extent provided in regulations, rules similar to the rules of subsection (a) shall apply."

(3) The table of subchapters for chapter 63 is amended by striking the item relating to subchapter D.

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

SEC. 4907. CLARIFICATION OF STATUTE OF LIMITATIONS.

(a) IN GENERAL.—Subsection (a) of section 6501 (relating to limitations on assessment and collection) is amended by adding at the end thereof the following new sentence: "For purposes of this chapter, the term 'return' means the return required to be filed by the taxpayer (and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction, or credit)."

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

PART II—TAX COURT PROCEDURES

SEC. 4911. OVERPAYMENT DETERMINATIONS OF TAX COURT.

(a) APPEAL OF ORDER.—Paragraph (2) of section 6512(b) (relating to jurisdiction to enforce) is amended by adding at the end the following new sentence: "An order of the Tax Court disposing of a motion under this paragraph shall be reviewable in the same manner as a decision of the Tax Court, but only with respect to the matters determined in such order."

(b) DENIAL OF JURISDICTION REGARDING CERTAIN CREDITS AND REDUCTIONS.—Subsection (b) of section 6512 (relating to overpayment determined by Tax Court) is amended by adding at the end the following new paragraph:

"(4) DENIAL OF JURISDICTION REGARDING CERTAIN CREDITS AND REDUCTIONS.—The Tax Court shall have no jurisdiction under this subsection to restrain or review any credit or reduction made by the Secretary under section 6402."

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

SEC. 4912. AWARDING OF ADMINISTRATIVE COSTS.

(a) RIGHT TO APPEAL TAX COURT DECISION.—Subsection (f) of section 7430 (relating to right of appeal) is amended by adding at the end the following new paragraph:

"(3) APPEAL OF TAX COURT DECISION.—An order of the Tax Court disposing of a petition under paragraph (2) shall be reviewable in the same manner as a decision of the Tax Court, but only with respect to the matters determined in such order."

(b) PERIOD FOR APPLYING TO IRS FOR COSTS.—Subsection (b) of section 7430 (relating to limitations) is amended by adding at the end the following new paragraph:

"(5) PERIOD FOR APPLYING TO IRS FOR ADMINISTRATIVE COSTS.—An award may be made under subsection (a) for reasonable administrative costs only if the prevailing party files an application for such costs before the 91st day after the date on which the party was determined to be the prevailing party under subsection (c)(4)(B)."

(c) PERIOD FOR PETITIONING OF TAX COURT FOR REVIEW OF DENIAL OF COSTS.—Paragraph (2) of section 7430(f) (relating to right of appeal) is amended—

(1) by striking "appeal to" and inserting "the filing of a petition for review with", and

(2) by adding at the end the following new sentence: "If the Secretary sends by certified or registered mail a notice of such decision to the petitioner, no proceeding in the Tax Court may be initiated under this paragraph unless such petition is filed before the 91st day after the date of such mailing."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to civil actions or proceedings commenced after the date of the enactment of this Act.

SEC. 4913. REDETERMINATION OF INTEREST PURSUANT TO MOTION.

(a) IN GENERAL.—Paragraph (3) of section 7481(c) (relating to jurisdiction over interest determinations) is amended by striking "petition" and inserting "motion".

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

SEC. 4914. APPLICATION OF NET WORTH REQUIREMENT FOR AWARDS OF LITIGATION COSTS.

(a) IN GENERAL.—Paragraph (4) of section 7430(c) (defining prevailing party) is amended by adding at the end thereof the following new subparagraph:

"(C) SPECIAL RULES FOR APPLYING NET WORTH REQUIREMENT.—In applying the requirements of section 2412(d)(2)(B) of title 28, United States Code, for purposes of subparagraph (A)(iii) of this paragraph—

"(i) the net worth limitation in clause (i) of such section shall apply to—

"(I) an estate but shall be determined as of the date of the decedent's death, and

"(II) a trust but shall be determined as of the last day of the taxable year involved in the proceeding, and

"(ii) individuals filing a joint return shall be treated as 1 individual for purposes of clause (i) of such section, except in the case of a spouse relieved of liability under section 6013(e)."

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

PART III—AUTHORITY FOR CERTAIN COOPERATIVE AGREEMENTS

SEC. 4921. COOPERATIVE AGREEMENTS WITH STATE TAX AUTHORITIES.

(a) GENERAL RULE.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new section:

"SEC. 7524. COOPERATIVE AGREEMENTS WITH STATE TAX AUTHORITIES.

"(a) AUTHORIZATION OF AGREEMENTS.—The Secretary is hereby authorized to enter into cooperative agreements with State tax authorities for purposes of enhancing joint tax administration. Such agreements may provide for—

"(1) joint filing of Federal and State income tax returns,

"(2) single processing of such returns,

"(3) joint collection of taxes (other than Federal income taxes), and

"(4) such other provisions as may enhance joint tax administration.

"(b) SERVICES ON REIMBURSABLE BASIS.—Any agreement under subsection (a) may require reimbursement for services provided by either party to the agreement.

"(c) AVAILABILITY OF FUNDS.—Any funds appropriated for purposes of the administration of this title shall be available for purposes of carrying out the Secretary's responsibility under an agreement entered into under subsection (a). Any reimbursement received pursuant to such an agreement shall be credited to the amount so appropriated.

"(d) STATE TAX AUTHORITY.—For purposes of this section, the term 'State tax authority' means agency, body, or commission referred to in section 6103(d)(1)."

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end thereof the following new item:

"Sec. 7524. Cooperative agreements with State tax authorities."

TITLE V—TAXPAYER BILL OF RIGHTS 2

SEC. 5000. SHORT TITLE.

This title may be cited as the "Taxpayer Bill of Rights 2".

Subtitle A—Taxpayer Advocate

SEC. 5001. ESTABLISHMENT OF POSITION OF TAXPAYER ADVOCATE WITHIN INTERNAL REVENUE SERVICE.

(a) GENERAL RULE.—Section 7802 (relating to Commissioner of Internal Revenue; Assistant Commissioner (Employee Plans and Exempt Organizations)) is amended by adding at the end thereof the following new subsection:

"(d) OFFICE OF TAXPAYER ADVOCATE.—

"(1) IN GENERAL.—There is established in the Internal Revenue Service an office to be known as the 'Office of the Taxpayer Advocate'. Such office, including all problem resolution officers, shall be under the supervision and direction of an official to be known as the 'Taxpayer Advocate' who shall be appointed by the President by and with the advice and consent of the Senate, and who shall report directly to the Commissioner of Internal Revenue. The Taxpayer Advocate shall be entitled to compensation at the same rate as the Chief Counsel for the Internal Revenue Service.

"(2) FUNCTIONS OF OFFICE.—

"(A) IN GENERAL.—It shall be the function of the Office of Taxpayer Advocate to—

"(i) assist taxpayers in resolving problems with the Internal Revenue Service,

"(ii) identify areas in which taxpayers have problems in dealings with the Internal Revenue Service,

"(iii) to the extent possible, propose changes in the administrative practices of the Internal Revenue Service to mitigate problems identified under clause (ii), and

"(iv) identify potential legislative changes which may be appropriate to mitigate such problems.

"(B) ANNUAL REPORTS.—

"(i) OBJECTIVES.—Not later than October 31 of each calendar year after 1991, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the objectives of the Taxpayer Advocate for the following calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information.

"(ii) ACTIVITIES.—Not later than December 31 of each calendar year after 1991, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the activities of the Taxpayer Advocate during the fiscal year ending during such calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information, and shall—

"(I) identify the initiatives the Taxpayer Advocate has taken on improving taxpayer services and Internal Revenue Service responsiveness,

"(II) contain recommendations received from individuals with the authority to issue taxpayer assistance orders under section 7811,

"(III) contain a summary of at least 20 of the most serious problems encountered by taxpayers, including a description of the nature of such problems,

"(IV) contain an inventory of the items described in subclauses (I), (II), and (III) for which action has been taken and the result of such action,

"(V) contain an inventory of the items described in subclauses (I), (II), and (III) for which action remains to be completed and the period during which each item has remained on such inventory,

"(VI) contain an inventory of the items described in subclauses (II) and (III) for which no action has been taken, the period during which each item has remained on such inventory, the reasons for the inaction, and identify any Internal Revenue Service official who is responsible for such inaction,

"(VII) identify any Taxpayer Assistance Order which was not honored by the Internal Revenue Service in a timely manner, as specified under section 7811(b),

"(VIII) contain recommendations for such administrative and legislative action as may be appropriate to resolve problems encountered by taxpayers, and

"(IX) include such other information as the Taxpayer Advocate may deem advisable.

"(3) RESPONSIBILITIES OF COMMISSIONER OF INTERNAL REVENUE SERVICE.—The Commissioner of Internal Revenue shall establish procedures requiring a formal response to all recommendations submitted to the Commissioner by the Taxpayer Advocate."

(b) CONFORMING AMENDMENTS.—

(1) Section 7811 (relating to taxpayer assistance orders) is amended—

(A) by striking "the Office of Ombudsman" in subsection (a) and inserting "the Office of the Taxpayer Advocate", and

(B) by striking "Ombudsman" each place it appears (including in the headings of subsections (e) and (f)) and inserting "Taxpayer Advocate".

(2) The heading for section 7802 is amended to read as follows:

"SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; ASSISTANT COMMISSIONERS; TAXPAYER ADVOCATE."

(3) The table of sections for subchapter A of chapter 80 of subtitle F is amended by striking the item relating to section 7802 and inserting the following new item:

"Sec. 7802. Commissioner of Internal Revenue; Assistant Commissioners; Taxpayer Advocate."

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

SEC. 5002. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER ASSISTANCE ORDERS.

(a) TERMS OF ORDERS.—Subsection (b) of section 7811 (relating to terms of taxpayer assistance orders) is amended—

(1) by inserting "within a specified time period" after "the Secretary", and

(2) by striking "cease any action" and inserting "cease any action, take any action".

(b) LIMITATION ON AUTHORITY TO MODIFY OR RESCIND.—Section 7811(c) (relating to authority to modify or rescind) is amended to read as follows:

"(c) AUTHORITY TO MODIFY OR RESCIND.—Any Taxpayer Assistance Order issued by the Taxpayer Advocate under this section may be modified or rescinded only by the Tax-

payer Advocate, the Commissioner, or any superior of either."

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

Subtitle B—Modifications to Installment Agreement Provisions

SEC. 5101. NOTIFICATION OF REASONS FOR TERMINATION OR DENIAL OF INSTALLMENT AGREEMENTS.

(a) TERMINATIONS.—Subsection (b) of section 6159 (relating to extent to which agreements remain in effect) is amended by adding at the end thereof the following new paragraph:

"(5) NOTICE REQUIREMENTS.—The Secretary may not take any action under paragraph (2), (3), or (4) unless—

"(A) a notice of such action is provided to the taxpayer not later than the day 30 days before the date of such action, and

"(B) such notice includes an explanation why the Secretary intends to take such action.

The preceding sentence shall not apply in any case in which the Secretary believes that collection of any tax to which an agreement under this section relates is in jeopardy."

(b) DENIALS.—Section 6159 (relating to agreements for payment of tax liability in installments) is amended by adding at the end thereof the following new subsection:

"(c) NOTICE REQUIREMENTS FOR DENIALS.—The Secretary may not deny any request for an installment agreement under this section unless—

"(1) a notice of the proposed denial is provided to the taxpayer not later than the day 30 days before the date of such denial, and

"(2) such notice includes an explanation why the Secretary intends to deny such request.

The preceding sentence shall not apply in any case in which the Secretary believes that collection of any tax to which a request for an agreement under this section relates is in jeopardy."

(c) CONFORMING AMENDMENT.—Paragraph (3) of section 6159(b) is amended to read as follows:

"(3) SUBSEQUENT CHANGE IN FINANCIAL CONDITIONS.—If the Secretary makes a determination that the financial condition of a taxpayer with whom the Secretary has entered into an agreement under subsection (a) has significantly changed, the Secretary may alter, modify, or terminate such agreement."

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date 6 months after the date of the enactment of this Act.

SEC. 5102. ADMINISTRATIVE REVIEW OF DENIAL OF REQUEST FOR, OR TERMINATION OF, INSTALLMENT AGREEMENT.

(a) GENERAL RULE.—Section 6159 (relating to agreements for payment of tax liability in installments), as amended by section 5101, is amended by adding at the end thereof the following new subsection:

"(d) ADMINISTRATIVE REVIEW.—The Secretary shall establish procedures for an independent administrative review of denials of requests for, or terminations of, installment agreements under this section."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5103. RUNNING OF FAILURE TO PAY PENALTY SUSPENDED DURING PERIOD INSTALLMENT AGREEMENT IN EFFECT.

(a) GENERAL RULE.—Section 6651 (relating to penalty for failure to file tax return or to pay tax) is amended by adding at the end thereof the following new subsection:

"(g) TREATMENT OF INSTALLMENT AGREEMENTS UNDER SECTION 6159.—If an agreement is entered into under section 6159 for the payment of any tax in installments, the period during which such agreement is in effect shall be disregarded in determining the amount of any addition under paragraph (2) or (3) of subsection (a) with respect to such tax."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to installment agreements entered into after the date of the enactment of this Act.

Subtitle C—Interest

SEC. 5201. EXPANSION OF AUTHORITY TO ABATE INTEREST.

(a) GENERAL RULE.—Paragraph (1) of section 6404(e) (relating to abatement of interest in certain cases) is amended by striking "ministerial act" each place it appears and inserting "ministerial or managerial act".

(b) CLERICAL AMENDMENT.—The subsection heading for subsection (e) of section 6404 is amended by striking "Assessments" and inserting "Abatement".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest accruing with respect to deficiencies or payments for taxable years beginning after the date of the enactment of this Act.

SEC. 5202. EXTENSION OF INTEREST-FREE PERIOD FOR PAYMENT OF TAX AFTER NOTICE AND DEMAND.

(a) GENERAL RULE.—Paragraph (3) of section 6601(e) (relating to payments made within 10 days after notice and demand) is amended to read as follows:

"(3) PAYMENTS MADE WITHIN SPECIFIED PERIOD AFTER NOTICE AND DEMAND.—If notice and demand is made for payment of any amount and if such amount is paid within 21 days (10 days if the amount for which such notice and demand is made equals or exceeds $100,000) after the date of such notice and demand, interest under this section on the amount so paid shall not be imposed for the period after the date of such notice and demand."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply in the case of any notice and demand given after the date 6 months after the date of the enactment of this Act.

Subtitle D—Joint Returns

SEC. 5301. DISCLOSURE OF COLLECTION ACTIVITIES.

(a) GENERAL RULE.—Subsection (e) of section 6103 (relating to disclosure to persons having material interest) is amended by adding at the end thereof the following new paragraph:

"(8) DISCLOSURE OF COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN.—If any deficiency of tax with respect to a joint return is assessed and the individuals filing such return are no longer married or no longer reside in the same household, upon request in writing of either of such individuals, the Secretary may disclose in writing to the individual making the request whether the Secretary has attempted to collect such deficiency from such other individual, the general nature of such collection activities, and the amount collected."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5302. JOINT RETURN MAY BE MADE AFTER SEPARATE RETURNS WITHOUT FULL PAYMENT OF TAX.

(a) GENERAL RULE.—Paragraph (2) of section 6013(b) (relating to limitations on filing of joint return after filing separate returns) is amended by striking subparagraph (A) and redesignating the following subparagraphs accordingly.

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

Subtitle E—Collection Activities

SEC. 5401. MODIFICATIONS TO LIEN AND LEVY PROVISIONS.

(a) WITHDRAWAL OF CERTAIN NOTICES.—Section 6323 (relating to validity and priority against certain persons) is amended by adding at the end thereof the following new subsection:

"(j) WITHDRAWAL OF NOTICE IN CERTAIN CIRCUMSTANCES.—

"(1) IN GENERAL.—The Secretary may withdraw a notice of a lien filed under this section and this chapter shall be applied as if the withdrawn notice had not been filed, if the Secretary determines that—

"(A) the filing of such notice was premature or otherwise not in accordance with administrative procedures of the Secretary,

"(B) the taxpayer has entered into an agreement under section 6159 to satisfy the tax liability for which the lien was imposed by means of installment payments, unless such agreement provides otherwise,

"(C) the withdrawal of such notice will facilitate the collection of the tax liability, or

"(D) with the consent of the taxpayer or the Taxpayer Advocate, the withdrawal of such notice would be in the best interests of the taxpayer and the United States.

Any such withdrawal shall be made by filing notice thereof at the same office as the withdrawn notice.

"(2) NOTICE TO CREDIT AGENCIES, ETC.—Upon written request by the taxpayer with respect to whom a notice of a lien was withdrawn under paragraph (1), the Secretary shall promptly make reasonable efforts to notify credit reporting agencies, and financial institutions specified in such request, of the withdrawal of such notice. Any such request shall be in such form as the Secretary may prescribe."

(b) RETURN OF LEVIED PROPERTY IN CERTAIN CASES.—Section 6343 (relating to authority to release levy and return property) is amended by adding at the end thereof the following new subsection:

"(d) RETURN OF PROPERTY IN CERTAIN CASES.—If—

"(1) any property has been levied upon, and

"(2) the Secretary determines that—

"(A) the levy on such property was premature or otherwise not in accordance with administrative procedures of the Secretary,

"(B) the taxpayer has entered into an agreement under section 6159 to satisfy the tax liability for which the levy was imposed by means of installment payments, unless such agreement provides otherwise,

"(C) the return of such property will facilitate the collection of the tax liability, or

"(D) with the consent of the taxpayer or the Taxpayer Advocate, the return of such property would be in the best interests of the taxpayer and the United States,

the provisions of subsection (b) shall apply in the same manner as if such property had been wrongly levied upon, except that no interest shall be allowed under subsection (c)."

(c) MODIFICATIONS IN CERTAIN LEVY EXEMPTION AMOUNTS.—

(1) FUEL, ETC.—Paragraph (2) of section 6334(a) (relating to fuel, provisions, furniture, and personal effects exempt from levy) is amended—

(A) by striking "If the taxpayer is the head of a family, so" and inserting "So", and

(B) by striking "$1,650 ($1,500 in the case of levies issued during 1989)" and inserting "$1,700".

(2) BOOKS, ETC.—Paragraph (3) of section 6334(a) (relating to books and tools of a trade, business, or profession exempt from levy) is amended by striking "$1,100 ($1,050 in the case of levies issued during 1989)" and inserting "$1,200".

(3) INDEXED FOR INFLATION.—Section 6334 (relating to property exempt from levy) is amended by adding at the end thereof the following new subsection:

"(f) INFLATION ADJUSTMENTS.—

"(1) IN GENERAL.—In the case of any calendar year beginning after 1993, each dollar amount referred to in paragraphs (2) and (3) of subsection (a) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting 'calendar year 1992' for 'calendar year 1989' in subparagraph (B) thereof.

"(2) ROUNDING.—If any dollar amount after being increased under paragraph (1) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10 (or, if such dollar amount is a multiple of $5, such dollar amount shall be increased to the next higher multiple of $10)."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) EXEMPT AMOUNTS.—The amendments made by subsection (c) shall take effect with respect to levies issued after December 31, 1992.

SEC. 5402. OFFERS-IN-COMPROMISE.

(a) GENERAL RULE.—Subsection (a) of section 7122 (relating to compromises) is amended by adding at the end thereof the following new sentence: "The Secretary may make such a compromise in any case where the Secretary determines that such compromise would be in the best interests of the United States.".

(b) REVIEW REQUIREMENTS.—Subsection (b) of section 7122 (relating to records) is amended by striking "$500." and inserting "$50,000. However, such compromise shall be subject to continuing quality review by the Secretary.".

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

SEC. 5403. NOTIFICATION OF EXAMINATION.

(a) IN GENERAL.—Section 7605 (relating to restrictions on examination of taxpayer) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) NOTIFICATION REQUIREMENT.—No examination described in subsection (a) shall be made unless the Secretary notifies the taxpayer in writing by mail to an address determined under section 6212(b) that the taxpayer is under examination and provides the taxpayer with an explanation of the process as described in section 7521(b)(1). The preceding sentence shall not apply in the case of any examination if the Secretary determines that—

"(1) such examination is in connection with a criminal investigation or is with respect to a tax the collection of which is in jeopardy, or

"(2) the application of the preceding sentence would be inconsistent with national security needs or would interfere with the effective conduct of a confidential law enforcement or foreign counterintelligence activity."

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 7521(b) (relating to safeguards) is amended by striking "or at".

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

SEC. 5404. INCREASE IN LIMIT ON RECOVERY OF CIVIL DAMAGES FOR UNAUTHORIZED COLLECTION ACTIONS.

(a) GENERAL RULE.—Subsection (b) of section 7433 (relating to damages) is amended by striking "$100,000" and inserting "$1,000,000".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to actions by officers or employees of the Internal Revenue Service after the date of the enactment of this Act.

SEC. 5405. SAFEGUARDS RELATING TO DESIGNATED SUMMONS.

(a) STANDARD OF REVIEW.—Subparagraph (A) of section 6503(k)(2) (defining designated summons) is amended by redesignating clauses (i) and (ii) as clauses (ii) and (iii), respectively, and by inserting before clause (ii) (as so redesignated) the following new clause:

"(i) the issuance of such summons is preceded by a review of such issuance by the regional counsel of the Office of Chief Counsel for the region in which the examination of the corporation is being conducted,".

(b) NOTICE REQUIREMENTS FOR ISSUANCE.—Section 6503(k) is amended by adding at the end thereof the following new paragraph:

"(4) NOTICE REQUIREMENTS.—With respect to any summons referred to in paragraph (1)(A) issued to any person other than the corporation, the Secretary shall promptly notify the corporation, in writing, that such summons has been issued with respect to such corporation's return of tax."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to summons issued after the date of the enactment of this Act.

Subtitle F—Information Returns

SEC. 5501. PHONE NUMBER OF PERSON PROVIDING PAYEE STATEMENTS REQUIRED TO BE SHOWN ON SUCH STATEMENT.

(a) GENERAL RULE.—The following provisions are each amended by striking "name and address" and inserting "name, address, and phone number of the information contact":

(1) Section 6041(d)(1).
(2) Section 6041A(e)(1).
(3) Section 6042(c)(1).
(4) Section 6044(e)(1).
(5) Section 6045(b)(1).
(6) Section 6049(c)(1)(A).
(7) Section 6050B(b)(1).
(8) Section 6050H(d)(1).
(9) Section 6050I(e)(1).
(10) Section 6050J(e).
(11) Section 6050K(b)(1).
(12) Section 6050N(b)(1).

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to statements required to be furnished after December 31, 1992 (determined without regard to any extension).

SEC. 5502. CIVIL DAMAGES FOR FRAUDULENT FILING OF INFORMATION RETURNS.

(a) GENERAL RULE.—Subchapter B of chapter 76 (relating to proceedings by taxpayers and third parties) is amended by redesignating section 7434 as section 7435 and by inserting after section 7433 the following new section:

"SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF INFORMATION RETURNS.

"(a) IN GENERAL.—If any person willfully files a false or fraudulent information return with respect to payments purported to be made to any other person, such other person may bring a civil action for damages against the person so filing such return.

"(b) DAMAGES.—In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the greater of $5,000 or the sum of—

"(1) any actual damages sustained by the plaintiff as a proximate result of the filing of the false or fraudulent information return (including any costs attributable to resolving deficiencies asserted as a result of such filing), and

"(2) the costs of the action.

"(c) PERIOD FOR BRINGING ACTION.—Notwithstanding any other provision of law, an action to enforce the liability created under this section may be brought without regard to the amount in controversy and may be brought only within 6 years after the filing of the false or fraudulent information return.

"(d) INFORMATION RETURN.—For purposes of this section, the term 'information return' means any statement described in section 6724(d)(1)(A)."

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 76 is amended by striking the item relating to section 7434 and inserting the following:

"Sec. 7434. Civil damages for fraudulent filing of information returns.
"Sec. 7435. Cross references."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to false or fraudulent information returns filed after the date of the enactment of this Act.

SEC. 5503. REQUIREMENT TO VERIFY ACCURACY OF INFORMATION RETURNS.

(a) GENERAL RULE.—Section 6201 (relating to assessment authority) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) REQUIRED REASONABLE VERIFICATION OF INFORMATION RETURNS.—In any court proceeding, if a taxpayer asserts a reasonable dispute with respect to any item of income reported on an information return filed with the Secretary under chapter 61 by a third party and the taxpayer has fully cooperated with the Secretary, the Secretary, in presenting evidence of the deficiency based on such information return, shall present reasonable evidence of such deficiency in addition to such information return."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

Subtitle G—Modifications to Penalty for Failure to Collect and Pay Over Tax

SEC. 5601. PRELIMINARY NOTICE REQUIREMENT.

(a) IN GENERAL.—Section 6672 (relating to failure to collect and pay over tax, or attempt to evade or defeat tax) is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b) PRELIMINARY NOTICE REQUIREMENT.—

"(1) IN GENERAL.—No penalty shall be imposed under subsection (a) unless the Secretary notifies the taxpayer in writing by mail to an address as determined under section 6212(b) that the taxpayer shall be subject to an assessment of such penalty.

"(2) TIMING OF NOTICE.—The mailing of the notice described in paragraph (1) shall pre-

cede any notice and demand of any penalty under subsection (a) by at least 60 days.

"(3) STATUTE OF LIMITATIONS.—If a notice described in paragraph (1) with respect to any penalty is mailed before the expiration of the period provided by section 6501 for the assessment of such penalty (determined without regard to this paragraph), the period provided by such section for the assessment of such penalty shall not expire before the date 60 days after the date on which such notice was mailed.

"(4) EXCEPTION FOR JEOPARDY.—This subsection shall not apply if the Secretary finds that the collection of the penalty is in jeopardy."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply in the case of failures after the date of the enactment of this Act.

SEC. 5602. NO PENALTY IF PROMPT NOTIFICATION OF THE SECRETARY.

(a) IN GENERAL.—Section 6672 (relating to failure to collect and pay over tax, or attempt to evade or defeat tax) is amended by adding at the end thereof the following new subsection:

"(d) PENALTY NOT APPLICABLE WHERE PROMPT NOTIFICATION OF FAILURE.—

"(1) IN GENERAL.—A person shall not be liable for any penalty under subsection (a) by reason of any failure referred to in subsection (a) if—

"(A) such person is not a significant owner, or highly compensated employee, of the trade or business with respect to which such failure occurred,

"(B) such person notifies the Secretary (in such manner as he may prescribe) that such failure has occurred within 10 days after the date of such failure, and

"(C) such notification was before any notice by the Secretary to any person with respect to such failure.

"(2) DEFINITIONS.—For purposes of paragraph (1)—

"(A) SIGNIFICANT OWNER.—The term 'significant owner' means—

"(i) any person holding an interest as a proprietor in a trade or business carried on as a proprietorship, and

"(ii) in the case of a trade or business conducted by a corporation or partnership, any person who is a 5-percent owner (as defined in section 416(i)(1)) in such corporation or partnership, as the case may be.

"(B) HIGHLY COMPENSATED EMPLOYEE.—The term 'highly compensated employee' means any employee who receives compensation from the employer at an annual rate in excess of $75,000."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply in the case of failures after the date of the enactment of this Act.

SEC. 5603. DISCLOSURE OF CERTAIN INFORMATION WHERE MORE THAN 1 PERSON SUBJECT TO PENALTY.

(a) IN GENERAL.—Subsection (e) of section 6103 (relating to disclosure to persons having material interest), as amended by section 5301, is amended by adding at the end thereof the following new paragraph:

"(9) DISCLOSURE OF CERTAIN INFORMATION WHERE MORE THAN 1 PERSON SUBJECT TO PENALTY UNDER SECTION 6672.—If the Secretary determines that a person is liable for a penalty under section 6672(a) with respect to any failure, upon request in writing of such person, the Secretary shall disclose in writing to such person—

"(A) the name of any other person whom the Secretary has determined to be liable for such penalty with respect to such failure, and

"(B) whether the Secretary has attempted to collect such penalty from such other person, the general nature of such collection activities, and the amount collected."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5604. PENALTIES UNDER SECTION 6672.

(a) PUBLIC INFORMATION REQUIREMENTS.—The Secretary of the Treasury or the Secretary's delegate (hereafter in this section referred to as the "Secretary") shall take such actions as may be appropriate to ensure that employees are aware of their responsibilities under the Federal tax depository system, the circumstances under which employees may be liable for the penalty imposed by section 6672 of the Internal Revenue Code of 1986, and the responsibility to promptly report to the Internal Revenue Service any failure referred to in subsection (a) of such section 6672. Such actions shall include—

(1) printing of a warning on deposit coupon booklets and the appropriate tax returns that certain employees may be liable for the penalty imposed by such section 6672, and

(2) the development of a special information packet.

(b) BOARD MEMBERS OF TAX-EXEMPT ORGANIZATIONS.—

(1) VOLUNTARY BOARD MEMBERS.—The penalty under section 6672 of the Internal Revenue Code of 1986 shall not be imposed on unpaid, volunteer members of any board of trustees or directors of an organization referred to in section 501 of such Code to the extent such members are solely serving in an honorary capacity and do not participate in the day-to-day or financial operations of the organization.

(2) DEVELOPMENT OF EXPLANATORY MATERIALS.—The Secretary shall develop materials explaining the circumstances under which board members of tax-exempt organizations (including voluntary and honorary members) may be subject to penalty under section 6672 of such Code. Such materials shall be made available to tax-exempt organizations.

(3) IRS INSTRUCTIONS.—The Secretary shall clarify the instructions to Internal Revenue Service employees on the application of the penalty under section 6672 of such Code with regard to voluntary members of boards of trustees or directors of tax-exempt organizations.

(c) PROMPT NOTIFICATION.—To the maximum extent practicable, the Secretary shall notify all persons who have failed to make timely and complete deposit of any taxes of such failure within 30 days after the date on which the Secretary is first aware of such failure.

Subtitle H—Awarding of Costs and Certain Fees

SEC. 5701. MOTION FOR DISCLOSURE OF INFORMATION.

Paragraph (4) of section 7430(c) (defining prevailing party) is amended by adding at the end thereof the following new subparagraph:

"(C) MOTION FOR DISCLOSURE OF INFORMATION.—Once a taxpayer substantially prevails as described in subparagraph (A)(ii), the taxpayer may file a motion for an order requiring the disclosure (within a specified period) of all information and copies of relevant records in the possession of the Internal Revenue Service with respect to such taxpayer's case and the substantial justification for the position taken by the Internal Revenue Service."

SEC. 5702. INCREASED LIMIT ON ATTORNEY FEES.

Paragraph (1) of section 7430(c) (defining reasonable litigation costs) is amended—

(1) by striking "$75" in clause (iii) of subparagraph (B) and inserting "$110",

(2) by striking "an increase in the cost of living or" in clause (iii) of subparagraph (B), and

(3) by adding after clause (iii) the following:

"In the case of any calendar year beginning after 1992, the dollar amount referred to in clause (iii) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting 'calendar year 1991' for 'calendar year 1989' in subparagraph (B) thereof. If any dollar amount after being increased under the preceding sentence is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10 (or, if such dollar amount is a multiple of $5, such dollar amount shall be increased to the next higher multiple of $10)."

SEC. 5703. FAILURE TO AGREE TO EXTENSION NOT TAKEN INTO ACCOUNT.

Paragraph (1) of section 7430(b) (relating to requirement that administrative remedies be exhausted) is amended by adding at the end thereof the following new sentence: "Any failure to agree to an extension of the time for the assessment of any tax shall not be taken into account for purposes of determining whether the prevailing party meets the requirements of the preceding sentence."

SEC. 5704. INTERNAL REVENUE SERVICE EMPLOYEES PERSONALLY LIABLE IN CERTAIN CASES.

Section 7430 is amended by adding at the end thereof the following new subsection:

"(g) PERSONAL LIABILITY OF INTERNAL REVENUE SERVICE EMPLOYEES IN CERTAIN CASES.—

"(1) IN GENERAL.—In any proceeding in which the prevailing party is awarded a judgment for reasonable litigation costs under this section, the court may assess a portion of such costs against any Internal Revenue Service employee (and such employee shall not be reimbursed by the United States for the costs so assessed) if the court determines that such proceeding resulted from any arbitrary, capricious, or malicious act of such employee.

"(2) REPRESENTATION OF EMPLOYEE.—Upon the request of any Internal Revenue Service employee, such employee may be represented by the United States in any proceeding with respect to the issue of whether there is to be an assessment against such employee under paragraph (1). If, in any case in which such an employee is so represented by the United States, it is finally determined that such employee is liable for an assessment under paragraph (1), such employee shall also be liable to repay the United States for the costs of its representation under this paragraph."

SEC. 5705. EFFECTIVE DATE.

The amendments made by this subtitle shall apply in the case of proceedings commenced after the date of the enactment of this Act.

Subtitle I—Other Provisions

SEC. 5801. REQUIRED CONTENT OF CERTAIN NOTICES.

(a) GENERAL RULE.—Subsection (a) of section 7522 (relating to content of tax due, deficiency, and other notices) is amended by striking "shall describe the basis for, and identify" and inserting "shall set forth the adjustments which are the basis for, and shall identify".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to notices sent after the date 6 months after the date of the enactment of this Act.

SEC. 5802. TREATMENT OF SUBSTITUTE RETURNS UNDER SECTION 6651.

(a) GENERAL RULE.—Section 6651 (relating to failure to file tax return or to pay tax) is amended by adding at the end thereof the following new subsection:

"(h) TREATMENT OF RETURNS PREPARED BY SECRETARY UNDER SECTION 6020(b).—In the case of any return made by the Secretary under section 6020(b)—

"(1) such return shall be disregarded for purposes of determining the amount of the addition under paragraph (1) of subsection (a), but

"(2) such return shall be treated as the return filed by the taxpayer for purposes of determining the amount of the addition under paragraphs (2) and (3) of subsection (a)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply in the case of any return the due date for which (determined without regard to extensions) is after the date of the enactment of this Act.

SEC. 5803. RELIEF FROM RETROACTIVE APPLICATION OF TREASURY DEPARTMENT REGULATIONS.

(a) IN GENERAL.—Subsection (b) of section 7805 (relating to rules and regulations) is amended to read as follows:

"(b) RETROACTIVITY OF REGULATIONS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, any temporary or proposed regulation issued by the Secretary shall apply prospectively from the date of publication of such regulation in the Federal Register.

"(2) PREVENTION OF ABUSE.—The Secretary may provide that any temporary or proposed regulation may apply retroactively to prevent abuse of the statute to which the regulation relates.

"(3) CORRECTION OF PROCEDURAL DEFECTS.—The Secretary may provide that any temporary or proposed regulation may apply retroactively to correct a procedural defect in the issuance of any prior regulation.

"(4) CONGRESSIONAL AUTHORIZATION.—The prospective only treatment of paragraph (1) may be superseded by a legislative grant from Congress authorizing the Secretary to prescribe the effective date with respect to a statutory provision.

"(5) ELECTION TO APPLY RETROACTIVELY.—The Secretary may provide for any taxpayer to elect to apply any temporary or proposed regulation retroactively from the date of publication of such regulation in the Federal Register.

"(6) APPLICATION TO FINAL REGULATIONS.—The Secretary may provide that any final regulation relating to any temporary or proposed regulation take effect from the date of publication of such temporary or proposed regulation in the Federal Register."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply with respect to—

(A) any temporary or proposed regulation published on or after February 20, 1992, and

(B) any temporary or proposed regulation published before February 20, 1992, and published as a final regulation after such date.

(2) REGULATIONS RELATING TO EXCHANGE RATES.—The amendment made by this section shall not apply to any regulation issued pursuant to paragraph (1)(C) or (4) of section 986(a), as added by section 4421.

SEC. 5804. REQUIRED NOTICE OF CERTAIN PAYMENTS.

If any payment is received by the Secretary of the Treasury or the Secretary's delegate (hereafter in the section referred to as the "Secretary") from any taxpayer and the Secretary cannot associate such payment with any outstanding tax liability of such taxpayer, the Secretary shall make reasonable efforts to notify the taxpayer of such inability within 60 days after the receipt of such payment.

SEC. 5805. UNAUTHORIZED ENTICEMENT OF INFORMATION DISCLOSURE.

(a) GENERAL RULE.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new section:

"SEC. 7524. UNAUTHORIZED ENTICEMENT OF INFORMATION DISCLOSURE.

"If any officer or employee of the United States willfully defers or offers to defer, or willfully forgives or offers to forgive, the determination or collection of any tax due from an attorney, certified public accountant, or enrolled agent representing a taxpayer in exchange for information concerning such taxpayer, any information so obtained shall not be used in any manner for purposes of determining the liability of such taxpayer for any tax imposed by this title."

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by adding at the end thereof the following new item:

"Sec. 7524. Unauthorized enticement of information disclosure."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to actions after the date of the enactment of this Act.

Subtitle J—Form Modifications; Studies

SEC. 5900. DEFINITIONS.

For purposes of this subtitle:

(1) SECRETARY.—The term "Secretary" means the Secretary of the Treasury or his delegate.

(2) 1986 CODE.—The term "1986 Code" means the Internal Revenue Code of 1986.

(3) TAX-WRITING COMMITTEES.—The term "tax-writing Committees" means the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

PART I—FORM MODIFICATIONS

SEC. 5901. EXPLANATION OF CERTAIN PROVISIONS.

(a) GENERAL RULE.—The Secretary shall take such actions as may be appropriate to ensure that taxpayers are aware of the provisions of the 1986 Code permitting payment of tax in installments, extensions of time for payment of tax, and compromises of tax liability. Such actions shall include revising the instructions for filing income tax returns so that such instructions include an explanation of—

(1) the procedures for requesting the benefits of such provisions, and

(2) the terms and conditions under which the benefits of such provisions are available.

(b) COLLECTION NOTICES.—In any notice of an underpayment of tax or proposed underpayment of tax sent by the Secretary to any taxpayer, the Secretary shall include a notification of the availability of the provisions of sections 6159, 6161, and 7122 of the 1986 Code.

SEC. 5902. IMPROVED PROCEDURES FOR NOTIFYING SERVICE OF CHANGE OF ADDRESS OR NAME.

The Secretary shall provide improved procedures for taxpayers to notify the Secretary of changes in names and addresses. Not later than December 31, 1992, the Secretary shall institute procedures for timely updating all Internal Revenue Service records with change-of-address information provided to the Secretary by taxpayers.

SEC. 5903. RIGHTS AND RESPONSIBILITIES OF DIVORCED INDIVIDUALS.

The Secretary shall include in the Internal Revenue Service publication entitled "Your Rights As A Taxpayer" a section on the rights and responsibilities of divorced individuals.

PART II—STUDIES

SEC. 5911. PILOT PROGRAM FOR APPEAL OF ENFORCEMENT ACTIONS.

(a) GENERAL RULE.—The Secretary shall establish a 1-year pilot program for appeals of enforcement actions (including lien, levy, and seizure actions) to the Appeals Division of the Internal Revenue Service—

(1) where the deficiency was assessed without actual knowledge of the taxpayer,

(2) where the deficiency was assessed without an opportunity for administrative appeal, and

(3) in other appropriate circumstances.

(b) REPORT.—Not later than December 31, 1992, the Secretary shall submit to the tax-writing Committees a report on the pilot program established under subsection (a), together with such recommendations as he may deem advisable.

SEC. 5912. STUDY ON TAXPAYERS WITH SPECIAL NEEDS.

(a) GENERAL RULE.—The Secretary shall conduct a study on ways to assist the elderly, physically impaired, foreign-language speaking, and other taxpayers with special needs to comply with the internal revenue laws.

(b) REPORT.—Not later than December 31, 1992, the Secretary shall submit to the tax-writing Committees a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.

SEC. 5913. REPORTS ON TAXPAYER-RIGHTS EDUCATION PROGRAM.

Not later than August 1, 1992, the Secretary shall submit a report to the tax-writing Committees on the scope and content of the Internal Revenue Service's taxpayer-rights education program for its officers and employees. Not later than December 31, 1992, the Secretary shall submit a report to the tax-writing Committees on the effectiveness of the program referred to in the preceding sentence.

SEC. 5914. BIENNIAL REPORTS ON MISCONDUCT BY INTERNAL REVENUE SERVICE EMPLOYEES.

During December of 1992 and during December of each second calendar year thereafter, the Secretary shall report to the tax-writing Committees on all cases involving complaints about misconduct of Internal Revenue Service employees and the disposition of such complaints.

SEC. 5915. STUDY OF NOTICES OF DEFICIENCY.

(a) GENERAL RULE.—The Comptroller General shall conduct a study on—

(1) the effectiveness of current Internal Revenue Service efforts to notify taxpayers with regard to tax deficiencies under section 6212 of the 1986 Code,

(2) the number of registered or certified letters and other notices returned to the Internal Revenue Service as undeliverable,

(3) any follow-up action taken by the Internal Revenue Service to locate taxpayers who did not receive actual notice,

(4) the effect that failures to receive notice of such deficiencies have on taxpayers, and

(5) recommendations to improve Internal Revenue Service notification of taxpayers.

(b) REPORT.—Not later than December 31, 1992, the Comptroller General shall submit to the tax-writing Committees a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.

SEC. 5916. NOTICE AND FORM ACCURACY STUDY.

(a) GENERAL RULE.—The Comptroller General shall conduct annual studies of the accuracy of 25 of the most commonly used Internal Revenue Service forms, notices, and publications. In conducting any such study, the Comptroller General shall examine the suitability and usefulness of Internal Revenue Service telephone numbers on Internal Revenue Service notices and shall solicit and consider the comments of organizations representing taxpayers, employers, and tax professionals.

(b) REPORTS.—The Comptroller General shall submit to the tax-writing Committees a report on each study conducted under subsection (a), together with such recommendations as he may deem advisable. The first such report shall be submitted not later than December 31, 1992.

SEC. 5917. INTERNAL REVENUE SERVICE EMPLOYEES' SUGGESTIONS STUDY.

(a) GENERAL RULE.—The Comptroller General shall conduct a study of the Internal Revenue Service employee-suggestion programs. Such study shall include a review of the suggestions which were accepted and rewarded by the Internal Revenue Service, an analysis as to how many of the suggestions were implemented, and an analysis of why other suggestions were not implemented.

(b) REPORT.—Not later than December 31, 1992, the Comptroller General shall submit to the tax-writing Committees a report on the study conducted under subsection (a), together with such recommendations as he may deem advisable.

TITLE VI—TECHNICAL CORRECTIONS

SEC. 6100. COORDINATION WITH OTHER TITLES.

For purposes of applying the amendments made by any title of this Act other than this title, the provisions of this title shall be treated as having been enacted immediately before the provisions of such other titles.

Subtitle A—Revenue Provisions

SEC. 6101. AMENDMENTS RELATED TO REVENUE RECONCILIATION ACT OF 1990.

(a) AMENDMENTS RELATED TO SUBTITLE A.—

(1) Subparagraph (B) of section 59(j)(3) is amended by striking "section 1(i)(3)(B)" and inserting "section 1(g)(3)(B)".

(2) Paragraph (2) of section 897(a) is amended by striking "21" in the heading of such paragraph and in subparagraph (A) and inserting "24".

(3) Clause (ii) of section 32(b)(1)(B) is amended by inserting a comma after "greater".

(4) Section 541 is amended by striking "28 percent" and inserting "31 percent".

(5) Subsection (c) of section 32 is amended by adding at the end thereof the following new paragraph:

"(4) TREATMENT OF DEDUCTION FOR MEDICAL INSURANCE OF SELF-EMPLOYED.—In determining the amount of adjusted gross income for purposes of this section, the amount of the deduction under section 162(l) shall be determined without regard to section 162(l)(3)(B)."

(6) Clause (i) of section 151(d)(3)(C) is amended by striking "joint of a return" and inserting "joint return".

(7) Subparagraph (B) of section 402(e)(1) is amended by striking the last sentence thereof.

(8) Subsection (b) of section 1 is amended by striking "$26,500" in the table contained therein and inserting "$26,050".

(b) AMENDMENTS RELATED TO SUBTITLE B.—

(1) Paragraph (1) of section 11212(e) of the Revenue Reconciliation Act of 1990 is amended by striking "Paragraph (1) of section 6724(d)" and inserting "Subparagraph (B) of section 6724(d)(1)".

(2) Subsection (b) of section 4082 is amended to read as follows:

"(b) TAX ON CERTAIN USES.—If any person uses gasoline (other than in the production of gasoline or special fuels referred to in section 4041), such use shall for purposes of this chapter be considered a removal."

(3)(A) Subparagraph (B) of section 4093(c)(2) is amended by inserting before the period "unless such fuel is sold for exclusive use by a State or any political subdivision thereof".

(B) Paragraph (4) of section 6427(l) is amended by inserting before the period "unless such fuel was used by a State or any political subdivision thereof".

(4) Paragraph (1) of section 6416(b) is amended by striking "chapter 32 or by section 4051" and inserting "chapter 31 or 32".

(5) Paragraph (1) of section 9502(e) is amended to read as follows:

"(1) INCREASES IN TAX REVENUES BEFORE 1993 TO REMAIN IN GENERAL FUND.—In the case of taxes imposed before January 1, 1993, the amounts required to be appropriated under paragraphs (1), (2), and (3) of subsection (b) shall be determined without regard to any increase in a rate of tax enacted by the Revenue Reconciliation Act of 1990."

(6) Section 7012 is amended—

(A) by striking "production or importation of gasoline" in paragraph (3) and inserting "taxes on gasoline and diesel fuel", and

(B) by striking paragraph (4) and redesignating paragraphs (5) and (6) as paragraphs (4) and (5), respectively.

(7) Subsection (c) of section 5041 is amended by striking paragraph (6) and by inserting the following new paragraphs:

"(6) CREDIT FOR TRANSFEREE IN BOND.—If—

"(A) wine produced by any person would be eligible for any credit under paragraph (1) if removed by such person during the calendar year,

"(B) wine produced by such person is removed during such calendar year by any other person (hereafter in this paragraph referred to as the 'transferee') to whom such wine was transferred in bond and who is liable for the tax imposed by this section with respect to such wine, and

"(C) such producer holds title to such wine at the time of its removal and provides to the transferee such information as is necessary to properly determine the transferee's credit under this paragraph,

then, the transferee (and not the producer) shall be allowed the credit under paragraph (1) which would be allowed to the producer if the wine removed by the transferee had been removed by the producer on that date.

"(7) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations—

"(A) to prevent the credit provided in this subsection from benefiting any person who produces more than 250,000 wine gallons during a calendar year, and

"(B) to assure proper reduction of such credit for persons producing more than 150,000 wine gallons of wine during a calendar year."

(8) Paragraph (3) of section 5061(b) is amended to read as follows:

"(3) section 5041(f),".

(9) Section 5354 is amended by inserting "(taking into account the appropriate amount of credit with respect to such wine under section 5041(c))" after "any one time".

(10) Effective on the date of the enactment of this Act, paragraph (7) of section 11202(i) of the Revenue Reconciliation Act of 1991 is amended by adding at the end thereof the following: "The Secretary may treat any person who bore the ultimate burden of the tax imposed by this subsection as the person to whom a credit or refund under such provisions may be allowed or made."

(c) AMENDMENTS RELATED TO SUBTITLE C.—

(1) Paragraph (4) of section 56(g) is amended by redesignating subparagraph (I) as subparagraph (H).

(2) Subparagraph (B) of section 6724(d)(1) is amended—

(A) by striking "or" at the end of clause (xi),

(B) by striking the period at the end of the clause added by section 11212(e) of the Revenue Reconciliation Act of 1990 and inserting ", or", and

(C) by redesignating the clause added by section 11323(c)(2) of such Act as clause (xiii).

(3) Subsection (g) of section 6302 is amended by inserting ", 22," after "chapters 21".

(4) The earnings and profits of any insurance company to which section 11305(c)(3) of the Revenue Reconciliation Act of 1990 applies shall be determined without regard to any deduction allowed under such section; except that, for purposes of applying sections 56, 902, 952(c)(1), and 960 of the Internal Revenue Code of 1986, such deduction shall be taken into account.

(5) Subparagraph (D) of section 6038A(e)(4) is amended—

(A) by striking "any transaction to which the summons relates" and inserting "any affected taxable year", and

(B) by adding at the end thereof the following new sentence: "For purposes of this subparagraph, the term 'affected taxable year' means any taxable year if the determination of the amount of tax imposed for such taxable year is affected by the treatment of the transaction to which the summons relates."

(6) Subparagraph (A) of section 6621(c)(2) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall be applied without regard to any such letter or notice which is withdrawn by the Secretary."

(7) Clause (i) of section 6621(c)(2)(B) is amended by striking "this subtitle" and inserting "this title".

(d) AMENDMENTS RELATED TO SUBTITLE D.—

(1) Paragraph (9) of section 132(h) is amended by striking "or the last sentence of subsection (c)(1) thereof".

(2) Notwithstanding section 11402(c) of the Revenue Reconciliation Act of 1990, the amendment made by section 11402(b)(1) of such Act shall apply to taxable years ending after December 31, 1989.

(3) Clause (ii) of section 143(m)(4)(C) is amended—

(A) by striking "any month of the 10-year period" and inserting "any year of the 4-year period",

(B) by striking "succeeding months" and inserting "succeeding years", and

(C) by striking "over the remainder of such period (or, if lesser, 5 years)" and inserting "to zero over the succeeding 5 years".

(e) AMENDMENTS RELATED TO SUBTITLE E.—

(1) Subsection (d) of section 39 is amended—

(A) by redesignating the paragraph added by section 11511(b)(2) of the Revenue Reconciliation Act of 1990 as paragraph (1), and

(B) by redesignating the paragraph added by section 11611(b)(2) of such Act as paragraph (2).

(2)(A) Subsection (h) of section 56 is amended—

(i) by striking "subsection (g)(4)(G)" in paragraph (5) and inserting "subsection (g)(4)(F)", and

(ii) by striking "section 613(e)(3)" in paragraph (7)(B) and inserting "section 613(e)(2)".

(B) Clause (ii) of section 56(d)(1)(B) is amended to read as follows:

"(ii) appropriate adjustments in the application of section 172(b)(2) shall be made to take into account the limitation of subparagraph (A).".

(C)(i) Subparagraph (B) of section 56(g)(1) is amended by striking "and the alternative tax net operating loss deduction" and inserting ", the alternative tax net operating loss deduction, and the deduction under subsection (h)".

(ii) Subparagraph (B) of section 56(g)(3) is amended by striking "and the alternative tax net operating loss deduction" and inserting ", the alternative tax net operating loss deduction, and the deduction under subsection (h)".

(3) Clause (i) of section 613A(c)(3)(A) is amended by striking "the table contained in".

(4) Section 6501 is amended—

(A) by striking subsection (m) (relating to deficiency attributable to election under section 44B) and by redesignating subsections (n) and (o) as subsections (m) and (n), respectively, and

(B) by striking "section 40(f) or 51(j)" in subsection (m) (as redesignated by subparagraph (A)) and inserting "section 40(f), 43, or 51(j)".

(5) Paragraph (2) of section 55(c) is amended by striking "29(b)(5)" and inserting "29(b)(6)".

(6) Subparagraph (C) of section 38(c)(2) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) is amended by inserting before the period at the end of the first sentence the following: "and without regard to the deduction under section 56(h)".

(7) Clauses (iii) and (iv) of section 53(d)(1)(B) are each amended by striking "section 29(b)(5)(B)" and inserting "section 29(b)(6)(B)".

(8) Subparagraph (B) of section 56(h)(4) is amended by striking "For purposes of subparagraph (A), the" and inserting "The".

(f) AMENDMENTS RELATED TO SUBTITLE F.—

(1)(A) Section 2701(a)(3) is amended by adding at the end thereof the following new subparagraph:

"(C) VALUATION OF QUALIFIED PAYMENTS WHERE NO LIQUIDATION, ETC. RIGHTS.—In the case of an applicable retained interest which is described in subparagraph (B)(i) but not subparagraph (B)(ii), the value of the distribution right shall be determined without regard to this section."

(B) Section 2701(a)(3)(B) is amended by inserting "CERTAIN" before "QUALIFIED" in the heading thereof.

(C) Sections 2701 (d)(1) and (d)(4) are each amended by striking "subsection (a)(3)(B)" and inserting "subsection (a)(3) (B) or (C)".

(2) Clause (i) of section 2701(a)(4)(B) is amended by inserting "(or, to the extent provided in regulations, the rights as to either income or capital)" after "income and capital".

(3)(A) Section 2701(b)(2) is amended by adding at the end thereof the following new subparagraph:

"(C) APPLICABLE FAMILY MEMBER.—For purposes of this subsection, the term 'applicable family member' includes any lineal descendant of any parent of the transferor or the transferor's spouse."

(B) Section 2701(e)(3) is amended—

(i) by striking subparagraph (B), and

(ii) by striking so much of paragraph (3) as precedes "shall be treated as holding" and inserting:

"(3) ATTRIBUTION OF INDIRECT HOLDINGS AND TRANSFERS.—An individual".

(C) Section 2704(c)(3) is amended by striking "section 2701(e)(3)(A)" and inserting "section 2701(e)(3)".

(4) Clause (i) of section 2701(c)(1)(B) is amended to read as follows:

"(i) a right to distributions with respect to any interest which is junior to the rights of the transferred interest,".

(5)(A) Clause (i) of section 2701(c)(3)(C) is amended to read as follows:

"(i) IN GENERAL.—Payments under any interest held by a transferor which (without regard to this subparagraph) are qualified payments shall be treated as qualified payments unless the transferor elects not to treat such payments as qualified payments. Payments described in the preceding sentence which are held by an applicable family member shall be treated as qualified payments only if such member elects to treat such payments as qualified payments."

(B) The first sentence of section 2701(c)(3)(C)(ii) is amended to read as follows: "A transferor or applicable family member holding any distribution right which (without regard to this subparagraph) is not a qualified payment may elect to treat such right as a qualified payment, to be paid in the amounts and at the times specified in such election."

(C) The time for making an election under the second sentence of section 2701(c)(3)(C)(i) of the Internal Revenue Code of 1986 (as amended by subparagraph (A)) shall not expire before the due date (including extensions) for filing the transferor's return of the tax imposed by section 2501 of such Code for calendar year 1991.

(6) Section 2701(d)(3)(A)(iii) is amended by striking "the period ending on the date of".

(7) Subclause (I) of section 2701(d)(3)(B)(ii) is amended by inserting "or the exclusion under section 2503(b)," after "section 2523,".

(8) Section 2701(e)(5) is amended—

(A) by striking "such contribution to capital or such redemption, recapitalization, or other change" in subparagraph (A) and inserting "such transaction", and

(B) by striking "the transfer" in subparagraph (B) and inserting "such transaction".

(9) Section 2701(d)(4) is amended by adding at the end thereof the following new subparagraph:

"(C) TRANSFER TO TRANSFERORS.—In the case of a taxable event described in paragraph (3)(A)(ii) involving a transfer of an applicable retained interest from an applicable family member to a transferor, this subsection shall continue to apply to the transferor during any period the transferor holds such interest."

(10) Section 2701(e)(6) is amended by inserting "or to reflect the application of subsection (d)" before the period at the end thereof.

(11)(A) Section 2702(a)(3)(A) is amended—

(i) by striking "to the extent" and inserting "if" in clause (i),

(ii) by striking "or" at the end of clause (i),

(iii) by striking the period at the end of clause (ii) and inserting ", or", and

(iv) by adding at the end thereof the following new clause:

"(iii) to the extent that regulations provide that such transfer is not inconsistent with the purposes of this section."

(B)(i) Section 2702(a)(3) is amended by striking "incomplete transfer" each place it appears and inserting "incomplete gift".

(ii) The heading for section 2702(a)(3)(B) is amended by striking "INCOMPLETE TRANSFER" and inserting "INCOMPLETE GIFT".

(12) Section 2703(b)(2) is amended by striking "members of the decedent's family" and inserting "natural objects of the bounty of the transferor".

(g) AMENDMENTS RELATED TO SUBTITLE G.—

(1)(A) Subsection (a) of section 1248 is amended—

(i) by striking ", or if a United States person receives a distribution from a foreign corporation which, under section 302 or 331, is treated as an exchange of stock" in paragraph (1), and

(ii) by adding at the end thereof the following new sentence: "For purposes of this section, a United States person shall be treated as having sold or exchanged any stock if, under any provision of this subtitle, such person is treated as realizing gain from the sale or exchange of such stock."

(B) Paragraph (1) of section 1248(e) is amended by striking "or receives a distribution from a domestic corporation which, under section 302 or 331, is treated as an exchange of stock".

(C) Subparagraph (B) of section 1248(f)(1) is amended by striking "or 361(c)(1)" and inserting "355(c)(1), or 361(c)(1)".

(D) Paragraph (1) of section 1248(i) is amended to read as follows:

"(1) IN GENERAL.—If any shareholder of a 10-percent corporate shareholder of a foreign corporation exchanges stock of the 10-percent corporate shareholder for stock of the foreign corporation, such 10-percent corporate shareholder shall recognize gain in the same manner as if the stock of the foreign corporation received in such exchange had been—

"(A) issued to the 10-percent corporate shareholder, and

"(B) then distributed by the 10-percent corporate shareholder to such shareholder in redemption or liquidation (whichever is appropriate).

The amount of gain recognized by such 10-percent corporate shareholder under the preceding sentence shall not exceed the amount treated as a dividend under this section."

(2) Section 897 is amended by striking subsection (f).

(3) Paragraph (13) of section 4975(d) is amended by striking "section 408(b)" and inserting "section 408(b)(12)".

(4) Clause (iii) of section 56(g)(4)(D) is amended by inserting ", but only with respect to taxable years beginning after December 31, 1989" before the period at the end thereof.

(5)(A) Paragraph (11) of section 11701(a) of the Revenue Reconciliation Act of 1990 (and the amendment made by such paragraph) are hereby repealed, and section 7108(r)(2) of the Revenue Reconciliation Act of 1989 shall be applied as if such paragraph (and amendment) had never been enacted.

(B) Subparagraph (A) shall not apply to any building if the owner of such building establishes to the satisfaction of the Secretary of the Treasury or his delegate that such owner reasonably relied on the amendment made by such paragraph (11).

(h) AMENDMENTS RELATED TO SUBTITLE H.—

(1)(A) Clause (vi) of section 168(e)(3)(B) is amended by striking "or" at the end of subclause (I), by striking the period at the end of subclause (II) and inserting ", or", and by adding at the end thereof the following new subclause:

"(III) is described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)."

(B) Subparagraph (K) of section 168(g)(4) is amended by striking "section 48(a)(3)(A)(iii)" and inserting "section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)".

(2) Clause (ii) of section 172(b)(1)(E) is amended by striking "subsection (m)" and inserting "subsection (h)".

(3) Sections 805(a)(4)(E), 832(b)(5)(C)(ii)(II), and 832(b)(5)(D)(ii)(II) are each amended by striking "243(b)(5)" and inserting "243(b)(2)".

(4) Subparagraph (A) of section 243(b)(3) is amended by inserting "of" after "In the case".

(5) The subsection heading for subsection (a) of section 280F is amended by striking "INVESTMENT TAX CREDIT AND".

(6) Clause (i) of section 1504(c)(2)(B) is amended by inserting "section" before "243(b)(2)".

(7) Paragraph (3) of section 341(f) is amended by striking "351, 361, 371(a), or 374(a)" and inserting "351, or 361".

(8) Paragraph (2) of section 243(b) is amended to read as follows:

"(2) AFFILIATED GROUP.—For purposes of this subsection:

"(A) IN GENERAL.—The term 'affiliated group' has the meaning given such term by section 1504(b), except that for such purposes sections 1504(b)(2), 1504(b)(4), and 1504(c) shall not apply.

"(B) GROUP MUST BE CONSISTENT IN FOREIGN TAX TREATMENT.—The requirements of paragraph (1)(A) shall not be treated as being met with respect to any dividend received by a corporation if, for any taxable year which includes the day on which such dividend is received—

"(i) 1 or more members of the affiliated group referred to in paragraph (1)(A) choose to any extent to take the benefits of section 901, and

"(ii) 1 or more other members of such group claim to any extent a deduction for taxes otherwise creditable under section 901.".

(9) The amendment made by section 11813(b)(17) of the Revenue Reconciliation Act of 1990 shall be applied as if the material stricken by such amendment included the closing parenthesis after "section 48(a)(5)".

(10) Paragraph (1) of section 179(d) is amended—

(A) by striking "in a trade or business" and inserting "a trade or business", and

(B) by adding at the end thereof the following new sentence: "Such term shall not include any property described in section 50(b) and shall not include air conditioning or heating units and hoses".

(11) Subparagraph (E) of section 50(a)(2) is amended by striking "section 48(a)(5)(A)" and inserting "section 48(a)(5)".

(12) The amendment made by section 11801(c)(9)(G)(ii) of the Revenue Reconciliation Act of 1990 shall be applied as if it struck "Section 422A(c)(2)" and inserted "Section 422(c)(2)".

(13) Subparagraph (B) of section 424(c)(3) is amended by striking "a qualified stock option, an incentive stock option, an option granted under an employee stock purchase plan, or a restricted stock option" and inserting "an incentive stock option or an option granted under an employee stock purchase plan".

(14) Subsections (a)(45), (b)(14), and (c)(21) of section 11801 of the Revenue Reconciliation Act of 1990 are hereby repealed, and the Internal Revenue Code of 1986 shall be applied and administered as if such subsections (and the amendments made by such subsections) had not been enacted.

(15) Subparagraph (E) of section 1367(a)(2) is amended by striking "section 613A(c)(13)(B)" and inserting "section 613A(c)(11)(B)".

(16) Subparagraph (B) of section 460(e)(6) is amended by striking "section 167(k)" and inserting "section 168(e)(2)(A)(ii)".

(17) Subparagraph (C) of section 172(h)(4) is amended by striking "subsection (b)(1)(M)" and inserting "subsection (b)(1)(E)".

(18) Section 6503 is amended—

(A) by redesignating the subsection relating to extension in case of certain summonses as subsection (j), and

(B) by redesignating the subsection relating to cross references as subsection (k).

(19) Paragraph (4) of section 1250(e) is hereby repealed.

(i) EFFECTIVE DATE.—Any amendment made by this section shall take effect as if included in the provision of the Revenue Reconciliation Act of 1990 to which such amendment relates.

SEC. 6102. MISCELLANEOUS PROVISIONS.

(a) APPLICATION OF AMENDMENTS MADE BY TITLE XII OF OMNIBUS BUDGET RECONCILIATION ACT OF 1990.—Except as otherwise expressly provided, whenever in title XII of the Omnibus Budget Reconciliation Act of 1990 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.

(b) TREATMENT OF CERTAIN AMOUNTS UNDER HEDGE BOND RULES.—

(1) Clause (iii) of section 149(g)(3)(B) is amended to read as follows:

"(iii) AMOUNTS HELD PENDING REINVESTMENT OR REDEMPTION.—Amounts held for not more than 30 days pending reinvestment or bond redemption shall be treated as invested in bonds described in clause (i)."

(2) The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 7651 of the Omnibus Budget Reconciliation Act of 1989.

(c) TREATMENT OF CERTAIN DISTRIBUTIONS UNDER SECTION 1445.—

(1) IN GENERAL.—Paragraph (3) of section 1445(e) is amended by adding at the end thereof the following new sentence: "Rules similar to the rules of the preceding provisions of this paragraph shall apply in the case of any distribution to which section 301 applies and which is not made out of the earnings and profits of such a domestic corporation."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to distributions after the date of the enactment of this Act.

(d) TREATMENT OF CERTAIN CREDITS UNDER SECTION 469.—

(1) IN GENERAL.—Subparagraph (B) of section 469(c)(3) is amended by adding at the end thereof the following new sentence: "If the preceding sentence applies to the net income from any property for any taxable year, any credits allowable under subpart B (other than section 27(a)) or D of part IV of subchapter A for such taxable year which are attributable to such property shall be treated as credits not from a passive activity to the extent the amount of such credits does not exceed the regular tax liability of the taxpayer for the taxable year which is allocable to such net income."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1986.

(e) TREATMENT OF DISPOSITIONS UNDER PASSIVE LOSS RULES.—

(1) IN GENERAL.—Subparagraph (A) of section 469(g)(1) is amended to read as follows:

"(A) IN GENERAL.—If all gain or loss realized on such disposition is recognized, the excess of—

"(i) any loss from such activity for such taxable year (determined after the application of subsection (b)), over

"(ii) any net income or gain for such taxable year from all other passive activities (determined after the application of subsection (b)),

shall be treated as a loss which is not from a passive activity."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to taxable years beginning after December 31, 1986.

(f) MISCELLANEOUS AMENDMENTS TO FOREIGN PROVISIONS.—

(1) COORDINATION OF UNIFIED ESTATE TAX CREDIT WITH TREATIES.—Subparagraph (A) of section 2102(c)(3) is amended by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.".

(2) TREATMENT OF CERTAIN INTEREST PAID TO RELATED PERSON.—

(A) IN GENERAL.—Subparagraph (B) of section 163(j)(1) is amended by inserting before the period at the end thereof the following: "(and clause (ii) of paragraph (2)(A) shall not apply for purposes of applying this subsection to the amount so treated)".

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply as if included in the amendments made by section 7210(a) of the Revenue Reconciliation Act of 1989.

(3) TREATMENT OF INTEREST ALLOCABLE TO EFFECTIVELY CONNECTED INCOME.—

(A) IN GENERAL.—

(i) Subparagraph (B) of section 884(f)(1) is amended by striking "to the extent" and all that follows down through "subparagraph (A)" and inserting "to the extent that the allocable interest exceeds the interest described in subparagraph (A)".

(ii) The second sentence of section 884(f)(1) is amended by striking "reasonably expected" and all that follows down through the period at the end thereof and inserting "reasonably expected to be allocable interest.".

(iii) Paragraph (2) of section 884(f) is amended to read as follows:

"(2) ALLOCABLE INTEREST.—For purposes of this subsection, the term 'allocable interest' means any interest which is allocable to income which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States."

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall take effect as if included in the amendments made by section 1241(a) of the Tax Reform Act of 1986.

(4) CLARIFICATION OF SOURCE RULE.—

(A) IN GENERAL.—Paragraph (2) of section 865(b) is amended by striking "863(b)" and inserting "863".

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall take effect as if included in the amendments made by section 1211 of the Tax Reform Act of 1986.

(5) REPEAL OF OBSOLETE PROVISIONS.—

(A) Paragraph (1) of section 6038(a) is amended by striking ", and" at the end of

subparagraph (E) and inserting a period, and by striking subparagraph (F).

(B) Subsection (b) of section 6038A is amended by adding "and" at the end of paragraph (2), by striking ", and" at the end of paragraph (3) and inserting a period, and by striking paragraph (4).

(g) TREATMENT OF ASSIGNMENT OF INTEREST IN CERTAIN BOND-FINANCED FACILITIES.—

(1) IN GENERAL.—Subparagraph (A) of section 1317(3) of the Tax Reform Act of 1986 is amended by adding at the end thereof the following new sentence: "A facility shall not fail to be treated as described in this subparagraph by reason of an assignment (or an agreement to an assignment) by the governmental unit on whose behalf the bonds are issued of any part of its interest in the property financed by such bonds to another governmental unit."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in such section 1317 on the date of the enactment of the Tax Reform Act of 1986.

(h) CLARIFICATION OF TREATMENT OF MEDICARE ENTITLEMENT UNDER COBRA PROVISIONS.—

(1) IN GENERAL.—

(A) Subclause (V) of section 4980B(f)(2)(B)(i) is amended to read as follows:

"(V) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in paragraph (3)(B) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified beneficiaries other than the covered employee shall not terminate under this clause before the close of the 36-month period beginning on the date the covered employee became so entitled."

(B) Clause (v) of section 602(2)(A) of the Employee Retirement Income Security Act of 1974 is amended to read as follows:

"(v) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in section 603(2) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified beneficiaries other than the covered employee shall not terminate under this subparagraph before the close of the 36-month period beginning on the date the covered employee became so entitled."

(C) Clause (iv) of section 2202(2)(A) of the Public Health Service Act is amended to read as follows:

"(iv) MEDICARE ENTITLEMENT FOLLOWED BY QUALIFYING EVENT.—In the case of a qualifying event described in section 2203(2) that occurs less than 18 months after the date the covered employee became entitled to benefits under title XVIII of the Social Security Act, the period of coverage for qualified beneficiaries other than the covered employee shall not terminate under this subparagraph before the close of the 36-month period beginning on the date the covered employee became so entitled."

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to plan years beginning after December 31, 1989.

(i) TREATMENT OF CERTAIN REMIC INCLUSIONS.—

(1) IN GENERAL.—Subsection (a) of section 860E is amended by adding at the end thereof the following new paragraph:

"(6) SUBSECTION NOT APPLICABLE TO MINIMUM TAX.—This subsection shall not apply for purposes of computing alternative minimum taxable income."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in the amendments made by section 671 of the Tax Reform Act of 1986.

(j) TREATMENT OF CERTAIN CONTRIBUTIONS MADE PURSUANT TO VETERANS' REEMPLOYMENT RIGHTS.—

(1) IN GENERAL.—Section 414 is amended by adding at the end thereof the following new subsection:

"(u) SPECIAL RULES RELATING TO VETERANS' REEMPLOYMENT RIGHTS.—

"(1) TREATMENT OF CERTAIN REQUIRED CONTRIBUTIONS.—If any contribution is made by an employer under an individual account plan with respect to an employee and such contribution is required by reason of such employee's rights under chapter 43 of title 38, United States Code, resulting from qualified military service—

"(A) such contribution shall not be subject to any otherwise applicable limitation contained in section 402(g), 403(b), 408, 415, or 457, and

"(B) such plan shall not be treated as failing to meet any requirement of this part or section 457 by reason of the making of such contribution and such contribution shall not be taken into account in applying the limitations referred to in subparagraph (A) to other contributions.

For purposes of the preceding sentence, any additional elective deferral made under paragraph (2) shall be treated as an employer contribution required by reason of the employee's rights under such chapter 43.

"(2) REEMPLOYMENT RIGHTS WITH RESPECT TO ELECTIVE DEFERRALS.—

"(A) IN GENERAL.—If an employee is entitled to the benefits of chapter 43 of title 38, United States Code, with respect to any plan which provides for elective deferrals, such employer shall be treated as meeting the requirements of such chapter 43 with respect to such elective deferrals if such employer—

"(i) permits such employee to make additional elective deferrals under such plan (in the amount determined under subparagraph (B)) during the period which begins on the date of the reemployment and has the same length as the period of qualified military service which resulted in such rights, and

"(ii) makes a matching contribution in respect of any additional elective deferral made pursuant to clause (i) which would have been required had such deferral actually been made during the period of such qualified military service.

"(B) AMOUNT OF MAKEUP REQUIRED.—The amount determined under this subparagraph is the maximum amount of elective deferrals that the individual would have been permitted to make under the plan during his period of qualified military service if he had continued to be employed by the employer during such period and received compensation at the same rate as the individual received from the employer immediately before such qualified military service. Proper adjustment shall be made to the amount determined under the preceding sentence for any elective deferrals actually made during the period of such qualified military service.

"(C) ELECTIVE DEFERRAL.—For purposes of this paragraph, the term 'elective deferral' has the meaning given to such term by section 402(g)(3); except that such term shall include any deferral of compensation under an eligible deferred compensation plan (as defined in section 457(b)).

"(3) CERTAIN RETROACTIVE ADJUSTMENTS NOT REQUIRED.—Nothing in chapter 43 of title 38, United States Code, shall be construed as requiring—

"(A) any crediting of earnings to an employee with respect to any contribution before such contribution is actually made, or

"(B) any allocation with respect to the period of qualified military service of any of the following amounts—

"(i) any forfeiture,

"(ii) any employer contribution which was voluntary, and

"(iii) any employer contribution the total amount of which was determined without reference to the number of, or compensation of, plan participants before being allocated to the accounts of participants.

"(4) LOAN REPAYMENT SUSPENSIONS PERMITTED.—If any plan suspends the repayment of any loan made to an individual for the period while such individual is performing qualified military service, such suspension shall not be taken into account for purposes of section 72(p).

"(5) QUALIFIED MILITARY SERVICE.—For purposes of this subsection, the term 'qualified military service' means any service in the uniformed services (as defined in chapter 43 of title 38, United States Code) by any individual if such individual is entitled to reemployment rights under such chapter 43, with respect to such service.

"(6) INDIVIDUAL ACCOUNT PLAN.—For purposes of this subsection, the term 'individual account plan' means any defined contribution plan and any eligible deferred compensation plan (as defined in section 457(b))."

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply in cases where the employee is reemployed on or after August 1, 1990, but only if there is enacted a law passed by the 102d Congress which amends chapter 43 of title 38 of the United States Code to expressly provide pension rights for reemployed veterans.

(k) COMPUTATION OF ADJUSTMENT OF HEALTH INSURANCE TAX CONTRIBUTION BASE.—Paragraph (2) of section 3121(x) (relating to hospital insurance contribution base) is amended—

(1) in subparagraph (A), by striking "and",

(2) in subparagraph (B)—

(A) by striking "for any calendar year after 1991" and inserting "for calendar year 1992", and

(B) by striking the period at the end and inserting ", and", and

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

"(C) for any calendar year after 1992, the applicable contribution base for calendar year 1992, adjusted in the same manner as is used in adjusting the contribution and benefit base under section 230(b) of the Social Security Act.".

(l) MISCELLANEOUS CLERICAL AMENDMENTS.—

(1) Subclause (II) of section 56(g)(4)(C)(ii) is amended by striking "of the subclause" and inserting "of subclause".

(2) Paragraph (2) of section 72(m) is amended by inserting "and" at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(3) Paragraph (2) of section 86(b) is amended by striking "adusted" and inserting "adjusted".

(4)(A) The heading for section 112 is amended by striking "**COMBAT PAY**" and inserting "**1COMBAT ZONE COMPENSATION**".

(B) The item relating to section 112 in the table of sections for part III of subchapter B of chapter 1 is amended by striking "combat pay" and inserting "combat zone compensation".

(C) Paragraph (1) of section 3401(a) is amended by striking "combat pay" and inserting "combat zone compensation".

(5) Clause (i) of section 172(h)(3)(B) is amended by striking the comma at the end thereof and inserting a period.

(6) Clause (ii) of section 543(a)(2)(B) is amended by striking "section 563(c)" and inserting "section 563(d)".

(7) Paragraph (1) of section 958(a) is amended by striking "sections 955(b)(1)(A) and (B), 955(c)(2)(A)(ii), and 960(a)(1)" and inserting "section 960(a)(1)".

(8) Subparagraph (B) of section 4092(b)(1) is amended by striking "or" at the end of clause (i).

(9) Subsection (g) of section 642 is amended by striking "under 2621(a)(2)" and inserting "under section 2621(a)(2)".

(10) Section 1463 is amended by striking "this subsection" and inserting "this section".

(11) Subsection (k) of section 3306 is amended by inserting a period at the end thereof.

(12) The item relating to section 4472 in the table of sections for subchapter B of chapter 36 is amended by striking "and special rules".

(13) Paragraph (2) of section 4978(b) is amended by striking the period at the end of subparagraph (A) and inserting a comma, and by striking the period and quotation marks at the end of subparagraph (B) and inserting a comma.

(14) Paragraph (3) of section 5134(c) is amended by striking "section 6662(a)" and inserting "section 6665(a)".

(15) Paragraph (2) of section 5206(f) is amended by striking "section 5(e)" and inserting "section 105(e)".

(16) Paragraph (1) of section 6050B(c) is amended by striking "section 85(c)" and inserting "section 85(b)".

(17) Subsection (k) of section 6166 is amended by striking paragraph (6).

(18) Subsection (e) of section 6214 is amended to read as follows:

"(e) CROSS REFERENCE.—

"For provision giving Tax Court jurisdiction to order a refund of an overpayment and to award sanctions, see section 6512(b)(2)."

(19) The section heading for section 6043 is amended by striking the semicolon and inserting a comma.

(20) The item relating to section 6043 in the table of sections for subpart B of part III of subchapter A of chapter 61 is amended by striking the semicolon and inserting a comma.

(21) The table of sections for part I of subchapter A of chapter 68 is amended by striking the item relating to section 6662.

(22)(A) Section 7232 is amended—

(i) by striking "**LUBRICATING OIL**," in the heading, and

(ii) by striking "lubricating oil," in the text.

(B) The table of sections for part II of subchapter A of chapter 75 is amended by striking "lubricating oil," in the item relating to section 7232.

(23) Paragraph (1) of section 6701(a) of the Omnibus Budget Reconciliation Act of 1989 is amended by striking "subclause (IV)" and inserting "subclause (V)".

(24) Clause (ii) of section 7304(a)(2)(D) of such Act is amended by striking "subsection (c)(2)" and inserting "subsection (c)".

(25) Paragraph (1) of section 7646(b) of such Act is amended by striking "section 6050H(b)(1)" and inserting "section 6050H(b)(2)".

(26) Paragraph (10) of section 7721(c) of such Act is amended by striking "section 6662(b)(2)(C)(ii)" and inserting "section 6661(b)(2)(C)(ii)".

(27) Subparagraph (A) of section 7811(i)(3) of such Act is amended by inserting "the first place it appears" before "in clause (i)".

(28) Paragraph (10) of section 7841(d) of such Act is amended by striking "section 381(a)" and inserting "section 381(c)".

(29) Paragraph (2) of section 7861(c) of such Act is amended by inserting "the second place it appears" before "and inserting".

(30) Paragraph (1) of section 460(b) is amended by striking "the look-back method of paragraph (3)" and inserting "the look-back method of paragraph (2)".

(31) The heading for paragraph (2) of section 6427(b) is amended by striking "3-CENT" and inserting "3.1-CENT".

(32) Subparagraph (C) of section 50(a)(2) is amended by striking "subsection (c)(4)" and inserting "subsection (d)(5)".

(33) Subparagraph (B) of section 172(h)(4) is amended by striking the material following the heading and preceding clause (i) and inserting "For purposes of subsection (b)(2)—".

(34) Subparagraph (A) of section 355(d)(7) is amended by inserting "section" before "267(b)".

(35) Subparagraph (C) of section 420(e)(1) is amended by striking "mean" and inserting "means".

(36) Paragraph (4) of section 537(b) is amended by striking "section 172(i)" and inserting "section 172(f)".

(37) Subparagraph (B) of section 613(e)(1) is amended by striking the comma at the end thereof and inserting a period.

(38) Paragraph (4) of section 856(a) is amended by striking "section 582(c)(5)" and inserting "section 582(c)(2)".

(39) Sections 904(f)(2)(B)(i) and 907(c)(4)(B)(iii) are each amended by inserting "(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990)" after "section 172(h)".

(40) Subsection (b) of section 936 is amended by striking "subparagraphs (D)(ii)(I)" and inserting "subparagraphs (D)(ii)".

(41) Subsection (c) of section 2104 is amended by striking "subparagraph (A), (C), or (D) of section 861(a)(1)" and inserting "section 861(a)(1)(A)".

(42) Paragraph (1) of section 5002(b) is amended by striking "section 5041(c)" and inserting "section 5041(d)".

(43) Section 6038 is amended by redesignating the subsection relating to cross references as subsection (f).

(44) Clause (iv) of section 6103(e)(1)(A) is amended by striking all that follows "provisions of" and inserting "section 1(g) or 59(j);".

(45) The subsection (f) of section 6109 of the Internal Revenue Code of 1986 which was added by section 2201(d) of Public Law 101-624 is redesignated as subsection (g).

(46) Subsection (b) of section 7454 is amended by striking "section 4955(e)(2)" and inserting "section 4955(f)(2)".

(47) Subsection (d) of section 11231 of the Revenue Reconciliation Act of 1990 shall be applied as if "comma" appeared instead of "period" and as if the paragraph (9) proposed to be added ended with a comma.

(48) Paragraph (1) of section 11303(b) of the Revenue Reconciliation Act of 1990 shall be applied as if "paragraph" appeared instead of "subparagraph" in the material proposed to be stricken.

(49) Subsection (f) of section 11701 of the Revenue Reconciliation Act of 1990 is amended by inserting "(relating to definitions)" after "section 6038(e)".

(50) Subsection (i) of section 11701 of the Revenue Reconciliation Act of 1990 shall be applied as if "subsection" appeared instead of "section" in the material proposed to be stricken.

(51) Subparagraph (B) of section 11801(c)(2) of the Revenue Reconciliation Act of 1990 shall be applied as if "section 56(g)" appeared instead of "section 59(g)".

(52) Subparagraph (C) of section 11801(c)(8) of the Revenue Reconciliation Act of 1990 shall be applied as if "reorganizations" appeared instead of "reorganization" in the material proposed to be stricken.

(53) Subparagraph (H) of section 11801(c)(9) of the Revenue Reconciliation Act of 1990 shall be applied as if "section 1042(c)(1)(B)" appeared instead of "section 1042(c)(2)(B)".

(54) Subparagraph (F) of section 11801(c)(12) of the Revenue Reconciliation Act of 1990 shall be applied as if "and (3)" appeared instead of "and (E)".

(55) Subparagraph (A) of section 11801(c)(22) of the Revenue Reconciliation Act of 1990 shall be applied as if "chapters 21" appeared instead of "chapter 21" in the material proposed to be stricken.

(56) Paragraph (3) of section 11812(b) of the Revenue Reconciliation Act of 1990 shall be applied by not executing the amendment therein to the heading of section 42(d)(5)(B).

(57) Clause (i) of section 11813(b)(9)(A) of the Revenue Reconciliation Act of 1990 shall be applied as if a comma appeared after "(3)(A)(ix)" in the material proposed to be stricken.

(58) Subparagraph (F) of section 11813(b)(13) of the Revenue Reconciliation Act of 1990 shall be applied as if "tax" appeared after "investment" in the material proposed to be stricken.

(59) Paragraph (19) of section 11813(b) of the Revenue Reconciliation Act of 1990 shall be applied as if "Paragraph (20) of section 1016(a), as redesignated by section 11801," appeared instead of "Paragraph (21) of section 1016(a)".

(60) Paragraph (5) section 8002(a) of the Surface Transportation Revenue Act of 1991 shall be applied as if "4481(e)" appeared instead of "4481(c)".

Subtitle B—Corrections Relating to Social Security, Income Security and Human Resources, and Tariff and Customs

PART I—SOCIAL SECURITY

SEC. 6201. TECHNICAL CORRECTIONS RELATED TO OASDI IN THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) AMENDMENTS RELATED TO PROVISIONS IN SECTION 5103(b) RELATING TO DISABLED WIDOWS.—Section 223(f)(2) of the Social Security Act (42 U.S.C. 423(f)(2)) is amended—

(1) in subparagraph (A), by striking "(in a case to which clause (ii)(II) does not apply)"; and

(2) by striking subparagraph (B)(ii) and inserting the following:

"(ii) the individual is now able to engage in substantial gainful activity; or".

(b) AMENDMENTS RELATED TO PROVISIONS IN SECTION 5105(d) RELATING TO REPRESENTATIVE PAYEES.—Section 5105(d)(1)(A) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101–508) is amended—

(1) by striking "Section 205(j)(5)" and inserting "Section 205(j)(6)"; and

(2) by redesignating the paragraph (5) as amended thereby as paragraph (6).

(c) AMENDMENTS RELATED TO PROVISIONS IN SECTION 5106 RELATING TO COORDINATION OF RULES UNDER TITLES II AND XVI GOVERNING FEES FOR REPRESENTATIVES OF CLAIMANTS WITH ENTITLEMENTS UNDER BOTH TITLES.—

(1) CALCULATION OF FEE OF CLAIMANT'S REPRESENTATIVE BASED ON AMOUNT OF PAST-DUE SUPPLEMENTAL SECURITY INCOME BENEFITS

AFTER APPLICATION OF WINDFALL OFFSET PROVISION.—Section 1631(d)(2)(A)(i) of the Social Security Act (as amended by section 5106(a)(2) of the Omnibus Budget Reconciliation Act of 1990) (42 U.S.C. 1383(d)(2)(A)(i)) is amended to read as follows:

"(i) by substituting, in subparagraphs (A)(ii)(I) and (C)(i), the phrase '(determined before any applicable reduction under section 1631(g), and reduced by the amount of any reduction in benefits under this title or title II made pursuant to section 1127(a))' for the parenthetical phrase contained therein; and".

(2) CALCULATION OF PAST-DUE BENEFITS FOR PURPOSES OF DETERMINING ATTORNEY FEES IN JUDICIAL PROCEEDINGS.—

(A) IN GENERAL.—Section 206(b)(1) of such Act (42 U.S.C. 406(b)(1)) is amended—

(i) by inserting "(A)" after "(b)(1)"; and

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

"(B) For purposes of this paragraph—

"(i) the term 'past-due benefits' excludes any benefits with respect to which payment has been continued pursuant to subsection (g) or (h) of section 223, and

"(ii) amounts of past-due benefits shall be taken into account to the extent provided under the rules applicable in cases before the Secretary.".

(B) PROTECTION FROM OFFSETTING SSI BENEFITS.—The last sentence of section 1127(a) of such Act (as added by section 5106(b) of the Omnibus Budget Reconciliation Act of 1990) (42 U.S.C. 1320a-6(a)) is amended by striking "section 206(a)(4)" and inserting "subsection (a)(4) or (b) of section 206".

(3) APPLICATION OF SINGLE DOLLAR AMOUNT CEILING TO CONCURRENT CLAIMS UNDER TITLES II AND XVI.—

(A) IN GENERAL.—Section 206(a)(2) of such Act (as amended by section 5106(a)(1) of the Omnibus Budget Reconciliation Act of 1990) (42 U.S.C. 406(a)(2)) is amended—

(i) by redesignating subparagraph (C) as subparagraph (D); and

(ii) by inserting after subparagraph (B) the following new subparagraph:

"(C) In any case involving—

"(i) an agreement or agreements described in subparagraph (A) with any person relating to both a claim of entitlement to past-due benefits under this title and a claim of entitlement to past-due benefits under title XVI, and

"(ii) a favorable determination made by the Secretary with respect to both such claims,

the Secretary may approve such agreement or agreements only if the total fee or fees specified in such agreement or agreements do not exceed, in the aggregate, the dollar amount in effect under subparagraph (A)(ii)(II).".

(B) CONFORMING AMENDMENT.—Section 206(a)(3)(A) of such Act (as amended by section 5106(a)(1) of the Omnibus Budget Reconciliation Act of 1990) (42 U.S.C. 406(a)(3)(A)) is amended by striking "paragraph (2)(C)" and inserting "paragraph (2)(D)".

(d) AMENDMENT RELATED TO PROVISIONS IN SECTION 5115 RELATING TO ADVANCE TAX TRANSFERS.—Section 201(a) of the Social Security Act (42 U.S.C. 401(a)) is amended in the last sentence by striking "and" the second place it appears.

(e) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if included in the provisions of the Omnibus Budget Reconciliation Act of 1990 to which such amendment relates.

PART II—INCOME SECURITY AND HUMAN RESOURCES

SEC. 6211. REPEAL OF PROVISION INADVERTENTLY INCLUDED IN THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

Section 5057 of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), and the amendment made by such section, are hereby repealed, and section 1139(d) of the Social Security Act shall be applied and administered as if such section 5057 had never been enacted.

SEC. 6212. CORRECTIONS RELATED TO THE INCOME SECURITY AND HUMAN RESOURCES PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) AMENDMENT RELATED TO SECTION 5035(a)(2).—Section 5035(a)(2) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) is amended by striking "a semicolon" and inserting " '; and' ".

(b) AMENDMENTS RELATED TO SECTION 5105(d)(1)(b).—Section 5105(d)(1)(B) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) is amended—

(1) by striking "Section 1631(a)(2)(E)" and inserting "Section 1631(a)(2)(F)"; and

(2) by redesignating the subparagraph (E) as amended thereby as subparagraph (F).

(c) AMENDMENT RELATED TO SECTION 5105(a)(1)(b).—The second paragraph of section 1631(a) of the Social Security Act (42 U.S.C. 1383(a)) is amended by striking "(A)(i) Payments" and inserting "(2)(A)(i) Payments".

(d) AMENDMENTS RELATED TO SECTION 5105(b).—Section 1631(a)(2)(C) of the Social Security Act (42 U.S.C. 1383(a)(2)(C)) is amended—

(1) by striking clause (ii);

(2) by redesignating clauses (iii), (iv), and (v) as clauses (ii), (iii), and (iv), respectively; and

(3) in clause (iv) (as so redesignated), by striking "(iii), and (iv)" and inserting "and (iii)".

(e) AMENDMENTS RELATED TO SECTION 5107(a)(2)(b).—Section 1631(c)(1)(B) of the Social Security Act (42 U.S.C. 1383(c)(1)(B)) is amended by striking "paragraph (1)" each place such term appears and inserting "subparagraph (A)".

(f) AMENDMENT RELATED TO SECTION 5109(a)(2).—Section 1631 of the Social Security Act (42 U.S.C. 1383) is amended by redesignating the subsection (n) added by section 5109(a)(2) of the Omnibus Budget Reconciliation Act of 1990, as subsection (o).

(g) AMENDMENTS RELATED TO SECTION 11115(b)(2).—Section 11115(b)(2) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) is amended—

(1) in subparagraph (A), by striking "paragraph (8)" and inserting "paragraph (9)";

(2) in subparagraph (B), by striking "paragraph (9)" and inserting "paragraph (10)"; and

(3) in subparagraph (C), by redesignating the new paragraph added thereby as paragraph (11).

(h) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if included in the provision of the Omnibus Budget Reconciliation Act of 1990 to which the amendment relates at the time such provision became law.

SEC. 6213. CORRECTION RELATED TO SECTION 8006 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1989.

(a) CORRECTION.—Section 473(a)(6)(B) of the Social Security Act (42 U.S.C. 673(a)(6)(B)) is amended by striking "474(a)(3)(B)" and inserting "474(a)(3)(C)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) of this section shall take effect as if included in section 8006 of the Omnibus Budget Reconciliation Act of 1989 at the time such section 8006 became law.

SEC. 6214. AMENDMENT RELATED TO SECTION 13101(d)(2) OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) IN GENERAL.—Section 256(k)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking "—" the second place it appears and all that follows through "(I)"; and

(2) by striking "; or" and all that follows through "(II)" and inserting ", except that a State may not be allotted an amount under this subparagraph that exceeds".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) of this section shall take effect as if included in section 13101(d)(2) of the Omnibus Budget Reconciliation Act of 1990 at the time such section 13101(d)(2) became law.

PART III—TARIFF AND CUSTOMS

SEC. 6221. TECHNICAL AMENDMENTS TO THE HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES.

(a) IN GENERAL.—The Harmonized Tariff Schedule of the United States is amended as follows:

(1) REMOVAL OF GDR FROM COLUMN 2 RATE LIST.—General Note 3(b) is amended by striking "German Democratic Republic".

(2) TAPESTRY AND UPHOLSTERY FABRICS.—The article description for subheading 5112.19.20 is amended by striking "of a weight exceeding 300 g/m²".

(3) GLOVES.—

(A) Chapter 61 is amended by redesignating subheading 6116.10.45 as subheading 6116.10.48.

(B) Chapter 62 is amended by striking the superior text "Other:" that appears between subheadings 6216.00.46 and 6216.00.52.

(4) AGGLOMERATE STONE FLOOR AND WALL TILES.—The article description for subheading 6810.19.12 is amended to read as follows: "Of stone agglomerated with binders other than cement".

(5) 2,4-DIAMINOBENZENESULFONIC ACID.—The article description for heading 9902.30.43 is amended by striking "2921.51.50" and inserting "2921.59.50".

(6) MACHINES USED IN THE MANUFACTURE OF BICYCLE PARTS.—The article description for heading 9902.84.79 is amended by striking "8479.89.90" and inserting "8462.49.00, 8479.89.90 or 9031.80.00".

(7) COPYING MACHINES AND PARTS.—The article description for heading 9902.90.90 is amended by inserting "or 8473.40.40" after "8472.90.80".

(b) STAGED RATE REDUCTIONS FOR GLOVES.—Any staged reduction of a special rate of duty set forth in subheading 6116.10.45 of such Schedule that takes effect on or after October 1, 1990, by reason of section 10011(a)(2) of Omnibus Budget Reconciliation Act of 1990 shall apply to the corresponding rate of duty in subheading 6116.10.48 (as redesignated by subsection (a)(3)(A)).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall apply with respect to goods entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of this Act.

(2) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—

(A) Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the appropriate customs officer on or before the 90th

day after the date of the enactment of this Act, any entry—

(i) that was made after the applicable date and before the 15th day after such date of enactment; and

(ii) with respect to which there would have been a lesser or no duty if any amendment made by subsection (a) applied to such entry;

shall be liquidated or reliquidated as though such amendment applied to such entry.

(B) For purposes of this subsection, the term "applicable date" means—

(i) if such amendment is made by subsection (a)(4) or (a)(7), December 31, 1988; and

(ii) if such amendment is made by subsection (a)(2), (a)(3), (a)(5), (a)(6), September 30, 1990.

SEC. 6222. CLARIFICATION REGARDING THE APPLICATION OF CUSTOMS USER FEES.

(a) IN GENERAL.—Subparagraph (D) of section 13031(b)(8) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c(b)(8)(D)) is amended—

(1) by striking out "and" at the end of clause (iv);

(2) by striking out the period at the end of clause (v) and inserting "; and"; and

(3) by inserting after clause (v) the following new clause:

"(vi) in the case of merchandise entered from a foreign trade zone (other than merchandise to which clause (v) applies), be applied only to the value of the merchandise subject to duty under section 3 of the Act of June 18, 1934 (commonly known as the Foreign Trade Zones Act, 19 U.S.C. 81c)."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to—

(1) any entry made from a foreign trade zone on or after the 15th day after the date of the enactment of this Act; and

(2) any entry made from a foreign trade zone after November 30, 1986, and before such 15th day if the entry was not liquidated before such 15th day.

SEC. 6223. TECHNICAL AMENDMENTS TO THE OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988.

(a) IN GENERAL.—Paragraph (2) of section 1102(a) of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 2902(a)(2)) is amended—

(1) in subparagraph (A)—

(A) by striking "the date of enactment of this Act" and inserting "January 1, 1989"; and

(B) by striking "such date of enactment" and inserting "January 1, 1989"; and

(2) in subparagraph (B), by striking "such date of enactment" and inserting "January 1, 1989".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect January 1, 1989.

(c) CONSTRUCTION.—For purposes of applying the amendments made by subsection (a), the column 1-general rate of duty established by any amendment to the Harmonized Tariff Schedule of the United States that was enacted after January 1, 1989, shall, if—

(1) such amendment has, or is statutorily treated as having, an effective date of January 1, 1989; or

(2) application for liquidation or reliquidation at such rate with respect to entries made after December 31, 1988, and before the effective date of the amendment, is provided for;

be treated as the rate in effect on January 1, 1989.

SEC. 6224. TECHNICAL AMENDMENT TO THE CUSTOMS AND TRADE ACT OF 1990.

Subsection (b) of section 484H of the Customs and Trade Act of 1990 (19 U.S.C. 1553 note) is amended by striking ", or withdrawn from warehouse for consumption," and inserting "for transportation in bond".

TITLE VII—INCOME SECURITY AND RELATED PROGRAMS

Subtitle A—Miscellaneous Improvements in the Old-Age, Survivors, and Disability Insurance Program

SEC. 7001. SHORT TITLE.

This subtitle may be cited as the "Social Security Amendments of 1992".

SEC. 7002. IMPROVEMENT AND CLARIFICATION OF PROVISIONS PROHIBITING MISUSE OF SYMBOLS, EMBLEMS, OR NAMES IN REFERENCE TO SOCIAL SECURITY OR MEDICARE.

(a) PROHIBITION OF UNAUTHORIZED REPRODUCTION, REPRINTING, OR DISTRIBUTION FOR FEE OF CERTAIN OFFICIAL PUBLICATIONS.—Section 1140(a) of the Social Security Act (42 U.S.C. 1320b-10(a)) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by inserting "(1)" after "(a)"; and

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

"(2) No person may, for a fee, reproduce, reprint, or distribute any item consisting of a form, application, or other publication of the Social Security Administration unless such person has obtained specific, written authorization for such activity in accordance with regulations which the Secretary shall prescribe.".

(b) ADDITION TO PROHIBITED WORDS, LETTERS, SYMBOLS, AND EMBLEMS.—Paragraph (1) of section 1140(a) of such Act (as redesignated by subsection (a)) is further amended—

(1) in subparagraph (A) (as redesignated), by striking "Administration', the letters 'SSA' or 'HCFA'," and inserting "Administration', 'Department of Health and Human Services', or 'Health and Human Services', the letters 'SSA', 'HCFA', 'DHHS', or 'HHS',"; and

(2) in subparagraph (B) (as redesignated), by striking "Social Security Administration" each place it appears and inserting "Social Security Administration, Health Care Financing Administration, or Department of Health and Human Services", and by striking "or of the Health Care Financing Administration".

(c) INCLUSION OF REASONABLENESS STANDARD.—Section 1140(a)(1) of such Act (as amended by the preceding provisions of this section) is further amended, in the matter following subparagraph (B) (as redesignated), by striking "convey" and inserting "convey, or in a manner which reasonably could be interpreted or construed as conveying,".

(d) INEFFECTIVENESS OF DISCLAIMERS.—Subsection (a) of section 1140 of such Act (as amended by the preceding provisions of this section) is further amended by adding at the end the following new paragraph:

"(3) Any determination of whether the use of one or more words, letters, symbols, or emblems (or any combination or variation thereof) in connection with an item described in paragraph (1) or the reproduction, reprinting, or distribution of an item described in paragraph (2) is a violation of this subsection shall be made without regard to any inclusion in such item (or any so reproduced, reprinted, or distributed copy thereof) of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.".

(e) VIOLATIONS WITH RESPECT TO INDIVIDUAL ITEMS.—Section 1140(b)(1) of such Act (42 U.S.C. 1320b-10(b)(1)) is amended by adding at the end the following new sentence: "In the case of any items referred to in subsection (a)(1) consisting of pieces of mail, each such piece of mail which contains one or more words, letters, symbols, or emblems in violation of subsection (a) shall represent a separate violation. In the case of any items referred to in subsection (a)(2), the reproduction, reprinting, or distribution of such item shall be treated as a separate violation with respect to each copy thereof so reproduced, reprinted, or distributed.".

(f) ELIMINATION OF CAP ON AGGREGATE LIABILITY AMOUNT.—

(1) REPEAL.—Paragraph (2) of section 1140(b) of such Act (42 U.S.C. 1320b-10(b)(2)) is repealed.

(2) CONFORMING AMENDMENTS.—Section 1140(b) of such Act is further amended—

(A) by striking "(1) Subject to paragraph (2), the" and inserting "The";

(B) by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively; and

(C) in paragraph (1) (as redesignated), by striking "subparagraph (B)" and inserting "paragraph (1)".

(g) REMOVAL OF FORMAL DECLINATION REQUIREMENT.—Section 1140(c)(1) of such Act (42 U.S.C. 1320b-10(c)(1)) is amended by inserting "and the first sentence of subsection (c)" after "and (i)".

(h) DEPOSITS IN OASI TRUST FUND.—Section 1140(c)(2) of such Act (42 U.S.C. 1320b-10(c)(2)) is amended by striking "as miscellaneous receipts of the Treasury of the United States" and inserting "into the Federal Old-Age and Survivor's Insurance Trust Fund".

(i) ANNUAL REPORTS.—Section 1140 of such Act (42 U.S.C. 1320b-10) is amended by adding at the end the following new subsection:

"(d) The Secretary shall include in the annual report submitted pursuant to section 704 a report on the operation of this section during the year covered by such annual report. Such report shall specify—

"(1) the number of complaints of violations of this section received by the Social Security Administration during the year,

"(2) the number of cases in which a notice of violation of this section was sent by the Social Security Administration during the year requesting that an individual cease activities in violation of this section,

"(3) the number of complaints of violations of this section referred by the Social Security Administration to the Inspector General in the Department of Health and Human Services during the year,

"(4) the number of investigations of violations of this section undertaken by the Inspector General during the year,

"(5) the number of cases in which a demand letter was sent during the year assessing a civil money penalty under this section,

"(6) the total amount of civil money penalties assessed under this section during the year,

"(7) the number of requests for hearings filed during the year pursuant to sections 1140(c)(1) and 1128A(c)(2),

"(8) the disposition during such year of hearings filed pursuant to sections 1140(c)(1) and 1128A(c)(2), and

"(9) the total amount of civil money penalties under this section deposited into the Federal Old-Age and Survivors Insurance Trust Fund during the year.".

(j) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to violations occurring after the date of the enactment of this Act.

SEC. 7003. EXPLICIT REQUIREMENTS FOR MAINTENANCE OF TELEPHONE ACCESS TO LOCAL OFFICES OF THE SOCIAL SECURITY ADMINISTRATION.

(a) MAINTENANCE OF SERVICE TO LOCAL OFFICES.—

(1) IN GENERAL.—Section 5110(a) of the Omnibus Budget Reconciliation Act of 1990 (104 Stat. 1388-272) is amended by adding at the end the following new sentences: "In carrying out the requirements of the preceding sentence, the Secretary shall reestablish and maintain in service the same number of telephone lines to each such local office as was in place as of such date, including telephone sets for connections to such lines.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective as if included in the enactment of section 5110(a) of the Omnibus Budget Reconciliation Act of 1990.

(b) MAINTENANCE OF TOLL-FREE TELEPHONE NUMBER SERVICE.—The Secretary of Health and Human Services shall ensure that toll-free telephone service provided by the Social Security Administration is maintained at a level which is at least equal to that in effect on June 18, 1992.

SEC. 7004. EXPANSION OF STATE OPTION TO EXCLUDE SERVICE OF ELECTION OFFICIALS OR ELECTION WORKERS FROM COVERAGE.

(a) LIMITATION ON MANDATORY COVERAGE OF STATE ELECTION OFFICIALS AND ELECTION WORKERS WITHOUT STATE RETIREMENT SYSTEM.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(a)(7)(F)(iv) of the Social Security Act (42 U.S.C. 410(a)(7)(F)(iv)) (as amended by section 11332(a) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "$100" and inserting "$1,000 with respect to service performed during 1993, and the exempt remuneration amount determined under section 218(c)(8)(B) with respect to service performed thereafter".

(2) AMENDMENT TO FICA.—Section 3121(b)(7) of the Internal Revenue Code of 1986 (as amended by section 11332(b) of the Omnibus Budget Reconciliation Act of 1990) is amended by striking "$100" and inserting "$1,000 with respect to service performed during 1993, and the exempt remuneration amount determined under section 218(c)(8)(B) of the Social Security Act with respect to service performed thereafter".

(b) CONFORMING AMENDMENTS RELATING TO MEDICARE QUALIFIED GOVERNMENT EMPLOYMENT.—

(1) AMENDMENT TO SOCIAL SECURITY ACT.—Section 210(p)(2)(E) of the Social Security Act (42 U.S.C. 410(p)(2)(E)) is amended by striking "$100" and inserting "$1,000 with respect to service performed during 1993, and the exempt remuneration amount determined under section 218(c)(8)(B) with respect to service performed thereafter".

(2) AMENDMENT TO FICA.—Section 3121(u)(2)(B)(ii)(V) of the Internal Revenue Code of 1986 is amended by striking "$100" and inserting "$1,000 with respect to service performed during 1993, and the exempt remuneration amount determined under section 218(c)(8)(B) of the Social Security Act with respect to service performed thereafter".

(c) AUTHORITY FOR STATES TO MODIFY COVERAGE AGREEMENTS WITH RESPECT TO ELECTION OFFICIALS AND ELECTION WORKERS.—Section 218(c)(8) of the Social Security Act (42 U.S.C. 418(c)(8)) is amended—

(1) by striking "on or after January 1, 1968," and inserting "at any time";

(2) by striking "$100" and inserting "$1,000 with respect to service performed during 1993, and the exempt remuneration amount determined under subparagraph (B) with respect to service performed thereafter"; and

(3) by striking the last sentence and inserting the following new sentence: "Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed in and after the calendar year in which the modification is mailed or delivered by other means to the Secretary.".

(d) INDEXATION OF EXEMPT REMUNERATION AMOUNT.—

(1) IN GENERAL.—Section 218(c)(8) of the Social Security Act (as amended by subsection (c)) is further amended—

(A) by inserting "(A)" after "(8)"; and

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

"(B) The Secretary shall, on or before November 1 of 1993 and of every year thereafter, determine and publish in the Federal Register the exempt remuneration amount which shall be effective with respect to service performed during the following calendar year.

"(C) The exempt remuneration amount determined under subparagraph (B) shall be the larger of—

"(i) the dollar amount in effect under subparagraph (A) with respect to service performed during the calendar year in which the determination under subparagraph (B) is made, or

"(ii) the product of—

"(I) $1,000, and

"(II) the indexing ratio described in subparagraph (D).

"(D) For purposes of subparagraph (C)(ii)(II), the indexing ratio is the ratio of—

"(i) the deemed average total wages (as defined in section 209(k)(1)) for the calendar year before the calendar year in which the determination under subparagraph (B) is made, to

"(ii) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)(1)) reported to the Secretary of the Treasury or his delegate for 1991 (as published in the Federal Register in accordance with section 215(a)(1)(D)),

with such product, if not a multiple of $100, being rounded to the next higher multiple of $100 where such product is a multiple of $50 but not of $100 and to the nearest multiple of $100 in any other case.".

(2) CONFORMING AMENDMENT.—Section 209(k)(1) of such Act (42 U.S.C. 409(k)(1)) is amended by inserting "218(c)(8)(D)(i)," after "215(b)(3)(A)(ii),".

(f) EFFECTIVE DATE AND TRANSITIONAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply with respect to service performed on or after January 1, 1993.

(2) TRANSITIONAL RULE.—For the period beginning after September 30, 1992, and ending before January 1, 1993, sections 210(a)(7)(F)(iv), 210(p)(2)(E), and 218(c)(8) of the Social Security Act and sections 3121(b)(7)(F)(iv) and 3121(u)(2)(B)(ii)(V) of the Internal Revenue Code of 1986 shall be applied by substituting "remuneration paid during the period beginning after Septmber 30, 1992, and ending before January 1, 1993, for such service is less than $500" for "remuneration paid in a calendar year for such service is less than $100".

SEC. 7005. TREATMENT OF CERTAIN NONCASH REMUNERATION FOR AGRICULTURAL LABOR.

(a) AMENDMENTS TO 1986 CODE.—Paragraph (8) of section 3121(a) of the Internal Revenue Code of 1986 (defining wages) is amended—

(1) by striking so much of such paragraph as precedes subparagraph (B) thereof and inserting the following:

"(8)(A) remuneration for agricultural labor to the extent such remuneration consists of—

"(i) meals or lodging furnished on the premises of the employer to the employee, the employee's spouse, or any of the employee's dependents, or

"(ii) in the case of an employee who is a seasonal worker, temporary lodging furnished in reasonable proximity to such premises to the employee, the employee's spouse, or any of the employee's dependents;"; and

(2) by striking "cash remuneration" each place it appears in subparagraph (B) and inserting "remuneration (not excluded under subparagraph (A))".

(b) AMENDMENTS TO SOCIAL SECURITY ACT..—Paragraph (7) of section 209(a) of the Social Security Act is amended—

(1) by striking so much of such paragraph as precedes subparagraph (B) thereof and inserting the following:

"(7)(A) Remuneration for agricultural labor to the extent such remuneration consists of—

"(i) meals or lodging furnished on the premises of the employer to the employee, the employee's spouse, or any of the employee's dependents, or

"(ii) in the case of an employee who is a seasonal worker, temporary lodging furnished in reasonable proximity to such premises to the employee, the employee's spouse, or any of the employee's dependents;", and

(2) in subparagraph (B)—

(A) by striking "Cash remuneration" and inserting "Remuneration (not excluded under subparagraph (A))", and

(B) by striking "cash remuneration" and inserting "remuneration (not excluded under subparagraph (A))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to remuneration paid after December 31, 1992.

SEC. 7006. USE OF SOCIAL SECURITY NUMBERS BY STATES AND LOCAL GOVERNMENTS FOR JURY SELECTION PURPOSES.

Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) in subparagraph (B)(i), by striking "(E)" in the matter preceding subclause (I) and inserting "(F)";

(2) by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively; and

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

"(E)(i) It is the policy of the United States that any State (or any political subdivision of a State) may utilize the social security account numbers issued by the Secretary for the additional purposes described in clause (ii) if such numbers are otherwise utilized by such State (or political subdivision) in accordance with applicable law.

"(ii) The additional purposes described in this clause are the following:

"(I) identifying duplicate names of individuals on master lists used for jury selection purposes, and

"(II) identifying on such master lists those individuals who are ineligible to serve on a jury by reason of their conviction of a felony.

"(iii) To the extent that any provision of Federal law enacted before the date of the enactment of this subparagraph is inconsistent with the policy set forth in clause (i), such provision shall, on and after that date, be null, void, and of no effect.

"(iv) For purposes of this subparagraph, the term 'State' has the meaning such term has in subparagraph (D).".

SEC. 7007. AUTHORIZATION FOR ALL STATES TO EXTEND COVERAGE TO STATE AND LOCAL POLICEMEN AND FIREMEN UNDER EXISTING COVERAGE AGREEMENTS.

(a) IN GENERAL.—Section 218(l) of the Social Security Act (42 U.S.C. 418(l)) is amended—

(1) in paragraph (1), by striking "(1)" after "(l)", and by striking "the State of" and all that follows through "date of the enactment of this subsection" and inserting "a State entered into pursuant to this section"; and

(2) by striking paragraph (2).

(b) CONFORMING AMENDMENT.—Section 218(d)(8)(D) of such Act (42 U.S.C. 418(d)(8)(D)) is amended by striking "agreements with States named in" and inserting "State agreements modified as provided in".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to modifications filed by States after the date of the enactment of this Act.

SEC. 7008. LIMITED EXEMPTION FOR CANADIAN MINISTERS FROM CERTAIN SELF-EMPLOYMENT TAX LIABILITY.

(a) IN GENERAL.—Notwithstanding any other provision of law, if—

(1) an individual performed services described in section 1402(c)(4) of the Internal Revenue Code of 1986 which are subject to tax under section 1401 of such Code,

(2) such services were performed in Canada at a time when no agreement between the United States and Canada pursuant to section 233 of the Social Security Act was in effect, and

(3) such individual was required to pay contributions on the earnings from such services under the social insurance system of Canada,

then such individual may file a certificate under this section in such form and manner, and with such official, as may be prescribed in regulations issued under chapter 2 of such Code. Upon the filing of such certificate, notwithstanding any judgment which has been entered to the contrary, such individual shall be exempt from payment of such tax and from any penalties or interest for failure to pay such tax or to file a self-employment tax return as required under section 6017 of such Code.

(b) PERIOD FOR FILING.—A certificate referred to in subsection (a) may be filed only during the 180-day period commencing with the date on which the regulations referred to in subsection (a) are issued.

(c) TAXABLE YEARS AFFECTED BY CERTIFICATE.—A certificate referred to in subsection (a) shall be effective for taxable years ending after December 31, 1978, and before January 1, 1985.

(d) RESTRICTION ON CREDITING OF EXEMPT SELF-EMPLOYMENT INCOME.—In any case in which an individual is exempt under this section from paying a tax imposed under section 1401 of the Internal Revenue Code of 1986, any self-employment income on which such tax would have been imposed but for such exemption shall not be credited under section 212 of the Social Security Act, and, if such individual's primary insurance amount has been determined under section 215 of such Act, notwithstanding section 215(f)(1) of such Act, the Secretary of Health and Human Services shall recompute such primary insurance amount so as to take into account the provisions of this subsection.

SEC. 7009. EXCLUSION OF TOTALIZATION BENEFITS FROM THE APPLICATION OF THE WINDFALL ELIMINATION PROVISION.

(a) IN GENERAL.—Section 215(a)(7) of the Social Security Act (42 U.S.C. 415(a)(7)) is amended—

(1) in subparagraph (A), by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233"; and

(2) in subparagraph (E), by inserting after "in the case of an individual" the following: "whose eligibility for old-age or disability insurance benefits is based on an agreement concluded pursuant to section 233 or an individual".

(b) CONFORMING AMENDMENT RELATING TO BENEFITS UNDER 1939 ACT.—Section 215(d)(3) of such Act (42 U.S.C. 415(d)(3)) is amended by striking "but excluding" and all that follows through "1937" and inserting "but excluding (I) a payment under the Railroad Retirement Act of 1974 or 1937, and (II) a payment by a social security system of a foreign country based on an agreement concluded between the United States and such foreign country pursuant to section 233".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f)(1) of the Social Security Act) with respect to benefits payable for months after October 1992.

SEC. 7010. EXCLUSION OF MILITARY RESERVISTS FROM APPLICATION OF THE GOVERNMENT PENSION OFFSET AND WINDFALL ELIMINATION PROVISIONS.

(a) EXCLUSION FROM GOVERNMENT PENSION OFFSET PROVISIONS.—Subsections (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4) of section 202 the Social Security Act (42 U.S.C. 402 (b)(4), (c)(2), (e)(7), (f)(2), and (g)(4)) are each amended—

(1) in subparagraph (A)(ii), by striking "unless subparagraph (B) applies.";

(2) in subparagraph (A), by striking "The" in the matter following clause (ii) and inserting "unless subparagraph (B) applies. The"; and

(3) in subparagraph (B), by redesignating the existing matter as clause (ii), and by inserting before such clause (ii) (as so redesignated) the following:

"(B)(i) Subparagraph (A)(i) shall not apply with respect to monthly periodic benefits based wholly on service as a member of a uniformed service (as defined in section 210(m)).".

(b) EXCLUSION FROM WINDFALL ELIMINATION PROVISIONS.—Section 215(a)(7)(A) of such Act (as amended by section 7009(a) of this Act) and section 215(d)(3) of such Act (as amended by section 7009(b) of this Act) are each further amended—

(1) by striking "and" before "(II)"; and

(2) by striking "section 233" and inserting "section 233, and (III) a payment based wholly on service as a member of a uniformed service (as defined in section 210(m))".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply (notwithstanding section 215(f) of the Social Security Act) with respect to benefits payable for months after October 1992.

SEC. 7011. ELIMINATION OF ROUNDING DISTORTION IN THE CALCULATION OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE CONTRIBUTION AND BENEFIT BASE AND THE EARNINGS TEST EXEMPT AMOUNTS.

(a) ADJUSTMENT OF OASDI CONTRIBUTION AND BENEFIT BASE.—

(1) IN GENERAL.—Section 230(b) of the Social Security Act (42 U.S.C. 430(b)) is amended by striking paragraphs (1) and (2) and inserting the following:

"(1) the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) 1992 or, if later, the most recent year for which an increase in the contribution and benefit base was enacted, and

"(2) the ratio of (A) the deemed average total wages (as defined in section 209(k)(1)) for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the deemed average total wages (as so defined) for 1990 or, if later, the second calendar year before the most recent calendar year for which an increase in the contribution and benefit base was enacted,".

(2) CONFORMING AMENDMENT RELATING TO APPLICABLE PRIOR LAW.—Section 230(d) of such Act (42 U.S.C. 430(d)) is amended by striking "(except that" and all that follows through the end and inserting "(except that, for purposes of subsection (b)(2) of such section 230 as so in effect, each reference in such subsection to the average of the wages of all employees as reported to the Secretary of the Treasury shall be deemed a reference to the deemed average total wages (as defined in section 209(k)(1)), and the reference in subparagraph (B) of such subsection to a particular calendar year shall be deemed a reference to 1990 or, if later, the second calendar year before the most recent calendar year for which an increase in the contribution and benefit base was enacted).".

(3) ADJUSTMENT OF CONTRIBUTION AND BENEFIT BASE APPLICABLE IN DETERMINING YEARS OF COVERAGE FOR PURPOSES OF SPECIAL MINIMUM PRIMARY INSURANCE AMOUNT.—Section 215(a)(1)(C)(ii) of such Act is amended by striking "(except that" and all that follows through the end and inserting "(except that, for purposes of subsection (b)(2) of such section 230 as so in effect, each reference in such subsection to the average of the wages of all employees as reported to the Secretary of the Treasury shall be deemed a reference to the deemed average total wages (as defined in section 209(k)(1)), and the reference in clause (B) of such subsection to a particular calendar year shall be deemed a reference to 1990 or, if later, the second calendar year before the most recent calendar year for which an increase in such maximum amount was enacted).".

(b) ADJUSTMENT OF EARNINGS TEST EXEMPT AMOUNT.—Section 203(f)(8)(B)(ii) of the Social Security Act (42 U.S.C. 403(f)(8)(B)(ii)) is amended to read as follows:

"(ii) the product of the corresponding exempt amount which is in effect with respect to months in the taxable year ending after 1991 and before 1993 or, if later, the most recent taxable year for which an increase in the corresponding exempt amount is enacted, and the ratio of—

"(I) the deemed average total wages (as defined in section 209(k)(1)) for the calendar year before the calendar year in which the determination under subparagraph (A) is made, to

"(II) the deemed average total wages (as so defined) for 1990 or, if later, the second calendar year before the most recent taxable

year for which an increase in the exempt amount was enacted,
with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case.".

(c) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall be effective with respect to the determination of the contribution and benefit base for years after 1992.

(2) The amendment made by subsection (b) shall be effective with respect to the determination of the exempt amounts applicable to any taxable year ending after 1992.

SEC. 7012. REPEAL OF THE FACILITY-OF-PAYMENT PROVISION.

(a) REPEAL OF RULE PRECLUDING REDISTRIBUTION UNDER FAMILY MAXIMUM.—Section 203(i) of the Social Security Act (42 U.S.C. 403(i)) is repealed.

(b) COORDINATION UNDER FAMILY MAXIMUM OF REDUCTION IN BENEFICIARY'S AUXILIARY BENEFITS WITH SUSPENSION OF AUXILIARY BENEFITS OF OTHER BENEFICIARY UNDER EARNINGS TEST.—Section 203(a)(4) of such Act (42 U.S.C. 403(a)(4)) is amended by striking "section 222(b). Whenever" and inserting the following: "section 222(b). Notwithstanding the preceding sentence, any reduction under this subsection in case of an individual who is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for any month on the basis of the same wages and self-employment income as another person—

"(A) who also is entitled to a benefit under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 for such month,

"(B) who does not live in the same household as such individual, and

"(C) whose benefit for such month is suspended (in whole or in part) pursuant to subsection (h)(3) of this section,

shall be made before the suspension under subsection (h)(3). Whenever".

(c) CONFORMING AMENDMENT APPLYING EARNINGS REPORTING REQUIREMENT DESPITE SUSPENSION OF BENEFITS.—The third sentence of section 203(h)(1)(A) of such Act (42 U.S.C. 403(h)(1)(A)) is amended by striking "Such report need not be made" and all that follows through "The Secretary may grant" and inserting the following: "Such report need not be made for any taxable year—

"(i) beginning with or after the month in which such individual attained age 70, or

"(ii) if benefit payments for all months (in such taxable year) in which such individual is under age 70 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection, unless—

"(I) such individual is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202,

"(II) such benefits are reduced under subsection (a) of this section for any month in such taxable year, and

"(III) in any such month there is another person who also is entitled to benefits under subsection (b), (c), (d), (e), (f), (g), or (h) of section 202 on the basis of the same wages and self-employment income and who does not live in the same household as such individual.

The Secretary may grant".

(d) CONFORMING AMENDMENT DELETING SPECIAL INCOME TAX TREATMENT OF BENEFITS NO LONGER REQUIRED BY REASON OF REPEAL.—Section 86(d)(1) of the Internal Revenue Code of 1986 (relating to income tax on social security benefits) is amended by striking the last sentence.

(e) EFFECTIVE DATES.—

(1) The amendments made by subsections (a), (b), and (c) shall apply with respect to benefits payable for months after December 1993.

(2) The amendment made by subsection (d) shall apply with respect to benefits received after December 31, 1993, in taxable years ending after such date.

SEC. 7013. MAXIMUM FAMILY BENEFITS IN GUARANTEE CASES.

(a) IN GENERAL.—Section 203(a) of the Social Security Act (42 U.S.C. 403(a)) is amended by adding at the end the following new paragraph:

"(10)(A) Subject to subparagraphs (B) and (C)—

"(i) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(B)(i) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits, increased for this purpose by the general benefit increases and other increases under section 215(i) that would have applied to such total monthly benefits had the individual remained entitled to disability insurance benefits until the month in which he became entitled to old-age insurance benefits or reentitled to disability insurance benefits or died, and

"(ii) the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income of an individual whose primary insurance amount is computed under section 215(a)(2)(C) shall equal the total monthly benefits which were authorized by this section with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits.

"(B) In any case in which—

"(i) the total monthly benefits with respect to such individual's primary insurance amount for the last month of his prior entitlement to disability insurance benefits was computed under paragraph (6), and

"(ii) the individual's primary insurance amount is computed under subparagraph (B)(i) or (C) of section 215(a)(2) by reason of the individual's entitlement to old-age insurance benefits or death,

the total monthly benefits shall equal the total monthly benefits that would have been authorized with respect to the primary insurance amount for the last month of his prior entitlement to disability insurance benefits if such total monthly benefits had been computed without regard to paragraph (6).

"(C) This paragraph shall apply before the application of paragraph (3)(A), and before the application of section 203(a)(1) of this Act as in effect in December 1978.".

(b) CONFORMING AMENDMENT.—Section 203(a)(8) of such Act (42 U.S.C. 403(a)(8)) is amended by striking "Subject to paragraph (7)," and inserting "Subject to paragraph (7) and except as otherwise provided in paragraph (10)(C),".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply for the purpose of determining the total monthly benefits to which beneficiaries may be entitled under sections 202 and 223 of the Social Security Act based on the wages and self-employment income of an individual who—

(1) becomes entitled to an old-age insurance benefit under section 202(a) of such Act,

(2) becomes reentitled to a disability insurance benefit under section 223 of such Act, or

(3) dies,

after October 1992.

SEC. 7014. AUTHORIZATION FOR DISCLOSURE BY THE SECRETARY OF HEALTH AND HUMAN SERVICES OF INFORMATION FOR PURPOSES OF PUBLIC OR PRIVATE EPIDEMIOLOGICAL AND SIMILAR RESEARCH.

(a) IN GENERAL.—Section 1106 of the Social Security Act (42 U.S.C. 1306) is amended—

(1) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively;

(2) in subsection (f) (as so redesignated), by striking "subsection (d)" and inserting "subsection (e)"; and

(3) by inserting after subsection (c) the following new subsection:

"(d) Notwithstanding any other provision of this section, in any case in which—

"(1) information regarding whether an individual is shown on the records of the Secretary as being alive or deceased is requested from the Secretary for purposes of epidemiological or similar research which the Secretary finds may reasonably be expected to contribute to a national health interest, and

"(2) the requester agrees to reimburse the Secretary for providing such information and to comply with limitations on safeguarding and rerelease or redisclosure of such information as may be specified by the Secretary,

the Secretary shall comply with such request, except to the extent that compliance with such request would constitute a violation of the terms of any contract entered into under section 205(r).".

(b) AVAILABILITY OF INFORMATION RETURNS REGARDING WAGES PAID EMPLOYEES.—Section 6103(l)(5) of the Internal Revenue Code of 1986 (relating to disclosure of returns and return information to the Department of Health and Human Services for purposes other than tax administration) is amended—

(1) by striking "for the purpose of" and inserting "for the purpose of—";

(2) by striking "carrying out, in accordance with an agreement" and inserting the following:

"(A) carrying out, in accordance with an agreement";

(3) by striking "program." and inserting "program; or"; and

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

"(B) providing information regarding the mortality status of individuals for epidemiological and similar research in accordance with section 1106(d) of the Social Security Act.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to requests for information made after the date of the enactment of this Act.

Subtitle B—Human Resources Amendments

PART I—FOSTER CARE AND CHILD WELFARE

SEC. 7101. PERMANENT EXTENSION OF FOSTER CARE INDEPENDENT LIVING PROGRAM.

(a) IN GENERAL.—Section 477 of the Social Security Act (42 U.S.C. 677) is amended—

(1) in subsection (a)(1)—

(A) by inserting "(or, at the option of the State, age 14)" after "age 16"; and

(B) by striking the 3rd sentence;

(2) in subsection (c), by striking "of the fiscal years 1988 through 1992" and inserting "succeeding fiscal year";

(3) in subsection (e)(1)—

(A) in subparagraph (A), by striking "each of the fiscal years 1987 through 1992" and inserting "any fiscal year";

(B) in subparagraph (C)—

(i) in clause (i)—

(I) in subclause (I), by striking "and"; and

(II) by striking subclause (II) and inserting the following:

"(II) for each of fiscal years 1991 and 1992, $45,000,000; and

"(III) for each succeeding fiscal year, $45,000,000 increased by the percentage (if any) by which the GDP deflator for the 12-month period ending on March 31 of the calendar year in which the fiscal year begins exceeds the GDP deflator for the 12-month period ending on March 31, 1991.";

(ii) in clause (ii)—

(I) in subclause (I), by striking "and";

(II) in subclause (II), by striking the period and inserting "; and"; and

(III) by adding at the end the following:

"(III) for each succeeding fiscal year, $25,000,000 increased by the percentage (if any) by which the GDP deflator for the 12-month period ending on March 31 of the calendar year in which the fiscal year begins exceeds the GDP deflator for the 12-month period ending on March 31, 1991."; and

(iii) by adding at the end the following:

"(iii) The term 'GDP deflator' means the GDP deflator published by the Department of Commerce.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on October 1, 1992, and shall apply to payments under part E of title IV of the Social Security Act for fiscal year 1993 and payments made under such part for any succeeding fiscal year.

SEC. 7102. FOSTER AND ADOPTIVE PARENT TRAINING.

Section 8006(b) of the Omnibus Budget Reconciliation Act of 1989 (42 U.S.C. 674 note; 103 Stat. 2462) is amended by striking ", and before October 1, 1992".

SEC. 7103. CHILD WELFARE SERVICES PROGRAM REVIEWS.

Section 10406 of the Omnibus Budget Reconciliation Act of 1989 (42 U.S.C. 627 note; 103 Stat. 2490) is amended—

(1) by striking "1991" and inserting "1993";

(2) by striking "triennial";

(3) by striking "1992" and inserting "1994"; and

(4) in the section heading—

(A) by striking "**TRIENNIAL**"; and

(B) by striking "**1991**" and inserting "**1993**".

SEC. 7104. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

(a) IN GENERAL.—Part A of title XI of the Social Security Act (42 U.S.C. 1301–1320b–13) is amended by inserting after section 1122 the following:

"SEC. 1123. EFFECT OF FAILURE TO CARRY OUT STATE PLAN.

"Each individual shall have the right not to be denied any service or benefit under this Act as a result of the failure of any State to which Federal funds are paid under a title of this Act that includes plan requirements to have a plan that meets such requirements, or to administer such a plan in accordance with such requirements.".

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply to actions pending on the date of the enactment of this Act and to actions brought on or after such date of enactment.

PART II—CHILD SUPPORT ENFORCEMENT

SEC. 7111. REPORTS TO CREDIT BUREAUS OF PERSONS DELINQUENT IN CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 466(a)(7) of the Social Security Act (42 U.S.C. 666(a)(7)) is amended—

(1) by inserting ", and procedures which require the State to report monthly to any such agency the name of any parent who owes overdue support and is at least 2 months delinquent in the payment of such support and the amount of such delinquency unless the agency requests not to receive such information" before the semicolon;

(2) by striking "and (C)" and inserting "(C)"; and

(3) by inserting ", and (D) such information shall not be made available to (i) a consumer reporting agency which the State determines does not have sufficient capability to systematically and timely make accurate use of such information, or (ii) an entity which has not furnished evidence satisfactory to the State that the entity is a consumer reporting agency" before the period.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1993, and shall apply to payments under part D of title IV of the Social Security Act for fiscal year 1994 and payments made under such part for any succeeding fiscal year.

PART III—RESEARCH, DEMONSTRATIONS, AND STUDIES

SEC. 7121. EARLY CHILDHOOD DEVELOPMENT PROJECTS.

Section 502(c) of the Family Support Act of 1988 (42 U.S.C. 1315 note; 102 Stat. 2402) is amended by inserting ", and not to exceed $3,000,000 for each of the fiscal years 1993 through 1997" before the period.

SEC. 7122. PAYMENTS TO CERTAIN PRIVATE AID PROGRAMS.

(a) IN GENERAL.—Section 403 of the Social Security Act (42 U.S.C. 603) is amended by adding after the subsection added by section 1301(a) of this Act the following:

"(p)(1) For each day of any calendar quarter in which there is a qualified program operated in a State with a plan approved under this part, the Secretary shall pay the operator of the qualified program an amount equal to—

"(A) the number of persons eligible for aid under the State plan who are enrolled and participating in the qualified program on that day; multiplied by

"(B) the lesser of—

"(i) $20; or

"(ii) 95 percent of the daily average for the calendar quarter of—

"(I) the aggregate dollar value of the benefits that the Secretary estimates would have been provided to such persons under the State plan and under the State plan approved under title XIX if such persons had not been participating in the qualified program; minus

"(II) the aggregate dollar value of such benefits (if any) that were provided to such persons, without regard to any benefits provided by or through the qualified program.

"(2) As used in paragraph (1), the term 'qualified program' means any program operated and evaluated in the same manner as The New Hope Project, Inc., a private, not-for-profit corporation incorporated under the laws of Wisconsin, operates and has evaluated the New Hope Project, which offers low income residents of Milwaukee, Wisconsin, employment, wage supplements, child care, health care, and counseling and training for job retention or advancement.

"(3) Any operator of a program that receives a payment under this section shall, on an annual basis, submit to the Secretary of Health and Human Services and the State in which the program is operated a written report accounting for the use of the payment.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the 1st day of the 1st calendar quarter that begins after the date of the enactment of this Act.

SEC. 7123. MEASUREMENT AND REPORTING OF WELFARE DEPENDENCY.

(a) FINDINGS.—The Congress finds that welfare dependency has reached threatening levels:

(1) In the period since 1960 the average annual caseload of the aid to families with dependent children (AFDC) program under title IV of the Social Security Act has quintupled.

(2) In 1990 there were on average almost twice as many households receiving aid to families with dependent children payments as the number of households and individuals receiving unemployment compensation benefits.

(3) Nearly one-quarter of children born in the period 1967 through 1969 were dependent on welfare (AFDC) before reaching age 18. For minority children this ratio approached three-quarters.

(4) At any given time one-quarter of school children are from single parent families, or households with neither parent. The National Assessment of Educational Progress has documented the educational losses associated with single parent or no parent households.

(5) Only one-quarter of father-absent families receive full child support and over one-half receive none.

(6) The average aid to families with dependent children benefit has declined by more than one-third since 1960.

(7) The burden of welfare dependency is an issue of necessary concern to women, who in overwhelming proportion are the heads of single parent families.

(8) The rate of welfare dependency is rising. However, the statistical basis on which to assess this national issue is wholly inadequate, much as the statistical basis for addressing issues of unemployment was inadequate prior to the Employment Act of 1946, which required the creation of the annual economic report of the President and the development of unemployment rates.

(b) CONGRESSIONAL POLICY.—The Congress hereby declares that—

(1) it is the policy and responsibility of the Federal Government to reduce welfare dependency to the lowest possible level, and to assist families toward self-sufficiency, consistent with other essential national goals;

(2) it is the policy of the United States to strengthen families, to ensure that children grow up in families that are economically self-sufficient and to underscore the responsibility of parents to support their children;

(3) the Federal Government should help welfare recipients as well as individuals at risk of welfare dependency to improve their education and job skills, to obtain access to necessary support services, and to take such other steps as may assist them to meet their responsibilities to become financially independent; and

(4) it is the purpose of this section to aid in lowering welfare dependency by providing the public with generally accepted measures of welfare dependency so that it can track dependency over time and determine whether progress is being made in reducing welfare dependency and enabling families to be self-sufficient.

(c) DEVELOPMENT OF WELFARE DEPENDENCY INDICATORS, RATES, AND PREDICTORS.—

(1) IN GENERAL.—The Secretary of Health and Human Services and the Secretary of Agriculture (referred to in this section col-

lectively as the "Secretary") shall develop indicators, rates, and predictors of welfare dependency.

(2) DEVELOPMENT.—The Secretary shall—

(A) develop—

(i) indicators and rates related to the level of welfare dependency in the United States; and

(ii) predictors that are correlated with welfare dependency;

(B) assess the data needed to report annually on the indicators, rates, and predictors, including the ability of existing data collection efforts to provide such data and any additional data collection needs; and

(C) not later than 2 years after the date of the enactment of this section, provide an interim report containing conclusions resulting from the development and assessment described in subparagraphs (A) and (B), to—

(i) the Committee on Ways and Means of the House of Representatives;

(ii) the Committee on Education and Labor of the House of Representatives;

(iii) the Committee on Agriculture of the House of Representatives;

(iv) the Committee on Energy and Commerce of the House of Representatives;

(v) the Committee on Finance of the Senate;

(vi) the Committee on Labor and Human Resources of the Senate; and

(vii) the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(3) CONSIDERATIONS.—In developing the indicators, rates, and predictors, the Secretary shall consider the complexity of patterns of welfare dependency and self-sufficiency attainment, and the external factors, including the economy, that affect welfare dependency.

(d) ADVISORY BOARD ON WELFARE DEPENDENCY.—

(1) ESTABLISHMENT.—There is established an Advisory Board on Welfare Dependency (referred to in this section as the "Board").

(2) COMPOSITION.—The Board shall be composed of 12 members with equal numbers to be appointed by the House of Representatives, the Senate, and the President. The Board shall be composed of experts in the fields of welfare research and statistical methodology, representatives of State and local welfare agencies, and organizations concerned with welfare issues.

(3) VACANCIES.—Any vacancy occurring in the membership of the Board shall be filled in the same manner as the original appointment for the position being vacated. The vacancy shall not affect the power of the remaining members to execute the duties of the Board.

(4) DUTIES.—Duties of the Board shall include—

(A) providing advice and recommendations to the Secretary on the development of indicators, rates, and predictors of welfare dependency, and the identification of data collection needs and existing data collection efforts, described in subsection (c)(2)(B); and

(B) providing advice on the development and presentation of the annual report on welfare dependency indicators, rates, and predictors required under subsection (e).

(5) TRAVEL EXPENSES.—Members of the Board shall not be compensated, but shall receive travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, for each day the member is engaged in the performance of duties away from the home or regular place of business of the member.

(6) DETAIL OF FEDERAL EMPLOYEES.—The Secretary shall detail, without reimbursement, any of the personnel of the agency to the Board to assist the Board in carrying out its duties. Any detail shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

(7) VOLUNTARY SERVICE.—Notwithstanding section 1342 of title 31, United States Code, the Board may accept the voluntary services provided by a member of the Board.

(e) ANNUAL WELFARE DEPENDENCY REPORT.—

(1) PREPARATION.—The Secretary shall prepare an annual report on welfare dependency in the United States. The report shall attempt to identify indicators, rates, and predictors of welfare dependency and trends in dependency, and provide information and analysis on the causes of dependency.

(2) COVERAGE.—The report shall include analysis of families and individuals receiving assistance under means-tested benefit programs, including the program of aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), and the Supplemental Security Income program under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.), or as general assistance under programs administered by State and local governments.

(3) CONTENTS.—Each report shall set forth—

(A) for each of the means-tested benefit programs described in paragraph (2)—

(i) current trends in the number and rates of recipients and the characteristics, including age, sex, marital status, presence of children, labor force participation, and disability, of the recipients; and

(ii) total expenditures;

(B) the proportion of the total population receiving each of the programs and patterns of multiple program participation and recipiency duration;

(C)(i) characteristics of each such program, including total expenditures broken down by Federal and State shares, gross income limit, need standards, and maximum potential benefit by State; and

(ii) a description of the interactions among the programs;

(D) in the case of the second, or a subsequent, report, changes in the information described in subparagraphs (A) through (C) from the previous year, and trends in program participation;

(E) annual numerical goals for recipients, and expenditures, within each program and within significant subgroups within the population, for the calendar year in which the report is transmitted and for each of the following 4 calendar years, which goals shall, consistent with other essential national goals, reflect the objectives of—

(i) reducing welfare dependency to the lowest possible level; and

(ii) increasing family self-sufficiency at or above the Federal poverty level to the greatest extent possible;

(F)(i) the programs and policies as the Secretary, in consultation with the Board, determines are necessary to meet the goals for each of the 5 years; and

(ii) such recommendations for legislation, which shall not include proposals to reduce eligibility levels or impose barriers to program access, as the Secretary may determine to be necessary or desirable to reduce welfare dependency; and

(G) interim goals for reducing the proportion of children, and families with children, who are recipients of aid to families with dependent children to 10 percent of families with children, adjusted for economic conditions.

(4) SUBMISSION.—The Secretary shall submit such a report not later than 3 years after the date of the enactment of this section, and annually thereafter, to the committees specified in subsection (c)(2)(C). The report shall be transmitted during the first 60 days of each regular session of Congress.

SEC. 7124. EXTENSION OF COMMISSION ON INTERSTATE CHILD SUPPORT.

Section 126 of the Family Support Act of 1988 (42 U.S.C. 666 note; 102 Stat. 2355) is amended—

(1) in subsection (d)(2), by striking "May" and inserting "August"; and

(2) in subsection (f)(1), by striking "July 1" and inserting "September 30".

SEC. 7125. EXTENSION OF NATIONAL COMMISSION ON CHILDREN.

Section 1139(e)(1)(A) of the Social Security Act (42 U.S.C. 1320b–9(e)(1)(A)) is amended by striking "March 31, 1991" and inserting "December 31, 1992".

SEC. 7126. SECRETARIAL REPORT ON THE DIFFERENCES IN PROGRAM RULES UNDER THE FOOD STAMP PROGRAM, AID TO FAMILIES WITH DEPENDENT CHILDREN, AND MEDICAID PROGRAMS.

(a) IN GENERAL.—No later than 6 months after the date of the enactment of this section, the Secretary of Health and Human Services and the Secretary of Agriculture shall jointly submit to the President and the Congress a report which includes—

(1) the rules which govern the food stamp program operated under the Food Stamp Act of 1977, the program of aid to families with dependent children under part A of title IV of the Social Security Act, and the program of medical assistance under title XIX of the Social Security Act;

(2) how the rules differ across such programs;

(3) which of the rules under such programs require statutory action in order to achieve complete uniformity with respect to such programs (including specific statutory citations); and

(4) which of the rules could be made uniform without statutory action.

(b) RULES TO BE EVALUATED.—

(1) IN GENERAL.—The rules to be evaluated in the report required by subsection (a) shall include all rules related to administrative procedures (described in paragraph (2) of this subsection), definitions of countable income, definitions of income disregards and exemptions, quality control sanctions and incentives, financial and other incentives to combat fraud, work and training requirements and programs, and the program under part D of title IV of the Social Security Act. Income eligibility levels shall be excluded from such report.

(2) ADMINISTRATIVE PROCEDURES DEFINED.—The administrative procedures to be evaluated in the report required by subsection (a) include procedures governing—

(A) quality control error measurements;

(B) the effective dates by which State and local agencies must implement rule changes;

(C) verification of applicant or recipient circumstances;

(D) establishment of claims for overpayment;

(E) recipient reporting requirements;

(F) income budgeting methods for applicants and recipients;

(G) eligibility redeterminations;

(H) hearings for those aggrieved by a State or local agency decision on eligibility or benefits;

(I) determinations of citizen or alien status;

(J) time limits for processing applications; and

(K) response time and other requirements with respect to notices to recipients affecting their eligibility or benefits.

(c) COORDINATION WITH REPORT OF THE ADVISORY COMMITTEE ON WELFARE SIMPLIFICATION AND COORDINATION.—The Advisory Committee on Welfare Simplification and Coordination, established by section 1778 of the Food, Agriculture, Conservation, and Trade Act of 1990, shall consider the content of the report required under this section in the preparation of the Committee's report. This section shall not be construed to extend the deadline for submission of the Committee's report specified in section 1778(e) of such Act.

SEC. 7127. DEMONSTRATION OF INDEPENDENT LIVING SERVICES FOR YOUNG ADULTS.

The Secretary of Health and Human Services may authorize 1 State to conduct a demonstration project for 3 years under which community-based services are provided to former foster children who have attained the age of 21 years but have not attained the age of 25 years. Such services may include self-help groups, counseling, treatment for survivors of abuse, mentoring, alumni groups, and coordination of, and referral to, community services by independent living agency staff.

SEC. 7128. EXTENSION OF PERIOD FOR DEMONSTRATION PROJECTS FOR EVALUATING MODEL PROCEDURES FOR REVIEWING CHILD SUPPORT AWARDS.

(a) IN GENERAL.—Section 103(e)(4) of the Family Support Act of 1988 (42 U.S.C. 666 note; 102 Stat. 2347) is amended by striking "2-year" and inserting "3-year".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

PART IV—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 7131. DELAY IN REQUIREMENT THAT OUTLYING AREAS OPERATE AN AFDC-UP PROGRAM.

Section 401(g)(2) of the Family Support Act of 1988 (42 U.S.C. 602 note; 102 Stat. 2396) is amended by striking "1992" and inserting "1994".

SEC. 7132. REVIEW OF STATE INVESTMENT IN AFDC PROGRAM IN CONSIDERING SETTLEMENT OF QUALITY CONTROL CLAIMS.

Section 408 of the Social Security Act (42 U.S.C. 608) is amended by adding at the end the following:

"(n) In determining whether to settle, adjust, compromise, or waive any rights with respect to a claim arising against a State under this section, the Secretary shall—

"(1) review the plans of the State agency referred to in section 402(a)(3) for new investment in activities to reduce erroneous payments; and

"(2) take such plans into consideration as the Secretary deems appropriate.".

SEC. 7133. DISREGARD OF $2,000 OF INCOME RECEIVED IN ANY YEAR BY INDIANS FROM INTERESTS INDIVIDUALLY HELD IN TRUST OR RESTRICTED LANDS.

(a) IN GENERAL.—Section 402(a)(8)(A) of the Social Security Act (42 U.S.C. 602(a)(8)(A)) is amended—

(1) in clause (vii), by striking "and" after the semicolon; and

(2) by adding at the end the following:

"(ix) shall disregard the first $2,000 of income received in any year by any Indian (within the meaning of the Act of October 19, 1973) from interests individually held by the Indian in trust or restricted lands; and".

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

SEC. 7134. ENCOURAGING USE OF TRANSITIONAL CHILD CARE PROGRAM.

(a) DEVELOPMENT OF METHODOLOGY; REPORT TO THE CONGRESS.—The Secretary of Health and Human Services shall develop an appropriate methodology for determining the proportion of eligible children which are receiving child care provided under section 402(g)(1)(A)(ii) of the Social Security Act, and shall submit to the Congress, within 6 months after the date of the enactment of this section, a report on the findings of the Secretary.

(b) STATE PLAN REQUIREMENTS.—Section 402(a) of the Social Security Act (42 U.S.C. 602(a)) is amended by inserting after paragraph (28) the following:

"(29) provide that the State agency—

"(A) establish procedures by which caseworkers will be informed of the child care program of the State under subsection (g)(1)(A)(ii);

"(B) develop information materials, that are written in a clear and simple manner and are easily recognizable as relating to child care, describing the program referred to in subparagraph (A); and

"(C) in any notice of termination of aid under the plan sent to a family, notify the family using materials developed under subparagraph (B), and orally as appropriate, of the potential eligibility of the family for child care services through the program referred to in subparagraph (A), of the steps the family must take to establish eligibility for such services, and of the rights and responsibilities of the family under the program;".

(c) CONFORMING AMENDMENTS.—Section 402(g)(1)(A)(ii) of such Act (42 U.S.C. 602(g)(1)(A)(ii)) is amended—

(1) by inserting a comma after "employment"; and

(2) by inserting ", or by reason of a decrease in the amount disregarded pursuant to subsection (a)(8)(A)(iii)" before the period.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1992, and shall apply to payments under part A of title IV of the Social Security Act for fiscal year 1993 and payments made under such part for any succeeding fiscal year.

SEC. 7135. STATE OPTION TO USE RETROSPECTIVE BUDGETING WITHOUT MONTHLY REPORTING.

(a) IN GENERAL.—Section 402(a)(13) of the Social Security Act (42 U.S.C. 602(a)(13)) is amended—

(1) by striking all that precedes subparagraph (A) and inserting the following:

"(13) provide, at the option of the State and with respect to such category or categories as the State may select and identify in the State plan, that—"; and

(2) in each of subparagraphs (A) and (B), by striking ", in the case of families who are required to report monthly to the State agency pursuant to paragraph (14)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1992, and shall apply to payments under part A of title IV of the Social Security Act for fiscal year 1993 and such payments for succeeding fiscal years.

SEC. 7136. INCREASE IN STEPPARENT INCOME DISREGARD.

(a) IN GENERAL.—Section 402(a)(31) of the Social Security Act (42 U.S.C. 602(a)(31)) is amended by striking "$75" and inserting "$90".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1992, and shall apply to payments under part A of title IV of the Social Security Act for fiscal year 1993 and such payments for succeeding fiscal years.

SEC. 7137. VERIFICATION OF STATUS OF CITIZENS AND ALIENS.

(a) IN GENERAL.—Section 1137(d) of the Social Security Act (42 U.S.C. 1320b-7(d)) is amended by adding at the end the following:

"(6) A State shall be deemed to meet the requirements of paragraph (1) of this subsection with respect to the eligibility of each member of a family for benefits under the program described in subsection (b)(1), if the State requires, as a condition for such eligibility, a declaration in writing by an adult member of the family, under penalty of perjury, that each family member is a citizen of the United States or an alien eligible for aid under the State plan approved under part A of title IV.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1992.

PART V—SUPPLEMENTAL SECURITY INCOME

SEC. 7141. ELIMINATION OF OBSOLETE PROVISIONS RELATING TO TREATMENT OF THE EARNED INCOME TAX CREDIT.

(a) TREATMENT OF EITC AS EARNED INCOME.—Section 1612(a)(1) of the Social Security Act (42 U.S.C. 1382a(a)(1)) is amended by striking subparagraph (C) and by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively.

(b) ADJUSTMENT OF BENEFITS DUE TO TREATMENT OF EITC AS EARNED INCOME.—Section 1631(b) of such Act (42 U.S.C. 1383(b)) is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

SEC. 7142. REDESIGNATION OF CERTAIN PROVISIONS.

Section 1631(e)(6) of the Social Security Act (42 U.S.C. 1383(e)(6)) is amended by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B), respectively.

SEC. 7143. PREVENTION OF ADVERSE EFFECTS ON ELIGIBILITY FOR, AND AMOUNT OF, SSI BENEFITS WHEN SPOUSE OR PARENT OF BENEFICIARY IS ABSENT FROM THE HOUSEHOLD DUE TO ACTIVE MILITARY SERVICE.

(a) ABSENT PERSON GENERALLY DEEMED TO BE LIVING IN THE HOUSEHOLD.—Section 1614(f) of the Social Security Act (42 U.S.C. 1382c(f)) is amended by adding at the end the following:

"(4) For purposes of paragraphs (1) and (2), a spouse or parent (or spouse of such a parent) who is absent from the household in which the individual lives due solely to a duty assignment as a member of the Armed Forces on active duty shall, in the absence of evidence to the contrary, be deemed to be living in the same household as the individual.".

(b) EXCLUSION FROM SSI INCOME OF HAZARDOUS DUTY PAY RECEIVED WHILE IN ACTIVE MILITARY SERVICE.—Section 1612(b) of such Act (42 U.S.C. 1382a(b)) is amended—

(1) in paragraph (18), by striking "and" the 2nd place such term appears;

(2) in paragraph (19), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(20) special pay received pursuant to section 310 of title 37, United States Code.".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the

1st day of the 2d month that begins after the date of the enactment of this Act.

SEC. 7144. DEFINITION OF DISABILITY FOR CHILDREN UNDER AGE 18 APPLIED TO ALL INDIVIDUALS UNDER AGE 18.

(a) IN GENERAL.—Section 1614(a)(3)(A) of the Social Security Act (42 U.S.C. 1382c(a)(3)(A)) is amended by striking "a child" and inserting "an individual".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1992.

SEC. 7145. EXCLUSION FROM INCOME OF $2,000 OF INCOME RECEIVED IN ANY YEAR BY INDIANS FROM INTERESTS INDIVIDUALLY HELD IN TRUST OR RESTRICTED LANDS.

(a) IN GENERAL.—Section 1612(b) of the Social Security Act (42 U.S.C. 1382a(b)), as amended by section 7143(b) of this Act, is amended—

(1) in paragraph (19), by striking "and" after the semicolon;

(2) in paragraph (20), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(21) the first $2,000 of income received in any year by any Indian (within the meaning of the Act of October 19, 1973) from interests individually held by the Indian in trust or restricted lands.".

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

SEC. 7146. VALUATION OF CERTAIN IN-KIND SUPPORT AND MAINTENANCE WHEN THERE IS A COST OF LIVING ADJUSTMENT IN SSI BENEFITS.

(a) IN GENERAL.—Section 1611(c) of the Social Security Act (42 U.S.C. 1382(c)) is amended—

(1) in paragraph (1), by striking "and (5)" and inserting "(5), and (6)"; and

(2) by redesignating paragraphs (6) and (7) as paragraphs (7) and (8), respectively; and

(3) by inserting after paragraph (5) the following:

"(6) The dollar amount in effect under subsection (b) as a result of any increase in benefits under this title by reason of section 1617 shall be used to determine the value of any in-kind support and maintenance required to be taken into account in determining the benefit payable under this title to an individual (and the eligible spouse, if any, of the individual) for the 1st 2 months for which the increase in benefits applies.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to benefits paid after the calendar year 1993.

SEC. 7147. TREATMENT OF REVOCABLE BURIAL INSURANCE POLICIES.

(a) IN GENERAL.—Section 1613 of the Social Security Act (42 U.S.C. 1382b) is amended by adding at the end the following:

"(g) In determining eligibility for benefits under this title, revocable burial insurance policies shall be treated in the same manner as irrevocable burial insurance policies.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to calendar months beginning after the date of the enactment of this Act.

PART VI—USE OF TAX INFORMATION BY RAILROAD RETIREMENT BOARD

SEC. 7151. DISCLOSURE OF INFORMATION TO RAILROAD RETIREMENT BOARD.

Section 6103(l)(1)(C) of the Internal Revenue Code of 1986 is amended to read as follows:

"(C) taxes imposed by chapters 22 and 23A, to the Railroad Retirement Board for purposes of its administration of the Railroad Retirement and Railroad Unemployment Insurance Acts.".

PART VII—TECHNICAL CORRECTIONS

SEC. 7161. TECHNICAL CORRECTIONS RELATED TO THE INCOME SECURITY AND HUMAN RESOURCES PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990.

(a) AMENDMENT RELATED TO SECTION 5035(a)(2).—Section 5035(a)(2) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 104 Stat. 1388-225) is amended by striking "a semicolon" and inserting " '; and' ".

(b) REPEAL OF SECTION 5057.—Section 5057 of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 104 Stat. 1388-230), and the amendment made by such section, are hereby repealed, and section 1139(d) of the Social Security Act shall be applied and administered as if such section 5057 had never been enacted.

(c) AMENDMENT RELATING TO SECTION 5060(a).—Clause (II) of section 402(g)(1)(A)(vi) of the Social Security Act (42 U.S.C. 602(g)(1)(A)(vi)(II)) is amended by moving such subclause 2 ems to the right so that the left margin of such subclause is aligned with the left margin of subclause (I) of such section.

(d) AMENDMENT RELATING TO SECTION 5061(a)(3).—Section 407(b)(1)(B)(v) of the Social Security Act (42 U.S.C. 607(b)(1)(B)(v)) is amended by striking "parents' needs" and inserting "parent's needs".

(e) AMENDMENT RELATED TO SECTION 5081(a).—Section 402(i)(6)(D) of the Social Security Act (42 U.S.C. 602(i)(6)(D)) is amended by striking "as as" and inserting "as".

(f) AMENDMENT RELATING TO SECTION 5105(a)(1)(B)(ii)(I).—Section 1631(a)(2)(C)(i) of the Social Security Act (42 U.S.C. 1383(a)(2)(C)(i)) is amended by inserting "a" before "representative".

(g) AMENDMENTS RELATED TO SECTION 5105(b).—Section 1631(a)(2)(C) of the Social Security Act (42 U.S.C. 1383(a)(2)(C)) is amended—

(1) by striking clause (ii);

(2) by redesignating clauses (iii), (iv), and (v) as clauses (ii), (iii), and (iv), respectively; and

(3) in clause (iv) (as so redesignated), by striking "(iii), and (iv)" and inserting "and (iii)".

(h) AMENDMENT RELATED TO SECTION 5105(d)(1)(B).—Section 5105(d)(1)(B) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508; 104 Stat. 1388-266) is amended to read as follows:

"(B) TITLE XVI.—Section 1631(a)(2)(F) (42 U.S.C. 1383(a)(2)(F)), as so redesignated by subsection (c)(2) of this section, is amended to read as follows:

'(F) The Secretary shall include as a part of the annual report required under section 704 information with respect to the implementation of the preceding provisions of this paragraph, including—

'(i) the number of cases in which the representative payee was changed;

'(ii) the number of cases discovered where there has been a misuse of funds;

'(iii) how any such cases were dealt with by the Secretary;

'(iv) the final disposition of such cases (including any criminal penalties imposed); and

'(v) such other information as the Secretary determines to be appropriate.'.".

(i) AMENDMENTS RELATED TO SECTION 5107(a)(2)(B).—Section 1631(c)(1)(B) of the Social Security Act (42 U.S.C. 1383(c)(1)(B)) is amended by striking "paragraph (1)" each place such term appears and inserting "subparagraph (A)".

(j) AMENDMENT RELATED TO SECTION 5109(a)(2).—Section 1631 of the Social Security Act (42 U.S.C. 1383) is amended by redesignating the subsection (n) added by section 5109(a)(2) of the Omnibus Budget Reconciliation Act of 1990, as subsection (o).

(k) AMENDMENTS RELATED TO SECTION 11115(b)(2).—Section 1613(a) of the Social Security Act (42 U.S.C. 1382b(a)) is amended—

(1) in paragraph (9), by striking "and";

(2) in the first paragraph (10), by striking the period and inserting "; and"; and

(3) by redesignating the second paragraph (10) as paragraph (11).

(l) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if the amendment had been included in the provision of the Omnibus Budget Reconciliation Act of 1990 to which the amendment relates, at the time the provision became law.

SEC. 7162. TECHNICAL CORRECTIONS RELATED TO THE HUMAN RESOURCE AND INCOME SECURITY PROVISIONS OF OMNIBUS BUDGET RECONCILIATION ACT OF 1989.

(a) AMENDMENT RELATING TO SECTION 8004(a).—Section 408(m)(2)(A) of the Social Security Act (42 U.S.C. 608(m)(2)(A)) is amended by striking "a fiscal" and inserting "the fiscal".

(b) AMENDMENT RELATING TO SECTION 8006(a).—Section 473(a)(6)(B) of such Act (42 U.S.C. 673(a)(6)(B)) is amended by striking "474(a)(3)(B)" and inserting "474(a)(3)(C)".

(c) AMENDMENT RELATING TO SECTION 8007(b)(3).—Subparagraph (D) of section 475(5) of such Act (42 U.S.C. 675(5)(D)) is amended by moving such subparagraph 2 ems to the right so that the left margin of such subparagraph is aligned with the left margin of subparagraph (C) of such section.

(d) EFFECTIVE DATE.—Each amendment made by this section shall take effect as if the amendment had been included in the provision of the Omnibus Budget Reconciliation Act of 1989 to which the amendment relates, at the time the provision became law.

Subtitle C—Prohibition of Certain Misleading Practices; Disclosure Requirement

SEC. 7201. PROHIBITION OF MISUSE OF DEPARTMENT OF TREASURY NAMES, SYMBOLS, ETC.

(a) GENERAL RULE.—Subchapter II of chapter 3 of title 31, United States Code, is amended by adding at the end thereof the following new section:

"§ 333. Prohibition of misuse of Department of Treasury names, symbols, etc.

"(a) GENERAL RULE.—No person may use, in connection with, or as a part of, any advertisement, solicitation, business activity, or product, whether alone or with other words, letters, symbols, or emblems—

"(1) the words 'Department of the Treasury', or the name of any service, bureau, office, or other subdivision of the Department of the Treasury,

"(2) the titles 'Secretary of the Treasury' or 'Treasurer of the United States' or the title of any other officer or employee of the Department of the Treasury,

"(3) the abbreviations or initials of any entity referred to in paragraph (1),

"(4) the words 'United States Savings Bond' or the name of any other obligation issued by the Department of the Treasury,

"(5) any symbol or emblem of an entity referred to in paragraph (1) (including the design of any envelope or stationary used by such an entity), and

"(6) any colorable imitation of any such words, titles, abbreviations, initials, symbols, or emblems,

in a manner which could reasonably be interpreted or construed as conveying the false impression that such advertisement, solici-

tation, business activity, or product is in any manner approved, endorsed, sponsored, or authorized by, or associated with, the Department of the Treasury or any entity referred to in paragraph (1) or any officer or employee thereof.

"(b) TREATMENT OF WAIVERS.—Any determination of whether a person has violated the provisions of subsection (a) shall be made without regard to any use of a disclaimer of affiliation with the United States Government or any particular agency or instrumentality thereof.

"(c) CIVIL PENALTY.—

"(1) IN GENERAL.—The Secretary of the Treasury may impose a civil penalty on any person who violates the provisions of subsection (a).

"(2) AMOUNT OF PENALTY.—The amount of the civil penalty imposed by paragraph (1) shall not exceed $5,000 for each use of any material in violation of subsection (a). If such use is in a broadcast or telecast, the preceding sentence shall be applied by substituting '$25,000' for '$5,000'.

"(3) TIME LIMITATIONS.—

"(A) ASSESSMENTS.—The Secretary of the Treasury may assess any civil penalty under paragraph (1) at any time before the end of the 3-year period beginning on the date of the violation with respect to which such penalty is imposed.

"(B) CIVIL ACTION.—The Secretary of the Treasury may commence a civil action to recover any penalty imposed under this subsection at any time before the end of the 2-year period beginning on the date on which such penalty was assessed."

(b) CLERICAL AMENDMENT.—The analysis for chapter 3 of title 31, United States Code, is amended by adding after the item relating to section 332 the following new item:

"333. Prohibition of misuse of Department of Treasury names, symbols, etc."

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

(d) REPORT.—Not later than May 1, 1994, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the implementation of the amendments made by this section. Such report shall include the number of cases in which the Secretary has notified persons of violations of section 333 of title 31, United States Code (as added by subsection (a)), the number and amount of civil penalties assessed under such section, and the total amount of such penalties collected.

SEC. 7202. CERTAIN ORGANIZATIONS REQUIRED TO DISCLOSE NONEXEMPT STATUS.

(a) GENERAL RULE.—Subchapter B of chapter 61 of the Internal Revenue Code of 1986 (relating to miscellaneous provisions) is amended by redesignating section 6115 as section 6116 and by inserting after section 6114 the following new section:

"SEC. 6115. CERTAIN ORGANIZATIONS REQUIRED TO DISCLOSE NONEXEMPT STATUS.

"(a) IN GENERAL.—If—

"(1) in an advertisement or solicitation by (or on behalf of) an organization, such organization is referred to as being nonprofit, and

"(2) such organization is not exempt from tax under subtitle A,

such advertisement or solicitation shall contain an express statement (in a conspicuous and easily recognizable format) that such organization is not exempt from Federal income taxes.

"(b) CROSS REFERENCE.—

"For penalties for violation of subsection (a), see section 6714."

(b) PENALTY.—Part I of subchapter B of chapter 68 of such Code is amended by adding at the end thereof the following new section:

"SEC. 6714. FAILURE TO DISCLOSE NONEXEMPT STATUS.

"(a) IMPOSITION OF PENALTY.—If there is a failure to meet the requirements of section 6115 with respect to any advertisement or solicitation by (or on behalf of) an organization, such organization shall pay a penalty of $1,000 for each day on which such a failure occurred. The maximum penalty imposed under this subsection on failures by any organization during any calendar year shall not exceed $10,000.

"(b) REASONABLE CAUSE EXEMPTION.—No penalty shall be imposed under this section with respect to any failure if it is shown that such failure is due to reasonable cause.

"(c) $10,000 LIMITATION NOT TO APPLY WHERE INTENTIONAL DISREGARD.—If any failure to which subsection (a) applies is due to intentional disregard of the requirements of section 6115—

"(1) the penalty under subsection (a) for the day on which failure occurred shall be the greater of—

"(A) $1,000, or

"(B) 50 percent of the aggregate cost of the advertisements and solicitations which occurred on such day and with respect to which there was such failure,

"(2) the $10,000 limitation of subsection (a) shall not apply to any penalty under subsection (a) for the day on which such failure occurred, and

"(3) such penalty shall not be taken into account in applying such limitation to other penalties under subsection (a).

"(d) DAY ON WHICH FAILURE OCCURS.—For purposes of this secton, rules similar to the rules of section 6710(d) shall apply in determining the day on which any failure occurs."

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for subchapter B of chapter 61 of such Code is amended by striking the item relating to section 6115 and inserting the following:

"Sec. 6115. Certain organizations required to disclose nonexempt status.

"Sec. 6116. Cross reference."

(2) The table of sections of part I of subchapter B of chapter 68 of such Code is amended by adding at the end thereof the following new item:

"Sec. 6714. Failure to disclose nonexempt status."

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1993.

SEC. 7203. EXEMPT ORGANIZATIONS REQUIRED TO PROVIDE COPY OF RETURN.

(a) GENERAL RULE.—

(1) Subparagraph (A) of section 6104(e)(1) of the Internal Revenue Code of 1986 (relating to public inspection of annual returns) is amended to read as follows:

"(A) IN GENERAL.—During the 3-year period beginning on the filing date—

"(i) a copy of the annual return filed under section 6033 (relating to returns by exempt organizations) by any organization to which this paragraph applies shall be made available by such organization for inspection during regular business hours by any individual at the principal office of such organization and, if such organization regularly maintains 1 or more regional or district offices having 3 or more employees, and at each such regional or district office, and

"(ii) upon request of an individual made at such principal office or such a regional or district office, a copy of such annual return shall be provided to such individual without charge other than a reasonable fee for the cost of reproduction."

(2) Clause (ii) of section 6104(e)(2)(A) of such Code is amended by inserting before the period at the end thereof the following: "(and, upon request of an individual made at such principal office or such a regional or district office, a copy of the material required to be available for inspection under this subparagraph shall be provided to such individual without charge other than a reasonable fee for the cost of reproduction)".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1993.

TITLE VIII—AUTHORIZATION FOR ADDITIONAL ASSISTANCE FOR ENTERPRISE ZONES UNDER VARIOUS PROGRAMS

Subtitle A—Block Grant Funding for Eligible Programs

SEC. 8001. AUTHORIZATION OF APPROPRIATIONS.

(a) URBAN ENTERPRISE ZONES.—There are authorized to be appropriated for assistance under section 8002(a) the following amounts for the following fiscal years:

(1) $384,800,000 for fiscal year 1993.
(2) $377,600,000 for fiscal year 1994.
(3) $372,400,000 for fiscal year 1995.
(4) $370,000,000 for fiscal year 1996.
(5) $374,000,000 for fiscal year 1997.

(b) RURAL ENTERPRISE ZONES.—There are authorized to be appropriated for assistance under section 8002(b) the following amounts:

(1) $96,200,000 for fiscal year 1993.
(2) $94,400,000 for fiscal year 1994.
(3) $93,100,000 for fiscal year 1995.
(4) $92,500,000 for fiscal year 1996.
(5) $93,500,000 for fiscal year 1997.

(c) AVAILABILITY.—Any amounts appropriated under paragraphs (2) through (5) of subsection (a), or under paragraphs (2) through (5) of subsection (b) shall remain available for allocation under section 8002 through fiscal year 1997.

SEC. 8002. ALLOCATION OF AMOUNTS AMONG TAX ENTERPRISE ZONES.

(a) URBAN ENTERPRISE ZONES.—

(1) IN GENERAL.—The interagency council established under section 8006 of this Act shall make any amounts appropriated pursuant to section 8001(a) available under this subtitle to provide assistance on behalf of each urban tax enterprise zone designated under section 1391 of the Internal Revenue Code of 1986 for which an application under section 8005 of this Act has been approved by the interagency council.

(2) FISCAL YEAR 1993.—The amount of assistance provided under this section on behalf of each urban tax enterprise zone in fiscal year 1993 shall be the amount determined by dividing the total amount appropriated for the fiscal year pursuant to section 8001(a)(1) by the total number of urban tax enterprise zones that may be designated under section 1391 of the Internal Revenue Code of 1986 before the end of calendar year 1993.

(3) FISCAL YEARS 1994 TO 1997.—The interagency council shall provide for the allocation of amounts made available pursuant to paragraphs (2) through (5) of section 8001(a) so that the amount provided under this subtitle in any of fiscal years 1994 through 1997 on behalf of any designated urban tax enterprise zone is, to the extent possible, equivalent to the amount provided under this subtitle on behalf of any other urban tax enterprise zone in any other of such fiscal years. In determining the amount to be provided

under this paragraph, the interagency council shall take into consideration the total number of urban tax enterprise zones to be designated in such fiscal years, the number of years that such designations shall be in effect, the sum of such amounts authorized to be appropriated for such fiscal years, and the period during which such amounts will remain available.

(b) RURAL DEVELOPMENT INVESTMENT ZONES.—

(1) IN GENERAL.—The interagency council established under section 8006 of this Act shall make any amounts appropriated pursuant to section 8001(b) available under this subtitle to provide assistance on behalf of each rural development investment zone designated under section 1391 of the Internal Revenue Code of 1986 for which an application under section 8005 of this Act has been approved by the interagency council.

(2) FISCAL YEAR 1993.—The amount of assistance provided under this section on behalf of each rural development investment zone in fiscal year 1993 shall be the amount determined by dividing the total amount appropriated for the fiscal year pursuant to section 8001(b)(1) by the total number of rural development investment zones that may be designated under section 1391 of the Internal Revenue Code of 1986 before the end of calendar year 1993.

(3) FISCAL YEARS 1994 TO 1997.—The interagency council shall provide for the allocation of amounts made available pursuant to paragraphs (2) through (5) of section 8001(b) so that the amount provided under this subtitle in any of fiscal years 1994 through 1997 on behalf of any designated rural development investment zone is, to the extent possible, equivalent to the amount provided under this subtitle on behalf of any other rural development investment zone in any other of such fiscal years. In determining the amount to be provided under this paragraph, the interagency council shall take into consideration the total number of rural development investment zones to be designated in such fiscal years, the number of years that such designations shall be in effect, the sum of such amounts authorized to be appropriated for such fiscal years, and the period during which such amounts will remain available.

SEC. 8003. USE OF AMOUNTS.

(a) IN GENERAL.—The assistance allocated under section 8002 on behalf of each tax enterprise zone (as defined in section 8007) shall be available only for carrying out selected programs within the tax enterprise zone, in accordance with the application of the tax enterprise zone approved under section 8005 and subject to the provisions of this section.

(b) ALLOCATION AMONG PROGRAM CATEGORIES.—

(1) IN GENERAL.—Except as provided in paragraph (2), of the total amount of assistance provided under this subtitle on behalf of a tax enterprise zone for any fiscal year, the sum of the amounts used to carry out selected programs referred to under any one of paragraphs (1) through (5) of section 8004 may not exceed 20 percent of such total amount.

(2) WAIVER OF CAPS.—Pursuant to a request contained in an application under section 8005, the interagency council may provide that the requirement under paragraph (1) shall not apply with respect to amounts used to carry out selected programs under the application, except that of the total amount of assistance provided under this subtitle on behalf of such tax enterprise zone for any fiscal year, the sum of the amounts used to carry out selected programs referred to under any single paragraph under section 8004 may not exceed 30 percent of such total amount and may not be less than 5 percent of such total amount.

(c) ALLOCATION AMONG JOB TRAINING PROGRAMS.—In any fiscal year, of the sum of the amounts of assistance provided under this subtitle on behalf of a tax enterprise zone that are used to carry out any of the job training programs under section 8004(2), not less than 25 percent shall be used for assistance under the Young Adult Employment Demonstration program referred to in section 8004(2)(A) of this Act.

(d) PROVISION OF ASSISTANCE.—Upon the approval of an application under section 8005 for a tax enterprise zone, the appropriate Federal agency head for each selected program under the approved application shall make available on behalf of the enterprise zone (under such program and through the appropriate eligible entity), from amounts available on behalf of such zone pursuant to section 8002, the amount of assistance determined in accordance with the approved application. The availability of such assistance shall be subject to any laws and regulations applicable to such program. Notwithstanding any other provision of law, any amounts made available under this section, or provided under this subsection, to an eligible entity for assistance under a selected program shall remain available to the entity until expended by the entity.

(e) SUPPLEMENTATION REQUIREMENT.—Any amounts provided under this subtitle shall be in supplement to, and shall not supplant, any Federal, State, local, or private funds from other sources already used, or committed for use, for programs, projects, activities, and services assisted under this subtitle or comparable to such programs, projects, activities, and services.

SEC. 8004. ELIGIBLE PROGRAMS.

Assistance may be provided under this subtitle for carrying out the following activities, projects, and programs:

(1) CRIME AND CRIMINAL JUSTICE.—

(A) Chapter A of subpart 2 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968.

(B) Chapter B of subpart 2 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968.

(C) Projects and activities under chapter 1 of subtitle B of title III of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11801 et seq.).

(D) Activities under chapter 3 of subtitle B of title III of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11841 et seq.).

(E) Projects under the Comprehensive Child Development Act (42 U.S.C. 9881 et seq.).

(F) The family support programs under subtitle F of title VII of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11481 et seq.).

(2) JOB TRAINING.—

(A) The Young Adult Employment Demonstration program under section 8053 of this Act.

(B) The Job Corps program under part B of title IV of the Job Training Partnership Act (29 U.S.C. 1691 et seq.).

(C) Title II of the Job Training Partnership Act (29 U.S.C. 1601 et seq.).

(D) The American Conservation and Youth Corps program under subtitle C of title I of the National and Community Service Act of 1990 (42 U.S.C. 12541 et seq.).

(3) EDUCATION.—

(A) The programs under the Head Start Act (42 U.S.C. 9831 et seq.).

(B) Activities under the Child Care and Development Block Grant Act (42 U.S.C. 9858 et seq.).

(C) The programs under section 1005 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 2711).

(D) The programs under the Carl D. Perkins Vocational Educational and Applied Technology Education Act (20 U.S.C. 2301 et seq.).

(E) The programs under the Adult Education Act (20 U.S.C. 1201 et seq.).

(F) The TRIO programs under part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

(4) HEALTH AND NUTRITION.—

(A) The special supplemental food program for women, infants, and children under section 17 of the Child Nutrition Act of 1966.

(B) The following programs under the Public Health Service Act (42 U.S.C. 201 et seq.):

(i) Community health centers.

(ii) Capacity expansion of substance abuse treatment facilities.

(iii) Substance abuse treatment for individuals under criminal justice supervision.

(iv) Substance abuse treatment for pregnant and postpartum women.

(v) Community prevention grants regarding substance abuse.

(vi) Substance abuse treatment improvement grants.

(5) HOUSING AND COMMUNITY DEVELOPMENT.—

(A) The community development block grant program under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(B) The public and Indian housing modernization program under section 14 of the United States Housing Act of 1937 (42 U.S.C. 1437l).

(C) The public and assisted housing drug elimination program under chapter 2 of subtitle C of title V of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11901 et seq.).

(D) The public housing family investment centers program under section 22 of the United States Housing Act of 1937 (42 U.S.C. 1437t).

(E) The rental assistance program under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

(F) Assistance (pursuant to section 108(h) of the Housing and Community Development Act of 1974) for the reduction of interest payments under obligations guaranteed pursuant to the loan guarantee program under section 8052 of this Act.

(G) The program for outreach and assistance for socially disadvantaged farmers and ranchers under section 2501 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279).

SEC. 8005. APPLICATION FOR FUNDING.

(a) ESTABLISHMENT OF APPLICATION PROCESS.—The interagency council shall establish, by regulation, a procedure for a single comprehensive application to be submitted to the council for each tax enterprise zone designated under section 1391 of the Internal Revenue Code of 1986 for the purpose of making amounts available under this subtitle on behalf of such tax enterprise zones. The interagency council shall provide for the form and manner of such applications, and shall require the applications to be made by the State, unit of local government, or economic development agency chartered by the State that submitted the nomination for designation of the area designated as a tax enterprise zone and submitted promptly after such designation.

(b) LOCAL COORDINATION.—

(1) PURPOSES.—The interagency council shall provide that each application under this section shall be developed in coordination and consultation with a local coordinating board under paragraph (2), which shall ensure that the programs, projects, activities, and services under section 8004(1) carried out with amounts provided under this subtitle are sufficiently coordinated with the other programs, projects, activities, and services assisted under this subtitle, and that all such programs, projects, activities, and services are coordinated with law enforcement efforts within the area nominated for designation as a tax enterprise zone.

(2) MEMBERSHIP.—The local coordinating board referred to in paragraph (1) shall include representatives of units of local government within such area, other community leaders in such area, and representatives of law enforcement agencies having jurisdiction within such area.

(c) CONTENTS.—Each application under the procedure established under this section shall contain the following information:

(1) An indication of the programs referred to under section 8004 for which funding is requested and a general description of the types of activities to be carried out with such assistance.

(2) A statement of the percentage of the total amount of any funding received under this subtitle that will be used for each selected program.

(3) A statement identifying and describing the eligible entities that will receive any assistance provided for the selected programs on behalf of the tax enterprise zone.

(4) Any documentation regarding the existing eligibility of such eligible entities for assistance under the selected programs.

(5) Any information or documentation necessary, as determined by the council, for approval of the eligibility of other entities to receive assistance provided on behalf of the tax enterprise zone under selected programs pursuant to the application.

(6) A statement describing the membership of the local coordinating board organized pursuant to the requirement under subsection (b) and describing the coordination between the programs, projects, activities, and services assisted under this title and local law enforcement efforts in the tax enterprise zone.

(7) A request for any waiver of the requirement under section 8003(b)(1).

(8) A statement identifying any other Federal, State, and local resources for the community in which the tax enterprise zone is located that will be dedicated to the types of programs, projects, activities, and services to be assisted under this subtitle.

(9) Evidence demonstrating a strong commitment by community groups in the tax enterprise zone for carrying out the selected programs and similar programs, projects, activities, and services.

(10) A statement identifying any private sector resources, including corporate contributions and individual commitments, to supplement assistance provided under this subtitle.

(11) Evidence demonstrating a balanced, comprehensive plan for the tax enterprise zone, that addresses removing violent offenders from the neighborhood streets, supports drug and crime prevention, and includes other proposals for neighborhood revitalization through strategies to create jobs and other economic opportunities.

(12) Evidence demonstrating that any amounts requested for selected programs are part of an integrated and comprehensive plan for the use of Federal, State, local, and private resources to accomplish specific and measurable goals for neighborhood revitalization.

(d) REVIEW.—In reviewing each application submitted under this section, each member of the council shall review the portion of the application concerning any request or eligibility for assistance under any selected program under the jurisdiction of such member to determine whether providing assistance under this subtitle pursuant to such application will comply with the laws and regulations applicable to such program.

(e) APPROVAL AND DISAPPROVAL.—

(1) TIMING.—The council shall review each application promptly upon receipt and shall approve or disapprove the application not later than the expiration of the 30-day period beginning upon such receipt.

(2) STANDARDS FOR APPROVAL.— The council shall approve an application if the council determines that the assistance requested for the selected programs under the application will assist in the economic development of the tax enterprise zone, that the eligible entities identified in the application are capable and qualified to receive and administer the assistance pursuant to the application, and that the information, documentation, or evidence required under subsection (c) is sufficient in the determination of the council.

(3) DISAPPROVAL AND RESUBMISSION.—If, pursuant to review under this section, the council determines that the application of a tax enterprise zone is incomplete or unsatisfactory, the council shall, before the expiration of the period referred to in paragraph (1)—

(A) notify the entity submitting the application of the reasons for the failure to approve the application;

(B) notify the entity submitting the application that the application may be resubmitted during the period referred to in subparagraph (C); and

(C) permit such entity to resubmit a corrected or amended application during the 30-day period beginning on notification under this paragraph.

(4) REVIEW OF RESUBMITTED APPLICATION.—The council shall review and approve or disapprove any application resubmitted under paragraph (3) before the expiration of the 15-day period beginning upon such resubmission. Any application resubmitted under paragraph (3) that is disapproved may be resubmitted before the expiration of the 15-day period beginning upon such disapproval and shall be subject to review under the provisions of this paragraph.

SEC. 8006. INTERAGENCY COUNCIL.

(a) ESTABLISHMENT.—There is hereby established an interagency council to provide assistance under this subtitle.

(b) MEMBERSHIP.—The members of the council shall be the Secretary of Agriculture, the Secretary of Education, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Labor, the Director of the Office of National Drug Control Policy, and the Attorney General of the United States.

(c) DUTIES.—The council shall—

(1) review and approve applications submitted under section 8005;

(2) direct the appropriate Federal agency head to provide assistance under the selected programs under approved applications using amounts available pursuant to this subtitle;

(3) carry out any other responsibilities of the council as provided under this subtitle.

(d) CO-CHAIRPERSONS.—The co-chairpersons of the council shall be the Attorney General and—

(1) with respect to any matter concerning an urban tax enterprise zone designated under section 1391 of the Internal Revenue Code of 1986, the Secretary of Housing and Urban Development; and

(2) with respect to any matter concerning a rural development investment zone designated under section 1391 of the Internal Revenue Code of 1986, the Secretary of Agriculture.

SEC. 8007. DEFINITIONS.

For purposes of this subtitle:

(1) The term "appropriate Federal agency head" means, with respect to each program referred to in section 8004, the head of the Federal agency or other Federal official responsible for administering such program.

(2) The term "approved application" means an application under section 8005 for assistance provided under this subtitle that is approved by the interagency council.

(3) The term "eligible entity" means, with respect to a selected program under an application under section 8005, an entity in the tax enterprise zone that is eligible (or pursuant to section 8005(c)(5), has applied for eligibility) to receive and administer amounts under the program and is designated under the application to receive and administer amounts provided for the program pursuant to this subtitle.

(4) The terms "interagency council" and "council" mean the interagency council established under section 8006.

(5) The term "selected program" means, with respect to a tax enterprise zone, any of the programs identified in an application under section 8005 for which funding under this subtitle is requested.

(6) The term "tax enterprise zone" means an urban tax enterprise zone or a rural development investment zone, designated under section 1391 of the Internal Revenue Code of 1986.

SEC. 8008. STUDY AND REPORT.

(a) STUDY.—The council shall conduct a study to identify—

(1) any alternative methods or systems for allocation of amounts made available pursuant to this subtitle among tax enterprise zones; and

(2) any problems experienced in the implementation and administration of the provisions of this subtitle, including identification of any provisions of law or regulations relating to the programs referred to in section 8004 for which a waiver would facilitate carrying out the purposes of this subtitle.

(b) REPORT.—Not later than the expiration of the 1-year period beginning on the date of the enactment of this Act, the council shall submit to the Congress a report regarding the study conducted under subsection (a), which shall include any recommendations for improving the program for assistance under this subtitle.

SEC. 8009. REGULATIONS.

The council shall issue any regulations necessary to carry out this subtitle not later than the expiration of the 60-day period beginning on the date of the enactment of this Act.

Subtitle B—Additional Funding Under Specific Programs

SEC. 8031. UNITED STATES ATTORNEYS ACCOUNT.

(a) AUTHORIZATION.—There are authorized to be appropriated to the Department of Justice $4,000,000 for fiscal year 1993, $8,000,000 for fiscal year 1994, $11,500,000 for fiscal year

1995, and $12,500,000 for each of the fiscal years 1996 and 1997 for the offices of the United States Attorney to assist local law enforcement agencies in tax enterprise zones and for additional coordination of Federal law enforcement and prosecutorial activities within such zones. The amounts authorized under this section shall be in addition to any amounts authorized to be appropriated under any other provisions of law for the purposes under this section.

(b) FEDERAL USE OF FUNDS.—Such funds are to be utilized by offices of the United States Attorney in tax enterprise zones to assist Federal, State and local, and joint prosecutorial and law enforcement activities within such zones.

(c) STATE AND LOCAL GRANTS.—Authorized representatives of the offices of the United States Attorney in tax enterprise zones may make grants to State and local law enforcement agencies in such zones to supplement local law enforcement programs.

SEC. 8032. NEIGHBORHOOD REINVESTMENT CORPORATION.

Section 608(a) of the Housing and Community Development Amendments of 1978 (42 U.S.C. 4107(a)) is amended—

(1) in paragraph (1)—

(A) by inserting "(A)" after "(1)";

(B) by striking "paragraph" and inserting "subparagraph"; and

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

"(B) In addition to amounts authorized under subparagraph (A), there are authorized to be appropriated to the corporation to carry out this title $5,000,000 for fiscal year 1993, $10,000,000 for fiscal year 1994, $13,000,000 for fiscal year 1995, $15,000,000 for fiscal year 1996, and $10,000,000 for fiscal year 1997. Any amounts appropriated under this subparagraph shall be used only for activities of the corporation and for providing assistance and grants for programs and activities (as provided under section 606(a)), that are to be carried out within, or to benefit neighborhoods located within, urban tax enterprise zones or rural development investment zones established under section 1391 of the Internal Revenue Code of 1986."; and

(2) in paragraph (2), in the matter preceding subparagraph (A), by striking "this subsection", and inserting "paragraph (1)(A)".

SEC. 8033. MINORITY ENTERPRISE BUSINESS INVESTMENT COMPANIES.

There is authorized to be appropriated for providing assistance to companies operating under the authority of section 301(d) of the Small Business Investment Act of 1958 which are organized for the purpose of financing small business concerns located within urban tax enterprise zones or rural development investment zones established under section 1391 of the Internal Revenue Code of 1986 $10,000,000 per fiscal year for each of fiscal years 1993, 1994, 1995, 1996, and 1997. The amounts authorized under this section shall be in addition to any amounts authorized to be appropriated under any other provisions of law for the purposes under this section.

Subtitle C—Other Programs

SEC. 8051. WAIVER OF PUBLIC SERVICES CAP UNDER COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

Section 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)) is amended—

(1) by inserting "(A)" before "unless such unit"; and

(2) by inserting before the semicolon at the end the following: ", or (B) unless unit of general local government is located within or contains an urban tax enterprise zone or rural development investment zone (as so designated under section 1391 of the Internal Revenue Code of 1986), in which case such unit of general local government may use, in addition to such 15 percent of the amount of any assistance provided to the unit (or in the case of nonentitled communities, 15 percent statewide) under this title, including program income, an additional 15 percent of such amount of assistance for activities under this paragraph within such enterprise zone".

SEC. 8052. LOAN GUARANTEES FOR DEVELOPMENT ACTIVITIES.

(a) ADDITIONAL CREDIT AUTHORITY.—In addition to any commitments to guarantee notes and obligations under section 108 of the Housing and Community Development Act of 1974 entered into pursuant to the authority provided under the fifth sentence of section 108(a) of such Act, the Secretary of Housing and Urban Development shall enter into commitments to guarantee notes and obligations pursuant to this section and such section 108 with an aggregate principal amount of $500,000,000, without fiscal year limitation, to the extent approved or provided in appropriation Acts and subject only to the absence of applications from qualified public entities under subsection (b) or proposed activities and to the authority provided in this section.

(b) QUALIFIED PUBLIC ENTITIES.—For purposes of this section, the term "qualified public entity" means any unit of general local government (as such term is defined in section 102 of the Housing and Community Development Act of 1974) within which a tax enterprise zone (as such term is defined section 8007 of this Act) is located, and such term includes any public agency designated by any such unit of general local government.

(c) ELIGIBLE ACTIVITIES.—Notwithstanding the first sentence of section 108(a) of the Housing Act of 1974, guarantees may be provided under this section only for notes and other obligations issued for the purposes of financing activities for the establishment, development, and redevelopment of businesses in tax enterprise zones (as such term is defined section 8007 of this Act), including acquisition of property located within such zones for businesses, providing working capital and capital for start-up costs and inventory, and acquisition, construction, reconstruction, and rehabilitation of structures located within tax enterprise zones for businesses.

SEC. 8053. ESTABLISHMENT OF YOUNG ADULT EMPLOYMENT DEMONSTRATION PROGRAM.

Title IV of the Job Training Partnership Act (29 U.S.C. 1671 et seq.) is amended by adding at the end the following new part:

"PART H—YOUNG ADULT EMPLOYMENT DEMONSTRATION PROGRAM

"SEC. 491. STATEMENT OF PURPOSE.

"It is the purpose of the Young Adult Employment Demonstration program under this part to—

"(1) ensure access to education and job training assistance for youth and young adults residing in tax enterprise zones;

"(2) make provisions for a comprehensive range of education, training, and employment services to disadvantaged youth and young adults in tax enterprise zones who are not currently served or are underserved by Federal education and job training programs;

"(3) enable communities located in or containing tax enterprise zones to establish and meet goals for improving the opportunities available to youth and young adults within the tax enterprise zone; and

"(4) facilitate the coordination of comprehensive services to serve such youth and young adults.

"SEC. 492. PROGRAM AUTHORIZED.

"(a) ESTABLISHMENT OF PROGRAM.—The Secretary is authorized to establish a program of Young Adult Employment Demonstration grants to provide comprehensive services to youth and young adults living in tax enterprise zones.

"(b) ELIGIBILITY FOR GRANTS.—

"(1) RECIPIENTS.—The Secretary may only award grants under this part to—

"(A) the participating community for a target area that is located within a service delivery area; or

"(B) grantees designated under sections 401 and 402, or a consortium of such grantees and the State, when the target area is located in an Indian reservation, Alaskan Native village, or migrant or seasonal farmworker community.

"(2) NUMBER OF GRANTS.—The Secretary may award not more than 50 grants during the first fiscal year the program is authorized.

"(c) RENEWABILITY OF GRANTS.—Grants awarded under this part shall be for a 1-year period and shall be renewable for each of the 2 succeeding fiscal years if the Secretary determines the grant recipient complied with conditions of the grant during the previous fiscal year.

"(d) FACTORS FOR AWARDS.—In awarding grants under this part, the Secretary shall consider the quality of the proposed project, the goals to be achieved, the likelihood of the project's successful implementation, the extent of community support and other Federal and non-Federal funds available for similar purposes, and the new State, local, or private resources.

"(e) SELECTION REQUIREMENTS.—In awarding grants under subsection (b), the Secretary shall not approve an application unless the application contains assurances that the applicant will use funds from a grant to provide job training, education, services, stipends (only to individuals age 17 to 30), and needs-related payments in accordance with sections 493 and 494.

"SEC. 493. APPLICATION.

"(a) ELIGIBILITY TO APPLY.—Participating communities shall be eligible to apply for a Young Adult Employment Demonstration grant under this part.

"(b) CONTENTS OF APPLICATION.—Each participating community desiring a grant under this part shall, through the individuals described in subsection (c), submit an application to the Secretary at such time in such manner and accompanied by such information as the Secretary may reasonably require. Each such application shall—

"(1) include a comprehensive plan for the Young Adult Employment Demonstration initiative designed to achieve identifiable goals for youth and young adults in the target area;

"(2) set forth measurable program goals and outcomes, which may include increasing the proportion of—

"(A) youth completing high school or its equivalent,

"(B) youth and young adults entering into postsecondary institutions, apprenticeships, or other advanced training programs;

"(C) youth and young adults placed in jobs; or

"(D) eligible youth and young adults participating in education, training, and employment services;

"(3) include supporting goals for the target area such as increasing security and safety, or reducing the number of drug-related arrests;

"(4) provide assurances that the conditions set forth in section 494 will be met;

"(5) demonstrate how the participating community will make use of the resources, expertise, and commitment of institutions of higher education, educational agencies, and vocational and technical schools and institutes;

"(6) ensure that all youth and young adults in the target areas have access to a coordinated and comprehensive range of education and training opportunities which serve the broadest range of interests and needs of youth and young adults and simultaneously mobilize the diverse range of education and training providers in the participating community;

"(7) include support services necessary for successful participation by eligible youth and young adults, including child care, transportation, and assistance in resolving personal or family crises such as those related to substance abuse, homelessness, migration, and family violence;

"(8) include a system of common intake, individualized assessment, and case management;

"(9) include an estimate of the expected number of youth and young adults in the target area to be served;

"(10) include a description of the resources available in the participating community from private, local government, State and Federal sources which will be used to achieve the goals of the program;

"(11) provide evidence of support for accomplishing the stated goals of the participating community from—

"(A) local elected officials,

"(B) the local school system,

"(C) postsecondary education and training institutions,

"(D) the applicable private industry council,

"(E) local community leaders,

"(F) business,

"(G) labor organizations, and

"(H) other appropriate organizations; and

"(12) provide assurances that the target area includes, to the maximum extent possible, the poorest neighborhoods in the community, such as those with substantial numbers of public housing facilities.

"(c) SUBMISSION OF APPLICATION.—The application for funds for a participating community may only be submitted to the Secretary by—

"(1) the mayor of a city or the chief elected official in a metropolitan statistical area, after the Governor of the State has had an opportunity to comment on the application;

"(2) the chief elected official of a nonmetropolitan county or the designated chief elected official of contiguous nonmetropolitan counties, after the Governor of the State has had an opportunity to comment on the application; or

"(3) the grantee designated under sections 401 or 402, or jointly by the grantee and the Governor or the State in which such grantee is located, in applications for Native American or migrant or seasonal worker communities.

"SEC. 494. GRANT AGREEMENT.

"Each grant recipient under this part shall enter into an agreement with the Secretary. Each such agreement shall—

"(1) designate a target area that will be the focus of the demonstration project and which shall have a population of not more than 25,000 (or upon approval of the Secretary, a population of not more than 75,000), except that in the event that the population of an area from which a high school draws a substantial portion of its enrollment exceeds this limit, the target area may encompass such boundary;

"(2) contain assurances that funds provided under this part will be used to support education, training, and supportive activities selected from a set of youth program models designated by the Secretary or from alternative models described in the application and approved by the Secretary, such as—

"(A) nonresidential learning centers;

"(B) alternative schools;

"(C) combined summer remediation, work experience and work readiness training, and school-to-work/apprenticeship/post-secondary education program;

"(D) teen parent programs;

"(E) special programs administered by community colleges;

"(F) youth centers;

"(G) initiatives aimed at increased rural student enrollment in post-secondary institutions;

"(H) public-private collaborations to ensure private sector employment and continued learning opportunities for youth; and

"(I) initiatives that combine community and youth service opportunities with education and training activities;

"(3) provide that funds received under this section will be used for services to youth and young adults age 14 to 30 at the time of enrollment;

"(4) contain assurances that the local educational agency and any other educational agency which operates secondary schools in the target area shall provide such activities and resources as are necessary to achieve the educational goals specified in the application;

"(5) contain assurances that the participating community will provide such activities and local resources as are necessary to achieve the goals specified in the application;

"(6) contain assurances that the participating community shall undertake outreach and recruitment efforts in the target area to encourage, to the maximum extent possible, participation by those disadvantaged youth and young adults who are currently unserved or underserved by education and training programs, including targeted measures specifically designed to enlist the participation of minority youth and young adults, particularly males and youth and young adults under the jurisdiction of the child welfare, juvenile justice, and criminal justice systems;

"(7) provide that the participating community will carry out special efforts to establish coordination with Federal, State, or local programs that serve the target population;

"(8) provide assurances that funds provided under this part will be used only to pay the cost of programs and services not otherwise available in the target area and will supplement, and not supplant, funding from other local, State and Federal sources available to youth and young adults in the target area during the previous year; and

"(9) provide assurances that funds provided under this part shall be used to pay stipends for participant support in paid work experience and classroom training programs when such programs are combined with other education and training activities.

"SEC. 495. JOB GUARANTEES.

"(a) PROGRAM AUTHORITY.—The Secretary shall permit a number of the grant recipients under this part to enter into an agreement to provide, in accordance with this section, a job guarantee program to youth meeting prior school attendance and performance standards.

"(b) GUARANTEE AGREEMENTS.—A grant recipient providing a job guarantee program shall enter into an agreement with the Secretary. Such agreement shall—

"(1) provide that the program be available to youth age 16 to 19 who undertake a commitment to continue and complete their high school education;

"(2) require the grant recipient to guarantee employment to each youth undertaking that commitment if such youth meets school attendance and performance standards for the previous school semester, as established by the Secretary in consultation with the Secretary of Education;

"(3) provide that the grant recipient will make additional services available to support the undertaking of any such youth, which shall include counseling, job development and placement, and support services (including child care and transportation);

"(4) specify the conditions under which funds provided under this part may be used to provide wage subsidies of up to 50 percent through employers, which shall—

"(A) encourage subsidies to employers who provide advanced or specialized training, or who provide a structured and integrated learning experience involving the school and employer; and

"(B) limit the duration of such subsidies to not more than 1 year;

"(5) require that the employment provided to any such youth shall not exceed 15 hours per week during the school year;

"(6) permit employment to continue through the summer following high school graduation, or until the youth reaches age 19, whichever is later; and

"(7) contain such other terms and conditions as the Secretary requires by regulation.

"(c) SELECTION OF GRANT RECIPIENTS.—In determining which grant recipients to permit to enter into an agreement under this section, the Secretary shall seek to target funds to high poverty areas.

"(d) YOUTH ELIGIBILITY.—All youth age 16 to 19, regardless of income, residing in the eligible high poverty area shall be eligible to participate in the job guarantee.

"(e) PRIVATE FUNDS.—Nothing in this section shall be construed to prohibit the grant recipient from raising funds to augment such grant if such funds are utilized under the conditions of this grant, except that such funds shall not be used for administration purposes.

"SEC. 496. PAYMENTS AND MATCHING REQUIREMENT.

"(a) PAYMENTS.—In any fiscal year, the grant awarded under this part to a grant recipient shall be determined according to the amount to be provided for the program pursuant to designation of the program as a selected program under an application made on behalf of a tax enterprise zone under section 8005 of the Revenue Act of 1992, and shall be of sufficient size and scope to carry out an effective program.

"(b) MATCHING REQUIREMENT.—A grant recipient shall provide non-Federal funds in an amount equal to 10 percent of the funds from such grant, an in-kind contribution equivalent to such percent (as determined by the Secretary), or a combination thereof.

"SEC. 497. REPORTING.

"The Secretary is authorized to establish such reporting procedures as necessary to carry out the purposes of this part.

"SEC. 498. FEDERAL RESPONSIBILITIES.

"(a) ASSISTANCE IN IMPLEMENTATION.—The Secretary shall provide technical assistance in the implementation of this project in participating communities.

"(b) INDEPENDENT EVALUATION.—The Secretary shall provide for a thorough, independent evaluation of the activities assisted under this part. Such evaluation shall include an assessment of—

"(1) the impact on youth and young adults residing in target areas, including their rates of school completion, enrollment in advanced education or training, and employment;

"(2) the extent to which participating communities fulfilled the goal of guaranteeing access to appropriate education, training, and supportive services to all eligible youth and young adults residing in target areas who seek to participate;

"(3) the effectiveness of guaranteed access to comprehensive services combined with outreach and recruitment efforts in enlisting the participation of previously unserved or underserved youth and young adults residing in target areas; and

"(4) the effectiveness of efforts to integrate service delivery in target areas, including systems of common intake, assessment, and case management.

"(c) REPORT.—The Secretary shall prepare a report describing the results of the independent evaluation conducted pursuant to subsection (b).

"(d) RESERVATION OF FUNDS.—The Secretary may reserve not more than 5 percent of the amounts to be used for assistance under this part in each fiscal year to carry out the provisions of this section.

"SEC. 498A. DEFINITIONS.

"For the purposes of this part—

"(1) The term 'participating community' means—

"(A) a city, when referring to an urban area that is located within or contains a tax enterprise zone;

"(B) a nonmetropolitan county or contiguous nonmetropolitan counties, that is located within or contains a tax enterprise zone; and

"(C) a section 401 or 402 grantee, or consortia of the State and section 401 or 402 grantee, when referring to Indian reservation, Alaska Native village, and migrant or seasonal farmworker community, that are located within or contain a tax enterprise zone.

"(2) The term 'high poverty area' means (A) an urban census tract, a nonmetropolitan county, an Indian reservation, or an Alaskan Native village, with a poverty rate of 30 percent or more as determined by the Secretary based on the latest Bureau of the Census estimates, or (B) a migrant or seasonal farmworker community.

"(3) The term 'target area' means a high poverty area (or portion thereof) or set of contiguous high poverty areas, that is located within a tax enterprise zone and will be the focus of the program under this part in a participating community.

"(4) The term 'tax enterprise zone' has the meaning given the term in section 8007 of the Revenue Act of 1992.".

TITLE IX—APPROPRIATION OF ADDITIONAL ASSISTANCE FOR TAX ENTERPRISE ZONES

SEC. 9001. APPROPRIATION OF ADDITIONAL ASSISTANCE FOR TAX ENTERPRISE ZONES.

The following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 1993, to implement an initiative to improve the quality of life and expand economic opportunity in 16 urban and rural tax enterprise zones, namely:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN ENTERPRISE COMMUNITY BLOCK GRANT

For grants to States and units of general local government necessary for implementing activities to rejuvenate neighborhoods in eight urban tax enterprise zones as authorized under title VIII of this Act, $384,800,000, to remain available until September 30, 1994.

DEPARTMENT OF AGRICULTURE

FARMERS HOME AND RURAL DEVELOPMENT PROGRAMS

RURAL ENTERPRISE COMMUNITY BLOCK GRANT

For grants to States and units of general local government necessary for implementing activities to promote rural development investments in eight rural development investment zones as authorized under title VIII of this Act, $96,200,000, to remain available until September 30, 1994.

DEPARTMENT OF JUSTICE

LEGAL ACTIVITIES

SALARIES AND EXPENSES, UNITED STATES ATTORNEYS

For an additional amount for "Salaries and Expenses, United States Attorneys", $4,000,000, to remain available until September 30, 1994, for the offices of the United States Attorney to assist local law enforcement agencies in tax enterprise zones and for additional coordination of Federal law enforcement and prosecutorial activities within such zones as authorized under section 8031 of this Act.

NEIGHBORHOOD REINVESTMENT CORPORATION

PAYMENT TO THE NEIGHBORHOOD REINVESTMENT CORPORATION

For an additional amount for "Payment to the Neighborhood Reinvestment Corporation", $5,000,000, to remain available until September 30, 1994, for activities authorized under section 8032 of this Act.

SMALL BUSINESS ADMINISTRATION

MINORITY ENTERPRISE BUSINESS INVESTMENT COMPANIES

To provide assistance to companies operating under authority of section 301(d) of the Small Business Investment Act of 1958 which are organized for the purpose of financing small business concerns located within tax enterprise zones, $10,000,000, to remain available until September 30, 1994, as authorized under section 8033 of this Act.

SEC. 9002. PROGRAM PERFORMANCE REPORTS.

The interagency council established under section 8006 of this Act shall submit quarterly reports to the House and Senate Committees on Appropriations outlining the status of each appropriation made under section 9001. Such report shall include the location of each tax enterprise zone established under this Act, the amounts allocated to each tax enterprise zone under each program, the amounts obligated under each program to date, a schedule for obligation of the remaining funds, and a "before and after" program performance status report for each tax enterprise zone stating the quantifiable goals to be achieved and performance to date against those goals.

SEC. 9003. APPROPRIATED AMOUNTS CONSIDERED AS DISCRETIONARY SPENDING.

All amounts of new budget authority and outlays under this title shall be considered discretionary appropriations, notwithstanding section 2 of this Act and for all purposes of the Balanced Budget and Emergency Deficit Control Act of 1985, and shall not be considered direct spending or receipts for any purpose of that Act.

The SPEAKER pro tempore (Mr. LANCASTER). Pursuant to the rule, the gentleman from Illinois [Mr. ROSTENKOWSKI] will be recognized for 20 minutes, and the gentleman from Texas [Mr. ARCHER] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois [Mr. ROSTENKOWSKI].

GENERAL LEAVE

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 11, the bill now under consideration.

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

There was no objection.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of H.R. 11, the Revenue Act of 1992. The people of this country are crying out to us, their Government, to stop the bickering, stop the gridlock, and be responsive to their needs. This bill is a bipartisan response to that cry. I urge my colleagues to support it enthusiastically, and I urge the President to sign it.

Mr. Speaker, H.R. 11 would provide significant relief to distressed areas, both urban and rural. It would extend several expiring tax provisions permanently and other expiring provisions for 18 months. It would include some important provisions previously passed by the House of Representatives and some passed by various subcommittees of the Committee on Ways and Means; and it would raise sufficient revenue to maintain deficit neutrality over the next 6 years.

More specifically, H.R. 11 would establish procedures for the designation of 50 tax enterprise zones—25 urban enterprise zones and 25 rural development investment zones. Zones could be designated through 1996 and, once designated, would be in effect for 15 years.

Special tax incentives would be available to businesses within each enterprise zone including a wage credit of 15 percent on wages up to $20,000 paid to each of their employees who lives and works within the zone.

Small businesses within a zone that meet certain requirements would be al-

lowed additional expensing for purchases of equipment. More favorable loss deductions would be available for certain property and ownership interests in zone businesses. The rules for tax-exempt bound financing would be liberalized to expand zone businesses' access to capital.

Individual investors could defer tax on capital gains earned within the zone as long as they reinvested the proceeds in the zone, and could exclude 50 percent of capital gains on sales of certain new zone assets after a 5-year holding period. Finally, individuals who do not elect the capital gains exclusion could deduct up to $25,000 per year for the purchase of stock in a zone business.

H.R. 11 would also increase the Federal share of spending on the Job Opportunity and Basic Skills [JOBS] Program and would facilitate the States in obligating funds carried over from prior years. It would make more flexible jobs program participation rules for students.

The bill would also include the administration's proposal to permit State governments to exclude certain assets from AFDC limits in order to promote self-sufficiency among beneficiaries.

H.R. 11 would also provide for the permanent extension of the low-income housing credit, the targeted jobs credit, qualified mortgage bonds and mortgage credit certificates, and qualified small-issue bonds. Other expiring tax provisions would be extended for 18 months, that is, through December 31, 1993. These include the R&D credit, educational assistance, group legal services, and the minimum tax exemption for gifts of appreciated property.

The bill also provides for $2½ billion in block grants for the most distressed urban and rural areas of our country. This will enable additional domestic spending on vital social programs and law enforcement efforts within enterprise zones.

H.R. 11 includes many provisions previously passed by the House of Representatives, previously proposed by President Bush, and previously included in Republican substitutes to a variety of bills reported from the Committee on Ways and Means.

In this regard, the bill would relax the rules that apply to passive real estate investments, and would repeal the luxury tax on boats, airplanes, jewelry, and furs. In addition, the bill includes several provisions that were part of President Bush's original seven point economic program including passive loss relief for real estate, relief from the minimum tax for capital-intensive companies, and encouragement for pension plan investment in real estate.

Mr. Speaker, much misinformation has been passed around this Chamber about the so called intangibles legislation contained in this bill.

This bill provides major simplification regarding the tax treatment of intangibles. It provides that for newly acquired assets, all intangibles will be amortized over 14 years. It does not give a windfall for any past activities—including any mergers and acquisitions. It is only for the future.

And the provision is fair for the future. It eliminates much controversy today that is taking time of both companies and the IRS. It does this in a way that increases the write-off period for some assets and decreases it for others. The net simplification is revenue neutral and fair.

The bill also includes a package of more than 100 provisions that will simplify and streamline the tax-paying process for millions of taxpayers.

The bill provides for many technical corrections in the areas of tax, Social Security, human resources, and trade. Many of these provisions were included in H.R. 1555, which overwhelmingly passed the House last November.

The taxpayer bill of rights is also included in the bill. This would result in improved fairness in transactions between the IRS and the taxpaying public.

In order to finance the bill, H.R. 11 would require securities dealers to mark-to-market any securities held for inventory; would change the rules by which individuals and corporations pay estimated taxes; would deny the so-called double dip by savings and loans; would extend the higher current tax rates on the largest estates; and would cap allowable deductions for moving expenses at $5,000; along with several other miscellaneous provisions.

Mr. Speaker, I am sincerely hopeful that the President will sign this critically important bill. Several of the revenue raisers contained in the bill have been included in the President's budget and various Republican substitutes. In the interest of constructing a bill that the President can sign, the Ways and Means Committee was very careful to include the least controversial revenue raisers possible.

Mr. Speaker, I urge passage of H.R. 11 because it would do a great deal of good for a great number of Americans. I urge the support of my colleagues because more than the substantive policy contained in the bill is at stake. Also at stake is the ability of this institution to govern in the best interests of our constituents—the American people. As substantively important as this bill is, it is equally important that we demonstrate to our constituents, and to ourselves, that we can legislate and govern in their interest. H.R. 11 deserves strong bipartisan support, which I urge upon all my colleagues, and on the President of the United States.

□ 1550

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in what I have to admit is a somewhat reluctant support of H.R. 11. I am reluctant because, while I am committed to helping this legislation move forward to the Senate, I have strong personal reservations about a number of its provisions. In normal circumstances, those reservations would cause me to oppose the bill. But these are not normal circumstances.

Chairman ROSTENKOWSKI has pointed out a number of the very positive provisions the bill contains—and it is a mixed bag. I agree that there is much good in it.

A key element of this bill is the President's enterprise zone program which he and its strongest proponent—my friend, HUD Secretary Jack Kemp—feel strongly must be given a chance to become law. I am pledged to help them in this step in that effort, and I intend to vote for this bill that will move the process forward to the Senate.

I must point out, however, several other provisions of H.R. 11 which I hope will be addressed by the Senate—and which must be addressed by the eventual conference committee on the bill if I am to support the final conference report.

In its present form, H.R. 11 would cause an entitlement sequester—principally Medicare—of nearly $8.5 billion in fiscal years 1993 through 1995. That has to be corrected in conference. I have been told that it will be vetoed. If it does not meet year by year pay-go requirements of the Budget Enforcement Act.

The country's poorest and bleakest areas deserve our attention—but they need the right kind of attention.

That is why I am disappointed that the incentives in the original administration proposal for revenue zones has been watered down to where it will not take the type of effect that I would like to see it take.

It extends other provisions for 18 months and extends one for 6 months. This to me is somewhat of an inequity, where some are picked and chosen and others are not given the same treatment.

In what can be viewed as a rebuke to small business owners, the Ways and Means Committee decided to retain for 5 additional years a 55 percent estate tax minimum rate. It is actually 60 percent effectively for some taxpayers. This was scheduled to phase down to 50 percent in 1985 and has been frozen at the instance of the majority year after year.

Confiscatory estate taxes deter capital formation and entrepreneurial business growth, and unfairly penalize small family businesses.

In addition, H.R. 11 imposes a $5,000 ceiling on the deduction of moving expenses. This averages, I am told, for families in this country $11,000. These families earn on average $30,000 in taxable income. This is an increase in

their tax bill frequently where they have to move to change locations to find a new job.

One of the bill's other revenue sources is a change in estimated tax safe harbor rules for individuals.

□ 1600

It does correct last year's complex mess, but the price for corrections is that all taxpayers, even those under $75,000 now must pay 115 percent of last year's tax liability in order to take the safe harbor. It lengthens the depreciation for commercial property from 31½ years to 40 years, and that is extremely counterproductive of what we are trying to do, to stabilize real estate values.

Individual Members may not like the tax incentives that were provided by the Federal Government as part of the thrift acquisition, but they were in place. Mr. Speaker, we can question whether those tax provisions were too liberal at the time, but they were on the books when these S&L's were acquired. They were taken into consideration by the acquirer. Now to retroactively pull those out is really bad tax policy. It sets an awful precedent.

I also disagree with the provisions in H.R. 11 dealing with Suter versus Artist M., the Supreme court decision, because it perhaps unintendedly, but as I read it, promises the right to sue if any State plan requirement is not met. I think that is dangerously broad. There are literally hundreds of State plan requirements in the programs established by the Social Security Act, and beneficiaries, if they feel they have not gotten the benefit of those, can now sue the State. It opens the State up to tremendous litigation.

It is clear that I am uncomfortable with many of the provisions in the bill, but I will vote for it because I believe it needs to be moved forward, and I hope these can be corrected by the Senate or in conference.

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

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentlewoman from California [Ms. WATERS].

Ms. WATERS. I thank the chairman for yielding.

Mr. Speaker, I rise in support of this legislation. I support this legislation because the cities are in trouble. My own community is in trouble. We are desperate for help.

I support enterprise zones as an experiment. I am not sure that they will work. I know that I have worked on this bill to create some funding for social programs and not simply have an enterprise zone that would simply give tax credits to the corporations. We have covered in this legislation job training, we also have community policing, child care investments and public housing, low-interest loan guarantees for cities. Is it enough? No, it is not. It is $2.5 billion. I think we need somewhere in the neighborhood of $30 billion to $40 billion to $50 billion to deal with the problems of the cities. Perhaps this is a beginning.

I want to say to the President of the United States of America he has got his enterprise zones. He has been able to give a whole lot of tax credits. We have created a new concept about what enterprise zones should be, by putting these social programs in here.

We need more money, we need more support. I have created a new program that will give stipends to young people from 17 to 30 who are in training, perhaps with support for the first time. Is it enough? No. Is it a beginning? Perhaps yes.

I am going to be watching this bill as it goes through the other body and when it comes back here with a conference report, to make sure that the money is in here for us to fund these programs. If it is not, I am not going to support a conference report.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina [Mr. ROSE].

Mr. ROSE. I thank the committee chairman for yielding this time to me.

Mr. Chairman, I would like to ask the chairman of the committee, the gentleman from Illinois [Mr. ROSTENKOWSKI], with regard to the taxpayer bill of rights that is included in H.R. 11, is it your understanding that the mitigation statutes of the Tax Code should be construed to do equity for taxpayers? More specifically, in a case where there has been an agreement, such as a form 870–AD waiver of restrictions on assessments, signed by the Secretary and by any person, which provides that the liability under the agreement will not be reopened in the absence of fraud, malfeasance, or misrepresentation of fact, is it your understanding that the Internal Revenue Service is not precluded from considering such an agreement as a determination under section 1313 of the Internal Revenue Code if it is satisfied that the Government's interests are adequately protected?

Mr. ROSTENKOWSKI. Mr. Speaker, if the gentleman will yield, yes, that is my understanding.

Mr. ROSE. Mr. Speaker, I thank the chairman of the committee, and I urge all of my colleagues to support H.R. 11.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. SCHULZE], a member of the Committee on Ways and Means.

Mr. SCHULZE. I thank the gentleman for yielding this time to me.

Mr. Speaker, I rise in moderate support of the Revenue Act of 1992, H.R. 11.

My support is tempered by the knowledge that this is likely the last tax bill on which I will vote as a Member of Congress. This being the case, I certainly wish this bill addressed the real long-term economic reality of the American economy. Unfortunately, it does not.

H.R. 11 is another patchwork of tax provisions that could be described as confusing, obsolete, revenue grabs or special interest related. However, it is probably the best our divided Congress could do in a Presidential election year. This measure, my colleagues, is another indication of why the American people are fed up with Congress. Rather than developing a tax bill to stimulate the economy, to reduce the deficit, or to address fundamental flaws in our corporate tax system, we are again passing the buck on to the people and the bucks, as in dollars, to the tax lawyers.

While I do not much care for this bill, there are several items of note I'd like to recognize. First, essential changes in the alternative minimum tax will simplify corporate taxation and make our tax code more equitable for capital intensive businesses.

Second, the taxpayer bill of rights provisions from our oversight subcommittee clearly take another step forward in ensuring the IRS treats American taxpayers more fairly. We codify the portillo decision and improve citizen access to fair IRS treatment.

Finally, after years of foot-dragging, this measure calls for fair revisions to the passive-loss rules providing some relief to a beleaguered real estate industry. I hope this is not another example of the old adage—too little, too late.

In closing, Mr. Speaker, it is finally gratifying to see Congress acknowledge the need for enterprise zones. While the provisions are too limited for my liking, the compromise reached with the administration may bring prosperity to our blighted urban areas.

Having initiated enterprise zone legislation in the early 1980's with HUD Secretary Jack Kemp, I am glad to see that hope for Philadelphia, and especially Chester, PA, may be just around the corner. If we had acted 10 years ago, rather than today, perhaps urban decay in America would be a nightmare rather than reality.

To the people of our great Nation, to my constituents and to the people of Chester, I say this is not close to the best we can do—but it is about all that we can do this year.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. RANGEL].

Mr. RANGEL. I thank the gentleman for yielding this time to me.

Mr. COUGHLIN. Mr. Speaker, would the gentleman from New York yield for just a moment?

Mr. RANGEL. I yield to the gentleman from Pennsylvania.

Mr. COUGHLIN. I thank the gentleman for yielding.

Mr. Speaker, I just wanted to confirm that the Weed and Seed Program

has a law enforcement component as well as a seed component, is that correct?

Mr. RANGEL. No question about it. But that specific program is not in the legislation before us today. The Weed and Seed Program at Justice is not part of this bill.

Mr. COUGHLIN. I thank the gentleman.

Mr. RANGEL. But no question about it.

Mr. Speaker, let me say this, that this is a great opportunity for America to see what can work in the cities. It is when Republicans and Democrats, together recognize that we are paying over $300 billion a year in lost productivity, unnecessary health costs, drug treatment, exorbitant rates of incarceration and millions of people without jobs that we see this bill is nothing if we just talk about 50 enterprise zones. But this bill gives us an opportunity to start, for the first time investing in people, keeping our kids in school, giving them job training and giving them an opportunity to earn a living and become a part of the American dream. There are people who are talking about too much juice for the corporations. Let me explain this: That the corporations cannot get a tax credit unless, first, they go into the zone, second, they have a business, they hire people, and third, they are successful and they make a profit. Then and only then do you have a revenue shortfall. And if that shortfall is made by kids having a job, then I say it is worth it. It costs a heck of a lot less than sweeping up kids and putting them in jail. This bill is an experiment, an American experiment in the true spirit of our people.

I want to thank DAN ROSTENKOWSKI, who provided the leadership and took the risk. That is all that this is. Maybe on this side we will not have to use terms like weed and seed and enterprise zones; we will do it because it is the right thing to do.

□ 1610

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa [Mr. LEACH].

Mr. LEACH. Mr. Speaker, I rise to note my skepticism on the pure good will provision of the bill.

Mr. Speaker, this measure has a number of extraordinarily positive features—such as enterprise zones—but I have to object as strenuously as possible to one ill-conceived provision: The reversal of long standing tax policy implicit in the establishment of a new tax deduction for purchased goodwill. The effect of this change in accounting for goodwill is to provide greater incentives for conglomeration, by creating, in effect, another egregious taxpayer subsidy for corporate takeovers.

There is a tendency in modern American politics to exaggerate perspective by hyperbolic rhetoric. Hence, an interpreter of modern international relations recently underscored his view of the impact of the dissolution of the Soviet empire by entitling an essay: "The End of History." At the risk of greater hyperbole, it is my view that for a Democratically controlled Congress to capitulate to the apostles of greed and, in an era of gaping deficits, provide a new tax loophole for corporate raiders symbolizes the end of liberalism.

American democracy is premised on free enterprise and the precept that citizens can be expected to have an economic as well as political stake in our society. The problem with this seemingly obscure tax deduction for purchased good will is that it gives incentives for the consolidation of old assets, not creation of new societal wealth, for the narrowing rather than widening of ownership of America. It is a ripoff for investment bankers, a tax break for those least in need.

By impelling takeovers of established businesses instead of providing incentives for entrepreneurial investment in new endeavors, it stultifies prospects for recovery and undercuts economic growth.

If this bill passes, as I assume it will overwhelmingly, I expect to work with the gentleman from Tennessee [Mr. COOPER] to move expeditiously to seek legislative reversal of this breach of faith with the American liberal tradition.

What Congress should be doing is ending the tax deductibility of interest when applied to takeovers of large corporations rather than adding new incentives to conglomerate. It is the middle-class taxpayer, not the Wall Street investor, the producer of goods and services, not the manipulator of financial paper that deserves a break. American priorities must be righted.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. MCGRATH], a member of the Committee on Ways and Means.

Mr. MCGRATH. Mr. Speaker, I rise in support of H.R. 11.

Mr. Speaker, this is the last best chance that we have to get some provisions into the law which most of us agree would be beneficial to our economy. We have already articulated the benefits of the enterprise zone legislation part and parcel of this bill. I would like to dwell, if I might, on the minigrowth package in this bill. That would be the extension of the expiring tax credit provisions.

Mr. Speaker, this bill permanently extends the low income housing tax credit, the targeted jobs tax credit, the mortgage revenue bond tax credit, and the small issue IDB tax credit. It extends for 18 months provisions of the R&D tax credit, the educational assistance tax credit, the legal services tax credit and the 25-percent deduction for those who purchase their own health insurance. For the real estate industry that needs to be stimulated it restores the passive loss deduction. It repeals the luxury tax that we enacted some years ago which has been such a burden to small businesses.

All this is vis-a-vis some tax revenues that some of us do not like, some tax raisers there that some of us do not like, but which the administration has supported from time to time in their budget submissions.

On balance, Mr. Speaker, this is a good bill which needs to be perfected but which needs to be passed out of this House today so that the Senate and the conference can do its deliberations.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Georgia [Mr. JENKINS].

Mr. JENKINS. My colleagues, I rise in support of this measure. I think this is the last opportunity that we will have in this Congress to extend some of the expiring tax provisions that have been mentioned, primarily the R&D tax credit, the tax credit for low-income rental housing, the targeted jobs credit, which is so important throughout the country, the qualified mortgage bonds and mortgage credit certificates and the qualified small issue bonds.

In addition to these expiring provisions, Mr. Speaker, we are extending for a shorter period of time the R&D tax credit, as well as the self-employment opportunity to deduct for health insurance, which I think should be made permanent, but we are extending it for 6 months.

Now, if we do not do this, then we shall not have the opportunity during this session to extend these expiring provisions.

Obviously each of us can find something wrong, if we want to, in this bill. We can find something that we do not like. But there are so many good things in this bill, and, second, this is a bill that will be signed by the President.

So, I urge my colleagues on both sides of the aisle to make certain that we pass this bill under suspension so that we can get it on over to the Senate and get it to the President. I say to my colleagues, "I urge your support of this H.R. 11."

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. LAGOMARSINO].

Mr. LAGOMARSINO. Mr. Speaker, I rise in support of the important tax credits that are extended in H.R. 11. I also applaud the repeal of the so-called luxury tax that has cost so many jobs, especially in the boating industry.

It is long past time that permanent status was given to the tax credits for targeted jobs, low-income housing, mortgage revenue bonds, and small issue industrial development bonds. All of these tax credits are very important for individuals and businesses in California.

For example, the mortgage revenue bond program has raised millions of dollars to help bring the American dream within reach for tens of thousands of low- and moderate-income first-time homebuyers in California. Also, in California at least 60 percent of mortgage revenue bond proceeds must be used for new construction, creating jobs while also combating the high cost of homeownership.

I am also very supportive of the 18-month extensions for tax credits for research and de-

velopment, employer-provided education, employer-provided legal services, and for charitable contributions of appreciated property. However, I believe that these credits, as well as the deduction for the cost of health insurance for our Nation's self-employed individuals, should be made permanent, too.

I also strongly support the repeal of the so-called luxury tax. I voted against the tax in 1990, and I will vote today for its repeal. This tax has not raised revenue, but has actually cost the Federal Government money. More importantly, the tax has cost the American economy thousands of jobs.

While I am encouraged by the committee's acknowledgement of the need for enterprise zones to help revitalize our Nation's economically depressed areas, I am disappointed that the proposal contained in this bill is weaker, and I believe will be less effective, than the enterprise zones being pushed by President Bush and HUD Secretary Jack Kemp.

Also, though I remain opposed to the current estate tax law, which is extended in this bill, I believe that the jobs and opportunities created by other provisions in H.R. 11 deserve support.

I urge my colleagues to join me in supporting H.R. 11.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee [Mr. SUNDQUIST], a member of the Committee on Ways and Means.

Mr. SUNDQUIST. Mr. Speaker, I rise in support of H.R. 11. It has many features that have been described already that are important to this country: enterprise zones, passive loss, taxpayers bill of rights, and a number of other very important provisions.

Now it is not perfect, as the gentleman from Texas [Mr. ARCHER] said earlier, but I think it does contain some reasonable compromises, and I am hopeful that it will come back from the Senate and that in the conference it will be made even better.

So, I urge my colleagues to vote aye on this H.R. 11 piece of legislation.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey [Mr. GUARINI].

Mr. GUARINI. Mr. Speaker, I rise in support of this bill. It contains many proven programs that will help our economy.

One provision that I want to call special attention to is the 18-month extension for educational assistance, a program that provides educational opportunities for working families. I would prefer to make it permanent. There was a bill that had 315 sponsors to do so. Hopefully this will happen in the future because we have to give more certainty to the people who are seeking education where they know where they stand year after year.

The bill also contains provisions to stop savings and loan operators from double dipping. Billions of dollars in tax writeoffs have gone to savings and loan operators who have been taking tax deductions when they have not lost any money. They have unfairly gained in this system, and that will stop.

Also in this bill is a number of extenders. They are the building blocks of our economy.

In the bill is help for our inner cities by urban enterprise zones and a comprehensive Weed and Seed Program that was referred to by the gentleman from New York [Mr. RANGEL].

I urge support of the bill. It is a good bill on balance.

A young man hired at a company as a messenger is now working as an officer of that same company. A mail clerk has been promoted through the ranks to become vice president.

Sound implausible? It's not. These people are but two examples of the effectiveness of section 127—the income exclusion for employer-provided educational assistance.

Mr. Speaker, and distinguished colleagues—H.R. 11 contains an 18-month extension for this valuable provision which provides educational opportunities for hard-working Americans across our Nation.

The exclusion for employer-provided educational assistance ensures that workers are not taxed on the value of educational assistance provided by their employers. In this way—it opens the door for low-skill employees to gain the credentials that will enable them to advance from minimum-wage—minimum-skills jobs—into positions with a future.

The program is a unique partnership between the business community—workers—Government—and the educational community.

The workers who benefit from this provision are the ones who need it most—that 71 percent who earn less than $30,000 a year. And section 127 programs are already successfully in place in companies throughout the Nation.

The section 127 exclusion for employer-provided educational assistance is proven program—and it is particularly vulnerable to interruptions in status. For this reason—I had hoped that we would be able to make it permanent in this bill.

This was not possible—but I am hopeful that in the future—Congress will see fit to remove the potential for disruptions from this program—and provide more certainty to the workers who are trying to pursue an education. I might add that 315 Members of the House have already indicated their support for permanent status by cosponsoring legislation to make section 127 permanent.

The legislation before us today also contains my provision to stop S&L operators from double-dipping in the taxpayers pockets—that is taking tax deductions when they have not lost any money.

The S&L crisis is the biggest financial disaster in our Nation's history. The Government and the American taxpayers have already lost billions through this scandal. We can't change that—but at least—with this legislation—we are ending a tax abuse which is further bleeding the Treasury.

I have been fighting for over 1½ years to stop this double-dipping and I am delighted that my provision has been included in this bill. This will save the taxpayers several billion dollars.

Elimination of the double-dip is a real victory. Special interests must not be allowed to rip off the public.

Mr. Speaker, and distinguished colleagues—I urge your support for H.R. 11—its important provisions for employee education—the many other extenders that are the building blocks for our economy—and stopping the taxpayer ripoff by S&L operators.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Kentucky [Mr. BUNNING], a member of the Committee on Ways and Means.

Mr. BUNNING. Mr. Speaker, I rise in strong support of H.R. 11.

Mr. Speaker, I am thrilled that we have, at long last, gotten the enterprise zone concept off the ground and gotten it moving. And I urge my colleagues to support this bill.

I have been a big supporter of enterprise zones for many years. In fact, I helped enact a State enterprise zone program when I was in the Kentucky State Senate—and we have proven that it works on the State level.

Finally, we are putting the power and the purse of the Federal Government to work—in a long-term productive program—to stimulate the most economically stagnant areas of our Nation and get them back into production.

This is no sunshine cure-all—we are not throwing a fist full of money at a problem and then turning to other things as the Federal Government tends to do too often. This is more than a short-term reaction. This is a long-term commitment to growth and productivity in inner cities and bypassed rural areas alike.

And the amazing thing is that there are other features of this bill—over and above the enterprise zone section—that are very worthwhile and deserve support in their own right.

This bill includes a permanent extension of the research and development tax credit and the exclusion for employer-provided educational assistance, as well as the low-income housing tax credit, targeted jobs tax credit, and mortgage revenue bonds.

Also, this bill repeals the ill-advised luxury tax that was enacted in 1990. The luxury tax was a mistake from the beginning and this action to repeal it is simply recognition of that fact. It was designed to sock it to the rich but instead the luxury tax put thousands of working men and women out of work. This bill says "Good riddance" to a bad tax.

On a personal basis, I am very happy to see this bill include two matters that I have been working on quite a bit over the past year, the taxpayers bill of rights and amendments to the deceptive mailings act.

The taxpayers bill of rights provisions in the bill will provide much-needed protection for the Nation's taxpayers in their dealings with the IRS. The establishment of an independent taxpayer advocate should be a major step in the right direction. At long last, the individual taxpayer will have someone to help fight the tax man.

As the ranking Republican on the Social Security Subcommittee, I was also particularly gratified to see the amendments to the Deceptive Mailing Practices Act included in this bill. It is much needed. Cheating senior citizens out of their money with fear and lies is a major growth industry in our country. Hopefully, these amendments which toughen the civil penalties for misleading fund raising solicitations will help alleviate the problem.

Putting some teeth in the law should make the merchants of fear think twice.

In all, it is a very good bill. And to top it off, it is all revenue neutral. You can't beat that.

I urge my colleagues to join me in supporting this bill.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. GRADISON], a respected member of the Committee on Ways and Means.

Mr. GRADISON. Mr. Speaker, as this bill came from the Committee on Ways and Means, it provided a waiver from the provision of the Budget Enforcement Act of 1990. I am happy to report to my colleagues that the measure on which we will actually vote today will not have that waiver included. I am aware that there has been great concern among Members on both sides of the aisle about that provision, since in its present form this bill does not meet the requirements of the Budget Act on a year-by-year basis. Under the circumstances, with the Budget Act waiver removed, there is absolutely no question in the mind of this Member that the conference report, when it comes back to us, will be so crafted as to prevent a sequester by meeting the requirements of the Budget Enforcement Act of 1990.

Under those circumstances, Mr. Speaker, I am enthusiastically supporting this measure, and I want to especially thank the gentleman from Texas [Mr. ARCHER], the gentleman from Illinois [Mr. ROSTENKOWSKI], and the distinguished majority leader, the gentleman from Missouri [Mr. GEPHARDT] for their assistance in reaching this result.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Texas [Mr. PICKLE].

Mr. PICKLE. Mr. Speaker, I rise today in support of H.R. 11, the Revenue Act of 1992. I particularly want to call the Members' attention to title V of this bill, the taxpayer bill of rights 2. This is a most important provision which will be of genuine assistance to the average taxpayer who is honestly trying to comply with the tax law, but who somehow slips through the cracks of the tax system.

The very first provision of this taxpayer bill of rights establishes a new position of taxpayers' advocate within the IRS. This advocate is to be nominated by the President and confirmed by the Senate. The advocate is required to report to the Congress, so that we who are held accountable for the actions of the IRS, might better know what is going on down there. The advocate is required to make these reports directly to the Congress so that his voice on behalf of the everyday-working American taxpayer will never be swallowed up in the halls of the IRS bureaucracy.

Mr. Speaker, in addition to creating the position of taxpayer advocate, this bill makes changes in over 40 different areas of tax administration. As my time is short, I will share with the Members just some of the most important of these new taxpayer safeguards. The bill before the House today:

First, it establishes a taxpayers' advocate, nominated by the President, confirmed by the Senate, and reporting directly to the Congress, with expanded authority to issue taxpayer assistance orders to force the IRS to act on behalf of taxpayers;

Second, it allows the Federal courts to hold IRS employees personally liable if the court finds that the proceeding against a taxpayer resulted from any arbitrary, capricious, or malicious act of the IRS employee. It further allows a taxpayer to sue the Government for up to $1 million for damages resulting from an IRS employee's reckless or intentional disregard of the tax laws or regulations.

Third, it provides relief in case involving temporary and proposed regulations, by limiting the circumstances under which these regulations are given retroactive effective dates.

Fourth, it requires that if a taxpayer asserts a reasonable dispute about the accuracy of an information return, the IRS must take reasonable steps to determine the validity of these returns, and present reasonable evidence supporting any tax deficiency based on the information return. This provision helps taxpayers in cases similar to the situation addressed by the Federal court in the Portillo decision.

Fifth, it provides additional notice and protection for taxpayers who are determined to be responsible officers in Federal tax deposit situations;

Sixth, it improves installment agreements by requiring prior notice of their cancellation, allowing for administrative appeals, and suspending certain penalties while they are in effect;

Seventh, it expands the authority of the IRS to abate interest payments and gives taxpayers 45 days after receiving a notice of additional tax due to pay the tax without further interest;

Eighth, it improves the procedures concerning liens, levies, and offers-in-compromise;

Ninth, it requires the inclusion of the payer's telephone number on information returns, and gives the taxpayer a civil cause of action if an information return is fraudulently filed;

Tenth, it requires the IRS to improve its forms and notices concerning changes of address, divorce, and the payment of employee withholding and payroll taxes;

Eleventh, it requires the IRS to study and report on better ways to serve taxpayers with special needs, the taxpayer rights education program, and the misconduct of IRS employees, and also requires the IRS to conduct a pilot program for taxpayer appeals of collection and enforcement actions;

Twelfth, it requires the GAO to study and report on the accuracy of IRS forms and notices, and the operations of the IRS employee suggestions programs.

Mr. Speaker, I support H.R. 11, and I think this taxpayer bill of rights is one of the most important aspects of this bill. At a time when partisan passions are running high, this taxpayer bill of rights is the result of true bipartisan work. As part of an earlier tax bill, it has already been given favorable consideration by the Senate. I recognize that this is not the cure for all taxpayer problems, and I know our efforts to protect the legitimate interests of taxpayers are by no means over. But, this is a good, responsible package and I strongly urge that it be favorably acted upon today.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut [Mrs. KENNELLY].

Mrs KENNELLEY. Mr. Speaker, I rise today in strong support of H.R. 11.

Are you one of the 401 cosponsors of my legislation to make the Mortgage Revenue Bond Program permanent? If so, you should support H.R. 11.

Have you cosponsored legislation to extend the low-income housing credit, the targeted jobs tax credit or small-issue bonds? In an effort to help your cities, these important programs would be made permanent. So if you want to help the cities, you should support H.R. 11.

Other important extenders like the research and development, gifts of appreciated property, employer provided educational assistance, and group legal services, would be extended for 18 months. If you support these extenders, you should support H.R. 11.

In addition, this bill contains a compromise enterprise zone proposal. While many of you ultimately may not like this proposal, let me say this is a concept I have supported for many years. Let's give this idea a chance.

Support H.R. 11.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Rhode Island [Mr. MACHTLEY].

Mr. MACHTLEY. Mr. Speaker, I rise in strong support of this bill. It is the end of the luxury tax.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania [Mr. SANTORUM].

Mr. SANTORUM. Mr. Speaker, I rise in support of the bill.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. SHAW], a member of the Committee on Ways and Means.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise in support of H.R. 11, the Revenue Act of 1992. Although there are many worthy provisions in this bill, I would like to call to my colleagues' attention one provision that I have long advocated—the repeal of the

so-called luxury tax on boats costing over $100,000.

Mr. Speaker, repeal of this onerous tax means jobs, jobs, jobs for the tens of thousands of unemployed boatworkers who were thrown out of work by this tax and a lingering recession. Passage of this bill will be a significant shot in the arm for our Nation's boat building industry, which is in a severe slump.

As my colleagues will recall, I previously introduced a bill, the Boating Jobs Preservation Act of 1991, H.R. 951, which would repeal the luxury tax on boats. H.R. 951 currently has a total of 181 cosponsors.

The companion bill in the Senate, S. 649 has 32 cosponsors, including majority leader GEORGE MITCHELL. The Senate last month passed a repeal of the luxury boat tax as part of an unemployment benefits bill. President Bush also supports this effort.

Mr. Speaker, the evidence is overwhelming—the boat tax is a failure and a plague the Congress visited upon an important American industry. Instead of raising revenue, it probably costs the Federal Government revenues through lost income taxes and added unemployment. Instead of making rich people pay more taxes, it instead threw blue-collar Americans out of work.

The boat tax invited predatory foreign competitors to prey on our weakened boat market. It destroyed small businesses that make up most of our domestic boat building and boat selling industry.

It is heartening to know that today common sense will finally prevail over the empty rhetoric that this tax was levied just to soak the rich. This issue was never about tax fairness, or making the rich guy pay more taxes, or even supply-side economics. It was about American jobs, pure and simple. The 19,000 American workers who lost their jobs as a result of the tax did not have the same option. This is a great day for our boating industry.

I would like to commend just a few of my colleagues who supported my effort to repeal the boat tax early on, before it was politically fashionable to do so. This noble group includes: The distinguished majority whip, Mr. BONIOR, who saw another proud Michigan industry decline, the automobile industry, and was determined not to let the same thing happen to the boating industry; the gentlewoman from Maine [Ms. SNOWE], who sought to save small, family-owned boat building businesses in her home State; Mr. HUGHES, who represents the Jersey shore area, and who worked tirelessly for repeal of this destructive tax; and all my colleagues from my home State of Florida, where boating is such a vital component to the well-being of our State economy.

Mr. Speaker, the jury is in, and the boat tax has been judged an abject failure. Let us get rid of this disaster by voting for passage of H.R. 11.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield such time as he may consume to the gentleman from Mississippi [Mr. TAYLOR].

Mr. TAYLOR of Mississippi. Mr. Speaker, I rise in opposition to taking a tax off of millionaire boat buyers and putting it on middle-class boatowners with the diesel fuel tax.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield such time as he may consume to the gentleman from Missouri [Mr. CLAY].

Mr. CLAY. Mr. Speaker, I rise in opposition to the bill.

Mr. Speaker, I rise in strong opposition to H.R. 11. This bill does not help the poor, it simply robs middle-class Americans to give to the rich.

Do not be misled by the pittance that is being offered to rebuild our urban areas. The proposed program is a sham. The bill authorizes $2.5 billion over 5 years for so-called enterprise zones. The creation of enterprise zones was originally intended to provide assistance to distressed urban areas; what is being proposed today does not even come close to providing those troubled areas with what they need. If you take the meager amount of money that this bill authorizes, spread it out over 5 years, divide it by the 50 enterprise zones that the bill creates, and further cut that number in half, you will get the amount of money that urban areas will actually be receiving. Believing that this urban aid package is going to solve the crisis faced by our inner cities is like giving a baby aspirin to a cancer victim and telling him he's cured.

The American people should understand this legislation for what it is: Yet another raid on the Treasury by the rich and famous. It's bad enough that we are only willing to spend less than the third of the cost of a new bomber to help our cities, but what is even worse is that we're willing to do so only if we provide a whole new set of tax breaks for the wealthiest Americans. Is it too much to ask of millionaires that they pay the same tax rate on the interest income that working Americans must pay on their wages? I guess so, because before we can provide the pittance this legislation offers our cities, we must first reduce capital gains rates. Under this legislation, millionaires will pay only half the taxes on capital gains for investments in an enterprise zone that the workers in those zones will pay on their wages. What this says is, before we can help the poor we must provide welfare for the rich. While there are individual provisions within H.R. 11 that I could otherwise support, this bill on the whole is not just inadequate, it is unfair.

There are other provisions in H.R. 11 that I object to. One provision, in particular, merits public attention. Buried within this legislation is a provision to exempt companies such as Federal Express from the requirements of the nondiscrimination rules of the Employee Retirement Income Security Act [ERISA]. Effectively, H.R. 11 eliminates the requirement that separate pension plans for pilots must be the product of bona fide collective bargaining. This provision is bad policy. Earlier this year, this same provision had been included in H.R. 4210. Along with 44 colleagues, I notified the Speaker that I could not support the conference report on H.R. 4210 if the Federal Express provision was included. At the time, not only was this misguided and misbegotten provision dropped from H.R. 4210, but I was given assurances by the leadership that the provision would not be raised again. Now, not only is it being brought back to the floor as part of H.R. 11, but it is being brought up on the suspension calender so that it is not subject to amendment. As I indicated in March, when H.R. 4210 was under consideration, I strongly oppose this provision.

Prior to enactment of ERISA, it was common practice to establish one pension plan for a few preferred employees and another pension plan for everyone else. The one plan paid exceptionally generous benefits, while the other offered substantially inferior benefits. Because these plans received preferential tax treatment, a majority of workers were discriminated against while subsidizing the scheme of the privileged with their tax dollars. That is the policy we will return to if we fail to defeat H.R. 11.

Leave aside the issue that we are being asked to undermine the legitimate efforts of workers to organize. Leave aside the fact that we are being asked to actively discourage workers from exercising protected rights under our labor laws. Should the clerks, the baggage handlers, the secretaries, or the machinists be forced to use their tax dollars to underwrite retirement benefits that their employer has unilaterally chosen to offer others and deny to them? Should the Congress endorse a policy that amounts to stealing from the poor to give to the rich? If you agree that this is bad policy, I urge you to vote with me against H.R. 11.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield such time as he may consume to the gentleman from Utah [Mr. ORTON].

Mr. ORTON. Mr. Speaker, I rise in support of H.R. 11 with our major caveat. I have deep concern about the authorization of goodwill under section 179.

The present law certainly is complex and has resulted in much litigation. However, an unlimited amortization deduction of this previously nondeductible intangible asset could lead to enormous losses to the Treasury as large businesses undergo mergers, acquisitions, and leveraged buyouts.

I submit that the placement of a cap limit on the value of goodwill subject to amortization will provide simplicity in the Internal Revenue

Code and allow small business the tax deductions for this asset, but will not open a loophole which we will regret.

A limit of $100,000 to $250,000 on section 179 goodwill would appropriately allow small business deductions, resolve most of the litigation on this issue, and not bankrupt the U.S. Treasury.

I sincerely hope the conference committee will favorably consider this recommendation.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentlewoman from California [Mrs. BOXER].

Mrs. BOXER. Mr. Speaker, I thank the chairman for yielding.

Mr. Speaker, international competitiveness studies, one as recently as a week ago, show that the United States is paying the price for the neglect of our cities and our rural areas. We are falling behind other countries, and fast. We have fallen from No. 2 to No. 5 in just a year. One in eight Americans and one in five children live in poverty. The economic status of our Nation will only rise when the status of our families and our children rise.

Mr. Speaker, I want my own State of California to be the Golden State again, and I want the American dream to be possible for all our people. We do not guarantee results around here, but we have got to begin again to guarantee opportunity. This bill is a start, it is a beginning, and I urge all Members to vote aye today.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan [Mr. UPTON].

Mr. UPTON. Mr. Speaker, I rise in strong support of this legislation as it includes provisions establishing enterprise zones and more funds for Weed and Seed.

My home town in Michigan includes Benton Harbor. Benton Harbor is a State enterprise zone due to its level of distress—very high unemployment and large numbers of folks on welfare.

Mr. Speaker, just in recent months we have seen more than 100 businesses locate or expand their employment in that zone.

Mr. Speaker, if it works in Benton Harbor it will work in the rest of the country. This is an idea whose time has finally come. I also rise in support of the legislation expanding Weed and Seed. For the last 18 months I have helped with a group of respective active local leaders in Benton Harbor to try to solve the problems of crime and drugs. I helped establish a crime and drugs task force that wants to focus on the cause of the problems stemming from crime and drugs. Better social services, job training, and education all compose the "seed" element of this program. Consequently the community recognized that this can be an answer to decay in urban/rural areas.

Mr. Speaker, on Monday next, Digger Phelps will be in Benten Harbor to look firsthand at the problems of Benten Harbor and what the community is trying to do to change the course. Digger is the President's pointman for the Weed and Seed Program.

Mr. Speaker, I urge all my colleagues to support this legislation as a cure for economic decay for our urban/rural areas. I yield back the balance of my time.

Mr. ARCHER. Mr. Speaker, I am pleased to yield such time as he may consume to the gentleman from Illinois [Mr. MICHEL], our respected Republican leader of the House of Representatives.

Mr. MICHEL. Mr. Speaker, I rise in support of the compromise reached to strengthen the enterprise zone provisions of H.R. 11 and to add the Weed and Seed Program to this legislation.

Before I touch on the specifics, let me say: I hope this urban-rural initiative is undertaken with a sense of our own limitations.

Government alone cannot rebuild urban and rural areas that need help.

Only the citizens of a community can do that.

Only the combination of individual responsibility and transcendent values can provide the leadership.

We can provide only some money, some ideas, and a show of concern.

But, what we are doing can be of some help, so I favor it.

The enterprise zone provisions in this bill creates 50 zones, half in distressed urban areas and the other half in distressed rural areas.

There are tax incentives not only to spur capital investment in designated enterprise zones, but also to encourage employers to hire employees who live within such zones.

The compromise adds a 50 percent exclusion from the capital gains tax for assets held for at least 5 years, in addition to the capital gains rollover provisions already in the bill.

The compromise further provides $500 million of new funding to provide intensive crime and drug fighting assistance to weed out gang leaders, violent criminals, and drug dealers from distressed neighborhoods.

This law enforcement effort would be accompanied by what is called a seed component: job training, drug treatment, and prevention, educational activities, and infrastructure improvements.

The administration supports the improvements to the Revenue Act of 1992 which have been agreed to.

Although H.R. 11 still has some problems which must be worked out in conference, such as the large revenue losses, the bill contains many beneficial provisions.

Specifically we are repealing the luxury tax which cost jobs for those manufacturing such so-called luxury items; and it provides passive loss relief to the real estate industry which will give a shot in the arm to that industry; it extends the list of tax provisions that expired yesterday which are so important to many of our small businessmen. Failure to provide these extensions would have a negative impact on our economy just at the time that the economy is beginning to grow again.

H.R. 11 permanently extends the targeted jobs tax credit which allows employers to continue to hire economically disadvantaged individuals.

It also permanently extends the low-income housing credit, the mortgage revenue bond provisions and small issue development bond provisions.

I would still like to see a permanent extension of the research and development tax credit which is only extended 18 months in this legislation.

Permanent extension of the research and development credit is so important to the competitive position of our country.

I am also troubled that the bill only contains a 6-month extension of the 25-percent deduction of health insurance costs for self-employed individuals.

But, the major purpose of this legislation—to provide much-needed relief to the distressed and disadvantaged areas of our Nation—is so important that I ask my colleagues to support this bill.

I am confident that the problems still remaining with the bill will be worked out as it moves through the legislative process.

Let us move it forward and get it on the President's desk in a form that he can sign.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. NEAL].

Mr. NEAL of Massachusetts. Mr. Speaker, in the last few months in this Chamber we have heard a lot of squabbling about a domestic agenda and that enough is not being done for our cities. Today, we have the opportunity to vote for a measure that sends a message to our cities. And this message is we have not forgotten about them.

Just think, during the last decade, we have eliminated the revenue sharing program, we have eliminated the UDAG program, we have cut back dramatically in CDBG allocations.

Our urban areas are faced with difficult problems and for our cities to survive we have to take action now. I am not just referring to large cities as Los Angeles, Boston, New York, and Detroit. Smaller cities are faced with the same problems. From my experiences as the former mayor of Springfield, MA, I have firsthand knowledge of the problems facing our cities.

No matter what their size, American cities are faced with the flight of the middle class and the lack of new development in urban areas. Also, businesses are starting to flee to the suburbs. We need to take action to keep businesses in our cities. For this reason, I have been a longtime supporter of enterprise zones.

We have tried other programs for our cities such as direct grants. Why don't we give enterprise zones a chance? Enterprise zones have been a successful tool of State economic development. Currently, 36 States have enterprise zone programs. Enterprise zones takes a logical approach to helping our

cities. It provides benefits to both communities and businesses. The benefits to the community are businesses would be investing in urban areas and the program would create new jobs. The benefit to businesses is that they receive tax incentives for investing in urban areas.

We will hear that this program does not go far enough. We are faced with difficult financial constraints and we have to carefully choose what programs are the right programs for now. I am sure a lot of us would like to see more aid to our cities. But during this time, the current enterprise zone program is a reasonable and responsible approach. If enterprise zones are successful, we can expand the program.

In recent years, I have been disturbed by the deteriorating conditions of downtown areas of our cities. American cities are our backbone and they should be a source of great pride to us. Let us give enterprise zones a chance to improve our cities.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the gentleman from Iowa [Mr. GRANDY], a member of the Committee on Ways and Means.

Mr. GRANDY. Mr. Speaker, I supported the unemployment compensation conference report and I will support H.R. 11. I encourage my colleagues to do the same if for no other reason than it is a historic day when this Congress can agree to subsidize job loss and job creation in the same day.

□ 1630

That is exactly what is happening with this combination of bills that are brought before us today. Let me say one thing specifically, though, to rural colleagues. This is a better deal than we probably could have expected. To assume that there will be 25 zones in urban areas and rural areas that will share equally in the spoils that will be derived to pay for this particular provision is a rare break and a rare parity for rural communities.

I would also add that unlike most Federal formulas, this time rural criteria is different from urban criteria. The qualifications that were outlined in the bill presented by the gentleman from North Dakota [Mr. DORGAN] and myself for rural development investment zones mentioned those specific criteria, and they are in this bill today. What am I talking about? Mr. Speaker, in rural areas poverty is a phantom. One cannot measure it through welfare rules and poverty statistics or through unemployment insurance, because so many people are unemployed but self-employed.

Under this bill we will use the proper measurements of out-migration, in other words, people that have left rural areas and have never come back, and simultaneously jobs that have gone and will not come back. Those criteria are in this bill. That is an important precedent for rural communities and their growth.

As we begin what is admittedly an experiment of trying to combine economic growth provisions with social welfare renewal provisions, I think that we have struck a good bargain here; not a perfect bargain, not one that does not need to be worked out in conference, but in addition to the other rural provisions, such as the extension, the permanent extension of private activity bonds which will, among other things, in Iowa extend the beginning farmer program, very important for our younger producers, and extend self-employed deductibility for self-employed individuals, such as farmers who are trying to buy their health insurance, we have struck a good balance.

Coincidentally today, I looked at the Iowa unemployment statistics and they are up, sadly. But the good news is, our employment statistics are up, too. Ten thousand more people are employed in our State this year than last, which means they are coming home. With this bill we give the opportunity for other individuals to go back home and start again, and I am pleased that they will be returning to rural communities as well as urban communities under H.R. 11. I urge the support of the Congress.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois [Mr. HAYES].

Mr. HAYES of Illinois. Mr. Speaker, I rise in opposition to H.R. 11.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. LEVIN].

Mr. LEVIN of Michigan. Mr. Speaker, to those worried about the intangibles goodwill provision, please listen. No. 1, the retroactivity has been removed. No. 2, listen to the words of a senior specialist at CRS, and this is what she says: "In the aggregate, there is no reason to expect that there will be any overall price effect. Certain firms which had relatively more amortizable assets would have a small increase in the sales price purchasers are willing to pay, while other firms that are already writing off assets will have a small decrease," so there are these protections in terms of any increase or tax incentives for takeovers.

There is a third provision just in case. The Treasury Department is ordered to undertake annual studies to see if this bill might stimulate takeovers, and if that were to happen, and the specialists say it will not, then we could act.

I strongly urge support of this bill.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 30 seconds to the gentlewoman from New York [Ms. SLAUGHTER].

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise in support of H.R. 11's provision that would make permanent that tax exemption for manufacturing industrial development bonds.

The Department of Labor reports that nearly 10 million workers are currently unemployed—the highest number since 1983. We need to do something to boost job creation, and we need to do something now. That is why I so strongly support IDB's the only Federal program directly targeted to the manufacturing backbone of our economy.

By providing a sound, responsible, reliable means of development and expansion capital, IDB's have played a critical role in manufacturing job growth in smaller firms. In the Greater Rochester area alone, IDB-financed projects have created more than 1,600 new jobs over the last 4 years.

This marks the second time this year that the House has recognized the job creation and economic stimulus potential of a permanent extension of the IDB Program. Local economic development agencies must have a longer planning horizon than, 6, 12, or 18 months if the maximum number of jobs are going to be created. I urge my colleagues in the House, the Members of the Senate, and the President to approve a permanent extension for IDB's and send some good news to the American worker for a change.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 30 seconds to the gentleman from Ohio [Mr. TRAFICANT].

Mr. TRAFICANT. Mr. Speaker, I oppose the bill. The bill is half good and half bad. Where I come from, that is mediocre. We have mediocre legislation and mediocre government. I also oppose it for another reason. It is token. If we give $12 billion coming up to Russia, $13 billion in foreign aid and $2.5 billion for our cities, all we have done in the last 10 years is take the reservations and the plantations and move them into the damn city.

I say this: Congress should reinstate revenue-sharing and put some of our dollars into our cities, not just token tax breaks.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 30 seconds to the gentleman from Kentucky [Mr. MAZZOLI].

Mr. MAZZOLI. Mr. Speaker, I thank the gentleman for yielding time to me.

On behalf of the citizens of Louisville and Jefferson County, I thank the gentleman for having put this bill on the floor and for his urban enterprise zones, for the extension of the various tax credits for low-income housing, mortgage revenue bonds, and targeted jobs tax credits. This is an excellent piece of legislation.

Once again, on behalf of the citizens of my community, I thank the gentleman for bringing this bill up. I urge my colleagues to support it.

Mr. Speaker, I rise in strong support of H.R. 11. This legislation is the second piece of an

urban aid package to be passed by the 102d Congress in the wake of the Los Angeles riots. Congress passed the first part of this package back on June 22, 1992, when it enacted a measure that appropriated $1.3 billion in disaster relief and funds for summer jobs for youth in our inner cities. My community of Louisville and Jefferson County will receive $1.5 million in assistance from these funds which will contribute to the creation of 750 summer jobs for teens in my community.

I am under no illusions that this previous aid, nor the bill we are about to pass, are the sole answers to the problems of our inner cities. But, part of our task is to create jobs and sustain economic development in the inner cities of our country where there is simply none now. Currently, a State enterprise zone has helped create thousands of jobs in Louisville and Jefferson County. It is my hope that H.R. 11 will help to accomplish that task as well, particularly in the most economically devastated areas of Louisville.

I took a walking tour through one of these areas—the Parkland neighborhood of Louisville—a few weeks ago at the invitation of Rev. Louis Coleman, Alderman Bill Wilson, and State Representative Porter Hatcher. We toured impoverished and blighted areas of the community—areas crying out for investment and jobs. I am pleased that under this legislation, Louisville will be able to apply to designate the area I toured as part of a Federal enterprise zone.

H.R. 11 also provides investment in the human capital of our inner cities by authorizing $2.5 billion for job training, education, community development, and crime prevention in distressed areas. This is the so called Weed and Seed portion of the bill. Again, more is needed but H.R. 11 provides the foundation.

Finally, Mr. Speaker, H.R. 11 also makes permanent a variety of tax credits that have served the people of Louisville and Jefferson County well. According to James Allen, director of Louisville's Department of Housing and Urban Development, the low-income housing tax credit—now made permanent under H.R. 11—has been utilized to help create hundreds of housing units in Louisville since 1986.

The Mortgage Revenue Bond Program is made permanent under H.R. 11. It has assisted low- and middle-income families in my community by reducing the cost of mortgages for first time home buyers. In short it helps give these families a piece of the rock.

Finally, Mr. Speaker, H.R. 11 extends permanently the targeted jobs tax credit, a tax credit that encourages employers in my community and around the country to hire economically disadvantaged youth. No doubt this tax provision has the potential to help the economically disadvantaged youth of our inner cities as well.

Mr. Speaker, again H.R. 11 is not a panacea to our urban problems, but it is a good start and I support it enthusiastically.

Mr. ARCHER. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. THOMAS], a member of the Committee on Ways and Means.

Mr. THOMAS of California. Mr. Speaker, this bill does give hope to some people out in America. I want people to know this bill also should give hope to our colleagues here in the House. In the 1986 tax bill passive loss was removed. I thought it was wrong at that time. Real estate is one of the very few true economic engines of our economy.

I introduced legislation in the 100th Congress, the 101st Congress, in the 102d Congress, along with my colleague, the gentleman from Tennessee [Mr. ANDREWS], with 326 cosponsors, and the President supporting passive loss. We have it now in a bill that can be signed.

I want to thank the gentleman from Texas [Mr. ARCHER], the ranking member, and the gentleman from Illinois [Mr. ROSTENKOWSKI], for putting in a bill that can be signed, passive loss.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 30 seconds to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER Mr. Speaker, I am one of those Members seriously worried about the goodwill provisions of this bill. In fact, I want before the Committee on Rules with the gentleman from Oklahoma [Mr. MCCURDY] to strike those provisions in this bill. Despite my inability today to offer my amendment, I think overall this is a good bill and Members should support it. I plan at a later date on working on the goodwill section of this legislation, but for today we need to support this legislation.

Mr. Speaker, I am here to request that the rule for House consideration of H.R. 11, allow for an amendment to be offered by myself and Congressman MCCURDY on the amortization of intangible assets.

Specifically, our amendment would remove goodwill and going concern value from the list of intangible assets the Ways and Means Committee bill would allow to be amortized for tax purposes. It would not change the 14-year amortization period for other intangibles.

The intangibles provision now in H.R. 11 is touted as tax simplification, and there is no doubt that it would put an end to $9 billion in disputes between the IRS and corporate taxpayers. The problem is that the committee's approach to simplification is to accept defeat and give business everything it wanted. Mr. Speaker, in our current fiscal crisis this is a billion dollar solution we simply cannot afford.

Right now when one business acquires another, it may take tax deductions as the value of the property it acquired depreciates over time. The IRS also allows for certain intangible assets to be depreciated if they have a limited useful life and an ascertainable value. However, no depreciation deductions are allowed for goodwill or going concern value.

The unfortunate result of this policy is that creative corporate tax lawyers have come up with no fewer than 159 intangible assets for which they have sought deductions. Many of these so-called assets are shameless corporate attempts to write off as much of their takeover costs as they can. According to GAO, in 70 percent of the cases in which businesses have claimed tax deductions for intangibles, the IRS has found that the assets were in fact goodwill and not amortizable.

Faced with the legal quagmire that has resulted from appeals of these IRS rulings, the Ways and Means Committee decided we should give up and allow corporations to write off everything. This is bad tax policy and bad fiscal policy.

Allowing corporate write-offs for purchased goodwill creates a blatant taxpayer subsidy for corporate takeovers. I'm no opponent of takeovers. Takeovers can be a valuable check on corporate inefficiency. However, this provision gives billions of dollars in taxpayer-financed incentives for takeovers that would not otherwise be economically justified.

Talking to the New York Times one Wall Street analyst predicted this measure "would be a huge boon. I would say you would see a billion-dollar deal announced in weeks if it goes through." So much for neutral tax policy.

The same analyst also predicted, "The takeover values of food companies would go up 20 percent overnight." That's great for owners of food companies, but it's taxpayers who will foot the bill.

A Joint Tax Committee memo which I have attached to my statement predicts that the proposal will "lose significant revenue after the budget period." While the lengthened amortization period for other intangibles would increase revenue in the early years, "the revenue loss attributable to deductions for goodwill would not decrease over time," according to Joint Tax.

No revenue estimate has been developed for the goodwill provision alone, but we know that the IRS is currently in court trying to collect $9 billion in back taxes for assets it has found to be goodwill or going concern value. It is reasonable to assume that allowing goodwill to be amortized will cost the Treasury billions of dollars each year.

During the debate over the balanced budget amendment there was a lot of talk about not delaying the tough decisions on how to reduce the deficit. If we allow this provision to become law, we are ducking yet another tough choice. Someday we are going to have to start saying "no." Saying "no" now is going to be a lot easier than saying "yes" and having to take it away later.

U.S. CONGRESS,
JOINT COMMITTEE ON TAXATION,
Washington, DC.

Memo to:
Subject: Revenue Estimate Request.

For your information, it is our opinion that the proposal would lose significant revenue after the budget period, particularly if the growth in the acquisitions of intangible assets abates. This revenue loss is primarily attributable to the proposal's allowance of amortization deductions for goodwill, which is not amortized under present law. While allowing amortization deductions for goodwill can be approximately "paid for" during the budget window by lengthening the time over which other intangible assets are amortized, the revenue raised by a lengthened amortization period for other assets would be eroded by vintaging effects, while the revenue loss attributable to deductions for goodwill would not decrease over time.

[From Business Week, June 8, 1992]

FOR THIS CHRISTMAS-IN-JULY, YOU COULD BE FOOTING THE BILL

(By Robert Kuttner)

Here's a hot idea that deserves a quick burial: Let's increase the federal debt by an esti-

mated $3.6 billion to have taxpayers subsidize another round of leveraged buyouts. This is precisely what would be allowed under tax legislation greased for quick passage some time in June. Present law lets companies deduct the cost of tangible assets purchased in corporate buyouts. The acquiring company may also deduct interest costs on borrowed money. This tax subsidy was generous enough to stimulate the unpredented buyout wave of the 1980s, which cost taxpayers upwards of $80 billion and had consequences that were at best mixed.

The proposed new law, H.R. 3035, would allow for the first time the deduction of intangible goodwill. The Internal Revenue Service currently disallows such deductions. According to then IRS Commissioner Fred T. Goldberg Jr., acquisitors have tried to take tax deductions for at least 159 different categories of intangibles. These range from arguably legitimate assets, including copyrights, trademarks, and dealer networks, to a variety of pie-in-the sky write-offs such as having "underdeveloped competition" and even "nonunion status."

APPEALS APLENTY

This Christmas-in-July proposal is being pushed by a coalition of Wall Street firms that promote LBOs and by corporations, such as Philip Morris Cos., which want the change in the law to be retroactive, so they can reap tax windfalls on buyouts already consummated. In 1987, the House passed a bill explicitly prohibiting deduction of goodwill, but the bill was opposed by the Reagan Administration and died in the Senate.

Meantime, some 2,000 appeals have been filed in connection with corporate buyouts, challenging the IRS position. Lower courts have issued contradictory rulings on the question, the Supreme Court has agreed to review it, and the takeover crowd is nervous the high court will back the IRS. The Administration supports the proposed bill. The IRS opposes the whole concept, but Goldberg, as a loyal member of the Administration, has testified in support on grounds that it would at least clarify the law. "From a tax administrator's perspective, the present situation is untenable because it embroils the government in endless factual inquiries," Goldberg testified to the House Ways & Means Committee, adding that some $8.5 billion worth of proposed tax adjustments are now on appeal in the courts. Goldberg calculates the government has spent an average of 6,000 staff hours and $160,000 in out-of-pocket costs per case.

But from the perspective of a company seeking tax write-offs or a Wall Street house promoting mergers and acquisitions, the costs of litigation and lobbying are well worth it. House Ways & Means Chairman Dan Rostenkowski (D-Ill.), who led the fight in 1987 to deny deductions for corporate goodwill, now supports the proposal. Says James Jaffe, a Rostenkowski aide: "This proposal comes mainly out of the 'tax-wonk' community—the Treasury and the tax bar. The corporate guys and the IRS are both spending a lot of money to litigate this, so why don't we just come up with a relatively simple rule?"

SHEER WASTE

Jaffe says Rostenkowski tried to simplify the rule by prohibiting the deduction but lacked the votes. The chairman now favors simplifying it. But this was hardly the brainchild of tax wonks. Big money is at stake, and the lobbying coalition includes upwards of 20 corporations involved in M&As, including Citicorp, Honeywell, Gillette, Quaker Oats, and Levi Strauss—several of whose political action committees have contributed to both parties. Philip Morris, among other courtesies to the Democrats, donated generously to the anti-term-limit initiative in Washington state, which would have ended the career of Speaker of the House Thomas S. Foley (D-Wash.).

Arbitrage specialists have been quoted as saying the law, if enacted, would set off another merger boom and drive up the share price of potential target companies. If so, the legislation is sheer economic waste, since that run-up would be subsidized directly by taxpayers. Critics such as Robert S. McIntyre of Citizens for Tax Justice suggest that the legislation's backers are lobbying for the tax bailout mainly because they overpaid for many of their target companies in previous mergers and now are hoping the taxpayer will make up the difference. McIntyre urges that the laws be toughened to remove some of the existing tax-subsidy of M&As, notably the ability to deduct interest costs. "In the case of a takeover financed by very risky junk bonds," McIntyre argues, "the interest payment is really more like a dividend, which is not deductible."

This little episode is emblematic of what ails the economy and public finances. Both parties say they want to reduce the deficit, but neither can resist pandering to special interests. The forces representing the public's interest in fiscal discipline are outgunned. The Administration says it believes in free markets, but when those markets produce costly mistakes, it uses taxpayer money for expensive bailouts. And industry, instead of investing in new products and better management, finds it more cost-effective to invest in litigation and lobbying. No wonder America has trouble competing.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 30 seconds to the gentleman from Ohio [Mr. HALL].

Mr. HALL of Ohio. Mr. Speaker, I rise in support of H.R. 11, the Revenue Act of 1992. I would like to commend the gentleman from Illinois for his leadership and hard work on this legislation. Through his leadership, enterprise zones will be created in troubled communities throughout America, bringing to those communities new investments—and new hope. I would also like to commend the distinguished majority leader for ensuring that this legislation includes $2.5 billion for job training and other social services.

I am pleased to say that H.R. 11 includes a hunger committee proposal that would help the poor start their own businesses. This proposal—H.R. 3450, which I introduced with Representatives FRED GRANDY, MIKE ESPY, and BILL EMERSON—raises the asset limit from $1,000 to $10,000 for people on AFDC who want to climb out of poverty through their own microenterprise. For many people, the route out of poverty is through their own small business. If we are not going to subsidize microenterprise programs in the United States—as we do overseas through our aid budget—then the least we can do, Mr. Speaker, is allow self-employment for those who happen to be poor.

This legislation represents a significant step forward in developing micro-enterprise programs for the poor in America, and is the first step in my effort to help the poor build assets. Mr. Chairman, the $1,000 asset limit in AFDC is the major barrier to self-employment among the poor. It's foolish that for so long the Federal Government has trapped thousands of potential business owners in poverty. I'm pleased that this measure to develop businesses among the poor is before us today. I urge my colleagues to support this important bill.

Mr. ARCHER. Mr. Speaker, I yield the balance of my time to the distinguished Republican whip, the gentleman from Georgia [Mr. GINGRICH], who has worked so tirelessly to put together the final agreement that has permitted this legislation to come to the floor.

The SPEAKER pro tempore. The gentleman from Georgia [Mr. GINGRICH] is recognized for 3 minutes.

Mr. GINGRICH. Mr. Speaker, I hope not to take that much time.

Mr. Speaker, I want to strongly urge a "yes" vote, in particular for the job-creating enterprise zone parts of this bill. Just weeks after Boris Yeltsin, the President of Russia, spoke to us about freedom and hope, we have a bill that recognizes the importance of the free market, of incentives, of entrepreneurship. This bill is a first step toward an American perestroika. We recognize in this bill that free enterprise and business and entrepreneurship create jobs.

□ 1640

We are meeting the concern of Peter Ueberroth that Los Angeles have a chance to create real, permanent jobs in real, permanent businesses.

This effort to reestablish incentive and hope has been a long time coming. Secretary Jack Kemp, when he served in this body, introduced this idea over a decade ago. I talked to him a while ago, and he asked me to remind the House of the hard work of Bob Garcia, of Bill Gray, and of CHARLIE RANGEL who worked for many years in support of these concepts.

I especially want to recognize the extraordinary efforts over the last few days of the majority leader and the diligent effort by the White House staff and of BILL ARCHER and the Republicans on the Ways and Means Committee.

In the end, I also want to say that this is not just a victory for President Bush, who has for 4 years been urging the creation of enterprise zones. I believe this vote today is an opportunity to say across America to every poor person in every poor neighborhood that we are going to try to bring you incentives, we are going to try to bring you hope, we are going to try to ensure that every person in America who wants to create a job is encouraged by their Government to do the right thing, to help Americans who are today

poor someday be Americans who have had a successful and a prosperous life. And I urge a "yes" vote.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield the balance of our time to the gentleman from Missouri [Mr. GEPHARDT], the majority leader, who is really the principal architect of this legislation.

The SPEAKER pro tempore (Mr. LANCASTER). The gentleman from Missouri [Mr. GEPHARDT] is recognized for 2½ minutes.

Mr. GEPHARDT. Mr. Speaker, I want to first say that DAN ROSTENKOWSKI, CHARLIE RANGEL, MAXINE WATERS, and JULIAN DIXON did an awful lot of work and an awful lot of people on this side of the aisle and that side of the aisle worked hard to put this bill together. We have not done many things together in this Congress. It is important today to do this bill, and I urge Members, whatever their misgivings are about this part or that part of the bill to try to vote for this bill, and I will tell them why.

This bill comes after the Los Angeles problem. Fifty people were killed in Los Angeles about 6 weeks ago, and that is why we are here today.

In 1991, the following numbers of people were killed, murdered in the following cities: Washington, DC, 489; St. Louis, MO, where I am from, 260; Wichita, KS, 28; Los Angeles, 1,039; New York City, 2,220; Baltimore, 305.

Ladies and gentlemen of the Congress, we have a problem in this country. This country is being torn apart in its urban areas because people do not have work and people do not have hope. This bill is not the millenium in urban policy. Do not misunderstand what this is. It is a first step, but we have to take that first step to give people hope.

People do not want to be on welfare, they want jobs. People do not want to be standing on street corners, they want to be in training. Mothers and fathers do not want their kids on drugs and being killed by drug people and drug dealers. They want them in school and they want to be healthy.

This bill is an amalgam of the best ideas that they have brought forward, and the best ideas that we have brought forward. Let us give these ideas a chance. It is an experiment that can work in 50 places in this country so that we do not have to read the death statistics like this year after year after year.

Vote for this legislation and give the people of this country some hope.

MODIFICATION OFFERED BY MR. ROSTENKOWSKI

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent that H.R. 11 be modified by striking section 2.

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

There was no objection.

Mr. LEACH. Mr. Speaker, this measure has a number of extraordinarily positive features—such as enterprise zones—but I rise to object as strenuously to one ill-conceived provision: The reversal of longstanding tax policy implicit in the establishment of deductions for purchased goodwill. The effect of this change in accounting for goodwill is to provide greater incentives for conglomeration by realtors, in effect, another egregious taxpayer subsidy for corporate takeovers.

There is a tendency in modern American politics to exaggerate perspective by hyperbolic rhetoric. Hence, an interpreter of modern international relations recently underscored his view of the impact of the dissolution of the Soviet empire by entitling an essay: "The End of Civilization." At the risk of greater hyperbole, I consider the egregious goodwill tax break imposed by the majority party in an otherwise progressive bill to symbolize the end of liberalism.

American democracy is premised on free enterprise and the precept that citizens can be expected to have an economic as well as political stake in our society. The problem with this seemingly obscure tax deduction for purchased goodwill is that it gives incentives for conglomeration, for the narrowing rather than widening of ownership of America. It is a ripoff for investment bankers, a tax break for those least in need. By impelling takeovers of established businesses instead of entrepreneurial investment in new endeavors, it stifles the economy benefiting the apostles of greed rather than growth.

If this bill passes, as I assume it overwhelmingly will, I expect to work with the gentleman from Tennessee [Mr. COOPER] to move expeditiously to seek a legislative reversal of this break of faith with the American liberal tradition.

What Congress should be doing is ending the tax deductibility of interest when applied to takeovers of large corporations rather than adding new incentives to conglomerates. It is the middle-class taxpayer, not the Wall Street investor, the producer of goods and services, not the manipulator of financial paper, that deserves a break. American priorities must be righted.

Mr. DIXON. Mr. Speaker, I rise today in strong support of the urban aid package before us today.

The riots which devastated sections of Los Angeles—including parts of my district—demonstrated how quickly despair can erupt into rage in our inner cities. The L.A. riots provide the clearest possible reflection of our failure to address the roots of the absolute despair which consumers millions of Americans in our inner cities.

Today we attempt to turn the tide of neglect and restore hope and opportunity to the Nation's most depressed communities. This bill, H.R. 11, is a solid step in the right direction. H.R. 11 is pro-business, pro-inner city, pro-rural areas, and pro-jobs.

The enterprise zone concept represents a constructive approach to an extremely pressing problem. Enterprise zones will provide a critical incentive for private business to invest in and form lasting partnerships with communities which have been abandoned by business in the past.

H.R. 11 provides $2.5 billion to establish 50 urban and rural enterprise zones over the next 5 years. The bill will help to revitalize economically and physically distressed areas; create meaningful employment opportunities for zone residents; and encourage individuals to live in the areas in which they are employed.

The package before us also provides $2.5 billion for the President's Weed and Seed Program over the next 5 years. Weed and Seed money will fund intensive law enforcement and job training initiatives in designated enterprise zone areas.

I would like to insert into the RECORD a letter I received from Los Angeles Mayor Tom Bradley and Peter Ueberroth, chairman of the rebuild Los Angeles project, expressing their strong support for this legislation which will play a critical role in revitalizing areas of the city of Los Angeles crippled by joblessness and despair.

I urge my colleagues to join me in supporting this important measure.

OFFICE OF THE MAYOR,
Los Angeles, CA, June 30, 1992.

Hon. JULIAN C. DIXON,
U.S. House of Representatives,
Washington, DC.

DEAR JULIAN: We write to urge your swift and strong support for federal legislation to create Enterprise Zones in Los Angeles and other cities.

We are working with every available tool to Rebuild Los Angeles. We know we cannot rely on the massive infusion of government funds. We are relying instead on the outpouring of support from the private sector, which has been heartening, and the coming together of our communities as never before. But one tool is missing: The tax incentives that will encourage the private sector to invest where it has never invested before. Federal Enterprise Zones would provide some of these necessary incentives.

Put simply, our efforts to Rebuild Los Angeles will be dealt a serious blow if Congress and the President fail to agree soon on Enterprise Zone legislation. Because we are fast approaching the July 4th deadline for the enactment of an Enterprise Zone bill, your quick help is necessary. Please support our efforts to Rebuild Los Angeles by creating federal Enterprise Zones.

Thank you for your support.

TOM BRADLEY,
Mayor.
PETER V. UEBERROTH,
Rebuild Los Angeles.

Mr. BILIRAKIS. Mr. Speaker, I rise today in support of H.R. 11, the Revenue Act of 1991. Many beneficial provisions are included in this welcome legislation, however, I am nevertheless disappointed that it falls short of what it might have been.

Specifically, I refer to a provision to correct the Social Security notch disparity that several of my colleagues and I were unable to have included in H.R. 11.

As a Member of Congress from Florida, the Social Security notch issue is one of the top priorities of my senior citizen constituency. These notch babies believe they have been unfairly penalized by the Social Security notch decision because they were born in a certain year, something over which they have absolutely no control.

I have a high number of individuals in my congressional district who have been adversely affected by the notch; many have written to tell me that they have been unfairly penalized. They say it isn't fair that individuals

with similar work histories, who were born before the notch years, receive a higher Social Security payment than they do. Mr. Speaker, I agree with my constituents—this is an unfair practice and it must be stopped.

As you know, the notch was created when Congress enacted a new Social Security benefit formula in 1977. The aim was to slow growth in future benefits, with little or no dollar loss during the transition to the new, permanent formula. However, the outcome was not what Congress had intended.

The outcome was that most retirees born during a certain period receive less than those born just a few years earlier. The end result was a substantial difference in benefit levels for people who had similar work histories but differed slightly in age.

Since I was elected in 1982, I have introduced legislation to rectify the unfair Social Security notch situation. I have also cosponsored H.R. 917, the notch consensus solution. Simply, we must do something to end an unfair benefit cut that affects 10 million retired workers and restore public confidence in the fairness of the Social Security system.

My constituents believe Congress is being unresponsive to their concerns. I have been told by some that Congress is just "waiting for notch babies to die off" or "Congress isn't really concerned about their plight or it would have acted long ago."

Mr. Speaker, I wanted to prove these comments wrong by passing a notch corrections amendment to this legislation. Unfortunately, objections by the leadership prevailed and I was prevented from doing so. I will continue to work with my like-minded colleagues in the future to pass this legislation of such critical importance to our Nation's seniors.

That said, I do not feel I can fairly oppose this bill on these grounds. To do so would call for sacrificing a full repeal of the 10-percent luxury tax on boats, furs, jewelry, and airplanes, a tax that has cause massive job loss in the industries involved.

It would mean turning my back on enterprise zone provisions that I have long sought as a means of revitalizing our inner cities—not through a huge redistribution of taxpayer dollars, but by enticing businesses to move into and set up operations in such enterprise zones within our cities.

It would mean rejecting the extension of a variety of tax credit extensions important to business and consumers. It would also mean rejecting important passive loss reforms that will rebuild our real estate industry and jumpstart our economy.

No, Mr. Speaker, this legislation is too important to reject, but—again—it is shameful that a Social Security notch correction could not have been added, thus making H.R. 11 so much more than it currently is.

Mr. FAZIO. Mr. Speaker, I rise in support of passage of H.R. 11, the bill which will make a much-needed long-term investment in both rural and urban areas across the country.

H.R. 11 is a prompt, responsible response to the poverty, unemployment and hopelessness that grip so many areas of our Nation. It provides an effective method of addressing the obvious problems that have been plaguing our communities for years, but that have only been highlighted in recent months. H.R. 11 will make it easier for American families—both rural and urban—to succeed and prosper.

H.R. 11 creates 25 rural development investment zones and 25 urban enterprise zones in distressed areas across the country over a 3-year period. All zones will be selected competitively from those areas with unemployment rates 1.5 times the national average, poverty rates of at least 20 percent in 90 percent of the area, and a plan to assist employers and employees in the zone—such as reduced taxes and increased delivery of local public services. Rural zones must also have a decline in employment of more than 5 percent during the 5 years prior to the zone's designation and a 10-percent decline in population from 1980 to 1990.

This concept provides incentives—in the way of tax credits—to businesses in an effort to attract them to relocate and invest in targeted areas. The end result is improved economic development for the involved community and its people.

Then, to stimulate growth within the targeted zone community itself, H.R. 11 funds job training, education, health and nutrition, housing and community development, and crime prevention. It supports solutions proven to be successful—like Head Start, health centers, and drug treatment and housing assistance programs. This includes job training and education for welfare recipients to get them off welfare and working. It will permit communities to attack crime, address their health and welfare needs and invest in their own development. It fosters activities which have shown over time to have the greatest benefit across the country.

In addition to providing tax breaks for businesses that invest in enterprise zones, H.R. 11 includes tax provisions designed to stimulate overall economic growth throughout the Nation. For example, H.R. 11 repeals the luxury tax on boats, furs, and jewelry—a tax that had an adverse impact on employment in the affected industries. By repealing this tax, H.R. 11 will alleviate the job loss and economic strain placed on those industries affected by this tax. H.R. 11 also extends certain tax provisions that expired at the end of last month—including mortgage revenue bonds, low income housing tax credits, and the exclusion for employer-provided educational assistance.

H.R. 11 contains a provision that will protect taxpayer rights. The Taxpayers' Bill of Rights will establish a taxpayers' advocate, prohibit the Treasury Department from issuing regulations that apply retroactively, and make IRS agents personally responsible for acting capriciously or negligently. It also simplifies the treatment of pensions, mutual funds, and tax exempt bonds.

And last, but not least, the bill pays for itself. It includes provisions designed to generate revenue, including raising taxes on securities firms' inventories, limiting tax benefits to new owners of failed thrifts, and making permanent increases in the estimated tax installments for upper-income taxpayers and for corporations filing quarterly.

We must again begin to place domestic issues at the top of our agenda. The investment that H.R. 11 makes in our communities is a good place to start. We have to see that all our children have safe schools and safe neighborhoods. We must ensure that everyone who can work, does. We must see that every member of society has access to equal opportunity and fair treatment. These are great challenges that we began to address in the 1960's and must continue to meet today.

H.R. 11 will promote development in our communities, support businesses who participate in this effort, help to jump-start our economy, and generate revenue to pay for itself. I urge my colleagues on both sides of the aisle to support passage of this important piece of legislation.

Mr. STENHOLM. Mr. Speaker, it is with regret that I rise in opposition to this legislation. I support many of the provisions of this bill and have cosponsored several bills that have been incorporated in this legislation. However, I cannot support legislation that will continue the practice of using smoke and mirrors and accounting tricks to circumvent the Budget Enforcement Act.

Although I will vote against this bill today, I continue to support several of the provisions included in this bill and hope that we can enact these proposals in a tax package that is honestly paid for. The changes in passive loss rules and the changes in the depreciation schedule for the purposes of the alternative minimum tax would have a positive effect on our economy. I was also pleased that this bill includes a 6-month extension of the 25-percent deduction for self-employed health insurance. I hope that this credit can be increased to 100 percent and extended permanently as part of a health care package. The extension of the TJTC and the tax credit to offset the cost to employers for FICA taxes on tips are also important to restaurant owners in my district.

Despite this, I must oppose this bill because of my concerns about the budgetary impact of this bill. Although the tax and entitlement provisions are deficit neutral over the 5-year budget window, they will lose nearly $5 billion over the next 4-years. I fear that by the time this bill actually raises revenue we will have spent the revenues several times over. In addition, I am deeply concerned about the precedent being set by redesignating $500 million of domestic spending as international spending in order to allow us to increase domestic appropriations without corresponding spending cuts. I believe that if we want to increase spending in one area, we should make corresponding spending cuts, not changes in accounting. We cannot continue the practice of using accounting tricks to circumvent the budget rules or waive these rules altogether when they become inconvenient.

Mr. Speaker, I hope that we can defeat this bill today so that the budget tricks can be removed and we can pass a tax bill that lives within our budgetary restraints.

Mr. OLVER. Mr. Speaker, I rise today in support of the provisions of H.R. 11 which will help our businesses, our workers, and our communities.

In particular, I am very pleased that we are extending, in some cases permanently, the expiring tax provisions. I would have preferred that the tax credit for research and development have been made permanent, but I strongly support its extension for 18 months. We must increase investment in R&D, and this

tax credit is one vital element toward helping our companies invest in the new technologies which will be the foundation of our future economy.

Similarly, I have always been a strong supporter of the tax credit for employer-provided educational assistance. We should do everything we can to help our workers get the skills they increasingly need to produce the finest products in the world. Likewise, making the targeted jobs tax credit will help both our workers and businesses.

I also believe that making permanent the credits for low-income housing, mortgage revenue bonds and small issue manufacturing bonds will help us address these desperate needs in Massachusetts.

I would also like to express my support for releasing previously appropriated, but unobligated, funds for the JOBS program. JOBS provides training and education to help recipients of Aid to Families with Dependent Children get off AFDC and into jobs.

Mr. Speaker, this is not a perfect bill, but I believe that it will do a good deal to help our businesses and our communities, and I hope that we can use this legislation as a starting point. We must get to work to resolve the many problems which are afflicting this country.

Mrs. LLOYD. Mr. Speaker, I rise in support of H.R. 11. This is a strong job creation and economic growth package which should encourage investment in urban and rural areas. It includes a number of important provisions to help stimulate economic recovery, put people back to work, and boost small business development.

H.R. 11 includes the text of H.R. 3450, a microenterprise bill to enable welfare recipients to start small businesses. Microenterprise programs are an innovative way to help the poor work their way out of poverty by helping them set up and develop their own business enterprises.

Given the turmoil in many American communities, we need to look for ways to help the poor help themselves. The microenterprise program will do just that. By helping the poor start their own small businesses, they gain financial independence and security and lose their reliance on public assistance. The taxpayer will save in the long term and the community will gain.

H.R. 11 would create 50 enterprise zones in economically distressed communities, providing special tax breaks and other Federal aid to attract businesses and revitalize the areas. The purpose of enterprise zones is to encourage investment in areas which have been neglected.

Half of the 50 enterprise zones would be located in cities. The other half would be in rural communities. The same tax benefits would be available to investors in both urban and rural zones. This program is designed to encourage small businesses to locate or expand in distressed communities and strengthen the economic base in these areas.

H.R. 11 contains elements of the Weed and Seed initiative which provide a framework for coordinated action by the public, private, and nonprofit sectors to revitalize inner cities and promote self-sufficiency. Weed and Seed would allow both rural and urban enterprise zones to select applicable programs for their areas from a series of five categories: Crime and community policing, job training, education, health and nutrition, and housing and community development. Weed and Seed will give communities help so they can best decide how to meet their needs.

The bill includes other tax provisions which are sound building blocks for the economy.

H.R. 11 allow real estate professionals, including agents, to deduct losses on rental property—so-called passive losses—against other income from real estate investments; extends permanently the low-income housing tax credit, extends permanently the targeted jobs tax credit, which benefits businesses that hire certain disadvantaged workers; and extends permanently the mortgage revenue bond and mortgage credit certificate programs, which allow State and local governments to use tax-exempt financing for low-income housing.

The bill also extends for 18 months several expiring tax breaks; including the research and development tax credit, employer-provided educational assistance, a tax exception for gifts of appreciated property and employer-provided legal services. The bill also extends the 25-percent deduction for health insurance costs of the self-employed for 6 months.

H.R. 11 repeals the luxury tax. While the 1990 budget agreement included excise taxes on luxury items for deficit reduction purposes, it is now clear that the luxury tax will not generate additional revenue; but actually result in a net loss to the economy. Repeal of the luxury tax is particularly important to the boating industry in Tennessee. The manufacture and sale of boats plays an important role in our local economy. Because of the luxury tax, the industry has suffered. Repeal of the luxury tax should go a long way toward helping the industry get back on its feet.

H.R. 11 also contains significant welfare reform provisions to make it easier for States to fund the welfare-to-work programs I supported as part of the last major welfare overhaul, the 1988 Family Support Act, Public Law 100–485.

Under that law, States were required to set up education training and work programs called JOBS [Job Opportunities and Basic Skills] aimed at helping welfare recipients leave the public rolls. This provides welfare recipients with a sense of responsibility as well as the opportunity to gain valuable work skills, job histories and job references. H.R. 11 increases the Federal match for the JOBS Program and includes a modified version of the administration's welfare reform proposal to increase the asset test for recipient families.

H.R. 11 includes the Taxpayer Bill of Rights Act. This is a well-balanced package of reforms I have long supported that should provide taxpayers with additional protections and safeguards in their dealings with the Internal Revenue Service [IRS].

Congress made a good start in 1988 when the original Taxpayer Bill of Rights was enacted into law. But it is evident that more needs to be done because of problems taxpayers continue to have under the current Federal tax system. I hope these reform provisions will move us closer to the objective of developing a level playing field between taxpayers and the IRS.

I urge passage of H.R. 11.

Mr. MARKEY. Mr. Speaker, I rise to support the enterprise zone legislation that we have before us today. The riots in Los Angeles brought long overdue attention to the conditions in our inner cities in this country. They have been seriously neglected with terrible consequences. But, while we focus on the problems of the largest cities, we should not lose sight of the equally desperate situation in many of our smaller cities. As we consider enterprise zone legislation, I urge my colleagues to consider the desperate problems faced by many of our small cities.

For the first time since the Great Depression, the Commonwealth of Massachusetts declared one of its cities in receivership in 1990. Chelsea, MA has only 28,000 residents but it faces all of the same difficulties of our largest cities.

Chelsea's tax base has declined while the demand on its public services has soared with unemployment and increased poverty. It has one of the highest percentages of public housing of any city in the Nation. Chelsea is also one of the most racially diverse cities of Massachusetts.

Because of its size and economic distress, nearly all of Chelsea's citizens live in areas which would qualify for enterprise zone treatment. It would be ironic if we adopted legislation which allows enterprise zones for large cities—with their broad resource base—but excludes smaller ones like Chelsea in which almost the entire city is in economic distress.

Since being placed in receivership 2 years ago with a $10 million deficit in a $40 million budget, Chelsea has made dramatic progress. This month receiver Jim Carlin has been able to propose a balanced budget for the coming fiscal year. But cities like Chelsea need long-term reinvestment by the private sector to create jobs and rebuild an aging infrastructure. The enterprise proposal being considered by the House today provides incentives to bring jobs back into these areas and enables people to improve their own lives and that of their community.

I am pleased that the legislation before us today will enable small cities like Chelsea to qualify as enterprise zones on their own or in partnership with other cities, and I urge my colleagues to support this bill.

Mr. LEVINE of California. Mr. Speaker, I rise today in support of H.R. 11, and to say that I am relieved that the President was finally willing to work with Congress to craft a workable first step in rebuilding American cities. I thank our Democratic leadership, Mr. FOLEY and Mr. GEPHARDT in particular, for bringing this bill to the floor expeditiously.

I am particularly pleased that my legislation on child support collections and reporting has been included in the package, and thank my colleague from Texas, Mr. ANDREWS, for his leadership on this issue. The provision, which will require credit reporting agencies to publish unpaid child support debts on consumer credit reports is a simple but highly effective method of increasing child support payment rates. The Association for Children for the Enforcement of Support estimates that collection rates in States who use this tool have seen collection rates soar by 20 percent.

The time has come to get tough on the deadbeat dads who skip out on their respon-

sibilities to their families. This provision will make a meaningful contribution to easing the poverty and suffering for many poor women and children in this country. I applaud the conferees for including it in H.R. 11. I urge my colleagues to support this much-needed bill.

Mr. FORD of Michigan. Mr. Speaker, I rise in strong opposition to H.R. 11. Before I get into my problems with the substance of the measure, let me say that I vigorously oppose the manner under which the bill is being brought up.

By considering H.R. 11 under suspension of the rules, we will not have an opportunity to deal with the Federal Express issue—a union buster which will lead to discrimination in the allocation of pension benefits by pilots' employers. And in this forum, we are also denied an opportunity to address the writeoff of intangible assets—a blatant taxpayer subsidy for corporate raiders.

Mr. Speaker, at a time when we should be moving forward to help the poor and unemployed throughout the Nation, this bill, at best, will help just a chosen few in a handful of cities.

The focus of this enterprise zone legislation is all wrong. What was intended to reach poor and unemployed people in this Nation's cities has been converted to yet another bundle of tax cuts for enterprising fat cats. This bill creates tax breaks we cannot afford for people who need them the least.

This enterprise zone legislation is nothing more than a continuation of the Reaganomics of the 1980's—shoveling tax breaks onto the wealthy in hopes of seeing the benefits trickle down onto the real people in need. Enterprise zones will not create jobs. They will simply shift jobs from one depressed area to another. The proposed zones will not solve the problems of urban blight nor the desperate need for employment in inner cities. It is just the wrong way to go.

Mr. Speaker, I recognize that there are some very valuable elements which have been included in this package: Repealing the excise tax on boats, extending employer-provided educational assistance, extending the self-employed health deduction, making permanent the targeted jobs tax credit and the low-income housing tax credit, and making permanent the authority of States and localities to issue mortgage revenue bonds. But these good elements are far outweighed by the special interest tax breaks in the bill.

The lion's share of relief in this bill is in the form of tax benefits to individuals and businesses—bonuses for those who can afford to get their high-paid lobbyists to Capitol Hill.

At a time when this Nation's cities are hemorrhaging, when unemployment continues to rise, and when the American people are hurting, this tax giveaway and Band-Aid approach to relief is tragic. I urge my colleagues to join me in opposing H.R. 11.

Mr. MACHTLEY. Mr. Speaker, I rise today in support of H.R. 11, the Revenue Act of 1992. Today's passage of H.R. 11 marks a nearly final chapter in a long and tragic story that has decimated our economy and threatened the livelihood of thousands of families throughout the Nation.

This bill repeals the luxury tax on boats and jewelry, which were included in the so-called deficit reduction bill passed in 1990. As we all know, this bill badly failed to meet its objectives as we have seen a doubling of the deficit since the bill's passage.

Mr. Speaker, on January 1, 1991, the jewelry and boating luxury taxes took effect. Since that fateful day, we have witnessed thousands upon thousands of workers being thrown out into the street without a job from what were once two of this Nation's—and indeed my State of Rhode Island's—most proud and productive industries.

Instead of penalizing the wealthy and raising revenue as we were promised, these luxury taxes only served to damage the livelihood of uniquely skilled boating and jewelry craftsmen who have contributed so much to our economy and to our heritage. The wealthy, on the other hand, simply found other ways of spending their money, such as purchasing boats and jewelry abroad.

In fact, a total of 2,000 out of Rhode Island's 4,000 boatbuilding employees lost their jobs due to the luxury boat tax. These jobs averaged about $12 per hour. Additionally, this tax forced the closure of Pearson Yachts, a nationally known boatbuilder in my hometown of Portsmouth, RI.

Those of us who have worked long and hard to pass legislation to repeal these taxes know that 18-plus months of damage will be difficult to repair. A stand-alone repeal bill should have been on this floor long, long ago.

I commend all of my colleagues, Republican and Democrat, who I have worked with to restore viability of our jewelry and boating industries. Next time, let's hope that Congress thinks first before enacting such damaging legislation as the luxury taxes.

Mr. COYNE. Mr. Speaker, I rise in support of this legislation and want to note in particular the fact that this bill would permanently extend the small issue Industrial Development Bonds Program.

I introduced legislation to extend the IDB Program at the beginning of this Congress which has been cosponsored by over 230 Members of the House. Members of the House know that industrial development bonds and small issue Aggie bonds create jobs in their own district and in areas large and small across the United States.

The Industrial Development Bond Program is the only Federal program promoting the growth and expansion of small manufacturers available to State and local governments. The result has been to enhance the international competitive position of U.S. manufacturing and to preserve American jobs that might have been lost to foreign manufacturing facilities.

IDB's play a critical role in providing the good paying manufacturing jobs that allow U.S. workers to support their families and pay taxes. Between 1987 and 1990, IDB's annually have created an estimated 59,000 new manufacturing jobs and facilitated the retention of 73,000 jobs through the financing of roughly 1,100 projects (based on a 1989 volume of $3.227 billion).

Industrial development bonds are used throughout the United States to achieve the goals set by this committee. Only the mortgage revenue bond program represents a larger proportion of State and local bond activity. At a time when total manufacturing employment has declined over the past decade, the number of workers in smaller plants (those with fewer than 250 employees) has actually grown by over 500,000.

Since 1986, the Ways and Means Committee has regularly voted to extend temporarily the qualified small issue IDB Program. Unfortunately, the threat of periodic sunsets has limited the ability of State and local governments to utilize this program in the most effective manner. Still, small issue IDB's continue to play a central role in the economic development strategies of most U.S. State and local governments even with this limitation.

The important national economic role played by IDB's is one reason why the House has historically given its strong support to extension of the Industrial Development Bond Program. Industrial development bonds have kept open firms that might have closed or gone overseas, and have created in my own State of Pennsylvania over 7,800 new manufacturing jobs and preserved another 15,725 jobs that would have been lost between 1987 and 1990.

Passage of the bill reported by the Ways and Means Committee will finally provide a permanent extension of the small issue IDB Program. Support for this bill will remove the uncertainty over sunsets and permit small firms in every congressional district to expand and retain good-paying jobs.

Mr. Speaker, I urge my colleagues to support the bill and support permanent extension of small issue industrial development bonds.

Mr. CONYERS. Mr. Speaker, I ask unanimous support to revise and extend my remarks.

Mr. Speaker, I support this legislation with a great deal of reservation. I appreciate the effort of the majority leader to do the best he could against an administration more intent on lining the pockets of the rich than in lending a helping hand to the poor.

We started this process in response to a rebellion in Los Angeles. We've ended it with a windfall for corporate America and a whimper from the Congress. It's very painful for me to vote "yes" for legislation that provides $2 in tax breaks for the rich for every $1 it spends on the people most in need.

It's a sad day for this body when in order to get $500 million more in spending a year for our cities we have to repeal the luxury tax, modify the passive loss provision which will promote a new round of real estate speculation, and allow corporate tax writeoffs for so-called good will. Good will for business will create bad will with workers and lead to a new wave of corporate mergers.

Perhaps the biggest affront in this measure is the not-too-thinly veiled attempt at union busting at Federal Express.

Mr. Speaker, you can't get blood from a turnip. I know what is possible with this President. Therefore, notwithstanding these odious provisions, I will vote for the measure.

Mr. ARMEY. Mr. Speaker, the 1990 budget agreement was harmful to the economy in many ways, but perhaps the most noticeable provision is the luxury tax that was intended to soak the rich.

This excise tax zeroed in on five industries and targeted them for destruction with the precision of a smart bomb. The American workers

who build, sell, and service expensive cars, boats, planes, furs, and jewelry never had a chance.

Several of our colleagues deserve special praise for getting into the battle early and fighting consistently to repeal these job-killing taxes.

Early last year OLYMPIA SNOWE opposed a bill to repeal the tax on boats, and also joined with Senator CONNIE MACK to produce a Joint Economic Committee minority report on the negative effects of these painful taxes.

DICK NICHOLS of Kansas sponsored a bill to repeal all five of these taxes, and also worked diligently with Representative BILLY TAUZIN and myself to put together a bipartisan coalition to totally eliminate the luxury taxes.

And of course CLAY SHAW of Florida who fought long and hard on the Ways and Means Committee to repeal the luxury taxes.

It is time to repeal these taxes and allow the American workers in these industries go back to work building boats and planes and selling cars, furs, and jewelry.

Mr. MINETA. Mr. Speaker, I rise in opposition to H.R. 11, the Revenue Act of 1992. Due to the restrictive nature of today's floor debate, critical amendments were prohibited from being offered and, therefore, I must oppose this legislation.

One instance in particular: I had planned to offer an amendment to strike the provision in H.R. 11 which removes the collective bargaining condition from the airline pilot pension plan exemption regarding the nondiscrimination rules of ERISA.

This provision clearly assists one individual company's attempt to undermine the union organizing efforts of its pilots and the full House should have the opportunity to remove it from this legislation.

Under current law, airline pilot pension plans are exempt from the nondiscrimination rules of ERISA if, and only, the plans are negotiated in bona fide collective bargaining.

The inclusion of a provision to remove the collective bargaining condition, thus broadening the exemption to include all airline pilots regardless of whether or not they are organized, violates the principle that Congress should not intervene on behalf of one particular side in a labor-management dispute or a legitimate organizing effort.

Mr. Speaker, nonunionized workers have no comparable process to ensure that they receive fair treatment. For this very reason, a variety of laws, including the Internal Revenue Code, contain minimum standards to ensure fair treatment of workers.

Currently, the Internal Revenue Code requires noncollectively bargained pension plans, including nonunion airline pilot plans, to meet certain nondiscrimination rules to prevent discrimination against workers who are not highly compensated. This type of protection is crucial.

Furthering this argument is the fact that only one airline, Federal Express, is actively pursuing this type of exemption for its pilots. It is clear that their motive is not wholly selfless, but rather a demonstration to their company pilots that there is nothing to be gained from organizing a union to improve their pension plan because the Congress will change the law.

And Mr. Speaker, let me be very clear: This is not a quarrel with the Federal Express Co. I personally have great admiration for the company's success. In fact, I was the author of the provision which lifted the 7,500 pound weight limitation on air freight; action which effectively allowed the Federal Express Co. to compete in a deregulated environment.

Mr. Speaker, the provision in H.R. 11 is the very same provision which engendered significant controversy as part of the previously vetoed bill, H.R. 4210.

You may recall that a letter signed by 44 of our Democratic colleagues expressed such strong opposition to this provision that we were willing to vote against the conference report on H.R. 4210.

It was only after receiving assurances from Members of the House Democratic leadership that they would oppose this type of provision in future Democratic-authored tax measures that I relented and voted for the bill while urging my colleagues to do the same. These assurances make the current restricted framework all the more frustrating.

Mr. Speaker, there are provisions in this bill that I support which I believe would help to rebuild our economy, provide jobs, and help to reinvigorate the U.S. industrial and education infrastructures.

I want the record to show that I support the provisions in the bill that make permanent four of the expiring tax provisions including the low-income housing tax credit, the targeted jobs tax credit, mortgage revenue bonds, and small issue development bonds.

I aslo support the extension of the expiring tax credits such as the R&D tax credit and the section 127 exclusion for employer-provided education benefits.

Finally, I support the repeal of the luxury tax on boats, airplanes, jewelry, and furs, with indexation of the threshold for automobiles. This tax was misguided and has caused unacceptable job loss across the Nation.

It is my hope that the misguided provision in this bill that provides for the amortization of intangible assets over a period of 14 years will be fixed during the conference on this bill. This provision will act as a 20-percent sales tax on high-technology investments and will undermine the efforts of high technology companies to commercialize new technology, which is vital in this competitive information age.

Mr. Speaker, we must resist every attempt to use the Congress as a tool to thwart the legitimate efforts of employees to organize and thus, I must oppose this legislation.

Mr. SERRANO. Mr. Speaker, I rise in strong support of H.R. 11, legislation that will implement substantive urban aid programs to assist our Nation's beleaguered cities.

The violence that overtook south central Los Angeles last May was only the most dramatic indicator of the despair that has accumulated in our Nation's cities after more than a decade of neglect from Washington. Those of us who live amid the poverty, poor health, unemployment, crime, and drug abuse that is so prevalent in parts of all of our great cities know from daily experience how badly our Nation's wounds have festered.

Mr. Speaker, at long last we have before us in H.R. 11 legislation to comprehensively address the myriad problems that have contributed to a cycle of decline in our cities.

The centerpiece of this legislation is the extension of an array of important tax benefits to businesses that locate in and employ the residents of 25 areas designated as urban enterprise zones. By giving employers valuable incentives to invest in distressed areas, this legislation will help set the designated zones on a path toward revitalization and renewal.

Some have said that this legislation is inadequate because it designates only 25 urban enterprises zones, while many dozens of urban areas are in equally dire need of this assistance. I agree with this criticism. My colleagues are correct; this in itself is not enough—but it is a very important first step.

Mr. Speaker, I believe that as the benefits and ultimate cost-effectiveness of enterprise zones become apparent, we will be ready, willing, and able to replicate this program to other distressed urban areas within a short period of time.

I fully support this important legislation.

Mr. RAMSTAD. Mr. Speaker, I rise today in support of H.R. 11, the Revenue Act of 1992.

Mr. Speaker, the unemployment figures released this morning should be of grave concern to all of us. For too long, Congress has delayed passage of a progrowth tax package which would help stimulate the economy and create new jobs for those Americans who need them.

I am pleased to see that Congress has decided to put aside politics as usual to produce legislation that will help the American people, especially those in our depressed urban centers.

By creating targeted enterprise zones, this measure will provide needed jobs for many of our urban areas. Its partial tax break on capital gains should give businesses incentives to invest in our inner cities and employ many of the poor who want to get off the welfare rolls and into the labor force.

While I would rather see the complete elimination of taxes on capital gains in these areas, I believe that this bill represents a good start in the right direction.

In addition, I am delighted to see Congress provide funding for the President's Weed and Seed Program.

This program, which coordinates law enforcement, community policing, and social services efforts at the Federal, State, and local levels, has been tremendously successful in pilot programs across the country and promises to be a very effective tool in cleaning up and revitalizing the hardest hit neighborhoods in the country.

This bill also includes a number of important tax provisions that will move us toward an economic recovery more quickly.

For example, by reinstating the passive loss deduction for real estate professionals, this bill will restore the attractiveness of real estate investment, boost currently low market prices, increase construction jobs, and make low-income housing more available.

In addition, H.R. 11 repeals the luxury tax adopted in 1990, which has virtually destroyed a number of industries, throwing thousands of people out of work and losing millions of dollars in tax revenue from those now-unemployed workers. I strongly applaud the repeal of luxury taxes in this bill.

I am also pleased to see that this bill includes the so-called tax extenders which are critical to economic recovery. The targeted jobs tax credit helps millions of disadvantaged workers—especially people with disabilities—obtain employment. Mortgage revenue and industrial development bonds encourage much-needed, long-term, productive investment. These and the other nine tax extender measures are urgently needed to increase productivity, investment, and jobs.

As many of my colleagues have said before me, the bill has a number of provisions that must be corrected before this legislation is enacted, and I trust these will be addressed in conference. But the overall bill will be of great benefit to the economy and I urge its immediate passage.

Mr. HUGHES. Mr. Speaker, I rise in support of H.R. 11, the Revenue Act of 1992. This bill repeals the ill-conceived luxury tax on boats and other products, extends some of our most important economic growth incentive programs, relaxes the current real estate passive loss restrictions, and several other provisions that will help to rejuvenate our economy.

The luxury tax on boats has been a disaster from day one. I have seen companies whose top quality products and reputations made them successful for decades brought to their knees by the imposition of this tax in the middle of a recession. This tax lost money because workers who could have been earning money and paying taxes lost their jobs and collected unemployment.

Housing and real estate have led our economy out of past recessions, and H.R. 11 provides some tools to help those sectors do it again. First, it relaxes the real estate passive loss restrictions imposed by the Tax Reform Act of 1986. These restrictions were too harsh and were not phased in slowly enough to allow the industry to adjust. The bill also permanently extends the low-income housing tax credit and the tax exemption for mortgage revenue bonds, two proven real estate incentives.

The bill will also help create jobs in other areas. The expiring targeted jobs tax credit and the exemption for small issue industrial development bonds will be permanently extended, and the alternative minimum tax [AMT] depreciation schedule is accelerated to lower the costs of capital for businesses.

Finally, this bill also includes enterprise zone incentives for 50 of our poorest rural and urban areas. These incentives include wage credits, a capital gains reduction for long-term investment, increased initial depreciation allowances, deductions for investing in enterprise zone businesses, and other incentives. While we have to be careful that these incentives actually create new jobs and do not merely shift employment from one area to another, I believe that the zones are an approach worth trying.

There are some provisions in the bill that are of questionable value and I would not support them on a separate vote. But, on balance, it is a good bill and worthy of our support.

Mr. HOAGLAND. Mr. Speaker, as we debate today H.R. 11, the Revenue Act of 1992, I want to thank the leadership of the House and the President for putting together a bill that will address some inner cities and distressed rural areas.

Enterprise zones can help areas like South Omaha and North Omaha in my district. Many Omaha citizens need improved schools that will stimulate the interest of their youngsters to stick with it, to complete their high school education, and to have the skills to go into the work force. They need good jobs and to know that the jobs are out there, new housing and a sense of community. They need hope for the future.

Without a sense of opportunity, people begin to lose hope. When people lose hope, they lose confidence in themselves. They see no prospects of working their way up, and they stop trying. Investors lose confidence when communities decay. They decide to put the new grocery store, bank, or manufacturing plant in another part of town rather than take a risk.

Where there is little hope, little work, poor education and poor health care, some people turn to drugs. In spite of the best efforts of many community leaders, some Omahans have become victims of the drug epidemic; others have become guilty of spreading the drugs and violence. I know the people in Omaha want to fight back against this epidemic—more than 300 people came to a town hall meeting last year to show their concern about the crime and drug problem. Groups like MAD DADS are trying to fight the drug problem by acting as positive role models for at-risk youth. But the war on drugs will always be an uphill fight until we can break the cycle of unemployment, underemployment, and hopelessness which ravages these communities.

It's time we made a serious effort to help break the cycles of poverty and depression that plague distressed areas. This bill is a step in that direction. The bill before us today would authorize HUD to select 25 cities as urban enterprise zones and authorize the Secretary of Agriculture to select 25 regions as rural enterprise zones. In addition, the enterprise community block grants in the bill are intended to attack a range of problems, from health and nutrition deficiencies, lack of job training and educational opportunities, poor housing, and crime. The tax provisions, especially the wage credit, can help create jobs for residents of the designated zones.

Let me give a concrete example of how these programs can work in my district. There are several vacant and abandoned buildings in South Omaha and in North Omaha. Investors are reluctant to develop the areas because they seem risky. The current treatment of passive losses discourages such development efforts. This bill would create additional incentives to develop a distressed area, by changing passive loss treatment. Businesses would be encouraged to invest in the zone through investment incentives such as increased expensing and capital gains tax reduction. Residents can be better able to take advantage of these opportunities with the help of job training programs. The wage credit encourages hiring residents of the zone. The grants would help attack the crime problem, improving the quality of life for the residents as well as providing a more secure investment climate. All of these working together can offer the hope of a better future.

I urge Members to support this bill. We have a chance to make a difference. Let's take a real step toward providing hope to our cities.

Mr. KOLTER. Mr. Speaker, I rise in opposition to H.R. 11 due to a provision that would amend the Federal Tax Code concerning pension plans for commercial pilots. This provision, Mr. Speaker, is a perfect example of how a controversial and meritless idea motivated by a particular interest finds its way into an otherwise sound piece of legislation.

This provision would alter the tax code to give nonunion pilots the same treatment as union pilots under the Tax Code pension rules. In a nutshell, this attempt to change the Federal Tax Code is an effort to undermine organized labor. As things stand now, union commercial pilots are exempt from discrimination testing in the existing code for a very good reason; they can generally take care of themselves and have collective bargaining power. Therefore, the same rules don't need to apply.

Backers of this change claim that nonunion employees are discriminated against. This argument misses the point. If nonunion pilots are lumped in with union pilots, both highly paid employees, the discrimination is against the mechanics, clerks, drivers, and all other lower paid employees. This attempted alteration would fundamentally change the intent of the present exclusion.

Let's be honest. This is no more than an attempt by certain aircraft operators to erode the influence of its airline unions. If we were to change the Federal Tax Code every time an organized group; whether it be bankers, lawyers, environmentalists, or whomever, wanted to gain leverage against a competitive interest, Congress would be amending it every month. Considered alone, this provision would not survive on its own merits.

H.R. 11, Mr. Speaker, is supposed to be about economic growth: stimulating construction, manufacturing, urban investment, job creation, and education. This provision does nothing to spur economic growth. In fact, it is special interest provisions like this that do nothing but lengthen the odds that needed legislation will be enacted.

Mr. FOGLIETTA. Mr. Speaker, I rise today to express my support for this urban aid package and the assistance it will bring to cities like my own Philadelphia.

I support this bill because it begins, again, to focus Federal attention on America's cities.

I support the enterprise zone concept because it will bring jobs and opportunity and hope to desperate city neighborhoods across America.

I support the Enterprise Community Block Grant Program because it will help enterprise neighborhoods with better health programs, crime-fighting assistance, and better housing.

I support many of the tax programs—like the low-income housing tax credit and mortgage revenue bonds—because it will mean more and better housing in urban America.

I support the job assistance dollars available for young adults because these are the men and women who are having the most trouble finding good jobs in our cities.

I support the targeted jobs tax credit because it means that businesspeople will again begin hiring poor young men and women.

I supported and worked hard for the match waiver provision because it will turn the $15 billion vision of last year's highway bill into

new highways, improved mass transit systems, and most importantly, good jobs in our cities. I am disappointed that it was negotiated away.

This is a good bill, however.

But we must not consider this to be the end to our flirtation with the American city. This is just the beginning.

I know I speak for the urban caucus, which I chair, and its 78 members in telling my colleagues, the White House, and America, that we are not going to let you forget the people of our cities by passing this legislation. You are not going to put cities back in a file drawer of dead issues.

We have much more work to do.

We must continue our fight for good jobs, opportunity, and promise for the people who live in our cities.

Mr. ESPY. Mr. Speaker, I rise today in support of this aid package. Like all compromises, it includes some things I want and some things that I don't want, and leaves out some things that I wanted very much.

In addition to urban and rural enterprise zones, it extends the low-income housing tax credit, targeted jobs tax credits, and other important extenders. That's all good.

But my primary concern is that whatever package we produce must pass the asset test. We can debate capital gains tax breaks, and other tax benefits, for investors, but we need to focus on policies which help people in distressed areas who don't have any capital, any assets, to begin with.

That's why I wanted an opportunity to amend this bill and promote the development of employee stock ownership plans within urban and rural enterprise zones. I wanted to allow workers in enterprise zones to also become owners. But I can't under suspension of the rules.

By leaving out ESOP's, this bill fails the asset test. But when it comes to welfare reform, it passes.

It passes the asset test by allowing States to raise the $1,000 asset limit for welfare recipients up to $10,000 if money is being saved for education, to start a microenterprise, or to purchase a home.

It requires States to exempt the first $10,000 of net worth of a microenterprise from the asset test.

Lastly, this bill exempts any earnings of a child who is a student from the resource test, so a child could work and save for college without it counting against the families income.

In this bill of $2.5 billion in enterprise zone tax benefits, raising the asset limit to $10,000 for welfare recipients might sound insignificant. But it is very significant for families on welfare, who need savings, and assets, to move off welfare.

I urge my colleagues to support this legislation.

Mr. MCMILLEN of Maryland. Mr. Speaker, I rise in support of H.R. 11, the Revenue Act of 1992. This is a good bill, and contains some changes in the Tax Code which are long overdue.

Of particular importance is the repeal of the luxury excise tax on boats, effective January 1, 1992. There are times when we have to recognize when we have made a mistake, and work to remedy it. This is one of those times.

While the tax was ostensibly aimed at hitting the wealthy, it sunk the boating industry. The boating industry, with national sales down by over 40 percent in the last year and a half, is in a state of depression. Already reeling from a national recession, the luxury tax was the straw which broke the camel's back. This repeal is crucial in getting the industry back on track.

I am also pleased that this bill will permanently extend the tax preference for small-issue industrial development bonds, the targeted jobs tax credit, the low-income housing tax credit, the mortgage revenue bond tax exemption and other such measures.

These tax provisions are fundamentals which strengthen our economy, and encourage the needed investments for our future. They are cost-effective, and have proven themselves in practice.

Continuing the tax exemption for industrial development bonds (IDB) is a particularly important measure. IDB's are an effective economic development tool, which leverage private and public capital for local development. At a time when Congress is looking for new incentives to spur economic growth, we must not lose sight of an existing tool for creating and preserving jobs.

Similarly, the mortgage revenue bond program has been crucial in helping single families buy their own homes. Aside from bolstering the construction industry, this provision—along with the low-income housing tax credit which will also be extended—provides a useful social function in facilitating home ownership.

In an era of limited Federal resources, it is these types of incentives which will prove to be essential to our future. They help State and local governments create jobs, provide housing, and take care of local needs—all in a cost-effective manner. One of the successes of America's local government has been its access to capital markets, which have allowed local governments to meet the needs of the local community. This measure maintains that access.

The bill also includes provisions designed to protect the rights of taxpayers—including the establishing of a taxpayers' advocate, prohibiting the Treasury Department from issuing regulations that apply retroactively, and making IRS agents personally liable if they are found to have acted capriciously or negligently.

I am also supportive of the the adopted changes in the passive loss provisions which allow real estate developers and brokers to use losses from rental real estate to offset other income. Under current law, taxpayers cannot use losses from rental real estate to offset any other types of income. Thus, a real estate professional cannot offset legitimate rental losses from other income. This means that real estate managers are paying taxes on gross income and not net income.

Anytime government policy disrupts the balance of the market, there will be a price to pay. The policies of the early 1980's skewed economic decisionmaking. I have long been concerned, however, that Federal policy reacted too strongly to this situation. The repeal of the passive loss provisions in 1986 went too far and ended up skewing economic decisionmaking in a different direction.

This clearly has a negative impact—and not just on the real estate industry; it's also hurting our financial industries. Consequently, we will not see a significant economic rebound until we see real estate back on its feet, and we need to change the passive loss provisions to see that happen.

Mr. Speaker, this legislation is a necessary step in the right direction, and I commend the Ways and Means Committee for their efforts in putting this package together. I urge my colleagues to support this long awaited measure.

Ms. SNOWE. Mr. Speaker, last week, I was very pleased to see the Ways and Means Committee include the repeal of the luxury tax on boats in its latest tax bill. This action was a very positive development for Maine's boat building industry, at a time when such good news is in short supply.

The boat building industry in Maine has just been devastated by the boat tax. Hundreds of Mainers have lost their jobs, and the job security of the remaining employees at these small businesses is being seriously threatened, as long as this ill-fated tax remains in effect.

I have been actively involved in numerous, bipartisan efforts to repeal the 10-percent Federal excise tax on boats selling for more than $100,000. I met with a large group of boat builders at a town meeting in Ellsworth last April. At this meeting, those workers told me that the luxury tax on boats was decimating Maine's boat building industry, and companies were laying off highly skilled, workers due to a lack of orders. I publicly pledged to those workers that I was fully committed to doing anything, and everything, I can do to help repeal this tax.

For example, last April, I wrote a letter to joint bipartisan leadership of the House Ways and Means Committee urging the committee to hold public hearings to examine the impact that the tax is having on the domestic boat building industry. Later that month, I cosponsored H.R. 951, Congressman CLAY SHAW'S legislation to repeal the luxury tax.

In May, I introduced my own legislation repealing the luxury boat tax. That measure, H.R. 2487, also containing offset provisions to ensure that its impact on the Federal budget deficit would be minimized. In June, I testified before a Senate Finance Subcommittee in support of S. 649, legislation introduced by Senators BREAUX and CHAFEE to repeal the luxury boat tax.

In July, along with Congressman DICK ARMEY and Senator CONNIE MACK, I jointly released a Joint Economic Committee [JEC] report examining the impact that the luxury taxes on boats, planes, and jewelry is having on the economy. The Snowe-Mack JEC report concluded that the boat tax would cost the Federal government, on a net basis, $15 million in revenues and result in the loss of 7,600 jobs. Subsequently, Congressman ARMEY and I sent the Ways and Means Committee a copy of Snowe-Mack report and renewed our request for a public hearing to examine the impact the boat tax is having on the domestic boat building industry.

In November, I worked with several other Republican colleagues in a successful effort to get the House Republican economic recovery package to include provisions repealing all 5 new luxury taxes. This package was presented to President Bush by the House minority leadership. The next day, the President en-

dorsed the package and urged the 102d Congress to adopt it. Unfortunately, this request was rejected by House Democratic leadership.

This past January, President Bush included repealing the luxury boat tax in his fiscal year 1993 budget proposal to the 102d Congress. Shortly thereafter, I joined with 73 other Members of the House wrote to Ways and Means Committee Chairman ROSTENKOWSKI expressing support for including the repeal of the luxury boat tax in any economic growth package that the committee developed this year.

In March, the full House of Representatives approved the final conference committee report on omnibus tax legislation, H.R. 4210. Included in the final version of this bill were provisions that repealed the 10-percent Federal excise tax on certain boats, airplanes, furs, and jewelry. However, President Bush voted H.R. 4210, citing the tax increases on upper income individuals as the primary reason for his opposition to the bill's enactment. The House failed to override the President's veto on March 25. As such, the provisions in H.R. 4210 repealing the luxury tax on boats, unfortunately, could not go into effect.

One of the primary reasons I supported H.R. 4210 on three separate occasions was the fact that it repealed the 10-percent Federal excise tax on boats costing more than $100,000. I voted in support of the original House bill, the final bill, and in support of overriding the President's veto of H.R. 4210, with the goal of repealing the luxury boat tax as a crucial provision that needed to be enacted into law as soon as possible

As the House considers H.R. 11 today, I urge all of my colleagues, on both sides of the aisle, to support this important bill. The prompt passage and enactment of this bill is essential to the continued viability of our domestic boat building industry.

Repealing the luxury tax on boats is a long overdue course of action. I hope that the Congress will be successful in its second attempt to repeal a tax that has not raised any appreciable revenues from the wealthy, but has instead put thousands of people across the nation out of work.

At a time when the economy is struggling to recover from a recession, repealing the boat tax is one good way for the Congress to demonstrate its commitment to helping make this recovery become a reality for thousands of working men and women in the United States.

Mr. OWENS of New York. Mr. Speaker, I rise in opposition to H.R. 11, the Revenue Act of 1992, which has been falsely labeled an "urban aid package". It is nothing of the sort. The so-called antipoverty provisions of this bill are nothing more than a Potemkin Village constructed to obscure the $12 billion in tax breaks the bill offers wealthy corporations.

When I first read over the details of this package, I found little in it which was appealing or compelling, but I was prepared to support it because it at least offered something, a few token crumbs, to address the misery in urban America. With this bill, as with the Higher Education Act and so many others before it, we are told that we cannot do more to address the needs of low-income families because of the massive budget deficit. We have to take what we can get.

But we only seem to hear that argument in this body when we are considering legislation which seeks to help powerless poor people. Only poor people are told they must accept crumbs. When it considers any other piece of legislation, this body politely steps aside and allows the rich and greedy to amble up and gorge themselves at the trough of the Federal Treasury. The most egregious and expensive example of this, of course, is the S&L bailout, but we see examples of this inexcusable double standard literally every day this body meets. Just a few hours ago the House voted down an amendment which would have cut $700 million from the $3.5 billion provided for the star wars program in the Defense appropriations bill. There was never much to justify star wars even at the height of the cold war, and now with communism vanquished and both the United States and Russia speedily dismantling their nuclear armaments, it is a program devoid of rationale. And yet this body refuses to slice even a paltry amount from the billions we pump into this obsolete fantasy of the Pentagon and the military-industrial complex.

Enough is enough. I am sick of settling for crumbs.

This bill will do little or nothing to fight poverty in America. The backbone of this bill's putative antipoverty provisions is the designation of "enterprise zones" in 25 urban and 25 rural communities and the provision of tax incentives to businesses which locate in these areas. This is a feeble and ultimately counterproductive approach to addressing poverty because, even when and if it succeeds, an enterprise zone does not create new jobs—it just shifts them from one place to another. Its underlying premise—that there are more than enough jobs to go around for everyone who wants one—is demonstrably untrue in our currently depressed economy. Moreover, where enterprise zones have been tried, they have not proven very effective in attracting new businesses and investment into the zones. Few businesses have found the incentives sufficiently alluring to move into the zone, and those that have moved have tended to be service-sector businesses—fast-food franchises and the like—which do not provide the kind of jobs which pay enough to support a family or upon which a man or woman can build a career.

H.R. 11 does provide more tangible and effective aid to persons living in enterprise zones in the form of a 5-year $2.5 billion block grant that would be divided among the 50 designated zones—roughly $10 million per year per zone—and used to support job training, education, and social services, law enforcement, and housing development. This kind of assistance is urgently needed in every low-income community in America and yet this bill limits the aid to a mere 50 neighborhoods nationwide. Instead of addressing long-term unemployment and the problems of all low-income families fully and comprehensively, this bill gives us a token effort that will only reach and help a fraction of the Nation's poor.

I am also concerned that the enterprise zones in H.R. 11 are badly targeted and are unlikely to be designated in the most distressed and poverty-stricken areas of this Nation. The legislation gives the administration sufficient latitude to use the awarding of zone designations as a political tool, handing them out to those communities in which they can provide the maximum political benefits to the Bush administration.

While this bill will do little to help poor people in America, it will do much to line the pockets of American corporations by providing an astonishing $12 billion in tax breaks. Some of these, including the targeted jobs tax credit and the low-income housing tax credit, are worthwhile and should be reauthorized. But H.R. 11 would also create an obscene abundance of expensive new tax breaks for corporations. The luxury tax on boats and yachts which cost more than $100,000 and on furs and jewelry which cost more than $10,000 would be repealed. Faster depreciation of assets would be provided to corporations under the alternative minimum tax, a new tax break of $1.4 billion. The Federal Express Corp. would get a special tax benefit it has been seeking to help it defeat a union organizing among its pilots. And most ludicrously of all, H.R. 11 gives corporations a tax writeoff for goodwill such as customer loyalty. If someone proposed something comparable for individual taxpayers—such as getting a tax writeoff for having a good personal reputation or being renowned for their cooking—they would be laughed off Capitol Hill. And yet here in this bill is much the same kind of giveaway for corporations and no one even cracks a smile.

More than 20 years ago, Martin Luther King, Jr., described dissent against social injustice as "America's hope". He urged us to recognize that standing up and speaking out against indignity and injustice may make some people feel uncomfortable, it may get you called arrogant or ungrateful, but it is utterly necessary and utterly American:

> It shines in the long tradition of American ideals that began with courageous minutemen in New England that continued in the abolitionist movement, that re-emerged in the populist revolt and, decades later, that burst forth to elect Franklin Roosevelt and John F. Kennedy. Today's dissenters tell the complacent majority that the time has come when further evasion of social responsibility in a turbulent world will court disaster and death. America has not yet changed because so many think it need not change, but this is the illusion of the damned. America must change because twenty-three million black citizens will no longer live supinely in a wretched past. They have left the valley of despair; they have found strength in struggle; and whether they live or die, they shall not crawl nor retreat again. Joined by white allies, they will shake the prison walls until they fall. America must change.

In my community and in communities throughout the Nation, there is growing outrage against what is perceived to be smug and somnolent leadership in Washington which does not respond to the problems real people face in their lives. You need look no further than this pathetic bill to see how right they are in that assessment. What began as an effort to respond substantively to the horrible misery and privation of inner city Americans has now become a vehicle for shoveling yet another $12 billion in tax breaks into the Treasury trough at which big business already feeds and fattens itself. Is there no shame?

Mr. Speaker, I dissent today. I refuse to participate in the illusion of the damned. America—and this Congress—must change and I must vote "no."

Mr. HAYES of Illinois. Mr. Speaker, I rise today to express my opposition to H.R. 11, the urban aid bill, before us today. As a Member who represents a community in Chicago that has been devastated by Reagan/Bush anticities policies, I feel that it is critical that we begin to focus our attention on the needs of our cities. I cannot in good faith lend my support to this measure because for purely political motive this measure has been drafted and not considered. I cannot perpetrate a lie to those suffering in urban areas, because this measure in no way assists the crises currently existing in this Nation's inner cities, including the city of Chicago.

While H.R. 11 assists by extending several expiring tax credits, including the targeted jobs tax credit and low-income housing tax credit, which I have historically supported. I believe that our leaders have not been innovative in the approach to improve our economy. This legislation takes a very traditional approach to an enormous problem. Instead of funding programs that in the past have truly assisted our cities by creating jobs and rebuilding the infrastructure, the effort is to again spur the economy through tax incentives to corporate America and the wealthy. We have taken this approach over and over again, and it is clear to me the product of this trickle-down mentality has been the turmoil we've seen nationwide in our cities and towns.

I just believe that we ought to be honest about this bill because it does not truly aid urban America. Only $2.5 billion of the bill's $14 billion is even dedicated to urban areas under the enterprise zone provision, and there is no requirement that these zones be located in economically disadvantaged areas. The administration has been successful in serving their wealthy constituents by securing a capital gains tax break which does absolutely nothing to improve inner-city conditions. And finally, I am gravely disappointed that the special provision, which clearly undermines the right of Federal Express pilots to unionize, has been attached to this legislation. This provision should be removed.

Mr. Speaker, while some will vote for this bill because they believe that some help is better than none at all, I cannot participate in what amounts to an election year hoax. If we do not begin to commit ourselves to addressing the plight of our urban cities, then we jeopardize the future of our country as a whole. Domestic reform must surge to the top of list of issues for immediate attention. Until our leaders in this Congress, as well as in the Bush administration, begin to expose themselves to urban areas beyond the extent of 5-minute media plugs after a major riot, we cannot expect them to make realistic decisions.

We must directly invest in the people of this Nation if we are going to make our cities productive again. Be it Los Angeles, New York City, or Chicago, the boiling point is literally just around the corner. The Congress must appropriately respond, negating their basic interest in being reelected. The pain and suffering is great in our urban areas and the response ought to directly address the need.

Mr. REED. Mr. Speaker, I am concerned that the provisions of section 4501 of H.R. 11, the Revenue Act of 1992, dealing with the amortization of certain intangibles, could be counterproductive.

I recognize that legislative clarification should be given for certain intangibles such as customer lists. For many small businesses, a customer list is the major asset, and it is an asset which can lose value over time as demographic and economic factors change. Hence, there should be a clear amortization schedule for these intangible assets.

Section 4501, however, goes beyond intangible assets such as customer lists and embraces a broader and more problematic set of intangible assets, particularly goodwill. Goodwill is the intangible quality of a business based on many subjective factors such as reputation. Because goodwill is difficult to quantify it can be susceptible to manipulation. This problem is further exacerbated in the context of corporate acquisitions. The possibility of deducting goodwill could inflate acquisition prices or, alternatively stated, justify excessive acquisition prices not on economic grounds but because of tax benefits. The 1980's were replete with leveraged buyout transactions driven not by the economic potential of the enterprise but by tax advantages. When these tax advantages were exhausted, the underlying value of the firm was insufficient to justify continued operations under the burden of acquisition debt. As a result, thousands of jobs were lost and hundreds of firms failed.

Section 4501 raises the possibility of a repetition of some of the disastrous mergers and acquisitions of the 1980's. In sum, it could create artificial transactions based on the Tax Code and not the productivity and economic value of a business. If amendments were in order during consideration of H.R. 11, I would have voted to delete section 4501.

Mr. SANTORUM. Mr. Speaker, I want to commend the work of the members of the Ways and Means Committee on the Revenue Act of 1992. There are several provisions I wholeheartedly support.

The luxury tax which Congress imposed on the American workers has had the expected detrimental effect, and was by many estimates a revenue loser. It proves again that increasing the burden of taxes to penalize Americans who have achieved the American dream throws working Americans out of work while damaging the economy. This bill repeals this counterproductive tax, and which should be repealed. I also support the provisions which will stabilize the real estate market. Passive loss relief will promote more investment in low- and moderate-income housing. In addition, a permanent extension of the low-income housing credit and the mortgage revenue bond provisions provide a continued incentive to invest in needed housing for all Americans.

There is a provision in this bill I support very strongly in principle, but am disturbed that it does not go far enough to be truly effective. I am speaking of enterprise zones. First, the incentives for job creation in the bill are only a small piece of Secretary Kemp's proposals. Stronger tax and regulatory incentives must be included if enterprise zones are to really be given a chance to succeed and meet the economic needs of many economically distressed communities.

Second, communities in and around Pittsburgh deserve to be designated an enterprise zone. I support very strongly the concept of enterprise zones. There are quite a few economically distressed areas in western Pennsylvania, and in fact in my district communities like McKeesport, Clairton, Duquesne, and Braddock, which have been neglected for years. There are hard-working, able people in these communities that want to work, but for many different reasons industry no longer finds their communities attractive to invest in.

More enterprise zone areas must be allowed to qualify than the 50 approved of in the bill. As I have said, incentives to business locating in these zones should be even greater. This is an initiative which, if it had been instituted 10 years ago, could have arrested the decay of our urban communities, and perhaps many of the people in my district who have seen such hard times would be employed, or if retired, would have the savings now to visit children and grandchildren in other places. Under a more comprehensive scheme, such as Secretary Kemp's proposal, many of the municipalities in my district would qualify for special tax treatment, much needed jobs would be created, and economic and community vitality would have been nurtured.

The solution to many of our urban problems is the creation of gainful employment. I hope that the passage of this bill indicates a willingness on the part of the Congress to support enterprise zones generally in all areas of need. I will work very hard in support of a bill which is broad enough to include Pittsburgh communities in its enterprise zone provisions.

Finally, I am pleased to support this bill with the understanding that it does abide by the Budget Enforcement Act. Through this bill, we will accomplish both needed job creation and economic growth without creating a greater debt burden for our children. The Congress is still irresponsible in regards to much of the spending legislation it passes, but my hope is that this measure will be a positive contribution to our children's future rather than a detriment.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois [Mr. ROSTENKOWSKI] that the House suspend the rules and pass the bill, H.R. 11, as amended.

The question was taken.

Mr. ROSTENKOWSKI. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 356, nays 55, answered "present" 1, not voting 22, as follows:

[Roll No. 268]

YEAS—356

Abercrombie	Bennett	Byron
Alexander	Bentley	Callahan
Allard	Bereuter	Camp
Allen	Berman	Cardin
Anderson	Bevill	Carper
Andrews (ME)	Bilbray	Chandler
Andrews (NJ)	Billrakis	Chapman
Andrews (TX)	Blackwell	Clement
Anthony	Bliley	Clinger
Applegate	Boehlert	Coble
Archer	Boehner	Coleman (MO)
Armey	Borski	Combest
Aspin	Boucher	Condit
AuCoin	Boxer	Conyers
Bacchus	Brewster	Cooper
Baker	Browder	Costello
Ballenger	Brown	Coughlin
Barrett	Bruce	Cox (CA)
Barton	Bryant	Cox (IL)
Bateman	Bunning	Coyne

Cramer	Jenkins	Pickle
Crane	Johnson (CT)	Porter
Cunningham	Johnson (SD)	Poshard
Dannemeyer	Johnson (TX)	Price
Darden	Johnston	Pursell
Davis	Jones (GA)	Quillen
de la Garza	Jones (NC)	Ramstad
DeLauro	Kaptur	Rangel
DeLay	Kasich	Ravenel
Dellums	Kennedy	Ray
Derrick	Kennelly	Reed
Dickinson	Kildee	Regula
Dicks	Kleczka	Rhodes
Dixon	Klug	Richardson
Donnelly	Kolbe	Ridge
Dooley	Kopetski	Riggs
Doolittle	Kyl	Rinaldo
Dorgan (ND)	Lagomarsino	Ritter
Dornan (CA)	Lancaster	Roberts
Downey	Lantos	Roemer
Dreier	LaRocco	Rogers
Duncan	Laughlin	Rohrabacher
Durbin	Leach	Ros-Lehtinen
Eckart	Lehman (CA)	Rose
Edwards (OK)	Lent	Rostenkowski
Edwards (TX)	Levin (MI)	Roth
Emerson	Levine (CA)	Roukema
Engel	Lewis (CA)	Rowland
English	Lewis (GA)	Roybal
Erdreich	Lightfoot	Russo
Espy	Lipinski	Sabo
Ewing	Livingston	Sangmeister
Fascell	Lloyd	Santorum
Fawell	Lowery (CA)	Sarpalius
Fazio	Lowey (NY)	Sawyer
Feighan	Luken	Saxton
Fields	Machtley	Schaefer
Fish	Manton	Schiff
Flake	Marlenee	Schulze
Foglietta	Martin	Schumer
Ford (TN)	Matsui	Sensenbrenner
Franks (CT)	Mavroules	Serrano
Frost	Mazzoli	Sharp
Gallegly	McCandless	Shaw
Gallo	McCloskey	Shays
Gaydos	McCollum	Shuster
Gejdenson	McCrery	Sikorski
Gekas	McDade	Sisisky
Gephardt	McDermott	Skeen
Geren	McGrath	Skelton
Gibbons	McMillan (NC)	Slattery
Gilchrest	McMillen (MD)	Slaughter
Gillmor	McNulty	Smith (IA)
Gilman	Meyers	Smith (NJ)
Gingrich	Mfume	Smith (OR)
Glickman	Michel	Smith (TX)
Goodling	Miller (CA)	Snowe
Gordon	Miller (OH)	Solarz
Goss	Miller (WA)	Spence
Gradison	Mink	Spratt
Grandy	Moakley	Staggers
Green	Molinari	Stallings
Guarini	Montgomery	Stark
Gunderson	Moody	Stearns
Hall (OH)	Moorhead	Stokes
Hamilton	Moran	Studds
Hammerschmidt	Morella	Stump
Hancock	Morrison	Sundquist
Hansen	Murtha	Swift
Harris	Nagle	Synar
Hastert	Natcher	Tallon
Hatcher	Neal (MA)	Tanner
Hayes (LA)	Neal (NC)	Tauzin
Hefley	Nichols	Taylor (NC)
Henry	Nowak	Thomas (CA)
Herger	Nussle	Thomas (WY)
Hoagland	Oakar	Thornton
Hobson	Olver	Torres
Hochbrueckner	Ortiz	Torricelli
Holloway	Orton	Towns
Hopkins	Owens (UT)	Upton
Horn	Oxley	Valentine
Horton	Packard	Vander Jagt
Houghton	Pallone	Vento
Hoyer	Parker	Visclosky
Hubbard	Pastor	Volkmer
Huckaby	Patterson	Vucanovich
Hughes	Paxon	Walker
Hunter	Payne (NJ)	Walsh
Hutto	Payne (VA)	Waters
Hyde	Pease	Waxman
Inhofe	Pelosi	Weber
Ireland	Perkins	Weldon
Jacobs	Peterson (FL)	Wheat
James	Peterson (MN)	Whitten
Jefferson	Pickett	Wolf
Wolpe	Yatron	Zeliff
Wyden	Young (AK)	Zimmer
Wylie	Young (FL)	

NAYS—55

Ackerman	Jontz	Rahall
Annunzio	Kanjorski	Sanders
Atkins	Kostmayer	Savage
Beilenson	LaFalce	Scheuer
Brooks	Lewis (FL)	Schroeder
Burton	Long	Skaggs
Campbell (CA)	McCurdy	Solomon
Carr	McHugh	Stenholm
Clay	Mineta	Swett
DeFazio	Mollohan	Taylor (MS)
Dingell	Murphy	Traficant
Early	Myers	Unsoeld
Evans	Oberstar	Washington
Ford (MI)	Obey	Weiss
Frank (MA)	Olin	Wilson
Gonzalez	Owens (NY)	Wise
Hall (TX)	Panetta	Yates
Hayes (IL)	Penny	
Hertel	Petri	

ANSWERED "PRESENT"—1

Martinez

NOT VOTING—22

Barnard	Dwyer	Mrazek
Bonior	Dymally	Roe
Broomfield	Edwards (CA)	Smith (FL)
Bustamante	Hefner	Thomas (GA)
Campbell (CO)	Kolter	Traxler
Coleman (TX)	Lehman (FL)	Williams
Collins (IL)	Markey	
Collins (MI)	McEwen	

□ 1704

Mr. WISE changed his vote from "yea" to "nay."

Mr. SPENCE and Mr. TORRES changed their vote from "nay" to "yea."

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ANNOUNCEMENT OF PUBLIC HEARING ON SOCIAL SECURITY BENEFITS

Mr. JACOBS. Mr. Speaker, on behalf of the Committee on Ways and Means, I announce that a public hearing will be conducted on the subject of the disparity of Social Security benefits, sometimes called the notch controversy, on the 23d of this month of July at 10 a.m. in room 1100, Longworth Building.

WAIVING CERTAIN POINTS OF ORDER AGAINST AND DURING CONSIDERATION OF H.R. 5517, DISTRICT OF COLUMBIA APPROPRIATIONS ACT, 1993

Mr. BEILENSON, from the Committee on Rules, submitted a privileged report (Rept. No. 102–651) on the resolution (H. Res. 509) waiving certain points of order against and during consideration of the bill (H.R. 5517) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending September 30, 1993, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 5100, TRADE EXPANSION ACT OF 1992

Mr. BEILENSON, from the Committee on Rules, submitted a privileged report (Rept. No. 102–652) on the resolution (H. Res. 510) providing for consideration of the bill (H.R. 5100) to strengthen the international trade position of the United States, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION WAIVING POINTS OF ORDER AGAINST CONFERENCE REPORT ON H.R. 5260, UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1992

Mr. BEILENSON, from the Committee on Rules, submitted a privileged report (Rept. No. 102–653) on the resolution (H. Res. 511) waiving points of order against the conference report on the bill (H.R. 5260) to extend the Emergency Unemployment Compensation Program, to revise the trigger provisions contained in the Extended Unemployment Program, and for other purposes, which was referred to the House Calendar and ordered to be printed.

SEXUAL HARASSMENT CHARGES IN THE NAVY

(Ms. PELOSI asked and was given permission to address the House for 1 minute.)

Ms. PELOSI. Mr. Speaker, earlier today the House considered the Defense appropriation bill, and I rise now to commend and thank our colleague, Chairman MURTHA, for his immediate and determined response to the sexual harassment of women aviators at the Navy's Tailhook Convention. When we considered the Defense appropriations bill in our full committee, members of the committee commended the gentleman from Pennsylvania [Mr. MURTHA] for the actions that he had taken and I want to convey some of those comments to this body.

Chairman MURTHA acted quickly for a full investigation and for full accountability. He also moved quickly to reduce Navy funding to send a message to the Navy that women would not be subjected to this type of behavior.

Mr. Speaker, I hope the House will join in commending our colleague, Chairman MURTHA, again for his sensitivity, his courage, and his sense of justice.

Mr. Speaker, I rise today to commend and thank my colleague, Chairman MURTHA, for his immediate and determined response to the sexual harassment of women aviators at the Navy's Tailhook Convention. Chairman MUR-

THA acted swiftly for a full investigation and full accountability. He also moved quickly to reduce Navy funding to send the message that women would not be subjected to this type of behavior. The individual aviators who participated in the incident, as well as their commanders, must be reprimanded and accept responsibility for their degrading behavior. Department of Defense policies must also protect anyone in the Armed Forces who is treated unjustly.

Mr. Speaker, this incident points to the larger issue that is commonplace in the Armed Forces for women. Women face discrimination, harassment, and degradation in the face of doing their jobs. Women have not yet been integrated into the Armed Services where men and women work side by side and in unison, but rather they are at odds with each other. The policies of the Department of Defense are not sensitive to the concerns of women.

I would also like to commend Lt. Paula Coughlin for her courage and determination in speaking out against the behavior of drunken aviators. It is difficult for a woman to come forward to discuss the details of degrading behavior, especially when her own superior does not take her seriously.

I commend my colleague and friend, Chairman MURTHA, again for his sensitivity, courage, and sense of justice.

Mr. MILLER of California. Mr. Speaker, will the gentlewoman yield?

Ms. PELOSI. I am pleased to yield to the gentleman from California.

Mr. MILLER of California. Mr. Speaker, I just would like to associate myself with the remarks of the gentlewoman in commending the chairman of the Subcommittee on Defense Appropriations for his very decisive action. I think it made us very proud as Members of this House that somebody would finally act in that decisive manner on this absolutely unacceptable behavior.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 3221

Mr. VOLKMER. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of the bill, H.R. 3221.

The SPEAKER pro tempore (Mr. TORRES). Is there objection to the request of the gentleman from Missouri?

There was no objection.

□ 1710

LEGISLATIVE PROGRAM

(Mr. DREIER of California asked and was given permission to address the House for 1 minute.)

Mr. DREIER of California. Mr. Speaker, I asked unanimous consent to speak for 1 minute in order to ask the distinguished chairman of the Democratic Caucus concerning the schedule for the balance of the day and the schedule for the action-packed week between Independence Day and the Democratic Convention.

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

Mr. DREIER of California. I am happy to yield to my very good friend, the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. I thank the gentleman from California for yielding to me.

We have completed our legislative business for today, Mr. Speaker. The House will be in recess tomorrow and on Monday in observance of the birthday of our Nation, July 4.

We will come back into session on July 7, on which day we will consider six suspensions: H.R. 3562, regarding the Customs forfeiture fund, H.R. 5269, to add to the area in which the Capitol police have law enforcement authority, a bill of general interest to the country.

H.R. 3836, the Pacific Yew Act, an unnumbered House resolution regarding the New England groundfish restoration, H.R. 4310, the national marine sanctuaries reauthorization, H.R. 1435, Rocky Mountain Arsenal wildlife refuge. Votes on all of those suspension bills, if any, will be rolled until the end of the day on Wednesday, the following day. So we do not expect any votes on the floor on Tuesday.

On Wednesday, July 8, we will expect to meet very late with legislative votes possibly as early as 11 a.m. Members need to know possible votes will be as early as 11 a.m.

During Wednesday we will be considering H.R. 5100, the Trade Expansion Act of 1992, subject to a rule, an unnumbered bill, the District of Columbia appropriations for fiscal 1993, subject to a rule, and H.R. 3553, higher education reauthorization conference report.

On Thursday we also expect to meet very late in the evening, and we will be considering the Department of Transportation appropriations bill for fiscal 1993, subject to a rule, and any other possible legislation either held over from the prior day or that may come up prior to that time. We do not expect any votes nor do we expect to be in session on Friday. The House will then adjourn, and the Democratic Convention will be held the following week.

Mr. DREIER of California. I thank my friend.

Mr. Speaker, I would like to inquire: A number of people on this side of the aisle have asked is the order in which the gentleman outlined the three bills to be considered on Wednesday, July 8, accurate? Are we planning to proceed with first the trade bill, then the District of Columbia and then higher education, in that order?

Mr. HOYER. I will tell my friend, the distinguished gentleman from California, right now it is accurate. I say that only because, as the gentleman well knows, the vagaries of the legislative process are that there may be one bill that will proceed the other which is listed out of order here.

Mr. DREIER of California. Well, as my friend knows, we had an incredibly unique experience this week when three rules were considered in very, very different order, several different times and way beyond the schedule. That is why we are wondering whether it is planned at this point to begin with the trade bill first thing on Wednesday morning.

Mr. HOYER. The present plan is that that is what we will do.

But as the gentleman from the Committee on Rules knows so well, "the best laid plans."

Mr. LEACH. Mr. Speaker, will the gentleman yield?

Mr. DREIER of California. I yield to the gentleman from Iowa.

Mr. LEACH. I thank the gentleman for yielding.

Mr. Speaker, as the distinguished spokesperson for the majority party knows, 15 months ago the President of the United States requested that this Congress act on replenishment of International Monetary Fund. On April 1 of this year he made a plea to the Congress to act on a Freedom Act for the former Soviet Union and asked that it be passed by the Congress before Mr. Yeltsin visited the United States. As yet, the House of Representatives has not scheduled consideration of this massively important bill. And I raise it in two contexts: First, the longer we delay the less likelihood of a sympathetic hearing; but second, and of extraordinary significance, that because it relates to an international financial institution, that the Congress is delaying not only United States participation in this plan but the participation of all of our allies who are going to match our contribution by a 4-to-1 ratio.

In other words, this Congress is delaying not only an executive branch initiative in our country but an accepted executive branch initiative in all of the other major capitals of the Western world and Japan.

I just plead with the gentleman to give serious consideration for the timing of this particular initiative which the President, on behalf of the American public, has placed so much import upon.

Could the gentleman enlighten us on whether there is a scheduled consideration for the Freedom Support Act?

Mr. HOYER. I thank the gentleman for his comments and observations. And if the gentleman will yield——

Mr. DREIER of California. I am happy to.

Mr. HOYER. In responding to the gentleman, as the gentleman knows, the other body is considering this legislation. I do not know that they passed it today. But assuming they did, this body will, I think, move on that legislation to address it in the near term. I do not have a date for the gentleman.

Mr. LEACH. If the gentleman could yield for one clarification: Is this a

commitment that it will be considered before the August recess? That seems very reasonable to this gentleman. I think we are late now, but if it is put into September, it is a totally different kind of aura for consideration.

So I would urge the gentleman, within his leadership, to, if at all conceivable, do this as early in July as possible. Is that possible?

Mr. HOYER. I appreciate the gentleman's comments. As the gentleman well knows, I would have to consult, clearly, with the committees of jurisdiction before I can accurately answer that question. I do not want to do that. But I will tell the gentleman that I will bring his concern, which is shared by the majority leader——

Mr. LEACH. I know, many on both sides of the aisle, I appreciate that.

Mr. Speaker, I thank the gentleman for yielding.

Mr. DREIER of California. I thank my friend or his question.

I would like to inquire of the distinguished caucus chairman if the votes on the suspensions are going to be held following the consideration of the three bills set for Wednesday, July 8, and he said we are going to be going late into the night if we finish, as we have this week, at midnight, will we then be at midnight voting on the suspensions that were considered the day before?

Mr. HOYER. That might occur, but we will certainly consult with your side of the aisle, trying to accommodate Members. And if we got that late, we may well do it the first thing the following morning. But it is our present plan to do it late and, hopefully, it won't be—when we say late—not that late.

Mr. DREIER of California. I thank my friend, and I wish him a happy, a very happy Independence Day.

DISPENSING WITH CALL OF PRIVATE CALENDAR ON TUESDAY, JULY 7, 1992

Mr. HOYER. Mr. Speaker, I ask unanimous consent that the call of the Private Calendar be dispensed with on Tuesday, July 7, 1992.

The SPEAKER pro tempore (Mr. TORRES). Is there objection to the request of the gentleman from Maryland?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. HOYER. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

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

There was no objection.

AUTHORIZING THE ARCHITECT OF THE CAPITOL TO ACQUIRE CERTAIN PROPERTY

Mr. KILDEE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 2938) to authorize the Architect of the Capitol to acquire certain property, and ask for its immediate consideration in the House.

The Clerk read the title of the Senate bill.

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

Mr. THOMAS of California. Mr. Speaker, reserving the right to object, I do so in order to ask my colleague and friend, the gentleman from Michigan [Mr. KILDEE] to explain the legislation.

Mr. KILDEE. Mr. Speaker, will the gentleman yield?

Mr. THOMAS of California. I yield to the gentleman from Michigan.

Mr. KILDEE. I thank the gentleman for yielding and for his question.

Mr. Speaker, this bill assists the Senate in its continuing efforts to provide Senate pages with a safe and suitable place in which to reside while in Washington. It allows the Architect of the Capitol to procure and improve page residence facilities.

There will be two adjacent townhouses which can be brought up to code. They are suitable. I think as a matter of comity with the Senate, and for the safety of the pages, that we should process without delay.

Mr. Speaker, I am chairman of the Page Board for the House. We have accommodated the Senate pages to the degree possible in our facilities, but we really are depriving our own pages of space for recreation and for study.

I think we should proceed with this. I thank the gentleman from California [Mr. THOMAS] for his very necessary question.

Mr. THOMAS of California. I thank the gentleman.

Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the Senate bill, as follows:

S. 2938

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AUTHORITY OF THE ARCHITECT.

(a) ACQUISITION OF PROPERTY.—The Architect of the Capitol, under the direction of the Senate Committee on Rules and Administration, may acquire, on behalf of the United States Government, by purchase, condemnation, transfer or otherwise, as an addition to the United States Capitol Grounds, all publicly and privately owned real property in lots 34 and 35 in square 758 in the District of Columbia as those lots appear on the records in the Office of the Surveyor of the District of Columbia as of the date of the enactment of this Act, extending to the outer face of the curbs of the square in which such lots are located and including all alleys or parts of alleys and streets within the lot lines and curb lines surrounding such real property, together with all improvements thereon.

(b) UNITED STATES CAPITOL GROUNDS AND BUILDINGS.—Immediately upon the acquisition by the Architect of the Capitol, on behalf of the United States, of the real property, and the improvements thereon, as provided under subsection (a), the real property acquired shall be a part of the United States Capitol Grounds, and the improvements on such real property and improvements shall be subject to the Act of July 31, 1946 (40 U.S.C. 193a et seq.), and the Act of June 8, 1942 (40 U.S.C. 174c).

(c) BUILDING CODES.—The real property and improvements acquired in accordance with subsection (a) shall be repaired and altered, to the maximum extent feasible as determined by the Architect of the Capitol, in accordance with a nationally recognized model building code, and other applicable nationally recognized codes (including electrical codes, fire and life safety codes, and plumbing codes, as determined by the Architect of the Capitol), using the most current edition of the nationally recognized codes referred to in this subsection.

(d) REPAIRS; EXPENDITURES.—The Architect of the Capitol is authorized, without regard to the provisions of section 3709 of the Revised Statutes of the United States, to enter into contracts and to make expenditures for necessary repairs to, and refurbishment of, the real property and the improvements on such real property acquired in accordance with subsection (a), including expenditures for personal and other services as may be necessary to carry out the purposes of this Act. In no event shall the aggregate value of contracts and expenditures under this subsection exceed an amount equal to that authorized to be appropriated pursuant to subsection (e).

(e) AUTHORIZATION.—There is authorized to be appropriated to the account under the heading "Architect of the Capitol" and the subheadings "Capitol Buildings and Grounds" and "Senate Office Buildings", $2,000,000 for carrying out the purposes of this Act. Moneys appropriated pursuant to this authorization may remain available until expended.

(f) USE OF PROPERTY.—The real property, and improvements thereon, acquired in accordance with subsection (a) shall be available to the Sergeant at Arms and Doorkeeper of the Senate for use as a residential facility for United States Senate Pages, and for such other purposes as the Senate Committee on Rules and Administration may provide.

(g) CAPITOL POLICE JURISDICTION.—In carrying out its supervision and jurisdiction over the real property and improvements acquired in accordance with subsection (a) by reason of their acquisition as a part of the United States Capitol Grounds and Buildings, the United States Capitol Police shall have the additional authority to make arrests for the violation of any law of the United States or the District of Columbia, or any regulation issued pursuant thereto, within any area or street in the District of Columbia outside the United States Capitol Grounds necessary to carry out such supervision or jurisdiction over such acquired real property and improvements, and to travel between parts of the United States Capitol Grounds which are not contiguous. The au-

thority provided the Capitol Police by this subsection to make arrests within any such area or street shall be concurrent with that of the Metropolitan Police of the District of Columbia.

AMENDMENT OFFERED BY MR. KILDEE

Mr. KILDEE. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KILDEE: Beginning on page 4, strike line 15 and all that follows through page 5, line 6.

The SPEAKER pro tempore. The question is on the amendment offered by the gentleman from Michigan [Mr. KILDEE].

The amendment was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

□ 1720

GENERAL LEAVE

Mr. KILDEE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on S. 2938, the Senate bill just passed.

The SPEAKER pro tempore (Mr. TORRES). Is there objection to the request of the gentleman from Michigan [Mr. KILDEE]?

There was no objection.

TAILHOOK

(Mr. CUNNINGHAM asked and was given permission to address the House for 1 minute.)

Mr. CUNNINGHAM. Mr. Speaker, for my comments I would like to make comment on the gentlewoman from California [Mrs. BOXER], the gentleman from California [Mr. LEVINE] concerning the Tailhook, and the gentleman from Pennsylvania [Mr. MURTHA]. This afternoon the gentlewoman from Ohio [Ms. OAKAR] made comments on Tailhook and lumped all the top four, quote, heavies into one category along with the Tailhook, and I spoke to the gentlewoman, and she changed her testimony because what we are trying to do, and many people are trying to do, is tar and feather across the board our military men and women that represent this country honorably.

Was Paula Kaufman molested? Was she assaulted? Yes, in my opinion, she was assaulted not only a little bit, but criminally, and that should be taken care of.

I would ask that the Members that continue to make political heyday out of the Tailhook Association refrain from lumping everybody into one package, and, as far as the statements, I laud the gentleman from Pennsylvania [Mr. MURTHA] on the Committee on Appropriations for making actions toward the Tailhook, but to fire 10,000 people out of the Navy that had nothing to do with Tailhook and to commend him for that is ludicrous. I condemn it, it is wrong, and those people are suffering needlessly.

TAILHOOK

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Nebraska [Mr. BEREUTER] is recognized for 5 minutes.

Mr. BEREUTER. Mr. Speaker, as I begin my remarks on a special order, I want to recognize what the distinguished gentleman from California [Mr. CUNNINGHAM] just said about not branding all members of an organization, the Navy, the Tailhook or any other organizations with a broad brush, and I have avoided doing that, but I have to say that my constituents and this Member are outraged by the sexual assaults and misconduct directed at 26 women by Navy aviators at the annual Tailhook convention in Las Vegas. The convention of the Tailhook organization of current and past Navy and Marine aviators, are now noted, according to the Washington Post, June 27, 1992, as "an annual event known for its raucous and sometimes lewd atmosphere." The New York Times of the same date noted that the Tailhook convention was "renowned for rowdy parties that featured strippers, pornographic movies and heavy drinking." They continued by indicating that "the party on the third-floor of the Las Vegas Hilton was well known to conventioneers * * * as was the existence of gangs of drunken aviators that groped, fondled and assaulted women as they stepped off an elevator." Of at least 26 women assaulted, according to a Washington Post article of June 24, 1992, more than half were themselves Navy officers.

Mr. Speaker, this situation is intolerable, as is the apparent coverup in the Navy. In light of the detailed reports of sexual harassment of women students at the U.S. Naval Academy widely reported last year, these activities seem to point to a very serious problem in the Navy. From information being released daily now it is unfortunately all too clear that those are not isolated occurrences. Too many people have turned their heads instead of facing and correcting these attacks on women.

Mr. Speaker, the two armed service committees of this Congress must be more aggressive in oversight and action to stop this sexual abuse of women members, and civilians, by officers or enlisted men in our armed services. The Navy should end any association with, and discourage attendance by its personnel at Tailhook conventions unless it cleans up its act and corrects this abusive, offensive and criminal conduct by some attendees. The armed services committees should also seek the identity of active duty or reserve naval aviators at the past and recent Tailhook conventions and take such decisive and appropriate disciplinary actions as are possible.

Mr. Speaker, I would conclude by agreeing with the gentleman from California [Mr. CUNNINGHAM] that that kind of discipline or impact should not be made on all members of a very distinguished service, the enlisted men and officers of the U.S. Navy. Be very careful in targeting top people who are responsible for the abuse or who tolerated it, but let us not take it out on the Navy per se.

MILAN PANIC, PRIME MINISTER OF YUGOSLAVIA

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Maryland [Mrs. BENTLEY] is recognized for 5 minutes.

Mrs. BENTLEY. Mr. Speaker, a successful Serbian-American businessman, Mr. Milan Panic, held a press conference this morning to announce his acceptance to head the first non-Communist Federal Government of Yugoslavia since 1941.

According to the statement he read this morning, his primary goals as Prime Minister of Yugoslavia will be, and I quote:

First, to stop the fighting and to work for real and lasting peace. Second, to establish an environment in which a free, multi-ethnic and multi-religious society can flourish. Democratic principles, the right to free speech and a free press, drew me to America. The pursuit of these principles draws me back to Belgrade.

Mr. Speaker, I commend Mr. Milan Panic for his committment to democratic principles, and sincerely hope that bipartisan support from this legislative body to the democratic reforms he plans to undertake in Yugoslavia, will result in a genuine renewal of stability in the entire Balkans. He applied for and received the necessary license to go to Yugoslavia from the U.S. Treasury Department.

Mr. Panic already has pledged to adhere to sound and rational policies when he assumes his new role in Yugoslavia today. I continue quoting from his statement to the press:

With the Federal government's authority over the Yugoslav regular army, I will continue to ensure that no regular army troops are in neighboring republics. The government will strongly oppose any activity by any irregulars.

Mr. Panic's potential role in stopping the colossal civil war that has been raging in Yugoslavia for over a year now is one that should be acknowledged internationally, especially at this critical time when there is a possibility that the conflict may ensnare the entire Balkans.

I hope that Mr. Panic will persevere in his efforts to bring about peace in the Balkans. It is my fervent prayer that his presence as Prime Minister of

Yugoslavia and Dobrica Cosic as President of Yugoslavia will expedite the removal of the last remnants of Communist rule there for all time.

Mr. Speaker, because so much of the atrocity news we have been receiving from the tragic area that once was Yugoslavia, has been aimed at the Serbs. I would like to bring to the attention of my colleagues 2 messages that have been received by my office today.

THE ORTHODOX METROPOLITAN OF THE ZAGREB-LJUBLJANA DIOCESE IN LJUBLJANA

TO INTERNATIONAL MASS MEDIA: In view of the extremely difficult situation in the part of the Zagreb-Ljubljana diocese outside the Republic of Slovenia, the Office of the Serbian Orthodox Church for Slovenia and the Zagreb-Ljubljana Metropolitan, Jovan, are compelled to address in this way the broader political and religious public opinion and draw attention to certain facts which are in violation of elementary moral and civilizational standards:

In spite of the intercession by Amnesty International, the priest of the local Orthodox Church of Koprivnica (Croatia), monk Nikolaj Marunic, has been kept in prison in Bjelovar for more than a month without any evidence of guilt;

Forcible catechization of children of the Serbian Orthodox faith according to the rules of the Roman Catholic Church, and their preparation for the Holy Communion and confirmation, continue; Orthodox priests who refuse to issue certificates of baptism for these purposes and children who on their own refuse to yield to pressures are harassed;

After the recent demolition of the diocesan seat in Zagreb, the blasting of churches in the provinces outside the UNPROFOR-protected areas and desecration of the Orthodox church in Zagreb continue;

Serbs in Zagreb do not receive any aid from international humanitarian organizations, so that some families are literally starving.

We hereby appeal to the international public to direct part of its attention, without any political, national or religious prejudices, to the Zagreb-Ljubljana diocese of the Serbian Orthodox Church.

Orthodox priests in Slovenia and the Metropolitan of the Zagreb-Ljubljana diocese.

JOVAN.

MEMO

According to news from Belgrade on July 1, Croatian forces conquered and demolished with bulldozers the Serb village of Tasovice today, which is in Hercegovina on the left bank of the river Neretva. Two neighboring Serbian villages were also demolished.

Belgrade also reports that the Serbian Orthodox Church in the city of Capljina also was demolished by the Croats on July 1. Capljina is a town in Western Hercegovina where Croats constitute the majority of the population and Serbs face every day discrimination.

In its news bulletin #64, dated July 1, 1992, the Serbian Press Agency "Srna" reports that the Croatian Army launched 30 mortars on the eastern Hercegovina city of Trebinje on June 29, 1992. Serbs make up the majority of the population in Trebinje and the mortars were fired exclusively at civilian objects.

The citizens of Trebinje are in their basements, and the city's officials reported one civilian heavily wounded. Croatian Army forces are launching the mortars from their positions at Beli Osojnik, which is above the Rijeka Dubrovacka and in the neigboring Republic of Croatia.

The bombardment of Trebinje by the Croatian Army on June 29 was the seventh in the past month. A total of over 300 shells have fallen on this city since the attacks started.

I hope that the United Nations will look into these as it has others.

□ 1730

OCTANE REPLACEMENT ACT OF 1992

The SPEAKER pro tempore (Mr. OWENS of New York). Under a previous order of the House, the gentleman from Indiana [Mr. JONTZ] is recognized for 5 minutes.

Mr. JONTZ. Mr. Speaker, America's farmers can do much more to help our Nation meet its energy needs. America's farmers have the capacity to produce corn and other agricultural products which can be used to make ethanol, which is a safe and clean and domestically produced product that could be used to a much greater extent than today.

Mr. Speaker, just a few weeks ago this House considered a very important energy bill which includes a number of worthwhile provisions to move our Nation toward energy independence. Regrettably, one of the provisions which was not included was the increased use of ethanol to help us meet our octane needs in this country.

Legislation which I have introduced with the coauthorship of the gentleman from Illinois, my colleague on the Committee on Agriculture, Mr. EWING, would help our country to move toward the greater use of this domestically produced product, ethanol, to meet the octane needs of our country.

This bill, the Octane Replacement Act of 1992, directs the Secretary of Energy, beginning in 1994, to establish a program to require the use of domestically produced, renewable, nonpetroleum octane enhancers in the United States gasoline supply.

We have the technology for using ethanol as an octane enhancer. A number of companies are now using ethanol as an octane enhancer. But we should be doing much more.

The program that our proposal would require is the establishment of at least a minimum of one-half octane number of the octane rating of all gasoline sold in the United States beginning in March 1994 from domestically produced, renewable, nonpetroleum sources.

This octane number requirement would then be increased incrementally every 4 years, until at least 2 octane numbers were derived from ethanol by March of the year 2006.

Why do we need this legislation? When lead was phased out of gasoline, a decision was made about what would be replacing lead to improve octane in our Nation's gasoline supply.

One choice was to use alcohol. The other choice was to use aromatic hydrocarbons, chemicals which the petroleum companies distill from crude oil.

Not surprisingly, the oil companies chose to add aromatic hydrocarbons to gasoline, chemicals like benzene, toluene, and xylene. These chemicals have high octane content, but they also cause toxic emissions into the environment. They are also made from imported petroleum.

Alcohol is an effective source of octane which is domestically produced from corn or other agricultural products that we grow here in the United States. Its use will reduce toxic emissions. Its use will create jobs here in the United States.

If our Nation continues to allow the oil companies by themselves to decide where we will obtain the octane needs of this country, it is without doubt that the oil companies will probably prefer to use the aromatic hydrocarbons, furthering our dependence on imported oil.

The Congress of the United States ought to recognize this and to take action to require the use of ethanol, because it promotes our Nation's energy security by using a domestically produced renewable source. In fact, under the provisions of the legislation introduced by myself and the gentleman from Illinois [Mr. EWING] we would be replacing 80 million barrels of imported oil by the year 1994, and 300 million barrels of imported oil by the year 2006.

This is a very significant contribution toward our Nation's energy independence.

Our legislation would result in a tenfold increase in ethanol use over this 12-year phase-in period. This would mean nearly triple the corn consumption for ethanol production beginning in 1994, to about 800 million bushels to 960 million bushels. By the end of the proposed phase-in period, in the range of 3.2 to 3.8 billion bushels of corn would be consumed in our country for ethanol production.

Other agricultural commodities, even municipal garbage, could be used to meet these ethanol requirements. But the point is these are domestically produced products. Why do we continue to import oil into the United States to meet octane needs when we could be meeting those needs here at home?

It is important to point out this can be done without damage to the Clean Air Act. Our legislation is written in such a way that we can avoid any air quality problems, in fact, can achieve a very desirable purpose in reducing toxics from the use of aromatic hydrocarbons where that is not necessary.

This legislation also would not incur costs to the consumer. In fact, the price of ethanol is now about $1.20 a

gallon. That compares favorably to the cost of benzene of about $1.25 a gallon. Oftentime the oil companies would have us believe that to replace gasoline with ethanol will cost the consumer. But in fact if one brings about the desired results by using ethanol as an octane enhancer, the consumer is not incurring any additional costs at all.

Mr. Speaker, we hope that this provision can be brought back to the House, because I believe the Congress recognizes the important role ethanol can play in meeting this Nation's energy needs. We lost a vote on an amendment to the energy bill by a very narrow margin because of concerns that some Members had about how this amendment might affect the Clean Air Act. Since that time, I have been able to work with the gentleman from California [Mr. WAXMAN], whose role in protecting the air quality of this country is well-known, and reach agreement with Mr. WAXMAN about some language which would satisfy his concerns about the Clean Air Act.

We can meet our Nation's clean air goals. We can use ethanol, which is a renewable product. This will create jobs in the United States, this will help the agriculture producers of our country with additional farm income. This will help the taxpayers of our country by reducing the need for farm program payments. All of these benefits can occur if we will pass legislation in this Congress to increase the use of ethanol.

□ 1740

There is very little that we can do this year that will move our Nation as far ahead toward energy independence, toward improving farm income, toward creating jobs in the United States for our workers, than bringing about an increased use of ethanol.

Mr. Speaker, my hope is that this issue will come before the Congress again and the Congress will take a stand for jobs, for farm income, for a clean environment, for domestically produced products, by passing the Octane Replacement Act.

THE BENEFITS OF THE REVENUE ACT OF 1992

The SPEAKER pro tempore. (Mr. OWENS of New York). Under a previous order of the House, the gentleman from Kentucky [Mr. MAZZOLI] is recognized for 5 minutes.

Mr. MAZZOLI. Mr. Speaker, earlier this evening the House took up and passed by a very resounding margin, 356 to 55, the bill H.R. 11, the urban aid package. I appreciate very much the gentleman from Illinois [Mr. ROSTENKOWSKI], the manager of the bill, yielding to me, in view of the fact so many Members wanted time and he had so little to yield, in my remarks I thanked him from the citizens of Louisville and the citizens of Jefferson County, the citizens I am very privileged to represent here in the House of Representatives. On their behalf I thanked the gentleman for having brought this bill to the floor, a bill designed to help the urban areas of our country.

Really, to know the full extent of the gentleman's work, we have to go back to last week, June 22, when we passed the bill which was basically the bill to aid Los Angeles and the city of Chicago. That bill contained $500 million for a summer jobs program for the young people of America. Just interestingly enough and timely enough, a few weeks before we reach that vote last week I had taken a tour of many urban areas within my city of Louisville in the company of Rev. Louis Coleman, Alderman Bill Wilson, and State Representative Porter Hatcher, among others, and I saw firsthand how deeply we need jobs in our inner cities. So the first thing the gentleman did last week was to bring us his program of summer jobs in the urban aid bill, which is constituted of several parts, including the creation of 50 enterprise zones in the United States enacted today.

I would like to say that in Louisville we have created under State law a very successful enterprise zone which, according to data supplied to me by the Office of Economic Development in Louisville, in Jefferson County, in the fiscal years 1983 through 1991, has created some 12,700 jobs, has secured the investment of capital to the extent of $1.3 billion, and in just the one fiscal year, 1991, created 2,600 jobs and secured the investment of $190 million.

Earlier the gentlewoman from Connecticut [Mrs. KENNELLY] said that she was for this bill because there was a chance now to find out if enterprise zones work, and I would tell my friend, the gentlewoman from Connecticut, that they do work in Kentucky and will work across the country.

There are 25 enterprise zones created for the cities, 25 for the rural areas. I would like to see the ratio change. It seems to me that the urban areas need them more, but that is for another time. Firms that either locate in a zone or expand within a zone are entitled to a 50 percent exclusion from capital gains for profits which they make from investments in the zone held for 5 years. All taxes on profits earned within that zone are deferred. There is a 15-percent wage credit for employers who employ zone residents in these businesses, and that is on the first $20,000 of wages up to $3,000 total.

There is a certain criteria set up, or there are criteria set up including unemployment rates and poverty rates, and I would say parenthetically that I believe my community would qualify, and I intend to work with our friends back home to have our area designated. There is also, Mr. Speaker, in the bill today a Weed and Seed Program costing some $25 billion over the next 5 years, which is to weed out from the enterprise zones those malefactors, those brigands, those troublemakers who have hurt the urban residents and maybe have deterred businesses from locating there. After weeding out that unsavory crew we seed those areas with job training, education, health and nutrition programs, community development, and certainly crime prevention to make sure that the businesses flourish.

Mr. Speaker, also in this bill, H.R. 11, are tax provisions making permanent certain tax provisions, including three very important to Louisville and Jefferson County: The low-income housing tax credit I am told by Jim Allen, director of Louisville's housing program, that one-quarter of the 1,200 residents of rental housing built in Louisville since 1986 have used the low-income housing tax credit.

The mortgage revenue bond program is made permanent. Also made permanent is the targeted jobs tax credit, which enable employers to hire economically disadvantaged young people. Extended for 18 months, Mr. Speaker, is the employer-provided educational assistance tax credit.

If there is ever a time when we need to have an educated work force, it is now. This enables the employer to exclude from taxable income some of the tuitions that are paid on behalf of their employees. Also extended is the research and development tax credit, and is there ever a more propitious time to have America get active in research and development to become and remain competitive.

We also extend in the bill, Mr. Speaker, for 6 months the health insurance deduction enjoyed by individually self-employed persons. Last, Mr. Speaker, provisions that are not given the same attention today in the debate, but in the bill is a provision to allow deductions for the fair market value of properties contributed to charities for the purpose of qualifying under the alternative minimum tax. There is also the reinstatement of the passive losses, which are involved in the real estate industry.

The luxury tax is repealed, and last but not least, Mr. Speaker, there is the reinstitution of a taxpayer bill of rights to enable the men and women of America to understand more easily the tax system, and if they feel they have been unfairly pressed upon by the Internal Revenue Service, they now have a mechanism to fight back.

I sum up, Mr. Speaker, by saying this is a very happy day for the citizens of Louisville and Jefferson County, my community, my hometown, because of the work done by many people on the bill, H.R. 11, which passed resoundingly this afternoon.

INTRODUCING THE URBAN ENTREPRENEUR OPPORTUNITIES ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut [Mr. FRANKS] is recognized for 5 minutes.

Mr. FRANKS of Connecticut. Mr. Speaker, it was with mixed emotion that I supported H.R. 11, the Revenue Act bill. There are many excellent proposals included in the bill. However, I had grave concerns with the enterprise zone legislation, despite my strong advocacy of the concept.

In my State and in 36 other States we have enterprise zones. I have a State-sponsored enterprise zone in my hometown of Waterbury, and so did riot-torn Los Angeles. Obviously, enterprise zones are not a panacea. Can they help? Yes. Can they be improved upon? Most definitely.

I have offered an amendment, the Urban Entrepreneur Opportunities Act, that I believe, along with nearly 60 cosponsors, would improve upon the fine concept of enterprise zones while recognizing the frailty of the bill. Tax incentives, capital gains tax relief, and other provisions of the bill are good, but if one cannot start the business in the urban enterprise zone, the benefits mean nothing. If you do not have the financial and administrative ability to start a business, you can never take advantage of the enterprise zone benefits.

My amendment would encourage Fortune 500 type companies to participate in the revitalization of our cities without having a facility in an enterprise zone area. The amendment would allow large companies to establish a wholly-owned subsidiary which would invest capital and offer administrative assistance to qualified aspiring entrepreneurs located in an urban enterprise zone or entrepreneurs willing to locate a business in an urban enterprise zone.

The program would start as a $250 million program administered by HUD. It would cost $85 million over a 5-year period. Large companies would benefit from this program in three ways. One, the money given to the subsidiary would be treated as a regular business expense for tax purposes.

□ 1750

Two, any interest received on the investments made in the small business may be used by the large company; and

Three, the large company may use the employees of the entrepreneurial business to be in compliance with Federal laws.

Yes, Mr. Speaker, we need training programs. Training programs can be useful. But there is little difference between a trained unemployed person and a person who has not been trained and is unemployed, and we know the common denominator. They are both unemployed.

I believe that no urban revitalization programs can be complete without including the development of more urban entrepreneurs. We should give large companies the proper incentives to participate in the rebuilding of our cities, and Mr. Speaker, I will continue the fight to develop more urban entrepreneurs.

FINANCIAL INSTITUTION RESTITUTION COLLECTION IMPROVEMENT ACT OF 1992

The SPEAKER pro tempore (Mr. OWENS of New York.) Under a previous order of the House, the gentleman from Illinois [Mr. ANNUNZIO] is recognized for 5 minutes.

Mr. ANNUNZIO. Mr. Speaker, this spring the Financial Institutions Subcommittee, which I chair, issued a staff study which showed that the Department of Justice and the Federal Deposit Insurance Corporation [FDIC] have failed to collect court-ordered restitution. In 19 cases studied, savings and loan criminals collectively paid less than 1 cent on the dollar of their court-ordered restitution. This is unacceptable.

Today I am introducing the Financial Institution Restitution Collection Improvement Act of 1992 to remove the impediments to the collection of restitution from financial institution crooks. It is not enough to merely put these criminals in jail. We must do everything we can to seek reparations from those culprits who have stolen funds from the American taxpayers.

My legislation will make restitution collection more effective and more efficient. It provides the Justice Department, the FDIC, and the Resolution Trust Corporation [RTC] with enhanced weapons for the collection of restitution, and eliminates the confusing lines of responsibility for its collection. Finally, it allows private bounty hunters to bring collection actions on behalf of the Government, if, after 6 months, the Government has failed to act to collect restitution.

The legislation requires that restitution be due in full immediately, and a restitution order will remain enforceable until it is fully paid. Current law gives judges the discretion to order that restitution be paid over an extended period of time. This prohibits the victims of the crimes from taking immediate action to collect restitution, such as garnishing the defendant's wages or placing liens on the defendant's assets.

Another problem with currently law is that restitution orders generally cannot be enforced for a period longer than 5 years after a defendant is released from prison. Criminals should not be able to hide their assets just long enough to avoid paying their court-ordered restitution. My legislation keeps the restitution order in effect until it is paid in full.

The subcommittee's staff study found that far too often crooks hide their assets by placing them in offshore bank accounts or transferring them to relatives and business associates. For example, one defendant reviewed in the staff study transferred his $175,000 residence to his ex-wife and at least $130,000 to his children's bank accounts, free from all encumbrances. Financial institution fraud victims must be able to void these transactions and collect that which is rightfully owed to them.

The Financial Institution Restitution Collection Improvement Act gives victims of financial institution crimes greater authority to attach or place liens on stolen property and to void certain transfers of property made by financial institutions crooks. The act also allows a court to appoint a temporary receiver to administer a defendant's assets to ensure that maximum possible restitution payments are made.

To assist victims in collecting restitution, my legislation requires the U.S. Probation and Pretrial Services Office to provide victims with any financial information contained in the presentence investigation reports prepared for the courts.

Currently, these reports are only provided to the U.S. Attorneys Office and the defendant; therefore, victims are severely handicapped in locating assets for purposes of collecting restitution. My legislation would also require the U.S. Parole Commission to notify a recipient of restitution, who has not yet been fully repaid, when a defendant is to be released from prison so that the victim could keep tabs on the defendant's assets and wages.

Furthermore, under my legislation, judges would no longer be able to take into account a defendant's ability to pay in determining how much restitution he owes. A defendant should not be able to escape having to pay back that which he stole merely because he lived the good life and devoured the fruits of his crime prior to being caught. The ability to repay is not taken into account in ordinary civil litigation; it should not be a mitigating factor for criminals to evade being ordered to make restitution to their victims.

Regrettably, the Government has not made collecting restitution a high priority. To combat this problem, my legislation will enable private citizens to bring actions on behalf of the Federal banking agencies to collect any restitution which has been outstanding for more than 6 months. If successful, the amount recovered will be turned over to the banking agencies and the bounty hunters will be entitled to receive between 5 percent and 30 percent of that which they collected as well as reasonable attorney's fees and costs.

Mr. Speaker, it's pay back time. It's time for the robbers to pay back their victims. At a time when Congress is appropriating billions of dollars to pay off depositors of failed financial institutions, it is truly astonishing that defendants who have assets and income remaining have been able to pay little or no restitution. The Financial Institution Restitution Collection Improvement Act of 1992 makes sure that the victims get paid back by enabling the Government to start collecting restitution and not just convictions. I urge my colleagues to join me in supporting this legislation.

THE NEED TO BETTER PROTECT THE TAXPAYER FROM THE RISKS ASSOCIATED WITH GOVERNMENT-SPONSORED ENTERPRISES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. PICKLE] is recognized for 5 minutes.

Mr. PICKLE. Mr. Speaker, I rise today to call the attention of the Members of the House

the action taken yesterday by the Senate which purports to better regulate two Government-sponsored enterprises, Fannie Mae and Freddie Mac.

Together these two GSE's have issued about $1 trillion in obligations and guarantees which have the implicit backing of the U.S. Government. In the aftermath of the savings and loan disaster, Mr. GRADISON and I, along with other Members of the House from both sides of the aisle, began work to improve the capitalization and regulation of these GSE's.

Since then, there have been extensive studies by the Treasury, the GAO, and the CBO. All these studies have shown that an independent regulator and higher capital standards would better protect the taxpayer from potential GSE losses.

Yet despite these reports, and despite the continuing losses we are all paying for in the case of banks and thrifts, both the House and the Senate have approved bills which essentially ratify the status quo for Fannie Mae and Freddie Mac. Both Fannie and Freddie expect to meet these "new" standards before they are even implemented by the Government. There will be no noticeable change in their operations.

It is, therefore, absolutely no surprise to read in papers that these two financial institutions are the leading advocates for the legislation which is now headed for conference. Once again, it seems that we have created financial institutions which we are unable to control. But, as the recent articles from the Wall Street Journal and New York Times, which I ask permission to insert, to make abundantly clear, the foxes are still guarding the hen house well. The sad truth is, that after 3 years of work, the Treasury and the taxpayer are still left ready for the plucking.

Mr. Speaker, some progress has been made, but contrary to press releases, the GSE's—Fannie Mae, Freddie Mac, et cetera—have not established proper capitalization, or allowed proper regulation to be effective.

We must continue this fight until it is done right. When it is done, then we can all issue a press release—and celebrate together. Meanwhile, GSE's: Don't mislead the public.

[From the Wall Street Journal, June 19, 1992]

PRIVILEGED POSITION: FANNIE MAE EXPECTED TO ESCAPE AN ATTEMPT AT TIGHTER REGULATION

(By Kenneth H. Bacon)

WASHINGTON.—When a Capitol Hill softball team needs bases, the Federal National Mortgage Association will quickly provide a set of bags stamped with its logo: "The USA's Housing Partner."

In Congress and on Wall Street, though, Fannie Mae is better known for playing hardball. With assets of $147 billion, Fannie Mae is the nation's fourth largest financial institution. It has muscled into this position by zealously protecting government-granted privileges that enable it to borrow at low interest rates and underprice its private competition in the huge secondary market for mortgages.

Recently, those privileges have come under threat. The Bush administration and many in Congress want to tighten controls on Fannie Mae and its little brother, the Federal Home Loan Mortgage Corp. (Freddie Mac). The reason: The billions in mortgage securities the two companies have issued represent a potential liability to the U.S. taxpayer of more than $800 billion, according to estimates by the Office of Management and Budget. But the profits from the two companies go to private investors.

"They have a sweet deal," says Rep. J.J. Pickle, a Texas Democrat. "The risk is 99% public and the profit is 100% private."

LOBBYING POWER

It's a sweet deal that the two institutions fight hard to protect. And so far, their impressive lobbying clout has been highly successful at fending off those who want to curb their freedom.

The Senate yesterday began consideration of a bill designed to increase the regulation of the two companies and to boost the capital they must hold to protect against failure. But the bill itself is testament to their political might. The minimum capital standards in the bill would require only modest increases in capital at either institution. And instead of creating a wholly independent regulatory authority, as recommended by various experts and watchdog agencies, the bill would leave oversight of the two institutions in the Department of Housing and Urban Development, whose regulatory efforts in the past have been lax.

"The bill perpetuates the wafer-thin captial requirements that" Fannie Mae and Freddie Mac now enjoy, says Thomas Stanton, a former Fannie Mae lawyer, whose book "A State of Risk" helped trigger efforts to tighten regulation of the companies.

A PUBLIC MISSION

Fannie Mae and Freddie Mac are two of six government-sponsored enterprises, or GSEs, that Congress chartered to funnel money from Wall Street into three Main Street causes—housing, agriculture and education. Fannie Mae and Freddie Mac pump money into housing markets in two ways. They either purchase mortgages and hold them in their portfolios, or they "securitize" mortgage-backed securities. These instruments, on which Fannie Mae and Freddie Mac guarantee payment of interest and principal, turn mortgages into securities that can be traded or held by pension funds, banks and other investors. The volume of mortage-backed securities has grown explosively, from about $100 billion outstanding a decade ago to $1 trillion today.

The special relationships the two institutions have with the Treasury and the Federal Reserve lead most investors to assume that the U.S. government would help them out of any problems, and Congress did bail out the Farm Credit System in 1987. This implied guarantee lowers borrowing costs an estimated third of a percentage point below what the most credit-worthy private corporations pay. (Some of that savings is passed on to the public through lower rates, while some helps ensure investors a profit.)

Fannie Mae and Freddie Mac—which are publicly held—also don't have to pay state and local income taxes, and they don't have to register their securities with the Securities and Exchange Commission. The Treasury estimates these exemptions are worth $2 billion to $4 billion annually—benefits also shared by shareholders and by home buyers.

The benefits have helped the institutions to turn tidy profits. In 1991, Fannie Mae earned $1.36 billion and Freddie Mac $555 million. They have returns on equity two or three times the average for financial firms. Shares of the larger institution, Fannie Mae, have risen form as low as $2.37½ a decade ago to $57.62½ now, adjusted for stock splits.

Their financial strength has enabled Fannie Mae and Freddie Mac to provide a steady stream of mortgage finance during a decade when thousands of banks and thrifts failed. Volatile interest rates and costly new regulations have made banks and thrifts less willing to hold mortgages and more eager to sell them. As a result, the residential mortgage markets are becoming increasingly federalized, with mortgage terms set by Fannie Mae and Freddie Mac. The companies have recycled about one-third of the nearly $3 trillion residential mortgages outstanding, a proportion expected to grow.

Thus, private-sector competitors question the continuation of their privileges, especially amid the S&L bailout. "I'm surprised that these quasi-public firms have been able to maintain their access to government guarantees for free when there have been hundreds of billions of dollars spent right around them," says Bruce Paradis, an executive of Residential Funding Corp., a mortgage finance unit of General Motors Corp.

Fannie Mae and Freddie Mac both had troubles in the 1980s. Fannie Mae showed heavy losses early in the decade amid surging interest rates, and Freddie Mac bungled a big multifamily housing program. But no bailout was needed, and since then, both have boosted the capital they hold to offset potential losses, tightened underwriting standards and taken other safety steps.

Past moves to abolish the GSE's federal charters or charge them a fee for the implicit federal guarantees (similar to banks' premiums for deposit insurance) have failed. The legislation under consideration now would require Fannie Mae and Freddie Mac to file more reports, increase their capital cushions slightly and finance more inner-city lending. But with some help from their many friends in Congress, the companies have shaped the bill so it will have little initial impact.

Freddie Mac Chairman Leland Brendsel says the bill "establishes the toughest, most dynamic capital standards faced by any financial institutions." But he agrees it is "unlikely [to] cause Freddie Mac or Fannie Mae to have significantly higher capital requirements."

CAPITAL RULES

It would require them to hold capital equal to 2.5% of their assets and 0.45% of their guarantees to purchase mortgages and make payments on securities. That compares with a 5%-of-assets minimum for well-capitalized banks. G.E. Capital Corp., which operates without government benefits, maintains 11.5% capital to keep its AAA rating secure, according to public documents.

Fannie Mae Chairman James Johnson says the legislation, which has passed the House, will "remove any cloud that remains about our governmental mandate . . . and allow Fannie Mae to get on with housing Americans and making more money for its shareholders."

One reason Fannie Mae has been so successful in protecting its privileges is that it has done just what Congress created it to do in 1938: aid housing by helping lenders supply credit at the lowest rate. The institutions also say they funnel money to the lower end of the housing market. However, a 1990 Federal Reserve study of mortgage lending found that just 2.5% for the housing loans Fannie Mae bought that year were in predominately minority neighborhoods; for Freddie Mac, the figure was 3.6%

Another factor is Fannie Mae's unusual dual public-private nature as a government insider that can, for example, dispense political-action committee money. "Their intelligence is so good," says Rep. Gerald Klecz-

ka, a Wisconsin Democrat who sits on the House Banking Committee, "that one time I was drafting an amendment, and Fannie Mae had a rebuttal in the hands of the Republicans before I spoke."

LAY OFF

SEC Chairman Richard Breeden saw how quickly Congress moves to protect its favored offspring when he endorsed a Treasury proposal to end GSEs' exemption from SEC registration. House Banking Committee Chairman Henry Gonzalez belittled the proposal as an SEC power grab. The Texas Democrat said he was only trying to protect the public interest."I'm not lobbying for powerful and rich entities like the GSEs," Mr. Gonzalez said. "They can take care of themselves."

The SEC chairman shot back: "It seems that they have, yes."

Fannie Mae has its own political action committee, called Fannie PAC, which made campaign contributions of $16,300 in the 1992 first quarter. The company also uses hired guns. In 1990, it hired former Fed Chairman Paul Volcker to help defeat a Treasury proposal for new capital standards. Then last year, it faced a House Banking Committee effort to limit executive salaries, a reaction to the $29 million retirement package Fannie granted to its former chairman, David Maxwell; it brought in Stuart Eizenstat, former President Carter's domestic policy adviser, to help work on Democrats.

"I don't think I've ever been lobbied by such a broad cross-section of influential Democrats—strategists, businessmen, everybody from the Washington hierarchy," says Rep. Joseph Kennedy, the Massachusetts Democrat who unsuccessfully pushed the pay amendment. As a result, Fannie and Freddie will continue to be able to tout their public purpose even as their chairmen earn over $1 million.

When Fannie Mae needs help with Republicans, it use the Duberstein Group, a lobbying firm headed by President Bush's former chief lobbyist. And to deal with politicians in general, it calls on powerful trade groups, most notably the Mortgage Bankers, Association, the National Association of Home Builders and the National Association of Realtors. "They have amassed an army of people to descend upon us any time they think their welfare is in jeopardy," say Rep. Kleczka of Wisconsin. Leaders of the three trade groups and Fannie and Freddie are called the "Gang of Five" in the Senate, where they have lobbied as a team.

Real-estate interests rely on the steady flow of mortgage funds Fannie Mae and Freddie Mac provide and go out of their way to protect them. Edward Kane, a professor of finance at Boston College, told a friend in a letter last year that a research project on the implications of the S&L crisis—financed by the National Association of Home Builders—was "aborted in midstream because of my unwillingness to adjust my views on Fannie Mae." He declined to be interviewed, but David Seiders, chief economist for the National Association of Home Builders, says some of the trade group's leaders were upset when they learned that Mr. Kane planned to write that Fannie Mae and Freddie Mac's subsidized dominance of the mortgage market weakened the S&L industry.

In the last year or so, Fannie Mae has hired the top housing staffer from the House Banking Committee and a former top aide to the secretary of the Housing and Urban Development Department, which regulates it. Herb Moses, a Fannie Mae expert on rural housing programs, is the companion of Rep Barney Frank, the Massachusetts Democrat (who declines to vote on matters affecting the compensation of Fannie Mae officials). Both men say they go out of their way to avoid any conflicts of interest.

But the influence starts at the top. Fannie Mae Chairman Johnson has strong Democratic connections from his days as Walter Mondale's presidential campaign director. He also has close ties to Richard Darman, President Bush's budget director, with whom he worked in 1987-88 at Shearson Lehman Brothers.

In 1990, Mr. Darman used his budget message to warn of the "risk of substantial future claims against the government" from the obligations of GSEs, particularly Fannie Mae and Freddie Mac. Since then his worries have subsided. "The trend in his views has been consistent with the trend in Fannie Mae performance," Mr. Johnson explains, noting that after a series of losses in the early 1980s, Fannie Mae got financially stronger.

Now, it isn't losses but the rapid growth of the GSEs that generates concern. Herbert Sandler, chairman of World Savings & Loan Association in Oakland Calif., argues that "by exploiting their highly privileged position, Fannie Mae and Freddie Mac have rendered the business of funding home mortgages with consumer deposits and other borrowings uneconomic for many insured institutions." highly privileged position, Fannie Mae and Freddie Mac have rendered the business of funding home mortgages with consumer deposits and other borrowings uneconomic for many insured institutions."

TIFF WITH SALOMON

Bank and thrift executives still shudder at how Fannie cut Salomon Brothers out of underwriting and other business in 1987 for opposing Fannie's bid to move into a new line of business in competition with Wall Street. The fight involved a mortgage backed security called Remics (Real Estate Mortgage Investment Conduits). Salomon helped create Remics and unsuccessfully fought Fannie's bid to get into the market. Now Fannie and Freddie dominate the Remic market, leaving investment banking firms with less than 10% of the business. When Fannie reduced its business with Salomon, an official said it wasn't doing this to penalize Salomon for its opposition but because "they do not give us any indication that they value our business very highly."

A group of thrifts has tried, and so far failed, to place in the emerging legislation tougher limits on expansion into new financing fields by Fannie Mae and Freddie Mac. The institutions help deflect such efforts by cultivating their image for financing part of the American dream. Says Mr. Johnson: "If you look at the other major domestic initiatives in the post World War II period, whether it be in health care, transportation, education or other areas of domestic policy, housing really is a dramatic success story."

Every year Fannie sends every member of Congress a report showing the amount of mortgages it purchases in each state and congressional district. In May Fannie Mae invited congressional housing experts to a Capitol Hill reception to honor innovative projects by six low-income housing groups. Four of the winners of its annual excellence awards came from states represented by members of the Senate Banking Committee. "It's their type of payoff to members," says Rep. Kleczka. "The next time legislation comes up, they'll remember Fannie."

[From the New York Times]

VOTE NEAR ON REGULATION OF FANNIE AND FREDDIE

(By Keith Bradsher)

WASHINGTON, June 29.—The Senate is finally nearing a vote, expected as early as Wednesday, on a measure that for the first time would subject to independent regulation two Government-sponsored institutions that have guaranteed nearly $1 trillion worth of home mortgages.

The road to the vote has been tortuous, and not just because of the political influence of the two institutions: the Federal National Mortgage Association, also known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, better known as Freddie Mac. As often happens in the Senate, the bill has become a vehicle for largely unrelated issues.

A deal early last week has helped the bill go forward, but with two new provisions that would shield municipalities and financial institutions from environmental cleanup lawsuits. Another deal late last week makes it likely that Senate Republicans will withdraw an amendment that would require a balanced budget.

CRITICS AREN'T SATISFIED

As for the bill's main point, it satisfies Fannie Mae and Freddie Mac but does not go nearly far enough to appease their critics, who contend that the two investor-owned companies enjoy an implicit Federal guarantee on loans that could someday cost taxpayers billions of dollars if defaults soared on mortgages.

The bill would give the Department of Housing and Urban Development authority to regulate Fannie Mae and Freddie Mac. The measure would also set minimum capital standards in an effort to prevent a financial setback at either institution from costing taxpayers billions of dollars.

Drafted in response to fears of a future burden on taxpayers, the bill has been so watered down that Fannie Mae and Freddie Mac are in the slightly odd position of lobbying for a bill to impose regulations on them.

James A. Johnson, the chairman and chief executive of Fannie Mae, said he supported the legislation because it would insure that the two enterprises retained adequate capital to cover losses and would concentrate regulation at an agency, H.U.D., that already deals with Fannie Mae and Freddie Mac. Mr. Johnson said that because Fannie Mae's losses as a percentage of its assets are a tiny fraction of the losses at commercial banks, the bill appropriately set capital standards below those for banks.

"A HOBBLED REGULATOR"

Critics contend that H.U.D. is too close to either institution to be truly independent and that Fannie Mae and Freddie Mac need to retain more capital to cope with unforeseen threats, like a change in the tax-deductibility of mortgage interest. "In the end, what we've got in there is mediocre capital standards and a hobbled regulator," said Thomas H. Stanton, a former Fannie Mae lawyer who has written a book, "A State of Risk" (Harper Business, $24.95) about his former employer.

The bill began moving faster through the Senate last week after the addition of two environmental provisions.

Senator Jake Garn, the Utah Republican who is the Banking Committee's ranking minority member, had sought for several years to enact a law that would exempt lenders from having to pay environmental cleanup bills for property they acquire through fore-

closures, if the environmental problems became apparent after the original loan was made. This spring he sought to attach the amendment to the Freddie Mac and Fannie Mae legislation.

But Senator Garn's move prompted a complaint from Senator Frank R. Lautenberg, Democrat of New Jersey, that the bill should also include his proposal to bar many lawsuits by polluters against municipalities. Senator Lautenberg had the ability to seek the bill's referral to the Environment and Public Works Committee's Subcommittee on Superfund, Ocean and Water Protection, although he did not do so.

BOTH PROVISIONS INCLUDED

In a classic illustration of how jurisdictional feuds among Congressional committees can shape legislation, both Senators ended up with their proposals in the bill. Senator Donald W. Reigle Jr., the Michigan Democrat who heads the Banking Committee, stepped in and mediated a settlement of the dispute last week, Senate aides said. The provisions were included in an extensive amendment that amounted to a virtual substitute bill, and the full Senate approved the "amendment" on June 23 by a vote of 52 to 44.

Environmental groups initially opposed both measures as reducing the number of groups that might be tapped to pay for cleanups. But their opposition to the municipal liability clause has faded. Douglas W. Wolf, a lawyer for the Natural Resources Defense Council, an environmental group based in New York, said: "The municipalities have a real problem. They've been unfairly victimized by large polluters."

Many companies that have dumped toxic wastes at dump sites municipalities also used for ordinary sewage sludge have tried to force towns to pay part of the toxic-waste cleanup costs.

The same groups still favor the retroactive regulation of banks that foreclose on property with environmental problems. Referring to the Gain amendment, Mr. Wolf said, "It limits the ability of the banks so far that they won't think about the environment any more."

INTRODUCTION OF LEGISLATION MODELED ON CANADA'S SUCCESSFUL PATENTED MEDICINE PRICES REVIEW BOARD

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. STARK] is recognized for 5 minutes.

Mr. STARK. Mr. Speaker, I am today introducing legislation closely modeled on a Canadian law which has been successful in moderating prescription drug prices for Canadian consumers. The bill uses the Canadian title, "Patented Medicine Prices Review Board Act."

I hope that the introduction of this bill can lead to hearings and a debate in the United States on why U.S. pharmaceutical companies often sell their products at a lower price in Canada that they do south of the border, how Canada has been able to keep drug price inflation under the rate of general inflation, and what the drawbacks and consequences of such a plan might be.

The bill establishes a board similar to Canada's that would review drug prices. Through jawboning and publicity it may help restrain excessive price increases and profiteering. If a company failed to cooperate, the board could shorten the term of a patent which had been given to the company for a product which was being priced at an excessive level. Federal agencies which buy or are in the business of reimbursing for drugs would be advised of alternatives to excessively priced drugs. Firms which showed price moderation and gave a commitment to keep a product reasonably priced could be rewarded with limited patent life extensions. Excessive pricing would be determined by a variety of measurements, including profitability, executive compensation, the price of comparable classes of drugs, et cetera.

The U.S. pharmaceutical industry has about triple the profitability rate of U.S. companies in general, it inflates its products at about triple the general inflation rate, it sells many of its products overseas in developed countries like Canada at lower prices than it sells them to sick Americans. Many of its chief executives are the most highly paid businessmen in the world. They claim they need all this profit to reinvest in R&D, but the fact is they spend more on advertising and sales than they spend on R&D. In recent years, more new salesmen have been hired than researchers. Hundreds of millions are poured into elaborate lobbying schemes to persuade doctors to use a particular pill—millions more are spent on ad campaigns to defeat bills like this one.

The products of this industry are needed by millions of Americans to avoid serious illness and death. These are not luxury products like candy and flowers that people can stop buying. The public is held hostage to the profiteering of this industry. Other nations similar to America do not stand for this abuse of the public interest. Thus, my proposal—a modest proposal asking why we can't do as well as our Canadian cousins?

Following are some quotes and news reports that make the case for a better system in America. I hope this information can help make the American public angry enough to demand better of this industry and of the Government which has let these high technology robber barons prey upon the sick.

PROFITABILITY OF U.S. PHARMACEUTICAL INDUSTRY: NO SENSE OF MODERATION

Consumer Reports states:

"The top 10 U.S. drug companies averaged 16 percent profit on sales in 1990, more than triple that of the average Fortune 500 company."

Similarly, Senator Pryor, chairman of the Senate Aging Committee, recently released data on the industry which showed:

"At a time when Americans are scrimping and saving to afford their medications, the drug industry's annual average 15.5 percent profit margin more than triples the 4.6 percent profit margin of the average Fortune 500 company."

Fortune magazine reports:

"No American industry has ever defied the laws of economic gravity like pharmaceuticals. For the past 30 years the drugmakers of the Fortune 500 have enjoyed the fattest profits in big business."

From Consumer Reports, March 1992:

"Between 1980 and 1990, while general inflation was 58 percent, overall health-care costs rose 117 percent—and the cost of drugs rose 152 percent.

"High drug prices are especially a burden for elderly people, who make up 12 percent of the population but consume 34 percent of prescription drugs. Surveys by the American Association of Retired Persons have found that the single largest out-of-pocket medical expense for three out of four Americans over 65, and that four out of ten have no prescription drug insurance coverage whatever. One in seven say they have failed to take prescribed medicine because it was too expensive."

PHARMACEUTICAL INDUSTRY PRICING SOCKS IT TO AMERICANS, GIVES AWAY BARGAINS TO FOREIGNERS

From the Washington Post, May 1991:

"For the Seattle resident in need of the drug Ativan, a full vial of 1 mg tablets costs about $48. Just a three hour drive to the north, residents in Vancouver, Canada, can buy the same vial of tranquilizers for or about $7.

"On the average, drugs in the United States cost 62 percent more than they do in Canada. They also cost 54 percent more than in any country in the European Community."

From the New York Times as reported in the San Francisco Chronicle:

"A month's supply of Eldepryl, a Parkinson's disease medication from Somerset Labs, Inc., costs about $28 in Italy, $48 in Austria and $240 in the United States.

"Aerosolized pentamidine, inhaled by people with AIDS to prevent a deadly form of pneumonia, costs about $100 wholesale and about $150 retail in the United States, where it is made by Fujisawa Pharmaceutical Co., of Deer Park, Ill.

"In France, Germany and Britain, Rhone-Poulenc SA's retail price for the identical vial is $26.

" 'Obviously, we subsidize the world,' said Richard Zeckhauser, an economist at Harvard University.

"A federal study has found that state Medicaid agencies paid $474 million more for prescription drugs in 1989 than they would have if they had been bought at the prices negotiated in Canada."

ARE SPECIAL PROFITS NEEDED FOR R&D, OR IS THAT JUST A PR ARGUMENT?

From the Cox News Service:

"Dr. Schondelmeyer of Purdue says his research shows that for every dollar a drug company charges the wholesaler, nearly 21 cents recoups the cost of marketing, and 15 cents is profit. (The rest goes for producing the drug, 36 cents; distribution and administration and corporate taxes, roughly 16 cents, and research and development—stressed by the companies as a high-ticket item—only 12 cents.)

From Fortune:

"While drugmakers funnel hundreds of millions into R & D . . . they spend up to twice as much on sales and marketing. American Home Products, a superb marketer with one of the poorest records of innovation, earned a 46% return on equity last year, ranking it 16th on the Fortune 500, one notch behind Merck (with 46.5%)."

From Consumer Reports:

"The industry carefully avoids adding up its annual promotional tab, but independent sources place it conservatively around $5-billion. It must be money well spent; the pharmaceutical industry has long been the nation's most profitable."

From Chemicalweek, Aug. 7, 1991:

"There has been a ratching upward of spending on sales and marketing—"in the double digits for the past five years," says [Decision resources consultant David Godolphin]."

PHARMACEUTICAL INDUSTRY DEFIES LAWS OF ECONOMICS—THUS JUSTIFYING A PRICES REVIEW BOARD SIMILAR TO CANADA'S.

From the Cox News Service, April 1991:

"In most fields, as competition increases, prices go down. Computers, camcorders and VCRs cost hundreds of dollars less than they did when first introduced.

"But in pharmaceuticals, figures from the American Association of Retired Persons' Public Policy Institute indicate that doesn't happen.

"Look at what happened to anti-ulcer drugs. The original drug was Tagamet. After Zantac was introduced in 1983, the price of Tagemet rose 46%. After the introduction of two more "competitors" in 1986 and 1988, the price of Targamet was 64% higher than it had been in 1983.

"'Prescription drugs have been rising faster than the Consumer Price Index of all items," said Dr. Stephan Schondelmeyer, who directs the Pharmaceutical Economic Research Center at Purdue University. "Pharmaceutical manufacturers have not shown the ability to show restraint. When challenged, they become more aggressive.'"

A recent article in Fortune aptly describes the factors at work in pharmaceutical economics:

"In this business the person who makes the buying decision is not the person who spends the money and cares most about what a drug costs. Says Dr. Jerry Avorn, an associate professor at Harvard Medical school: "Prices are high because their is a unique relationship at work. The person who pays is not the person who prescribes."

"Those earnings flow from a peculiar combination of competent research, some genuinely innovative products and many that aren't, marketing muscle, and immensely valuable patent protection. Most important, says Robert P. Bauman, CEO of SmithKline Beechman, which makes Tagamet, one of the best selling drugs in history, "it's a business that has never competed on price."

"In this market, ordinary economics seems not to apply. Since the real decision-makers—doctors—care little prices, discounting neither wins market share nor stimulates overall demand. In fact, says Ramesh Ratan, former controller at a division of Bristol-Myers, the opposite may occur. Instead of turning a market with $200 million in sales into one one with $400 million, price cutting can slash revenues in half. The upshot, says Ratan: "Price wars don't exist pharmaceuticals.'"

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. DELAY] is recognized for 60 minutes.

[Mr. DELAY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

HEALTH CARE LIABILITY REFORM AND QUALITY OF CARE IMPROVEMENT ACT OF 1992—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 102-355)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on the Judiciary and the Committee on Energy and Commerce, and ordered to be printed:

To the Congress of the United States:

I am pleased to transmit today for your immediate consideration and enactment the "Health Care Liability Reform and Quality of Care Improvement Act of 1992." Also transmitted is a section-by-section analysis.

This legislative proposal would assist in stemming the rising costs of health care caused by medical professional liability. During recent years, the costs of defensive medical practice and of litigation related to health care disputes have had a substantial impact on the affordability and availability of quality medical care. The bill attacks these very serious problems.

The bill would establish incentives for States to adopt within 3 years quality assurance measures and tort reforms. In addition, the health care reforms would apply to medical care and treatment funded through specific Federal programs pertaining to health care and employee benefits and to claims under the Federal Tort Claims Act. The tort reforms include: (1) a reasonable cap on noneconomic damages; (2) the elimination of joint and several liability for those damages; (3) prohibiting double recoveries by plaintiffs; and (4) permitting health care providers to pay damages for future costs periodically rather than in a lump sum.

Last year I recommended enactment of the "Health Care Liability Reform and Quality of Care Improvement Act of 1991." The enclosed bill includes the core provisions of that bill and expands its scope to ensure that treatment under federally funded health care and Federal employee benefit programs is subject to key reforms regardless of State action. Claims arising from such health care would first be considered through a fair system of nonbinding arbitration, in an effort to resolve the claims without litigation.

I urge the prompt and favorable consideration of this proposal, which would complement the other initiatives the Administration is undertaking regarding malpractice and quality of care.

GEORGE BUSH.

THE WHITE HOUSE, *July 2, 1992.*

ACTIVITIES OF U.S. GOVERNMENT DEPARTMENTS AND AGENCIES DURING CALENDAR YEAR 1991 RELATING TO PREVENTING NUCLEAR PROLIFERATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 102-354)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Foreign Affairs and ordered to be printed:

To the Congress of the United States:

I have reviewed the activities of the United States Government departments and agencies during calendar year 1991 related to preventing nuclear proliferation, and I am pleased to submit my annual report pursuant to section 601(a) of the Nuclear Non-Proliferation Act of 1978 (Public Law 95-242, 22 U.S.C. 3281(a)).

As the report demonstrates, the United States continued its efforts during 1991 to prevent the spread of nuclear explosives to additional countries, one of my highest priorities. The events of the past year in Iraq and elsewhere underline the importance of these efforts to preserving our national security, by reducing the risk of war and increasing international stability. I am determined to build on the achievements discussed in this report and to work with the Congress toward our common goal: a safer and more secure future for all humankind.

GEORGE BUSH.

THE WHITE HOUSE, *July 2, 1992.*

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, a concurrent resolution of the House of the following title:

H. Con. Res. 343. Concurrent resolution providing for an adjournment of the House from July 2 until July 7, 1992, an adjournment of the House from July 9 until July 21, 1992, and an adjournment or recess of the Senate from July 2 until July 20, 1992.

ADJOURNMENT OF THE HOUSE FROM JULY 2 UNTIL JULY 7, 1992, AND FROM JULY 9 TO JULY 21, 1992, AND ADJOURNMENT OR RECESS OF THE SENATE FROM JULY 2 OR JULY 3 UNTIL JULY 20, 1992

The SPEAKER pro tempore, by unanimous consent, laid before the House the Senate amendments to the concurrent resolution (H. Con. Res. 343) providing for an adjournment of the House from July 2 until July 7, 1992, and adjournment of the House from July 9 until July 21, 1992, and an adjournment or recess of the Senate from July 2 until July 20, 1992.

The Clerk read the Senate amendments as follows:

Senate amendments: Page 1, line 11, after "1992," insert "or Friday, July 3, 1992,".

Amend the title so as to read: "Concurrent resolution providing for an adjournment of the House from July 2 until July 7, 1992, an adjournment of the House from July 9 until July 21, 1992, and an adjournment or recess of

the Senate from July 2 or July 3 until July 20, 1992".

The Senate amendments were agreed to.

A motion to reconsider was laid on the table.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. COLLINS of Illinois (at the request of Mr. GEPHARDT), for today, on account of personal business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. BEREUTER) to revise and extend their remarks and include extraneous material:)

Mr. BEREUTER, for 5 minutes, today.

Mrs. BENTLEY, for 5 minutes, today.

(The following Members (at the request of Mr. MCNULTY) to revise and extend their remarks and include extraneous material:)

Mr. MAZZOLI, for 5 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. STARK, for 5 minutes, today.

(The following Member (at her own request) to revise and extend her remarks and include extraneous material:)

Mrs. BENTLEY, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. BATEMAN, on Senate Joint Resolution 324, Langley Research Center anniversary, in House, today.

(The following Members (at the request of Mr. BEREUTER) and to include extraneous matter:)

Mr. VANDER JAGT.

Ms. MOLINARI.

Mr. HORTON.

Mr. HASTERT.

Mr. RINALDO.

Mr. GREEN of New York.

Mr. DOOLITTLE.

Mr. BAKER.

Mr. SMITH of New Jersey.

Mr. BILIRAKIS.

Mr. WALKER.

Mr. MCMILLAN of North Carolina.

Mr. BEREUTER.

Mr. HOLLOWAY.

(The following Members (at the request of Mr. MCNULTY) and to include extraneous matter:)

Mr. KILDEE.

Mr. PENNY.

Mr. DIXON.

Mr. REED.

Mr. BARNARD.

Mr. STARK in two instances.

Mr. KOSTMAYER.

Mr. HOCHBRUECKNER.

Mr. SWETT.

Mr. FALEOMAVAEGA.

Ms. NORTON.

Mr. RICHARDSON.

Mr. SCHUMER.

Mr. SOLARZ.

Mr. FRANKS of Connecticut.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 1598. An act to continue the authorization of appropriations for the East Court of the National Museum of Natural History; to the Committees on House Administration and Public Works and Transportation.

S. 2827. An act to amend the John F. Kennedy Center Act (20 U.S.C. 76h et seq.) to provide authorization of appropriations for fiscal years 1993 through 1997 for the John F. Kennedy Center for the Performing Arts, and for other purposes; to the Committee on Public Works and Transportation.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 2780. An act to amend the Food Security Act of 1985 to remove certain easement requirements under the conservation reserve program, and for other purposes.

ADJOURNMENT TO TUESDAY, JULY 7, 1992

Mr. MAZZOLI. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to.

The SPEAKER pro tempore. Pursuant to the provisions of House Concurrent Resolution 343 of the 102d Congress, the House stands adjourned until 12 noon Tuesday, July 7, 1992.

Thereupon (at 5 o'clock and 55 minutes p.m.), pursuant to House Concurrent Resolution 343, the House adjourned until Tuesday, July 7, 1992, at 12 noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

3866. A letter from the Secretary of Education, transmitting the report "The Condition of Bilingual Education in the Nation," pursuant to 20 U.S.C. 3331; to the Committee on Education and Labor.

3867. A communication from the President of the United States, transmitting the report on adherence of the United States to arms control treaty obligations and on problems related to compliance by other nations with the provisions of arms control agreements to which the United States is a party, pursuant to 22 U.S.C. 2592; to the Committee on Foreign Affairs.

3868. Communication from the President of the United States, transmitting his intent to designate Colombia as a beneficiary of the trade-liberalization measures provided in the Andean Trade Preference Act, pursuant to 19 U.S.C. 3202 (H. Doc. No. 102-356); to the Committee on Ways and Means and ordered to be printed.

3869. Communication from the President of the United States, transmitting his intent to designate Bolivia as a beneficiary of the trade-liberalization measures provided in the Andean Trade Preference Act, pursuant to 19 U.S.C. 3202 (H. Doc. No. 102-357); to the Committee on Ways and Means and ordered to be printed July 2, 1992.

3870. A letter from the Comptroller General, transmitting the financial audit of the FSLIC Resolution Fund's 1991 and 1990 financial statements (GAO/AFMD-92-75, June 1992); jointly, to the Committees on Government Operations and Banking, Finance and Urban Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. ROSE: Committee on House Administration. H.R. 5269. A bill to add to the area in which the Capitol police have law enforcement authority, and for other purposes; with an amendment (Rept. 102-648). Referred to the Committee of the Whole House on the State of the Union.

Mr. DINGELL: Committee on Energy and Commerce. H.R. 4706. A bill to amend the Consumer Product Safety Act to extend the authorization of appropriations under that Act, and for other purposes; with an amendment (Rept. 102-649). Referred to the Committee of the Whole House on the State of the Union.

Mr. ROSTENKOWSKI: Committee of Conference. Conference report on H.R. 5260 (Rept. 102-650). Ordered to be printed.

Mr. WHEAT. Committee on Rules. House Resolution 509. Resolution waiving certain points of order against and during consideration of the bill (H.R. 5517) making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending September 30, 1993, and for other purposes (Rept. 102-651). Referred to the House Calendar.

Mr. DERRICK: Committee on Rules. H. Res. 510. Resolution providing for the consideration of the bill (H.R. 5100) to strengthen the international trade position of the United States. (Rept. 102-652). Referred to the House Calendar.

Mr. DERRICK: Committee on Rules. H. Res. 511. Resolution waiving points of order against the conference report on the bill (H.R. 5260) to extend the emergency unemployment compensation program, to revise the trigger provisions contained in the extended unemployment program, and for other purposes (Rept. 102-653). Referred to the House Calendar.

Mr. BROWN: Committee on Science, Space, and Technology. H.R. 4400. A bill to provide the Administrator of the Small Business Administration continued authority to administer the Small Business Innovation Research Program, and for other purposes; with an amendment (Rept. 102-554, Pt. 2). Ordered to be printed.

Mr. ASPIN: Committee on Armed Services. H.R. 4547. A bill to authorize supplemental

assistance for the former Soviet republics; with amendments (Report No. 102–569, Pt. 3). Ordered to be printed.

Mr. DE LA GARZA: Committee on Agriculture. H.R. 4547. A bill to authorize supplemental assistance for the former Soviet republics, with amendments (Rept. 102–569, Pt. 4). Referred to the Committee of the Whole House on the State of the Union.

SUBSEQUENT ACTION ON A REPORTED BILL SEQUENTIALLY REFERRED

Under clause 5 of rule X the following action was taken by the Speaker:

H.R. 2407. Referral to the Committee on the Judiciary extended for a period ending not later than July 22, 1992.

H.R. 4400. The Committee on Foreign Affairs discharged from further consideration of H.R. 4400.

H.R. 4400. Referral to the Committee on Armed Services extended for a period ending not later than July 7, 1992.

H.R. 4547. The Committees on Banking, Finance and Urban Affairs and Science, Space, and Technology discharged from further consideration of H.R. 4547.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BERMAN:

H.R. 5534. A bill to authorize the Secretary of the Interior to enter into a cooperative agreement with the William O. Douglas Outdoor Classroom; to the Committee on Interior and Insular Affairs.

By Mr. TORRES:

H.R. 5535. A bill to amend the Small Business Act to establish a Small Business Health Insurance Advisory Council and to provide for the establishment by small business development centers of health insurance information, counseling, and technical assistance programs, and for other purposes; to the Committee on Small Business.

H.R. 5536. A bill to amend the Internal Revenue Code of 1986 to allow a full, permanent deduction for the health insurance costs of self-employed individuals and to allow a refundable credit for certain health plan costs of small employers; to the Committee on Ways and Means.

By Mr. ACKERMAN:

H.R. 5537. A bill to amend title IV of the Employee Retirement Income Security Act of 1974 to include among pension plans covered under such title pension plans established and maintained by State or local governments for volunteer firefighters; to the Committee on Education and Labor.

By Mr. ANNUNZIO (for himself, Mr. WYLIE, Mr. BARNARD, Mr. LAROCCO, Mr. RIGGS, Mr. CAMPBELL of Colorado, Mr. HAYES of Illinois, Mr. ZELIFF, Mr. HOCHBRUECKNER, and Mr. BEREUTER):

H.R. 5538. A bill to amend the Federal Deposit Insurance Act to improve the collection of restitution awarded in cases of banking law violations, and for other purposes; jointly, to the Committees on Banking, Finance and Urban Affairs and the Judiciary.

By Mr. BEREUTER (for himself, Mr. ERDREICH, Mr. WYLIE, Mr. HUBBARD, Mr. BARNARD, Mr. MORAN, Mr. MCCOLLUM, Mr. ROTH, Mr. MCCANDLESS, Mr. BAKER, Mr. GILLMOR, Mr. HANCOCK, Mr. RIGGS, Mr. NUSSLE, Mr. BARRETT, and Mr. FIELDS):

H.R. 5539. A bill to increase the amount of credit available to fuel local, regional, and national economic growth by reducing the regulatory burden imposed upon depository institutions and for other purposes; jointly, to the Committees on Banking, Finance and Urban Affairs and Energy and Commerce.

By Mr. DELLUMS (for himself and Ms. NORTON):

H.R. 5540. A bill to waive the period of congressional review for certain District of Columbia acts; to the Committee on the District of Columbia.

By Mr. DOOLITTLE (for himself, Mr. HERGER, and Mr. GUNDERSON):

H.R. 5541. A bill to require the Federal Communications Commission to amend the program exclusivity and nonduplication rules relating to cable television system blackouts to permit carriage of network programming from broadcasts within the same State; to the Committee on Energy and Commerce.

By Mr. HASTERT (for himself, Mr. COMBEST, Mr. DELAY, and Mr. EWING):

H.R. 5542. A bill to institute accountability in the Federal regulatory process, establish a program for systematic selection of regulatory priorities, and for other purposes; to the Committee on the Judiciary.

By Mr. HORTON (for himself, Mr. GILMAN, Mr. MANTON, Mr. RANGEL, Mr. SCHEUER, Mr. TOWNS, Mr. SCHUMER, Mr. ENGEL, Mr. DOWNEY, Mr. ACKERMAN, Mr. MCNULTY, Mr. FISH, Mr. SOLARZ, Mr. WALSH, Mr. PAXON, Mr. OWENS of New York, Mr. MRAZEK, Mr. LENT, Mr. SOLOMON, Mr. MARTIN, Mrs. LOWEY of New York, Mr. LAFALCE, Mr. HOCHBRUECKNER, Mr. MCGRATH, Mr. NOWAK, Mr. BOEHLERT, Mr. MCHUGH, Ms. MOLINARI, Mr. WEISS, Mr. GREEN of New York, Mr. FLAKE, Mr. SERRANO, Mr. HOUGHTON, and Ms. SLAUGHTER):

H.R. 5543. A bill to amend title 38, United States Code, to provide that future increases in the monthly amount paid by the State of New York to blind disabled veterans shall be excluded from the determination of annual income for purposes of the payment of pension by the Secretary of Veterans Affairs; to the Committee on Veterans' Affairs.

By Mr. MCMILLAN of North Carolina (for himself and Mr. WYLIE):

H.R. 5544. A bill to prohibit the Resolution Trust Corporation from delaying the closing of any savings association because of a lack of appropriated funds and to authorize the Corporation to issue notes to depositors of closed savings associations for the amount of unpaid insured deposits; to the Committee on Banking, Finance and Urban Affairs.

By Mr. MORAN (for himself, Mr. LEWIS of California, Mr. BARNARD, Mr. GORDON, Mr. GIBBONS, Mr. STENHOLM, Mr. CARPER, Mr. WHEAT, Mr. KENNEDY, Mr. LEACH, Mr. JENKINS, Mr. COSTELLO, Mr. MYERS of Indiana, Mr. BROOMFIELD, Mr. HYDE, Mr. HERGER, Mr. CAMPBELL of California, Mr. ROBERTS, Mr. MCEWEN, Mr. HORTON, Mr. ESPY, Mr. CONDIT, Mr. HARRIS, Mr. ERDREICH, Mr. SISISKY, Mr. JACOBS, Mr. GUARINI, Mr. PANETTA, Mr. DONNELLY, Mr. LAUGHLIN, Mr. DARDEN, Mr. SLATTERY, Mr. TANNER, Mr. LUKEN, Mr. MCCRERY, Mr. RAMSTAD, Mr. THOMAS of Wyoming, Mr. SANGMEISTER, Mr. TRAFICANT, Mr. ALLARD, Mr. SCHIFF, Mr. BROWDER, Mr. LAFALCE, Mr. MCCANDLESS, Mr. CRAMER, Mr. HUBBARD, Mr. ORTON, Mr. MANTON, Mr. DWYER of New Jersey, Mr. RAY, Mr. ORTIZ, Mr. CLEMENT, Mr. KANJORSKI, Mr. PARKER, Mr. BOUCHER, Mr. RAHALL, Mr. BREWSTER, Mr. MURPHY, Mr. PAYNE of Virginia, Mr. PENNY, Mr. WILSON, Mr. POSHARD, Mr. STAGGERS, Mr. EWING, Mr. ANDREWS of New Jersey, Mr. GEREN of Texas, Mr. LIPINSKI, Mr. THOMAS of Georgia, Mr. PASTOR, Mr. SARPALIUS, Ms. HORN, Mr. SKEEN, Mr. DOOLEY, Mr. BRYANT, Mr. BLILEY, Mr. WISE, Mr. ROWLAND, Mr. STALLINGS, Mr. OLIN, Mr. HOCHBRUECKNER, and Mr. JOHNSTON of Florida):

H.R. 5545. A bill to improve Federal decisionmaking by requiring a thorough evaluation of the economic impact of Federal legislative and regulatory requirements on State and local governments and the economic resources located therein; jointly, to the Committees on Rules and the Judiciary.

By Ms. PELOSI (for herself, Mrs. BOXER, Mr. DELLUMS, Mr. EDWARDS of California, Mr. FAZIO, Mr. LANTOS, Mr. MILLER of California, Mr. MINETA, and Mr. STARK):

H.R. 5546. A bill to amend the Federal Water Pollution Control Act to provide for implementation of a management plan for the San Francisco Bay-Delta Estuary, and for other purposes; jointly, to the Committees on Public Works and Transportation and Merchant Marine and Fisheries.

By Mr. RICHARDSON (for himself, Mr. BROWN, and Mr. JONTZ):

H.R. 5547. A bill to require the Secretary of Agriculture to establish an administrative appeals process with respect to certain Forest Service decisions, and for other purposes; to the Committee on Agriculture.

By Mr. RICHARDSON:

H.R. 5548. A bill to direct the Secretary of Agriculture to convey certain lands to the town of Taos, NM; to the Committee on Interior and Insular Affairs.

By Mr. SANTORUM:

H.R. 5549. A bill to repeal the Rural Electrification Act of 1936, require the sale of all loans made under such act, and authorize the Secretary of Agriculture to make loans to electric generation and transmission cooperatives which are unable to obtain needed financing in the private sector; to the Committee on Agriculture.

H.R. 5550. A bill to limit the annual growth in overhead of executive agencies of the Government beginning with fiscal year 1994; to the Committee on Government Operations.

H.R. 5551. A bill to achieve payroll and work force reductions within the Federal Government through management incentives and other means; to the Committee on Post Office and Civil Service.

H.R. 5552. A bill to authorize a combined grant to States for administrative costs necessary to carry out the program of aid to families with dependent children under title IV of the Social Security Act, the State plan for medical assistance under title XIX of such act, and the Food Stamp Program, to eliminate enhanced Federal payments for such costs under such programs, and for other purposes; jointly, to the Committees on Ways and Means, Agriculture, and Energy and Commerce.

H.R. 5553. A bill to enable the Secretary of Health and Human Services to carry out activities to reduce waste and fraud under the Medicare Program; jointly, to the Committees on Ways and Means and Energy and Commerce.

H.R. 5554. A bill to require the consolidation of agricultural research and extension activities of the Department of Agriculture; to the Committee on Agriculture.

By Mr. SCHUMER (for himself, Mr. WALSH, and Mr. LEHMAN of Florida):

H.R. 5555. A bill to provide for increased preinspection at foreign airports, to make permanent the visa waiver pilot program, and to provide for expedited airport immigration processing; to the Committee on the Judiciary.

By Mr. STARK:

H.R. 5556. A bill to establish in the Food and Drug Administration the Patented Medicine Prices Review Board to regulate the prices of certin prescription drugs, and for other purposes; jointly, to the Committee on the Judiciary and Energy and Commerce.

By Mr. STUDDS (for himself, Mr. REED, Mr. MAVROULES, Mr. ATKINS, Mr. OLVER, Mr. YOUNG of Alaska, Mr. GROSS, and Mr. FRANK of Massachusetts):

H.R. 5557. A bill to amend the Magnuson Fishery Conservation and Management Act to provide for the restoration of New England stocks of groundfish, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. VISCLOSKY (for himself, Mr. MCCLOSKEY, and Mr. APPLEGATE):

H.R. 5558. A bill to amend title XVIII of the Social Security Act to protect certain hospitals from the unintended effects of geographic reclassification in determining the amount of payments to such hospitals for the operating costs of inpatient hospital services under part A of the Medicare Program, to clarify the criteria used for the geographic reclassification of hospitals under the program, and to permit certain hospitals to be treated as regional referral centers under the program; to the Committee on Ways and Means.

By Mr. TAUZIN (for himself, Mr. SLATTERY, Mr. LEHMAN of California, Mr. MOORHEAD, Mr. BARTON of Texas, Mr. RITTER, Mr. OXLEY, and Mr. HASTERT):

H.R. 5559. A bill to amend the Communications Act of 1934 to regulate the provision of information services by common carriers, to foster the development of the information services industry, and to promote competition in the provision of information services; to the Committee on Energy and Commerce.

By Mr. WELDON (for himself, Mr. APPLEGATE, Mr. BEVILL, Mr. DORNAN of California, Mr. SCHEUER, Mr. STAGGERS, Ms. NORTON, Mr. MCMILLEN of Maryland, Mrs. MINK, Mr. SISISKY, Mrs. BOEHLERT, Mr. MAZZOLI, Mr. JACOBS, Mr. SUNDQUIST, Mr. MORAN, Mr. GUARINI, Mr. BUNNING, Mr. WEISS, Mr. NEAL of North Carolina, Mr. FISH, Mr. HORTON, Mr. HOYER, Mr. DURBIN, Mr. ASPIN, Mr. MCNULTY, Mr. VANDER JAGT, Mr. MURTHA, Mr. LIPINSKI, Mr. CHAPMAN, Mr. TALLON, Mr. COBLE, Ms. LONG, Mr. HARRIS, Mr. RIGGS, Mr. GRANDY, Mr. SABO, Mr. FROST, Mr. CLINGER, Mr. HOCHBRUECKNER, Mr. TAYLOR of North Carolina, Mr. MORRISON, Mr. LEHMAN of Florida, Mr. RICHARDSON, Mr. ERDREICH, Ms. PELOSI, Mr. POSHARD, Mr. STUMP, Mr. ACKERMAN, Mr. DWYER of New Jersey, Mr. DARDEN, Mr. DOWNEY, Mr. BROWDER, Mr. CARPER, Mr. FAWELL, Mr. KOPETSKI, Mr. MANTON, Mr. LENT, Mr. BOUCHER, Mr. SAXTON, Mr. JENKINS, Mr. OXLEY, Mr. RANGEL, Mr. LIVINGSTON, Mr. DREIER of California, Mr. SHAW, Mr. GILMAN, Mr. TRAXLER, Mr. PICKETT, Mr. WOLF, Mr. RUSSO, Mr. PAXON, Mr. MONTGOMERY, Mr. BONIOR, Mr. ROEMER, Mrs. UNSOELD, Mr. EMERSON, Mrs. MORELLA, Mr. SANGMEISTER, Mr. KASICH, Mr. GAYDOS, Mr. GALLEGLY, Mr. MCGRATH, Mr. SPRATT, Mr. SKEEN, Ms. DELAURO, Mrs. COLLINS of Michigan, Mr. OLVER, Mrs. BYRON, Mr. WALSH, Mr. LEVIN of Michigan, Mr. EDWARDS of Texas, Ms. SLAUGHTER, Mr. VALENTINE, Mr. LAFALCE, Mr. STEARNS, Mr. COLEMAN of Texas, Mr. MAVROULES, Mr. HUGHES, Mr. QUILLEN, Mr. KLUG, Ms. MOLINARI, Mr. EVANS, Mr. SERRANO, Mr. LANTOS, Mr. GEREN of Texas, Mr. TRAFICANT, Mr. YOUNG of Florida, Mr. ROE, Mr. CARDIN, Mr. PAYNE of New Jersey, Mr. JEFFERSON, Mr. SCHIFF, Mr. LEWIS of California, Mr. ZIMMER, Mr. LAUGHLIN, Mr. FAZIO, Mr. DEFAZIO, Mr. LANCASTER, Mr. MRAZEK, Mr. VENTO, Mr. ZELIFF, and Mr. GEJDENSON):

H.J. Res. 523. Joint resolution designating October 8, 1992, as "National Firefighters Day"; to the Committee on Post Office and Civil Service.

By Mr. HOYER:

H. Con. Res. 343. Concurrent resolution providing for an adjournment of the House from July 2 until July 7, 1992, an adjournment of the House from July 9 until July 21, 1992, and an adjournment or recess of the Senate from July 2 until July 20, 1992; considered and agreed to.

By Mr. KOSTMAYER (for himself and Mrs. MORELLA):

H. Con. Res. 344. Concurrent resolution calling on the Secretary of Defense to complete a full investigation into alleged sexual harassment of women at the symposium of the Tailhook Association in September 1991; to the Committee on Armed Services.

By Mr. MCCLOSKEY:

H. Con. Res. 345. Concurrent resolution concerning declassification and release of information relating to United States military personnel held involuntarily in Indochina; to the Committee on Government Operations.

By Ms. MOLINARI:

H. Con. Res. 346. Concurrent resolution expressing the sense of the Congress that the U.S. Postal Service should not tender high-threat mail to air carriers for transportation on passenger flights until the recommendations of the Federal Aviation Administration's mail and cargo security study are implemented; to the Committee on Post Office and Civil Service.

By Mr. HAMILTON:

H. Res. 512. Resolution providing amounts from the contingent fund of the House for expenses of investigations and studies by the Task Force to Investigate Certain Allegations Concerning the Holding of Americans as Hostages in Iran in 1980 in the second session of the One Hundred Second Congress; to the Committee on House Administration.

MEMORIALS

Under clause 4 of rule XXII,

495. The Speaker presented a memorial of the Legislature of the State of Michigan, relative to a national registry of persons convicted of child abuse crimes; referred to the Committee on Education and Labor.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 104: Mr. BUSTAMANTE.

H.R. 430: Mr. CUNNINGHAM.

H.R. 551: Mr. MORRISON, Mr. MILLER of Washington, Mr. ZIMMER, Mr. EMERSON, and Mr. DUNCAN.

H.R. 917: Mr. MORRISON, Mr. KLUG, and Mr. SCHIFF.

H.R. 918: Mr. REED.

H.R. 1241: Mr. ALLEN and Mr. HASTERT.

H.R. 1335: Mr. KOPETSKI, Mr. SANDERS, and Mr. TORRICELLI.

H.R. 1378: Mr. TORRICELLI.

H.R. 1379: Mr. TORRICELLI and Mr. JOHNSON of South Dakota.

H.R. 1443: Mr. APPLEGATE.

H.R. 1456: Mr. GOODLING.

H.R. 1536: Mr. MCNULTY.

H.R. 1886: Mr. SKAGGS and Mr. KANJORSKI.

H.R. 2164: Mr. HUCKABY.

H.R. 2867: Mr. MCMILLEN of Maryland.

H.R. 2894: Mr. MINETA and Mr. DARDEN.

H.R. 3164: Mr. SAXTON, Mr. ROTH, Mr. SAWYER, Mr. HOBSON, and Mrs. VUCANOVICH.

H.R. 3204: Mr. RAMSTAD.

H.R. 3253: Mr. KILDEE.

H.R. 3273: Mr. MILLER of Ohio, Mr. PACKARD, Mr. OWENS of Utah, Ms. PELOSI, Mr. STALLINGS, Mr. CONDIT, Mr. LEWIS of California, Mr. NEAL of Massachusetts, Mr. GALLO, Mr. WYDEN, Ms. KAPTUR, Mr. LEVIN of Michigan, Mr. RIGGS, Mr. FAZIO, Mr. DOOLITTLE, and Mr. JOHNSON of South Dakota.

H.R. 3441: Mr. ZELIFF.

H.R. 3486: Mr. MAZZOLI and Mr. CHANDLER.

H.R. 3493: Mr. HOBSON and Mr. BAKER.

H.R. 3561: Mr. LIVINGSTON, Mr. MCCRERY, and Mr. CRANE.

H.R. 3598: Ms. SNOWE.

H.R. 3625: Mr. KILDEE.

H.R. 3764: Mr. RAVENEL.

H.R. 3776: Mr. LANTOS.

H.R. 4094: Mr. FISH.

H.R. 4178: Mr. PRICE.

H.R. 4259: Mr. ATKINS, Mr. MILLER of California, and Mr. EVANS.

H.R. 4270: Mr. WISE.

H.R. 4279: Mrs. LOWEY of New York.

H.R. 4334: Mr. RIGGS, Mr. EWING, Mr. DANNEMEYER, Mr. BURTON of Indiana, and Mr. HANCOCK.

H.R. 4414: Mr. MILLER of Washington.

H.R. 4537: Mr. SHAW.

H.R. 4542: Mr. FOGLIETTA, Ms. PELOSI, and Mr. WOLPE.

H.R. 4585: Mr. WHEAT, Mr. RAVENEL, Mr. ERDREICH, Ms. PELOSI, Mr. GIBBONS, Mr. JACOBS, Mr. DIXON, Mr. HAYES of Illinois, and Mr. HARRIS.

H.R. 4599: Mr. PANETTA and Mr. ROWLAND.

H.R. 4725: Mr. BUSTAMANTE.

H.R. 4729: Mr. KILDEE, Mr. SANDERS, Mr. BUSTAMANTE, Mr. ENGLISH, Mr. PETERSON of Florida, and Mr. CARPER.

H.R. 4738: Mr. MAVROULES.

H.R. 4754: Mr. KOSTMAYER and Mr. TORRICELLI.

H.R. 4976: Mr. HORTON.

H.R. 5096: Mr. BRYANT, Mr. SYNAR, Mr. STAGGERS, Mr. HUBBARD, and Mr. JONES of North Carolina.

H.R. 5121: Mr. OWENS of New York, Mrs. EVANS, and Mr. BILBRAY.

H.R. 5123: Mr. LAFALCE, Mr. KENNEDY, Mr. RAVENEL, Mr. KOPETSKI, Mr. NEAL of North Carolina, and Ms. SLAUGHTER.

H.R. 5176: Mr. ACKERMAN and Mrs. LOWEY of New York.

H.R. 5220: Mr. FISH, Mr. ZELIFF, Mr. CUNNINGHAM, Mr. GALLEGLY, Mr. GINGRICH,

Mr. RANGEL, Mr. SKEEN, Mr. HORTON, and Mr. MCCRERY.

H.R. 5223: Mr. JOHNSON of South Dakota and Mr. MORRISON.

H.R. 5264: Mr. FLAKE.

H.R. 5297: Mr. PAXON, Mr. GORDON, Mr. INHOFE, Mr. GILMAN, Mr. FROST, Mr. LIGHTFOOT, Mr. MCEWEN, Mr. BAKER, Mr. SWIFT, Mr. COLEMAN of Missouri, Mr. DEFAZIO, Mr. DARDEN, Mr. HOLLOWAY, Mr. STUMP, Mr. ASPIN, Mr. HORTON, Mr. PICKETT, Mr. TAUZIN, Mr. PETERSON of Florida, Mr. MCCRERY, Mr. NEAL of North Carolina, Mr. RAHALL, Mr. CAMP, Mr. GINGRICH, and Mr. TANNER.

H.R. 5307: Mr. FASCELL, Mr. YOUNG of Florida, Mr. GIBBONS, Mr. MCCOLLUM, and Mr. SPENCE.

H.R. 5340: Mr. FIELDS, Mr. DOOLITTLE, Mr. MURPHY, Mr. CUNNINGHAM, Mr. BLILEY, Mr. HASTERT, Mr. VOLKMER, Mr. LENT, Mr. WEBER, Mr. MYERS of Indiana, Mr. LOWERY of California, Mr. DE LA GARZA, and Mr. TAUZIN.

H.R. 5360: Mr. PASTOR and Mr. EVANS.

H.R. 5375: Mr. EWING, Mr. KLUG, and Mr. FRANKS of Connecticut.

H.R. 5391: Mr. FRANK of Massachusetts, Mrs. BENTLEY, Mr. HORTON, and Mr. RANGEL.

H.R. 5401: Mr. RINALDO and Ms. NORTON.

H.R. 5404: Mr. LANCASTER, Mr. WILSON, Mr. FROST, and Mr. ZELIFF.

H.R. 5416: Mr. EVANS and Ms. NORTON.

H.R. 5433: Mr. MORAN, Mr. ZELIFF, Mr. BAKER, Mr. THOMAS of Wyoming, Mr. PAXON, Mr. RIGGS, Mr. MCCANDLESS, Mr. ROTH, Mr. ZIMMER, Mr. HAMMERSCHMIDT, Mr. BARRETT, Mr. FIELDS, and Mr. VISCLOSKY.

H.R. 5456: Mr. BERMAN.

H.R. 5476: Mr. HOCHBRUECKNER, Mr. DOWNEY, Mr. MRAZEK, Mr. LENT, Mr. MCGRATH, Mr. FLAKE, Mr. ACKERMAN, Mr. SCHEUER, Mr. MANTON, Mr. SCHUMER, Mr. TOWNS, Mr. OWENS of New York, Mr. SOLARZ, Ms. MOLINARI, Mr. GREEN of New York, Mr. GUARINI, Mr. WEISS, Mr. SERRANO, Mr. ENGEL, Mrs. LOWEY of New York, Mr. FISH, Mr. GILMAN, Mr. MCNULTY, Mr. SOLOMON, Mr. BOEHLERT, Mr. MARTIN, Mr. WALSH, and Mr. RANGEL.

H.R. 5477: Mr. FASCELL.

H.R. 5478: Mr. LANCASTER, Mr. ROSE, Mr. ERDREICH, Mr. COLEMAN of Texas, Mr. RICHARDSON, Mr. PASTOR, Mr. BARNARD, Mr. TAUZIN, Mr. TORRES, Mr. PICKLE, Mr. BROOKS, Mr. RAVENEL, Mr. FASCELL, and Mr. ROYBAL.

H.R. 5496: Mr. ZELIFF, Ms. KAPTUR, and Mr. ATKINS.

H.R. 5514: Mr. SWIFT.

H.J. Res. 378: Mr. FOGLIETTA and Mr. DICKINSON.

H.J. Res. 400: Mr. OWENS of Utah, Mr. DICKINSON, and Mrs. KENNELLY.

H.J. Res. 411: Mr. PANETTA.

H.J. Res. 474: Mr. CARDIN, Mr. DWYER of New Jersey, Mrs. VUCANOVICH, and Mr. ROTH.

H.J. Res. 478: Mr. KILDEE, Mr. COUGHLIN, Mrs. ROUKEMA, Mr. SCHAEFER, and Ms. SLAUGHTER.

H.J. Res. 479: Mr. COLORADO, Mr. MURTHA, and Mr. ANNUNZIO.

H.J. Res. 483: Mr. CALLAHAN.

H.J. Res. 489: Mr. KASICH, Mrs. BOXER, Mr. MACHTLEY, Mr. WYDEN, Ms. SLAUGHTER, Mr. CARDIN, and Mr. HERGER.

H.J. Res. 495: Mr. JOHNSON of South Dakota and Mrs. KENNELLY.

H.J. Res. 498: Mr. GEREN of Texas, Mr. RAY, Mr. VALENTINE, Mr. CARPER, Mr. MINETA, Mr. PAYNE of New Jersey, Mr. POSHARD, Mr. DEFAZIO, Mr. BLILEY, Ms. NORTON, Mr. FORD of Michigan, and Mr. PETERSON of Minnesota.

H.J. Res. 501: Mr. ECKART and Mr. PERKINS.

H.J. Res. 508: Mr. JEFFERSON, Mr. WAXMAN, Mr. FROST, Mr. TORRICELLI, Mr. HORTON, Mr. LANCASTER, Mr. APPLEGATE, Mr. ABERCROMBIE, Mr. HOCHBRUECKNER, and Mr. KILDEE.

H. Con. Res. 246: Mr. ROEMER, Mr. VALENTINE, Mr. GLICKMAN, Mr. FALEOMAVAEGA, and Mr. MURTHA.

H. Con. Res. 282: Mr. MORRISON, Mr. DYMALLY, Mr. YATES, Mr. HASTERT, Mr. GRANDY, Mr. ORTIZ, Ms. PELOSI, and Mr. HOPKINS.

H. Con. Res. 295: Mr. SCHEUER and Mr. TORRICELLI.

H. Con. Res. 307: Mr. SHUSTER.

H. Res. 139: Mr. SHUSTER.

H. Res. 422: Mr. GEJDENSON, Mr. OWENS of Utah, and Mrs. KENNELLY.

H. Res. 470: Ms. NORTON, Mr. ENGEL, and Mr. FROST.

H. Res. 472: Mr. PAXON.

H. Res. 490: Mr. MILLER of Washington, Mr. ATKINS, Mr. STOKES, Mr. MCDERMOTT, Mr. SAXTON, Mr. THOMAS of Wyoming, Mr. SMITH of Iowa, Mr. RHODES, Mr. FAWELL, and Mr. HASTERT.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 3221: Mr. VOLKMER.